April 13, 2022

via electronic mail
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Markets and Securities Regulation Department

via PSE EDGE
PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 28th Street cor. 5th Avenue,
Bonifacio Global City, Taguig City

ATTENTION : **MS. JANET A. ENCARNACION**
Head, Disclosure Department

via electronic mail
PHILIPPINE DEALING & EXCHANGE CORP.
Market Regulatory Services Group
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

ATTENTION : **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head – Issuer Compliance and Disclosures Department

Gentlemen:

Attached is the SEC Form 17-A (2021 Annual Report) of Aboitiz Power Corporation for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

C	1	9	9	8	0	0	1	3	4	

S.E.C. Registration Number

ABOITIZ POWER CORPORATION

(Company's Full Name)

32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA PHILIPPINES

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

MANUEL ALBERTO R. COLAYCO
Contact Person

02- 8886-2338
Company Telephone Number

1	2		3	1

Month *Day*
Fiscal Year

Annual Report

1	7	-	A	

FORM TYPE

4th Monday of April

0	4		2	5

Month *Day*
Annual Meeting

N/A
Secondary License Type, if Applicable

SEC
Dept. Requiring this Doc

N/A
Amended Articles Number/Section

Total No. of Stockholders

x
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the year ended **2021**

2. SEC Identification Number **C199800134** 3. BIR TIN **200-652-460-000**

4. Exact name of registrant as specified in its charter **Aboitiz Power Corporation**

5. **Philippines**
Province, country or other jurisdiction of incorporation

6. Industry Classification Code

7. **32nd Street, Bonifacio Global City, Taguig City** **1634**
Address of principal office Postal Code

8. **(02) 8886-2800**
Issuer's telephone number, including area code

9. **N/A**
Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	**7,358,604,307**
Total Debt (as of December 31, 2021)	**₱234,437,399,000.00**

Fixed-Rate Peso Retail Bonds Issued by the Company:

Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
July 2017	Series A	₱3 billion	July 2027	10 years
October 2018	Series B	₱7.7 billion	January 2024	5.25 years
October 2018	Series C	₱2.5 billion	October 2028	10 years
October 2019	Series D	₱7.25 billion	October 2026	7 years
July 2020	Series E	₱9 billion	July 2022	2 years
July 2020	Series F	₱550 million	July 2025	5 years
March 2021	Series A	₱8 billion	March 2026	5 years
December 2021	Series B	₱4.8 billion	December 2025	4 years
December 2021	Series C	₱7.2 billion	December 2028	7 years
March 2022	Series D	₱3.0 billion	March 2027	5 years
March 2022	Series E	₱7.0 billion	March 2029	7 years

For a discussion on the Company's bond issuances, please refer to Part I Item 1 (I)(b).

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

Yes (✓) No ( )

If yes, state the name of such stock exchange and the classes of securities listed therein:

<u>Philippine Stock Exchange</u> **<u>Common</u>**

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes (✓) No ( )

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

    Yes (✓) No ( )

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

    For 2021, aggregate voting stock of registrant held outside of its affiliates and/or officers and employees totaled 3,453,415,177 shares (for details please refer to the attached notes to financial statements and Schedule H of this report) while its market price per share was ₱29.70, as of December 31, 2021.

    Based on this data, total market value of registrant's voting stock not held by its affiliates and/or officers and employees was computed to be ₱102.57 billion (bn).

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the RSA subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

    Yes ( ) No (✓)

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

    (a) Any annual report to security holders:
    - 2021 Audited Financial Statements of Aboitiz Power Corporation (with BIR ITR Filing Reference)
    - 2021 Consolidated Audited Financial Statements and Supplementary Schedules
    - Integrated Annual Corporate Governance Report
    - Sustainability Reporting Template and 2021 Annual and Sustainability Report

    (b) Any information statement filed pursuant to SRC Rule 20:
    - SEC Form 20-IS (Information Statement) for 2022 Annual Stockholders' Meeting

    (c) Any prospectus filed pursuant to SRC Rule 8.1:
    - None.

TABLE OF CONTENTS

PART I	**BUSINESS AND GENERAL INFORMATION**	
Item 1	Business	1
Item 2	Properties	68
Item 3	Legal Proceedings	70
Item 4	Submission of Matters to a Vote of Security Holders	77
PART II	**OPERATIONAL AND FINANCIAL INFORMATION**	
Item 5	Market for Issuer's Common Equity and Related Stockholder Matters	78
Item 6	Management's Discussion and Analysis or Plan of Operations	79
Item 7	Financial Statements and Supplementary Schedules	92
Item 8	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	92
PART III	**CONTROL AND COMPENSATION INFORMATION**	
Item 9	Directors and Executive Officers of the Issuer	97
Item 10	Executive Compensation	114
Item 11	Security Ownership of Certain Beneficial Owners and Management	118
Item 12	Certain Relationships and Related Transactions	119
PART IV	**CORPORATE GOVERNANCE**	
Item 13	Corporate Governance	121
PART V	**EXHIBITS AND SCHEDULES**	
Item 14	Exhibits	132
	Reports on SEC Form 17-C (Current Report)	132
	Sustainability Report	132
	SIGNATURES	133
ANNEX A	**CORPORATE STRUCTURE**	135
ANNEX B	**CERTIFICATES OF COMPLIANCE**	136
ANNEX C	**2021 SUSTAINABILITY REPORTING TEMPLATE**	
ANNEX D	**PARENT FINANCIAL STATEMENTS**	
ANNEX E	**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**	

PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Aboitiz Power Corporation (AboitizPower) is a publicly-listed company incorporated on, and has been in business since, February 13, 1998. AboitizPower was incorporated as a holding company for the Aboitiz Group's investments in electricity generation and distribution. Ownership in AboitizPower was opened to the public through an initial public offering of its common shares in the PSE on July 16, 2007. Through its Subsidiaries and Affiliates, AboitizPower is a well-positioned leader in the Philippine power industry being one of the leading companies in power generation, distribution, and retail electricity supply. As of March 23, 2022, AboitizPower had a market capitalization of ₱260.50 bn, with a common share price of ₱35.40 per share.

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

Based on Energy Regulatory Commission (ERC) Resolution No. 05-2021, dated March 12, 2021, the power generation business of AboitizPower is among the leaders in the Philippines in terms of installed capacity. Moreover, AboitizPower has the second largest distribution utility, in terms of captive customer connections and energy sales[1]. As of the latest ERC report, the Company's RES business combined is the second largest both in number of customers and total retail market share.[2] AboitizPower is a pioneer in building and the operation of run-of-river hydropower plants in the country. Today, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control.[3]

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

AboitizPower's portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the Company to address the 24-hour demand of the country with its coal and geothermal plants handling baseload demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid operation. Its Generation Companies have an installed capacity which is equivalent to a 16.58% market share of the national grid's installed generating capacity.[4] As of February 28, 2022, AboitizPower had a total of 5,332 MW net sellable capacity, of which 3,962 MW is the portion attributable to the Company. The Company targets to double its capacity to 9,200 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. (ARI), along with ARI's Subsidiaries and Joint Ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric and Davao Light, the second and third largest distribution utilities in the Philippines, respectively in terms of customer size and annual sales. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 7,396,423 MWh during 2021.

AboitizPower's power generation business supplies power to various customers under power supply contracts, ancillary service procurement agreements (ASPA), and for trading in the Wholesale Electricity Spot Market (WESM). The power distribution business is engaged in the distribution and sale of electricity to end-users, and

---

[1] Based on DOE's Distribution Development Plan 2019-2028
[2] ERC Competitive Retail Electricity Market Monthly Statistical Data as of January 2022
[3] Based on ERC Resolution No. 02, Series of 2020 dated 12 March 2020
[4] Based on Energy Regulatory Commission (ERC) Grid Limit Resolution

the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity-related services, such as installation of electrical equipment. AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 3.80 Terawatt hours (TWh) during 2021.

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

As of March 23, 2022, AEV owns 51.99% of the outstanding capital stock of AboitizPower, 27.00% is owned by JERA Asia, 0.97% is owned by directors, officers, and other related parties, while the remainder is owned by the public.

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

History and Milestones

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

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

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

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

Year	Milestones
1998	*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, Inc. (Hedcor).*
2007	*Entered into a share swap agreement with AEV in exchange for AEV's ownership interest in the following distribution utilities:* *(i) An effective 55% equity interest in Visayan Electric;* *(ii) A 100% equity interest in each of Davao Light and Cotabato Light;* *(iii) An effective 64% ownership interest in Subic Enerzone; and* *(i) An effective 44% ownership interest in SFELAPCO.*
	As part of the reorganization of the power-related assets of the Aboitiz Group, the Company: *(i) Acquired 100% interest in Mactan Enerzone and 60% interest in Balamban Enerzone from AboitizLand; and* *(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.*

Year	Milestones
	These acquisitions were made through a Share Swap Agreement, which involved the issuance of the Company's 170,940,307 common shares issued at the IPO price of ₱5.80 per share in exchange for the foregoing equity interests in Mactan Enerzone, Balamban Enerzone, and Subic Enerzone.
	Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, acquired possession and control of the Magat Plant following its successful bid in an auction by the Power Sector Assets and Liabilities Management Corporation (PSALM).
	Formed Abovant Holdings, Inc. (Abovant) with the Vivant Group as the investment vehicle for the construction and operation of a coal-fired power plant in Toledo City, Cebu ("Cebu Coal Project"). Abovant entered into a Memorandum of Agreement (MOA) with Global Business Power Corporation (Global Power) of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy Development Corporation (Cebu Energy).
	Therma Power, Inc. (TPI) entered into a MOA with Taiwan Cogeneration International Corporation (TCIC) for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. Redondo Peninsula Energy, Inc. (RP Energy) was incorporated as the project company.
	Acquired 50% of East Asia Utilities Corporation (EAUC) from El Paso Philippines Energy Company, Inc. and 60% of Cebu Private Power Corporation (CPPC).
	Purchased 34% equity ownership in STEAG State Power, Inc. (STEAG Power) from Evonik Steag GmbH in August 2007.
	Purchased Team Philippines Industrial Power II Corporation Industrial Power II Corp.'s 20% equity in Subic Enerzone.
2008	*SN Aboitiz Power–Benguet submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex.*
	Acquired Tsuneishi Holdings (Cebu), Inc. (THC)'s 40% equity ownership in Balamban Enerzone, bringing AboitizPower's total equity in Balamban Enerzone to 100%.
2009	*AP Renewables, Inc. (APRI) acquired the 234-MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities").*
	Therma Luzon, Inc. (TLI) became the Independent Power Producer Administrator (IPPA) for the 700-MW contracted capacity of the Pagbilao Coal-Fired Power Plant (the "Pagbilao Plant"), becoming the first IPPA of the country.
2010	*Therma Marine, Inc. (TMI), acquired ownership over Mobile 1 ("Power Barge 118") and Mobile 2 ("Power Barge 117") from PSALM.*
2011	*Meralco PowerGen Corporation (MPGC), TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.*
	Therma Mobile, Inc. (TMO) acquired four barge-mounted floating power plants and their operating facilities from Duracom Mobile Power Corporation and EAUC. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.
2013	*Aboitiz Energy Solutions, Inc. (AESI) won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant (ULGPP). The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on October 26, 2019.*
2014	*TPI entered into a joint venture agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation (PEC) to develop, construct, and operate the 400 MW coal-fired Pagbilao Unit 3.*
	Therma Power-Visayas, Inc. (TPVI) was declared the highest bidder for the privatization of the Naga Power Plant Complex (NPPC). SPC Power Corporation (SPC), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. After protracted legal proceedings, TPVI accepted the turn-over for the NPPC plant on July 16, 2018.
	Acquired 100% of Lima Enerzone Corporation (Lima Enerzone) from Lima Land, Inc. (Lima Land), a wholly-owned Subsidiary of Aboitiz InfraCapital.
	TPI entered into a Shareholders' Agreement with Vivant Group, for the latter's acquisition of 20% issued and outstanding shares in Therma Visayas, Inc. (TVI).
2015	*ARI formed a Joint Venture, San Carlos Sun Power, Inc. (SacaSun), with SunEdison Philippines to explore solar energy projects. In 2017, AboitizPower International completed the acquisition of SacaSun from SunEdison Philippines, and ownership of SacaSun was consolidated in AboitizPower.*
	TSI commenced full commercial operations of its Unit 1.
2016	*TSI commenced full commercial operations of its Unit 2.*
	TPI acquired an 82.8% beneficial ownership interest in GNPower Mariveles Coal Plant Ltd. Co. (now: GNPower Mariveles Energy Center Ltd. Co. or GMEC) and a 50% beneficial ownership interest in GNPower Dinginin Ltd. Co. (GNPower Dinginin or 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.*

AboitizPower
A Better Future

Year	Milestones
	TPVI accepted the turnover of the Naga Power Plant Complex from PSALM.
	Pag 3 began commercial operations.
	TVI commenced commercial operations of its Unit 1.
2019	*TMO signed a Power Supply Agreement (PSA) with Meralco, after the facility went into preservation mode on February 5, 2019. TMO re-registered again with Independent Electricity Market Operator of the Philippines (IEMOP) on April 26, 2019.*
	AboitizPower acquired 49% voting stake and a 60% economic stake in AA Thermal.
	TVI commenced commercial operations of its Unit 2.
2020	*TPVI started commercial operations.*
2021	*A special-purpose vehicle wholly owned by ARI was awarded the Engineering, Procurement, and Construction (EPC) contract for the 94-megawatt peak (MWp) solar project in Pangasinan province. The Company entered into an agreement with JGC Philippines, Inc., the country's biggest EPC services company to build its second solar power venture.*

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

AboitizPower is developing various solar, wind, hydro, and storage projects. In November 2020, AboitizPower announced its two battery projects – the TMI Hybrid Battery Energy Storage System ("TMI BESS") and SN AboitizPower-Magat Battery Energy Storage System ("Magat BESS"). TMI BESS is located in Maco, Compostela Valley, has a storage capacity of 49 MWh, is intended to be used for ancillary services, and is currently under construction. SN AboitizPower BESS is located in Ramon, Isabela, has a storage capacity of 20 MWh, and will be used to provide ancillary services. In December 2021, the Company also began the construction of a 167MWp Laoag solar project in Aguilar, Pangasinan.

As of February 28, 2022, AboitizPower had 928 MW of attributable net sellable capacity, through its partners, under its Cleanergy brand. The Company is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

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

(2) Business of Registrant

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

(a) Description of Registrant

(i) Principal Products

GENERATION OF ELECTRICITY

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of December 31, 2021, the power generation business accounted for 105% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of December 31, 2021, compared to the same period in 2020 and 2019:

Generation Companies	2021	Energy Sold 2020 (in GWh)	2019	2021	Revenue 2020 (in mn Pesos)	2019
APRI	2,787	3,055	2,968	11,405	11,253	12,545
SacaSun	61	44	49	311	250	269
Hedcor	149	161	226	758	697	881
LHC	238	266	262	687	761	787
Hedcor Sibulan	251	201	191	1,858	1,399	1,282
Hedcor Tudaya	40	33	29	234	261	172
Hedcor Sabangan	55	49	51	325	395	300
Hedcor Bukidnon	271	261	284	1,827	1,418	1,605
SN Aboitiz Power-Magat	2,195	1,891	2,054	7,352	5,352	6,608
SN AboitizPower-Benguet	2,120	1,936	1,975	7,412	5,668	6,065
TLI	7,979	6,686	6,812	33,447	20,505	25,410
TSI	1,891	1,531	1,393	11,173	8,276	9,099
TVI	2,434	2,232	1,710	10,686	8,490	6,254
Cebu Energy	2,028	2,025	1,900	8,984	7,719	8,578
STEAG Power	1,845	1,845	1,840	3,918	4,022	4,791
GMEC	2,703	5,003	3,909	19,676	17,821	19,373
WMPC	802	819	638	1,596	1,390	1,158
SPPC	0	0	0	0	0	0
CPPC	381	540	550	1,275	998	1,685
EAUC	363	226	383	963	571	1,013
TMI	1,253	743	1,200	1,276	990	1,865
TMO	1,367	381	938	1,293	668	1,970
TPVI*	29	3	-	367	30	-
Davao Light** (decommissioned)	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

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

Renewables

Aboitiz Renewables, Inc. (ARI)

As of February 28, 2022, AboitizPower's renewable energy portfolio in operation consisted of net sellable capacity of approximately 1,249.17 MW, divided into 46.80 MW of solar, 912.37 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 Generation Companies. ARI was incorporated on January 19, 1995.

In line with AboitizPower's ten-year strategy of growing its renewable energy capacity as well as striking a 50:50 balance between its Cleanergy and thermal portfolios by 2030, ARI is actively developing solar, wind, hydro, and storage projects. The 94MWp Cayanga solar project in Bugallon, Pangasinan is currently under construction and expected to be completed by the fourth quarter of 2022. Tendering on the 160MWp Laoag solar project in Aguilar, Pangasinan is ongoing, and the project is expected to start construction in the second quarter of 2022, and be completed by the second quarter of 2023. SN AboitizPower-Magat expects to commence construction on the Magat BESS in the first half of 2022 with projected commercial operations date in the first half of 2024.

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

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lon-oy, Irisan 1 and 3, and Sal-angan	Run-of-river hydro	52.7	52.7	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	4.5	4.5	Distribution utility
Hedcor Bukidnon	100%	Manolo Fortich (Mindanao)	Run-of-river hydro	68.8	68.8	FIT
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	49.10	49.10	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
LHC	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	74.8	74.8	NPC (2026)
SacaSun	100%	SacaSun (Visayas)	Solar	46.8	46.8	Bilaterals
SN Aboitiz Power-Benguet	60%**	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	52.50	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA /Electric Cooperatives /DU/RES
SN Aboitiz Power-Magat	60%**	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ ASPA/ Electric Cooperatives / DU/RES
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.5	4.25	FIT
			Total	**1,248.2***	**928.4***	

Notes:
** Sum figures will differ due to rounding effect.*
***The 60% equity is owned by MORE.*

Run-of-River Hydros

In 2021, Hedcor Group had a total generated gross of 994 GWh of Cleanergy across the Philippines. This is higher than the generated gross of renewable energy in 2020 of 956 GWh, or an increase of 3.95% during 2021 compared to -0.79% in 2020. The Hedcor Group achieved this level of generation as a result of minimized outages and the La Niña in the first half of 2021.

On November 18, 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 June 22, 2021, the National Commission on Indigenous Peoples (NCIP) - Cordillera Administrative Region served on Hedcor a cease-and-desist order ("CDO") involving its three run-of-river hydropower plants in Bakun, Benguet. Bakun Indigenous Tribes Organization (BITO) requested the issuance of such CDO following BITO's passage of a 'Resolution of Non Consent' in relation to a Memorandum of Agreement it previously executed with Hedcor. Hedcor assailed the issuance of the CDO through court action; and resumed operations and synchronized to the Luzon grid on July 28, 2021. After the successful conduct of negotiations participated in by Hedcor and

BITO, NCIP formally lifted the CDO in an Order dated February 21, 2022. Given this, Hedcor filed a motion to withdraw the court action with the Court of Appeals on March 24, 2022.

Luzon Hydro Corporation (LHC)

LHC, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river Bakun AC hydropower plant with a total installed capacity of 74.8 MW located in Amilongan, Alilem, Ilocos Sur (the "Bakun AC Hydro Plant"). LHC was incorporated on September 14, 1994.

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

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

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

Hedcor, Inc. (Hedcor)

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

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

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

In 2021, Hedcor Group had a total generated gross of 994 GWh of Cleanergy across the Philippines. This is higher than the generated gross renewable energy in 2020 of 956 GWh. This 3.95% increase is a great improvement compared to the 0.79% decrease in 2020. Hedcor achieved maximized generation as a result of La Niña in the first half of 2021 and minimized outages.

Hedcor Sibulan, Inc. (Hedcor Sibulan)

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

In 2018, Hedcor Sibulan gained its ISO 22301:2014 Business Continuity Management Certification.

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

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

Hedcor Tudaya, Inc. (Hedcor Tudaya)

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

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

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

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

Hedcor Sabangan, Inc. (Hedcor Sabangan)

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

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

Hedcor Bukidnon, Inc. (Hedcor Bukidnon)

Hedcor Bukidnon, a wholly-owned Subsidiary of ARI, owns, operates, and manages the mini hydropower plants with a combined net sellable capacity of 72.8 MW located in Manolo Fortich, Bukidnon (the "Manolo Fortich Plant"). The company was incorporated on January 17, 2011.

The Manolo Fortich Plant is composed of the 45.9-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 Manolo Fortich 1 Hydro is now fully operational after the 45% supply generation reduction. Its two pelton units were restored when it re-synchronized to the Mindanao grid in August 2021.

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

Large Hydros

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

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

SN Aboitiz Power-Magat is ARI’s Joint Venture with SN Power Philippines Inc. (SN Power Philippines), a leading Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. In October 2020, Norway-based Scatec ASA (Scatec) signed a binding agreement to acquire 100% of the shares in SN Power from Norfund for a total equity value of US$ 1,166 mn. On January 29, 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 February 28, 2022, SN Aboitiz Power-Magat is 60% owned by MORE, while SN Power Philippines owns the remaining 40% equity interest.

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

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

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

Driven by improved inflows in the first quarter of 2021, the Magat Plant’s total sold quantities from spot energy generation and ancillary services (AS) during 2021 was at 1.9 TWh, an improvement from 2020’s sold capacity of 1.8 TWh. This is equivalent to a sold capacity factor of 60%, compared to 55% in 2020. Spot and AS revenue for the year 2021 was ₱6.59 bn, 51% higher than 2020’s ₱4.36 bn. SN Aboitiz Power-Magat’s Bilateral Contract Quantity (BCQ) margin for 2021 was a ₱679 mn loss, significantly lower than 2020’s ₱727 mn. This was mainly driven by the higher spot market prices during 2021 compared to 2020.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating photovoltaic project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of the SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. On October 21, 2020, the company obtained approval for the project to proceed to engineering design for a total of 67 MW. The project is currently in the detailed feasibility study stage, which is expected to run for ten to twelve 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 is also working on the renewable energy service contract (RESC) application with the Department of Energy (DOE). The company secured an extension of the memorandum of understanding with the National Irrigation Administration (NIA), the government agency in charge of dams and reservoirs, on the conduct of the feasibility study, with ongoing discussions regarding the agreement for use of the reservoir.

The 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. Early works activities have been completed, including site surveys and basic engineering design. Coordination is ongoing with the NGCP on transmission, particularly the Magat-Santiago 230 kV transmission line reconductoring and upgrading. The benefit of this upgrade is to ensure full dispatch of the Magat power plant's capacity, battery energy storage system, and proposed expansion in the floating solar space. The addition of BESS complements the rise of variable renewable energy in the country, increasing frequency variability to the grid which requires a more balanced power supply in the system.

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

SN Aboitiz Power-Magat retained its Integrated Management System certifications for ISO 14001 for Environmental Management System, ISO 9001 for Quality Management System, ISO 45001 for Occupational Health and Safety Management Systems, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2021. The company recorded 2 mn manhours without lost time incident in 2021.

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

SN Aboitiz Power-Benguet is the owner and operator of the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 105-MW Ambuklao HEPP ("Ambuklao Plant") and the 140-MW Binga HEPP ("Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. The company was incorporated on March 12, 2007. As of February 28, 2022, MORE owns 60% equity interest, while SN Power owns the remaining 40%.

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

With higher inflows in the Ambuklao reservoir in 2021 compared to 2020, 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 in 2021 was 703 GWh, which was 96% of the 732 GWh capacity sold in 2020. This was equivalent to a sold capacity factor of 76% during 2021, as compared to the 80% during 2020. The Binga Plant's total sold capacity from spot energy generation and AS in 2021 was 1.12 TWh, or 112% of the 1.00 TWh sold capacity in 2020. This is equivalent to a sold capacity factor of 92% for 2021, compared to 82% in 2020.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2021 was ₱6.180 bn, compared to ₱4.20 bn in 2020. SN Aboitiz Power-Benguet's BCQ margin for 2021 was ₱236 mn loss, which was significantly lower than 2020's BCQ margin of ₱973 mn. This was mainly driven by the higher spot market prices during 2021 compared to 2020.

Both the Ambuklao and Binga Plants have retained their Integrated Management System certifications (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and ISO 55001 for Asset Management). The company also successfully migrated and was certified as ISO 45001 Occupational Health & Safety Management System from OHSAS 18001. The Ambuklao and Binga Plants jointly have just over 5.2 mn man hours of no lost time incident in 2021.

Geothermal

AP Renewables, Inc. (APRI)

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

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

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

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

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

Solar

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

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

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

As of February 28, 2022, the energy generated from the SacaSun Plant benefited more than 33,891 homes within the Visayas Grid and displaced the energy equivalent to 20,994,583 gallons of gasoline or approximately 206,222,535 pounds of coal burned.

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

International.

PV Sinag Power, Inc. (PV Sinag)

PV Sinag is the project company for the construction of the 94 MWp Cayanga solar project located in Cayanga, Bugallon, Pangasinan. PV Sinag issued a notice to proceed (“NTP”) on September 15, 2021 for the construct of an access road. A NTP to the EPC contractor for the power plant and transmission was issued on December 16, 2021 and pre-works are ongoing. Issuance of NTP signifies that the EPC contractor can start with its scope of work, which usually begins with the EPC contractor’s issuance of a standby letter of credit, PV Sinag’s payment of the advance payment, and other activities needed to start construction, such as the mobilization of personnel and equipment to site. The total project cost is estimated at ₱4.5 bn and will be funded through project finance and equity contributions. The project is expected to commence commercial operations by December 2022, in line with PV Sinag’s PSA with a retail customer.

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

Sinag Naraw Power Inc. (Sinag Naraw)

Sinag Naraw was incorporated on June 19, 2020 as a joint venture between ARI and Okeelanta Corporation. Sinag Naraw is the project company for an 11MWp solar project in Pampanga currently under development.

`As of February 28, 2022, ARI owned 44% of Sinag Naraw.

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

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

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

As of February 28, 2022, APX has approximately 4.3 MWp of rooftop solar projects, operating under a Power Purchase Agreement, a turnkey solution for customers, or about to start construction/installation. The on-going rooftop solar PV developments are expected to go online within the first half of 2022.

Renewables Pipeline

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

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

In 2021, SN Aboitiz Power-Gen continued to explore and develop various renewable energy projects in order to contribute to SN Aboitiz Power Group’s growing renewable energy portfolio.

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

SN Aboitiz Power-Gen is likewise venturing into the commercial floating solar front through the Magat Floating Solar Project, proposed to be located in Ramon, Isabela. This 67-MW project is currently in the Feasibility Phase. The project has received the Solar Energy Operating Contract from the DOE and will continue to engage other regulatory bodies such as the NIA, the National Grid Corporation of the Philippines (NGCP), the Department of Environment and Natural Resources (DENR), and local government units (LGUs).

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

SN Aboitiz Power-Gen was incorporated on March 10, 2011. As of February 28, 2022, 60% equity interest in the company is owned by MORE, with the remaining 40% owned by SN Power Philippines.

Non-Renewables

Therma Power, Inc. (TPI)

AboitizPower's investments and interests in various non-renewable energy projects are held primarily through its wholly-owned Subsidiary, TPI and its Subsidiary power generation companies. TPI was incorporated on October 26, 2007. As of February 28, 2022, AboitizPower, by itself, through and/or with TPI, owned equity interests in the following thermal plants:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
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
GMEC	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)
Oil Group						
CPPC**	60%	CPPC Plant (Visayas)	Bunker-C fired	64	38.4	WESM
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired	43.5	43.5	Bilaterals
SPPC**	20%	SPPC Plant (Mindanao)	Bunker-C fired	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted	96	96	Bilaterals/ASPA
		Power Barge Mobile 2 (Mindanao)	Barge-mounted	96	96	Bilaterals/ASPA
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted	200	200	WESM/ASPA
TPVI	100%	TPVI Plant (Visayas)	Bunker-C fired	39.3	39.3	WESM
WMPC**	20%	WMPC Plant (Mindanao)	Bunker-C fired	100	20	Bilaterals

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Cotabato Light**	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired	4.45	4.45	N/A
			Total	**3,404.6**	**2,566.2***	

Notes:
** Sum figures will differ due to rounding effect*
*** Directly owned by AboitizPower*

Oil Group

Therma Marine, Inc. (TMI)

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

The 192 MW dependable capacities of TMI are currently contracted with the NGCP in an ASPA. TMI is now registered as a WESM Trading Participant beginning January 8, 2020, in anticipation of WESM in Mindanao.

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

Therma Mobile, Inc. (TMO)

TMO, a wholly-owned Subsidiary of TPI, operates four barge-mounted power plants located at the Navotas Fish Port, Manila, which it acquired on May 27, 2011. The barge-mounted power plants have an installed generating capacity of 231 MW. TMO operates with a net available capacity of 165 MW. The company was incorporated on October 20, 2008.

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

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

East Asia Utilities Corporation (EAUC)

EAUC, a wholly-owned Subsidiary of TPI, is the owner and operator of a 44-MW Bunker C-fired power plant within MEPZ I, Lapu-Lapu City, Cebu. The company supplies the power requirements of the MEPZ I locators, and began supplying power through the WESM on December 26, 2010. EAUC was incorporated on February 18, 1993.

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

Therma Power Visayas, Inc. (TPVI)

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

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

On July 16, 2018, the NPPC was physically turned over and accepted by TPVI from PSALM. TPVI embarked on the rehabilitation of the 44-MW diesel plant right after, which DOE has endorsed as a committed power project. On August 7, 2020, TPVI commenced commercial operations and was first dispatched based on an offer into the WESM on August 26, 2020.

Cebu Private Power Corporation (CPPC)

CPPC owns and operates a 70-MW Bunker C-fired power plant located in Cebu City, one of the largest diesel-powered plants on the island of Cebu. The company was incorporated on July 13, 1994. Commissioned in 1998, the CPPC plant was constructed to supply 62 MW of power to Visayan Electric. CPPC is currently trading in the WESM.

CPPC is a Joint Venture between AboitizPower and the Vivant Group. As of February 28, 2022, AboitizPower beneficially owned 60% of CPPC.

Southern Philippines Power Corporation (SPPC)

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

As of February 28, 2022, AboitizPower has a 20% equity interest in SPPC, a Joint Venture among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

SPPC has been on asset preservation status since the expiration of its PSAs with Davao Light and Cotabato Light on April 28, 2018. The plant's last operation was in July 2018.

Western Mindanao Power Corporation (WMPC)

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

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

As of February 28, 2022, AboitizPower has a 20% equity interest in WMPC, a Joint Venture among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Coal Group

Therma Luzon, Inc. (TLI)

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

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

Pagbilao Energy Corporation (PEC)

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

Through TPI, AboitizPower has 50% equity interest in PEC, while TPEC Holdings Corporation owned the remaining 50% as of February 28, 2022.

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

Therma South, Inc. (TSI)

TSI, a wholly-owned Subsidiary of TPI, owns and operates the 300-MW net (2x150MW net) circulating fluidized bed (CFB) coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur. TSI was incorporated on November 18, 2008. Commercial operations for Unit 1 and Unit 2 began in September 2015 and February 2016, respectively.

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

Therma Visayas, Inc. (TVI)

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

AboitizPower, through TPI, effectively owned an 80% equity interest in TVI as of February 28, 2022. The remaining 20% is held by the Vivant Group.

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

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

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

Cebu Energy was incorporated on December 5, 2008 by Abovant and Global Formosa Power Holdings, Inc.

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

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

As of February 28, 2022, Abovant has a 44% equity interest in Cebu Energy, while Global Formosa owned the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy.

Redondo Peninsula Energy, Inc. (RP Energy)

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

RP Energy was originally a Joint Venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on July 22, 2011. As of February 28, 2022, AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

STEAG State Power Inc. (STEAG Power)

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

As of February 28, 2022, AboitizPower has 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG). STEAG and La Filipina Uy Gongco Corporation (LFUGC) currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

On January 29, 2021, STEAG Power applied for the renewal of its ERC COC which expired last August 29, 2021. ERC issued a Provisional Authority to Operate valid until August 29, 2022.

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

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. Last December 15, 2021, SPI amended one of its existing coal supply agreements for the inclusion of clauses allowing shortfalls in shipments to be added at the end of the contract and extension of the contract for such purpose. The Company entered into a Charter Party Agreement, as amended, for the transportation of coal in bulk from January 1, 2020 to December 31, 2025.

AA Thermal, Inc.

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

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

GNPower Mariveles Energy Center Ltd. Co. (GNPower Mariveles or GMEC)

GMEC, formerly known as GNPower Mariveles Coal Plant Ltd. Co., is a private limited partnership organized on May 13, 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x345 MW (gross) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines (the "Mariveles Project"). GMEC registered its Amended Articles of Partnership to reflect GMEC's change in partnership name, which was approved by the SEC on October 14, 2020.

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced on January 29, 2010 and was declared commercially available in 2014.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line from Mariveles to Hermosa substation. The transmission line is owned, operated, and maintained by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term PPAs with highly-rated distribution utilities and Contestable Customers, through its designated RES, GNPower Ltd. Co.

In October 2016, TPI acquired the partnership interests held by the affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). Following its receipt of the necessary approvals from the Board of Investments (BOI) and PCC, TPI completed the acquisition of GMEC and GNPD interests on December 27, 2016. On March 7, 2018, AboitizPower completed the restructuring of its share ownership structure in GMEC by transferring its direct ownership of GMEC from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that used to own the GMEC shares.

In 2021, GMEC informed AboitizPower of an unscheduled outage of the Mariveles Project's Unit 1 ("GMEC Unit 1") attributable to damage found in a portion of GMEC Unit 1's boiler. Actual repairs to the boiler were completed on August 12, 2021 while, parallel to these repair works, GMEC Unit 1 went on general maintenance outage. With the extended outage activities, GMEC returned to service from these incidents on October 18, 2021. In view of the resulting business interruption, GMEC has initiated an insurance claim for the outage. The Mariveles Project represents approximately 8.96% of the total gross capacity under AboitizPower's market control of 3,850 MW. GMEC Unit 1 delivers a net sellable capacity of 316 MW, which represents approximately 9.06% of AboitizPower's net sellable capacity of 3,494 MW.

Effectively, the partnership interests in GMEC are owned by:

(i) TPI;

(ii) ACE Mariveles Power Ltd. Co., a joint venture between (a) AA Thermal, Inc., a wholly-owned subsidiary of AC Energy and Infrastructure Corporation and AboitizPower, and (b) Power Partners Ltd. Co. ("Power Partners"); and,

(iii) Power Partners.

As of February 28, 2022, AboitizPower has a 78.3% effective partnership interest in GMEC.

GNPower Dinginin Ltd. Co. (GNPower Dinginin or GNPD)

GNPD is a limited partnership organized and established on May 21, 2014 with the primary purpose of developing, constructing, operating, and owning a 2x724.965 MW (gross) supercritical coal-fired power plant to be located in Mariveles, Bataan.

AboitizPower
A Better Future

GNPD started the construction of Unit 1 in September 2016. With GNPD finally receiving Unit 1's Certificate of Compliance from the ERC, Unit 1 began servicing its PSAs from the unit's own generation beginning December 26, 2021. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017, with the target date for Unit 2's initial synchronization scheduled in the second quarter of 2022, from which GNPD Unit 2 may start earning revenues.

GNPD’s construction is conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities, as well as, the balance of plant, and (ii) the second phase is for Unit 2, an additional identical 668MW (net) unit, and its associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be initially exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Once NGCP’s 500kV high voltage transmission line is completed, energy from both GNPD’s Unit 1 and Unit 2 will be exported through the same.

On December 27, 2016, TPI completed the acquisition of the partnership interests held by the affiliated investment funds of The Blackstone Group, L.P in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). AboitizPower’s sharing percentage on GNPD’s (i) profits and losses and (ii) distributions therein, through its general and limited partners, was eventually reduced to 40%.

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself, resulting in TPI directly owning a 45% partnership interest in GNPD by December 31, 2018.

In February 2019, GNPD secured the Certificate of Energy Project of National Significance from the DOE.

As an Authority of the Freeport Area of Bataan (AFAB) Registered Enterprise, GNPD is entitled to the incentives granted under Republic Act No. 9728, the organic law creating the AFAB. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPD is co-developed by Power Partners, AC Energy, and TPI. As of February 28, 2022, AboitizPower owned a 70% effective partnership interest in GNPD.

Other Generation Assets

As of February 28, 2022, Cotabato Light maintains a stand-by maximum capacity of 4.45-MW Bunker C-fired power plant capable of supplying approximately 13.26% of its requirements.

Future Projects

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

DISTRIBUTION OF ELECTRICITY

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

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

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

The Distribution Utilities' earnings contribution to AboitizPower's business segments in 2020 was equivalentto 28.03%. The Distribution Utilities had a total customer base of 1,068,820 as of year-end 2020, compared to 1,030,726 as of end-2019, and 995,828 as of the end of 2018.

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

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Davao Light	2,597,592	2,476,991	2,633,920	459	452	454	458,498	440,304	420,666
Cotabato Light	178,535	170,363	173,114	34	31	31	47,098	45,044	43,449
Visayan Electric	3,144,768	3,119,850	3,500,781	554	583	601	477,732	462,699	450,088
SFELAPCO	716,888	686,694	714,948	147	134	140	118,806	116,293	112,091
Subic Enerzone	267,047	262,393	329,633	50	56	62	3,581	3,477	3,473
Mactan Enerzone	107,541	99,927	117,433	21	21	22	87	87	87
Balamban Enerzone	85,813	92,771	101,885	25	28	27	28	29	34
Lima Enerzone	296,780	242,455	249,394	56	49	44	940	882	834
Malvar Enerzone	1,458	158	51	1.28	0.12	0.06	13	5	4
Total	**7,396,423**	**7,151,601**	**7,821,159**	**1,347**	**1,355**	**1,382**	**1,106,783**	**1,068,820**	**1,030,726**

Visayan Electric Company, Inc. (Visayan Electric)

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

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

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 for December 31, 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 (km). As of February 28, 2022, approximately 3.6 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.

Visayan Electric's total systems loss was 7.55% as of February 28, 2022. This included a feeder loss of 4.61%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2022, AboitizPower directly held a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Group.

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

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Its franchise area covers two cities and three municipalities in the Davao region, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms.

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

The company's renewable energy power supply is sourced from hydropower plants of NPC-PSALM hydro, Hedcor Sibulan, Hedcor's Talomo plant, and Hedcor Bukidnon's Manolo Fortich Plant.

The distribution network infrastructure of Davao Light is continuously upgraded to increase its capacity and adopts digital technology in its substations to enhance the reliability and flexibility in the sub-transmission and distribution network. Its P. Reyes substation has been upgraded to a fully digital substation, the first in the Philippines outside of Manila, with an additional 50MVA capacity. Its Buhangin substation was upgraded with an additional 33 MVA capacity to cater to the rapid load growth in the northern part of Davao City. Its underground cabling project along C.M Recto St. has improved the reliability of power and safety of the community and the aesthetics of the main downtown road.

As the challenges of the Covid-19 pandemic remain, Davao Light continues to serve its customers through its diverse digital channels and online facilities to provide ease of doing business such as payments, requests, and inquiries. The company maintains payment facilities to make bills payment more accessible to its customers. Its mobile application, MobileAP, allows customers to access their billing and accounts anytime and anywhere This was introduced in 2020 and has been upgraded with additional features and more access options to its users.

Davao Light retained its certification for the ISO 9001:2015, or the Quality Management System (QMS), and passed the surveillance audit for ISO 45001:2018 - Occupational Health and Safety (OH&S) Management System and ISO 14001:2015 – Environmental Management (EM) System.

As of February 28, 2022, Davao Light's total systems loss is at 8.32%. This included a feeder loss of 5.20%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

Cotabato Light and Power Company (Cotabato Light)

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

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 13.26% 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.

Cotabato Light's total systems loss as of February 28, 2022 is at 7.78%. This included a feeder loss of 6.04%. which is above the government-mandated feeder loss cap in 2022 of 5.50%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

As of February 28, 2022 AboitizPower directly owned a 99.94% equity interest in Cotabato Light.

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

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

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. and the municipality of Floridablanca and Brgys. Talang and Ligaya, Municipality of Guagua, Pampanga with an estimated area of 175.5 sq. kms. For 2021, SFELAPCO has a total of 276.2 MVA of substation capacity with a peak load of 146.5 MW including its 69kv customers.

SFELAPCO's total systems loss as of February 28, 2022 was 5.27%. This included a feeder loss of 3.58% which is below the government-mandated feeder loss cap in 2022 of 5.50%.

As of February 28, 2022, AboitizPower had an effective equity interest of 43.727% in SFELAPCO.

Subic Enerzone Corporation (Subic Enerzone)

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

Subic Enerzone serves a total of 3,552 customers, consisting of 80 industrial locators, 1,293 commercial locators, 2,056 residential customers, 101 streetlights and 22 industrial locators under RES.

Subic Enerzone's total systems loss as of February 28, 2022 was 3.87%. This included a feeder loss of 2.19%, which is below the government-mandated feeder loss cap in 2022 of 5.50%.

As of February 28, 2022, AboitizPower owned, directly and indirectly through Davao Light, a 99.98% equity interest in Subic Enerzone.

Mactan Enerzone Corporation (Mactan Enerzone)

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

Mactan Enerzone sources its power from Green Core Geothermal Incorporated and Power Sector Asset and Liabilities Management Corporation pursuant to the respective CSEE.

Mactan Enerzone serves a total of 47 captive industrial locators, 28 captive commercial locators, and 12 industrial locators under RES.

Mactan Enerzone's total system loss as of February 28, 2022 was 1.07%. This included a feeder loss of 0.48%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2022, AboitizPower owned a 100% equity interest in Mactan Enerzone.

Balamban Enerzone Corporation (Balamban Enerzone)

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

Balamban Enerzone serves a total of ten captive industrial customers, 12 captive commercial customers, and six contestable industrial customers.

Balamban Enerzone's total systems loss as of February 28, 2022 was 0.43%. This included a feeder loss of 0.17%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2022, AboitizPower directly owned a 100% equity interest in Balamban Enerzone.

Lima Enerzone Corporation (Lima Enerzone)

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

Lima Enerzone serves a total of 96 captive industrial locators, 18 captive commercial locators, 792 captive residential customers, eight street lamps, and 25 industrial locators under RES.

As of February 28, 2022, Lima Enerzone's total systems loss was 4.11%. This included a feeder loss of 0.70%, which is below the government-mandated feeder loss cap for 2022 of 5.50%.

As of February 28, 2022, AboitizPower directly owned a 100% equity interest in Lima Enerzone.

Malvar Enerzone Corporation (Malvar Enerzone)

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

As of February 28, 2022, AboitizPower directly owned a 100% equity interest in Malvar Enerzone.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES

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

Aboitiz Energy Solutions, Inc. (AESI)

AESI is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES valid until October 28, 2022. The company was incorporated on August 11, 1998.

AESI served 42 customers at the start of commercial operations of Open Access on June 26, 2013. In 2021, AESI supplied retail electricity to a total of 205 customers, with total energy consumption of 2,058.94 mn kWh. As of February 28, 2022, AboitizPower owned a 100% equity interest in AESI.

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 June 17, 2022. The company was incorporated on August 14, 2008.

AdventEnergy differentiates itself from competition by sourcing most of its electricity requirements from a renewable source. As a result, an increasing number of companies are opting to source a part, if not the majority, of their electricity supply from AdventEnergy as an environmental initiative.

In 2021, AdventEnergy supplied retail electricity to 109 customers with a total consumption of 1,562.86 mn kWh.

As of February 28, 2022, AboitizPower owned a 100% equity interest in AdventEnergy.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009 as a Joint Venture between AboitizPower and Vivant Corporation. It was granted a license to act as a RES valid until May 22, 2022.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy provides its customers with contract options for electricity supply that is based on their operating requirements. In 2021, Prism Energy supplied retail electricity to 53 customers with a total energy consumption of 182.10 mn kWh.

As of February 28, 2022, AboitizPower directly owned a 60% equity interest in Prism Energy.

SN Aboitiz Power – Res, Inc. (SN Aboitiz Power - RES)

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

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

As of February 28, 2022, MORE owns a 60% equity interest in SN Aboitiz Power-RES, with the remaining 40% owned by SN Power Philippines.

Mazzaraty Energy Corporation (Mazzaraty)

Mazzaraty was incorporated on June 19, 2014 as a joint venture among Aboitiz Power, Pasudeco Corporation, L&R Development, Inc., and Alfecon Realty, Inc. It was granted a license to act as a RES until June 18, 2022. Mazzaraty supplies retail electricity customers with a total consumption of 2,903,311 kWh in 2021.

As of February 28, 2022, AboitizPower owned 44.87% of Mazzaraty.

(ii) Sales

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

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

	2021	2020	2019
Gross Income	₱134,359	₱110,377	₱125,635
Operating Income	28,210	26,880	28,856
Total Assets	**₱427,416**	**₱397,925**	**₱410,469**

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

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

	2021		2020		2019	
Power Generation	**₱97,337**	**59%**	₱74,647	55%	₱84,379	53%
Power Distribution	**45,628**	**28%**	42,991	32%	47,448	30%
Retail Electricity Supply	**19,875**	**12%**	16,477	12%	24,566	15%
Services	**1,033**	**1%**	1,308	1%	1,965	1%
Total Revenue	**163,874**	**100%**	**135,423**	**100%**	**158,358**	**100%**
Less: Eliminations	**-29,514**		-25,046		-32,723	
Net Revenue	**₱134,359**		**₱110,377**		**₱125,635**	

Note: Values are in Million Pesos.

(iii) Distribution Methods of the Products or Services

Power Generation Business

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

Distribution Utilities Business

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

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

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

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

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

Retail Electricity Supply Business

AboitizPower's wholly-owned RES companies, AdventEnergy and AESI, have existing electricity supply contracts to ensure continuous supply of power to their customers. AdventEnergy and AESI maintain a portfolio of 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 RES licenses in 2020 and became registered members of the Renewable Energy Market last July 6, 2021.

(iv) New Products/Services

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of February 28, 2022.

(v) Competition

Power Generation Business

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower's growth and portfolio of assets. The drastic increase in coal prices also puts coal fired power assets at a significant disadvantage in terms of prices among competitors especially in the renewable space where prices are now more competitive and cost is not affected by commodities.

As of February 28, 2022, consumption of power has returned to the pre-pandemic levels and in certain areas has surpassed it. This, combined with the challenges in power supply across the country, means AboitizPower is positioned to benefit from higher spot prices in the market by managing and maintaining the availability of its power plants. AboitizPower also believes that the Philippines' energy requirements will continue to grow as the country develops, attracting many competitors, including multinational development groups and equipment suppliers, to explore opportunities in power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth trajectory of the Philippines. With this opportunity, AboitizPower believes it is well-positioned to be play a significant role in this growth expansion, and to capitalize on the growing renewable energy space with its strategy to have 50% of its generating assets classified as renewable by the end of this decade, together with the ability to meet long term baseload requirements.

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 (5,432 MW of installed capacity), a Subsidiary of San Miguel Corporation. AboitizPower is the second largest generation company by attributable installed capacity (3,882 MW). The third largest is First Gen Corporation (3,485 MW of installed capacity).

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

With the commencement of retail competition, Open Access, and lowering of thresholds for contestability, these foreign and local generation companies, and other independent RES players, have already set up their own RES business, which include Direct Power RES, and Ecozone Power Management Inc. RES. Of these, the largest player in terms of number of registered Contestable Customers is MPower RES.[5] The main strength of this largest player is its association with the country's largest distribution utility, Meralco, and the goodwill that comes from its size and dominance.

Retail Electricity Supply Business

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of December 2021, there are 44 RES companies and 28 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group has the largest market share at 37.43%, with a contracted capacity of 1,663.72 MW. Its main strength is its affiliation as a subsidiary of the country's largest distribution utility, Meralco, which has the

[5] Based on ERC's Competitive Retail Electricity Market Report released in December 2021.

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 18.91%,[6] with contracted capacity of 840.18 MW[7] as of December 2021. The San Miguel Group has the third largest market share at 15.83%, with a contracted capacity of 703.66 MW.

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

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

Distribution Utilities Business

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

(vi) Sources of Raw Materials and Supplies

Power Generation Business

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

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

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

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

TLI has long-term coal supply contracts for both the performance and blending coal requirements of Pagbilao Units 1 and 2. Likewise, Pagbilao Unit 3 has a long-term contract until 2025 for the majority of its annual requirement.

TVI entered into a long-term coal supply agreement with one of its established coal sources after its successful test firing while a contract with a second source has been entered into at the end of 2021 for supply during 2022.

TSI has extended its contract with its main supplier up to 2023. 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.

---

[6] Excluding SFELAPCO which is 20.284% owned by AboitizPower.
[7] Excluding SFELAPCO which is 20.284% owned by AboitizPower.

GNPD, GMEC, STEAG Power, and Cebu Energy also have long-term coal supply agreements.

Power Distribution Business

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

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

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 CSP for the Supply of 50MW which TMI won. Davao Light also addressed the projected increase in load for 2020 by entering into an Emergency PSC with SMCPC 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 Electric Power Purchase Agreement (EPPA) with Cebu Energy in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Subic Enerzone conducted a CSP to reduce its WESM exposure. Masinloc Power Partners Co. Ltd. (MPPCL) won the 10MW PSA starting December 26, 2021.

Similarly, Lima Enerzone conducted its own CSP as replacement to its expiring contract.TLI won the contract at 7MW for five years starting in May 2021.

Malvar Enerzone sources its power supply from WESM to meet the ecozone's power requirements until its electricity demand is stable.

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

Transmission Charges

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

Distribution Utility	Valid until
Lima Enerzone	July 25, 2022
Cotabato Light	August 25, 2023
SFELAPCO	December 25, 2023
Davao Light	January 25, 2024
Visayan Electric	January 25, 2024

Distribution Utility	Valid until
Mactan Enerzone	January 25, 2025
Balamban Enerzone	January 25, 2025
Malvar Enerzone	December 25, 2025

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

(vii) Major Customers

Power Generation Business

As of February 28, 2022, out of the total electricity sold by AboitizPower's Generation Companies, approximately 91% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 9%, is sold by the Generation Companies through the WESM.

Retail Electricity Supply Business

As of February 28, 2022, AboitizPower's RES business has approximately 308 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.

Power Distribution Utilities

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

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

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

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

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

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

(ix) Patents, Copyrights, 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 Act of 2001 (EPIRA). Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a COC from ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

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

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

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

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

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

Distribution Business

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

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

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

<table>
<tr><th>Distribution Utility</th><th>Franchise</th><th>Term</th><th>Expiry</th></tr>
<tr><td rowspan="2">Visayan Electric</td><td>RA No. 9339</td><td>25 years from effectivity of RA No. 9339. RA No. 9339 was approved on Sept. 1, 2005.</td><td rowspan="2">Valid until September 24, 2030</td></tr>
<tr><td>ERC Certificate No. CPCN-09-01 (ERC Decision dated January 26, 2009, ERC Case No. 2008-095 MC).</td><td>25 years, or from September 24, 2005 to September 24, 2030</td></tr>
</table>

Distribution Utility	Franchise	Term	Expiry
Davao Light	RA No. 8960	25 years from effectivity of RA No. 8960, or from September 7, 2000	September 7, 2025
	ERC CPCN Decision dated February 26, 2002, ERC Case No. 2001-792	25 years, or from September 7, 2000 to September 7, 2025	
	RA No. 11515	25 years from expiration of the term granted under RA No. 8960, or from September 7, 2025 to September 7, 2050 (Lapsed into law on December 26, 2020)	Valid until September 7, 2050
Cotabato Light	RA No. 10637	25 years from the effectivity of RA No. 10637, as amended. RA No. 10637 was approved on June 16, 2014.	Valid until June 16, 2039
	ERC Certificate No. CPCN-14-001 (ERC Decision dated December 9, 2019, ERC Case No. 2013-063 MC)	25 years, or from June 17, 2014 or until June 16, 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on Feb. 6, 2010)	Valid until March 23, 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated August 31, 2010, ERC Case No. 2010-029 MC)	25 years, or from March 24, 2010 to March 23, 2035	
Subic Enerzone	Distribution Management Service Agreement (DMSA) between Subic Enerzone and Joint Venture of AEV- Davao Light	Notarized on May 15, 2003. Term of the DMSA is 25 years.	Valid until May 15, 2028.

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

Retail Electricity Supply Business

Like power generation, the business of supplying electricity is not considered a public utility operation under 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 and Generation Companies with RES licenses, AESI, AdventEnergy, APRI, SN Aboitiz Power – Magat, SN Aboitiz Power – RES, Prism Energy, and TLI, have all obtained separate licenses to act as RES and Wholesale Aggregator.

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 Intellectual Property Office (Philippine IPO), and their pending trademark applications abroad.

Philippine IPO

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"A Better Future" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"Better Solutions" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"AboitizPower" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"AboitizPower Spiral and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ February 10, 2011 Trademark was renewed on February 10, 2021.	Registered
"Cleanergy" word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ January 13, 2006 Trademark was renewed on January 13, 2016.	Registered
"Cleanergy" word mark for the additional goods and services (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ June 9, 2019	Registered
"Cleanergy Get It and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"Cleanergy Got It and Device" device mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ November 11, 2010 Trademark was renewed on November 11, 2020.	Registered
"AboitizPower and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ February 10, 2011 Trademark was renewed on February 10, 2021.	Registered
Subic EnerZone Corporation and Logo trademark (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ August 20, 2007 Trademark was renewed on August 20, 2017.	Registered
Subic EnerZone Corporation and Logo Word mark and device (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ August 20, 2007 Trademark was renewed on August 20, 2017.	Registered
"Subic EnerZone Corporation" word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ June 4, 2007 Trademark was renewed on June 4, 2017.	Registered
"Cotabato Light" Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ October 20, 2019	Registered
"Davao Light" Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ October 20, 2019	Registered
"Balamban Enerzone" Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ February 10, 2020	Registered
"Mactan Enerzone" Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ February 20, 2020	Registered
"Lima Enerzone" Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ February 10, 2020	Registered
"Malvar Enerzone" Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ February 10, 2020	Registered

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"Subic Enerzone" Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ October 20, 2019	Registered
"Visayan Electric" Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ December 29, 2019	Registered
"MORE" Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4-2018-00018077/February 21, 2019	Registered
"SN ABOITIZ POWER" Logo GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise, Inc., SN Aboitiz Power-Magat, Inc., and SN Aboitiz Power-Benguet, Inc.	4-2018-00018076/ February 5, 2019	Registered
"SN ABOITIZ POWER-BENGUET, INC." Logo	SN Aboitiz Power-Benguet, Inc.	4-2014-00005209/ December 29, 2016	Registered
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ March 9, 2017	Registered
Logo	SN Aboitiz Power-Magat, Inc.	4-2017-00018969/ June 7, 2018	Registered

International Trademarks (Non-Madrid Protocol)

AboitizPower has the following registered international trademarks:

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

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

International Trademarks Application (Madrid Protocol)

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

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

AboitizPower also has the following pending international trademark applications under the Madrid Protocol:

Trademarks	Country of Application
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)	Indonesia
Cleanergy Word Mark (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)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia

(x) Government Approvals

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

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

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

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

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

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

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

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

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

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

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

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

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

The salient features of the CREATE Act are as follows:

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

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

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

3. Revised Corporation Code

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

(a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies SEC that it elects to retain its specific corporate term under its current articles of incorporation.

(b) A corporation vested with public interest must submit to its shareholders and to SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

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

(c) Material contracts between a corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

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

(d) Allowing the creation of a "One Person Corporation" (OPC) except for banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others. This restriction also applies with respect to close corporations.

(e) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. This manner of voting is deemed available for stockholders of corporations vested with public interest, even if not expressly stated in the corporate bylaws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

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

(i) *Memorandum Circular No. 3-2020* on *Notice of the Regular Meeting of Stockholders* - A written notice of regular meetings of stockholders shall be sent at least 21 days before the meeting and must contain all information and deadlines relevant to a shareholders' participation in the meeting and exercise of the right to vote remotely;
(ii) *SEC Memorandum No. 6-2020* on the *Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing, and Other Remote or Electronic Means of Communication* - Stockholders may now participate in their respective meetings and vote, whether by remote communication or in absentia. The corporation shall also issue its own internal procedures and mechanics for voting via remote communication or in absentia;
(iii) *SEC Memorandum Circular No. 14-2020.* - Allows stockholders who, alone or together, own at least 5% of outstanding capital stock of a publicly-listed company to include items in the agenda prior to a regular or special stockholders' meeting;
(iv) *SEC Memorandum Circular No. 7-2021*. - Provides that stockholders holding at least 10% of the outstanding capital stock of a publicly-listed corporation has the right to call for a special stockholders' meeting. The purpose must affect the legitimate interest of stockholders but should not include the removal of any director.

(f) A favorable recommendation by the appropriate government agency is required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the SEC approves any merger or consolidation; or any voluntary dissolution involving these entities.

(g) In case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock; incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

4. The Philippines Competition Act

Pursuant to Bayanihan 2 Act, which was signed into law on September 11, 2020, all mergers and acquisitions with transaction values below ₱50 bn shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two years from the effectivity of Bayanihan 2 Act. As of September 14, 2021, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act are already subject to the PCC *motu proprio* review power.

Any voluntary notification shall constitute a waiver to the exemption from review. With the Bayanihan 2 Act, the thresholds are as follows:

Test	New Threshold (effective September 15, 2020 until September 22, 2022)
Size of Party Test	₱50 bn
Size of Transaction Test	₱50 bn

This means that the value of the assets or revenues of the UPE of at least one of the parties must exceed ₱50 bn instead of ₱6 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired, target or merged entity must exceed ₱50 bn instead of ₱2.4 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply.

5. Amended Foreign Investments Act of 1991 (Amended FIA)

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

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

6. Amended Public Service Act (Amended PSA)

On March 10, 2020, the House of Representatives passed House Bill No. 78 (HB No. 78) that made a distinction between the definition of "public service" from "public utility" as defined under Commonwealth Act No. 146 or the Public Service Act, in effect allowing foreigners to fully own public services in the Philippines since, under the 1987 Philippine Constitution, only firms that are at least 60% owned by Filipinos are given the authorization, certificate, and franchise to operate as a public utility.

HB No. 78 has limited the definition of a public utility to any person or entity that operates, manages, or controls for public use the (i) distribution of electricity, (ii) transmission of electricity, (iii) water pipeline distribution, and (iv) sewerage pipeline.

On December 16, 2021, the Philippine Senate passed the equivalent Senate Bill No. 2094 (SB No. 2094) that limited the definition of a public utility as any person or entity that operates, manages, or controls for public use the (i) distribution of electricity, (ii) transmission of electricity, (iii) petroleum and petroleum products pipeline transmission, (iv) water and wastewater pipeline distribution systems, (v) airports, (vi) seaports, (vii) public utility vehicles, and (viii) expressways and tollways.

On February 2, 2022, the Bicameral Committee ratified the reconciled version of House Bill No. 78 and Senate Bill No. 2094, which excluded the following from the definition of a public utility, effectively removing the 40% foreign ownership cap under the 1987 Philippine Constitution of: (i) telecommunications, (ii) domestic shipping, (iii) railways and subways, (iv) airlines, (v) expressways and tollways, and (vi) airports. The reconciled version was signed into law by President Rodrigo R. Duterte as RA 11659 on March 21, 2022.

7. Data Privacy Act of 2012

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

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

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

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

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

AboitizPower's Data Privacy Statement has been updated in 2021 and shared in its official website. This this statement, the Company declares its commitment toward fair and legal processing of personal data.

8. Registration under Board of Investments (BOI)

Under Executive Order (EO) No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by BOI. Such incentives include: (i) income tax holiday; (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

9. Labor Laws

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

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

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

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

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

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

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

(b) The Labor Code

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

(c) Occupational Safety and Health Law

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

Other Labor-Related Laws and Regulations

(d) Contracting and Subcontracting

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

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

(e) DOLE Mandated Work-Related Programs

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

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

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

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

Policies and Regulations Relating to the Power Industry

1. WESM in Mindanao

On May 4, 2017, the DOE issued Department Circular No. DC 2017-05-0009 entitled "*Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines*". This DOE Circular took effect on June 7, 2017, with the following pertinent provisions:

(a) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
(b) Launch of WESM in Mindanao on June 26, 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by ERC, and trial operations of the WESM, among others;
(c) Conduct of the Trial Operation Program for the WESM;
(d) Automatic termination of IMEM; and
(e) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

WESM in Mindanao was originally targeted to start in October 2018, but was deferred because some conditions precedent for full commercial operations were not yet complied. Trial operations were conducted starting 2018 to ensure the readiness of eventual WESM participants in Mindanao. DOE has released a draft Department Circular initially announcing December 26, 2021 as the target commercial operation date with transition provisions and conditions. As of February 28, 2022, WESM Mindanao is still not commercially operating.

2. Independent Electricity Market Operator (IEMOP)

On February 4, 2018, DOE issued Department Circular No. DC2018-01-0002, setting the policy governing the establishment of an independent market operator (IMO) of the WESM. The policy on IMO outlines the mandates of DOE and ERC over the IMO, its guiding principles, composition, including a board composed of at least five members, its functions, WESM's new governing and governance structure, and the conditions for transition.

The IMO transition plan called for the formation of a new company called the IEMOP as an independent market operator, with PEMC remaining as WESM's governing body. Previously, the PEMC oversaw both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On September 26, 2018, IEMOP formally took over operations of the WESM from PEMC. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the Grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

Currently, the IEMOP is under legislative review by the House Committee on Energy specifically on its roles and functions as well as the legal basis for its establishment. This is in response to several House Resolutions calling for the review of the IEMOP in aid of legislation.

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

3. Proposed Amendments to the EPIRA

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its IRR. A summary of the significant proposed amendments are as follows:

(a) Classification of power projects as one of national significance and imbued with public interest;
(b) Exemption from VAT on the sale of electricity by generation companies;
(c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
(d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
(e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
(f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
(g) Regulation of generation, transmission, distribution, and supply rates to allow Return-on-Rate-Base (RORB) up to 12%;
(h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
(i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
(j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
(k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the Grid and/or nationally installed generating capacity;
(l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus, and Polangui Complexes, and Angat Dam;
(m) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
(n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
(o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
(p) Grant of authority for NPC to generate and sell electricity from remaining assets;

(q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity
(r) Creation of a consumer advocacy office under the organizational structure of ERC; and
(s) Extension of lifeline rates.

As of February 28, 2022, the proposed amendments are still pending in Congress.

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

On December 13, 2006, ERC issued the Rules for Setting Distribution Wheeling Rates (RDWR) for privately-owned distribution utilities entering Performance-based Regulation (PBR) for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the RORB mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

ERC has also implemented a Performance Incentive Scheme (PIS) whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: (a) average duration of power outages; (b) average time of restoration to customers; and (c) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

The second regulatory period of Cotabato Light ended on March 31, 2013, while that of Visayan Electric and Davao Light ended on June 30, 2014. In addition, the second regulatory period of Subic Enerzone and SFELAPCO ended on September 30, 2015. The reset process for the subsequent regulatory period, however, has been delayed due to the issuance by ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RDWR. Said paper aims to revisit various matters relating to the reset process. ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

On December 22, 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.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, ERC adopted the Resolution Modifying the RDWR for Privately Owned Distribution Utilities Entering PBR. Based on said Resolution, the Fourth Regulatory Period shall be as follows:

(a) Cotabato Light: April 1, 2017 to March 31, 2021
(b) Davao Light and Visayan Electric: July 1, 2018 to June 30, 2022
(c) SEZ and SFELAPCO: October 1, 2019 to September 30, 2023

On November 21, 2016, ERC posted for comments the draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on said document.

The reset process for the fourth regulatory period has not yet started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity.

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 de Oro Electric and Dagupan Electric). Various public consultations were held in the month of July 2019. However, during the July 29, 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 September 24, 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 the distribution utilities to the ERC through clarificatory meetings, private distribution utilities were not able to provide the data within the timeframe given by ERC.

In relation to this, the ERC issued show cause orders, all dated October 29, 2020, against Cotabato Light (docketed as ERC Case No. 2020-097 SC), Visayan Electric (docketed as ERC Case No. 2020-098 SC), Davao Light (docketed as ERC Case No. 2020-104 SC), and Subic Enerzone (docketed as ERC Case No. 2020-107 SC), requesting the foregoing distribution utilities to explain why they should not be penalized for the incomplete submission of the data requested by the ERC for its actual expenditure review. On January 7, 2021, the foregoing distribution utilities submitted their respective explanations, including a manifestation that all required data has been submitted as of December 29, 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 December 2, 2021, the ERC issued Resolution No. 10, series of 2021, modifying the Rules for Setting the Distribution Wheeling Rates (RDWR) for private distribution utilities, and Resolution No. 11, series of 2021, adopting a Regulatory Asset Base (RAB) Roll Forward Handbook. The RDWR and the RAB Handbook as adopted in these resolutions shall be applied in the next regulatory reset of AboitizPower Distribution Utilities.

5. ERC Regulation on Systems 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. The aforementioned caps are exclusive of sub-transmission and substation losses. The aforementioned rules also provide for a performance incentive scheme (PIS), which is a price-linked reward for distribution utilities, with the goal of reducing the DSL passed on to customers and to promote efficiency in distribution systems in the long term.

The rules allow distribution utilities to use an alternative method in determining an individualized DSL cap that it shall apply subject to the approval of ERC. The individualized cap has two components: one for technical loss (determined using load flow simulations on the distribution utilities' reference distribution system) and another for non-technical loss (which represents the level of non-technical loss that minimizes the costs to consumers). In determining the reasonable level of the individualized DSL cap, costs and benefits must be analyzed from the viewpoint of the customer.

In 2018, Cotabato Light filed an Application for the Individualized Distribution System Loss Cap, requesting, among others, that it be exempted from the 6.5% cap pending the filing and approval of its application for Individualized DSL cap of 7.48% in Technical Loss and 1.77% in Non-Technical Loss and sought approval to use the previous 8.5% DSL cap instead. The case is still pending with ERC as of February 28, 2022.

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

6. Competitive Selection Process

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

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

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

On February 1, 2018, DOE promulgated DC No. DC2018-02-0003 (the "2018 DOE Circular") entitled "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market." Through this Circular, DOE issued its own set of guidelines (the "DOE CSP Rules") for the procurement by distribution utilities of PSAs for the Captive Market.

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

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

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

7. Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid

On December 4, 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"). The policy seeks to ensure the reliability, quality and security of the supply of electricity by adhering to principles that will provide the safe and reliable operation of the grid by taking into account the entry of emerging technologies and the intermittency of variable renewable energy generating resources.

Included in the policy is the creation of an Ancillary Services Technical Working Group (AS-TWG) that will render technical assistance and advice to DOE in developing further policies on AS. One of the main functions of the AS-TWG is to review the Philippine Grid Code (PGC) (2016 edition) to address issues on the implementation of new AS categories and Primary Response requirement. Section 5 of the circular required the System Operator to ensure optimal procurement of the required Ancillary Services.

Pending the harmonization of AS-related issuances and review of the relevant provisions of PGC 2016, the classification and required levels of AS shall be in accordance with the AS categories prior to PGC 2016.

According to the AS Circular, prior to the commercial operation of the Reserve Market, the SO shall ensure compliance with its obligation to procure the required level and specifications of AS in line with the following:

(a) Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;
(b) Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and
(c) The protocol for the central scheduling of energy and contracted reserves in the WESM shall still apply, in accordance with the WESM Rules and relevant Market Manuals.

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

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

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

On May 13, 2021, the DOE promulgated Department Circular No. DC2021-03-0009 entitled "Adopting a General Framework Governing the Operationalization of the Reserve Market in the Wholesale Electricity Spot Market and Providing Further Policies to Supplement DC2019-12-00178". The policy mandates the SO to ensure adequate and least cost procurement of AS through combination of AS contract and the reserve market.

On October 4, 2021 the DOE issued Department Circular No. DC2021-10-0031 for the Transparent and Efficient Procurement of Ancillary Services (AS CSP) by the System Operator (SO) that pushed a process similar to the CSP for Distribution Utilities, but this time for AS to be procured, for all non-firm ASPA be converted to ASPA, and that the Market Operator (MO) can step in to help SO to avoid delays.

8. Ancillary Services Pricing and Cost Recovery Mechanism

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

On December 2, 2014, 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 September 14, 2018, NGCP filed a Petition seeking the Commission's approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism, docketed as ERC Case No. 2018-005 RM. Currently, the existing cost-recovery mechanism for Ancillary Services shall continue to be implemented until a new mechanism is recommended by the AS-TWG and adopted by ERC.

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

9. Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act ("EEC") was signed into law on April 12, 2019. Apart from prescribing efficient use of energy standards and labeling requirements for energy-consuming products, 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.

Under the law, all government agencies, including government-owned corporations, are directed to ensure the efficient use of energy in their respective offices, facilities, transportation units, and in the discharge of their functions. DOE will also be authorized to develop a Minimum Energy Performance standard for the commercial, industrial, and transport sectors, and energy-consuming products including appliances, lighting, electrical equipment, and machinery, among others. DOE is also tasked to prescribe labeling rules for all energy-consuming products, devices, and equipment.

DOE will develop and enforce a mandatory energy efficiency rating and labeling system for energy-consuming products, such as air conditioners, refrigeration units, and television sets, to promote energy-efficient appliances and raise public awareness on energy saving. The law also calls for fuel economy performance labeling requirements for vehicle manufacturers, importers, and dealers. LGUs are tasked to implement the Guidelines on Energy Conserving Design on Buildings for the construction of new buildings.

Under the Energy Efficiency and Conservation Act's IRR dated November 22, 2019, DOE can visit designated establishments to inspect energy-consuming facilities, evaluate energy-management systems and procedures, identify areas for efficiency improvement, and verify energy monitoring records and reports and other documents related to the compliance requirements within office hours and with an authorized representative of the establishment present. The IRR also calls for the commissioning of a certified conservation officer and energy manager to ensure compliance and be responsible for managing energy consumption, administering programs, and other responsibilities under the law.

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

(a) Department Circular No. DC2020-06-0015 *"Prescribing the Guidelines of the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors and Dealers of Electrical Appliances and other Energy-Consuming Products (ECP)"*, which aims to empower consumers in choosing energy efficient products at the point of sale, help realize energy savings and reduction of energy consumption/bills through the use of energy efficient products; and reduce greenhouse gas emissions.
(b) Department Circular No. DC2020-06-0016 "*Prescribing the Minimum Energy Performance for Products (MEPP) covered by the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors, Dealers and Retailers of Energy-Consuming Products)"*, which aims to eliminate the entry and sale of inefficient and substandard products in the local market; and reduce greenhouse gas emissions;
(c) Department Order No. 2020-01-0001 *"Organizing the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC)"*;
(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.

10. Energy Virtual One-Stop Act

RA No. 11234 or the Energy Virtual One-Stop Shop Act ("EVOSS Act") was signed into law by President Duterte on March 8, 2019 and became effective on March 29, 2019. DOE issued the IRR on June 24, 2019. Under the EVOSS Act, prospective power generation, transmission, or distribution companies can apply, monitor, and receive all the necessary permits, and even pay for charges and fees, through the online platform called Energy Virtual One-Stop Shop (EVOSS) once it takes effect, cutting down the lengthy permitting process for the development of power projects. The DOE already began the implementation of the EVOSS Online Platform.

The EVOSS Online Platform applies to all new generation, transmission, and distribution projects throughout the country as well as government agencies and other relevant entities involved in the permitting process. The system provides a secure and accessible online processing system; recognizes the legal effect, validity, and enforceability of submitted electronic documents; and develops an online payment system for all fees for securing permits or certifications. The system enables government agencies involved in pending power projects to operate under a streamlined permitting process utilizing a uniform application template and in compliance with mandated processing timelines as identified in the law. The entire system utilizes electronic documents and monitors permit status via an online system.

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

On July 2, 2021, 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.

11. Net Metering

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

Pertinent provisions include:

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

The foregoing Net Metering Program became effective on December 18, 2020. A draft of Net Metering Guidebook was already sent out for comments on April 2021 and AboitizPower is monitoring its publishing.

12. Reliability Performance Indices

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

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

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

In relation to this, the ERC issued a consolidated show cause order dated June 14, 2021, against Hedcor Bukidnon, 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 July 8, 2021, Hedcor Bukidnon 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 August 25, 2021, the company manifested developments and submissions relating to the resumption of Manolo Fortich 1's operations. The case has yet to be resolved by the ERC.

13. Prescribing Revised Guidelines for Qualified Third Party

On November 22, 2019, DOE promulgated Department Circular No. DC 2019-11-0015 also known as the *"Revised Guidelines for Qualified Third Party".* The Qualified Third Party (QTP) Guideline Policy is an initiative that was prescribed in the EPIRA, which shall assist the distribution utilities in ensuring and accelerating the total electrification of the country.

The policy provides revisions to the existing guidelines covering the qualifications and participation of QTPs in the provision of electric services to "Unviable Areas" within the respective franchise areas of distribution utilities and electric cooperatives. As part of the Scope of the Revised QTP Guidelines, the policy shall apply to the provision of electricity services in locations defined as Unviable Areas, which include unserved and underserved electricity customers, within the franchise areas of distribution utilities.

In view of the QTP Guideline Policy, as of February 28, 2022, 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.

On January 21, 2022, the President approved RA No. 11646, or the Microgrid Systems Act, which converts all QTPs as microgrid system providers. The law also provides a new framework for the use of microgrid systems or a group of interconnected loads and a generation facility or decentralized power generation that acts as an integrated power generation and distribution system, to electrify both "underserved" and "unserved" areas in the country.

14. Providing a Framework for Energy Storage System in the Electric Power Industry

On September 18, 2019, DOE promulgated Department Circular No. DC2019-08-0012 also known as *"Providing a Framework for Energy Storage System in the Electric Power Industry"*, which governs the regulation and operation of energy storage systems (ESS). The increasing penetration of Variable Renewable Energy (VRE) in the country has prompted the need for the recognition of ESS as one of the technologies to manage intermittent operations of the VRE-generating plants' output thereby ensuring system stability. The issuance of the circular further hastens the entry of ESS as part of the modernization of the Philippine power sector. It finally answers questions relating to who should own and operate energy storage systems in the Philippines. The circular addresses policy gaps by providing a framework for the implementation and roll out of ESS in the country.

The circular applies to power industry participants, including power generation companies owning and/or operating ESS. The covered technologies include battery energy storage system; compressed air energy storage; flywheel energy storage; pumped-storage hydropower; and other emerging technologies that may be identified, qualified, and approved by DOE as ESS. The rules are also applicable to customers and end-users owning and/or operating ESS, which include distribution utilities; and directly connected customers. The circular also applies to qualified third parties, transmission network providers, system operators, market operators, and PEMC.

15. Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers Under the Green Energy Option Program

On July 18, 2018, DOE issued Department Circular No. DC2018-07-0019 also known as the *"Rules Governing the Establishment of the Green Energy Option Program (GEOP) in the Philippines."* This sets the guidelines for consumers or end-users, renewable energy suppliers, and network service providers, among other stakeholders, in facilitating and implementing such energy sources under the EPIRA.

GEOP is a renewable energy policy mechanism issued pursuant to RA No. 9513 or the RE Law that provides end-users the option to choose renewable resources as their sources of energy.

Under this issuance, all end-users with a monthly average peak demand of 100kW and above for the past 12 months may opt to voluntarily participate in the GEOP. Those with an average peak demand below 100 kW may also participate in the GEOP, but only after DOE, in consultation with NREB and industry stakeholders, is able to determine that the technical requirements and standards are met by the end-user. End-users with new connections can also opt to participate in the Program and choose renewable energy resources for their energy/electricity needs, provided their average peak demand meets the threshold provided in the GEOP Rules.

The participation of the end-users in the GEOP will be governed by a supply contract between the end-user and the renewable energy supplier, and conform with ERC rules on distributed energy resources and generation facilities.

GEOP is presently available to end-users in Luzon and Visayas only, until such time that DOE, in consultation with the NREB and industry stakeholders, determines the readiness of the Mindanao market.

Other provisions of the GEOP include the establishment of the GEOP Oversight committee, as well as the ERC issuing regulatory framework particularly in setting the technical and interconnection standards and wheeling fees, to affect and achieve the objectives of GEOP. With regard to the billing mechanism, the GEOP Rules provide that a "dual billing system" may be adopted by the end-user availing of the program.

On April 22, 2020, the DOE issued the Guidelines governing the issuance of Operating Permits to RE Suppliers under the GEOP (DC No. 2020-04-0009), which sets rules and procedures in the issuance, administration, and revocation of GEOP Operating permits to RE suppliers

On August 16, 2021, the ERC promulgated Resolution No. 08. Series of 2021, entitled "A Resolution Adopting the Rules for the Green Energy Option Program (GEOP)" approving and adopting the GEOP rules issuing the framework to operationalize GEOP and is now effective.

In November 2021, the Central Registration Body announced that the registration for Green Energy Option (GEOP) customers will start on December 3, 2021. IEMOP will release an advisory soon regarding the timelines for WESM switching from captive distribution utilities to GEOP.

16. Promulgating the Renewable Energy Market Rules

On December 4, 2019, DOE issued Department Circular No. DC2019-12-0016, entitled "*Promulgating the Renewable Energy Market (REM) Rules"*, thereby officially starting the Renewable Portfolio Standards (RPS) compliance process.

The REM Rules establishes the basic rules, requirements and procedures that govern the operation of the Renewable Energy Market, which seeks to:

(a) Facilitate the efficient operation of the REM;
(b) Specify the terms and conditions entities may be authorized to participate in the REM;
(c) Specify the authority and governance framework for the REM;
(d) Provide for adequate sanctions in cases of breaches of the REM Rules; and
(e) Provide timely and cost-effective framework for resolution of disputes among REM Members and the Renewable Energy Registrar ("Registrar").

The REM is a market for the trading of Renewable Energy Certificates (RECs) in the Philippines, intended as a venue for Mandated Participants obligated by RPS to comply with their RPS requirements. REM's objective is to accelerate the development of the country's renewable energy resources.

The RPS Transition Period defines Year 0 as 2018 and the RPS Compliance Year 1 shall be the year 2020, and the intervening period shall be the Transition Period.

The REM Rules will be administered and operated by the Renewable Energy Registrar. Moving forward, operational issues may still arise on who will be the RE Registrar.

As of February 28, 2022, 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, but AboitizPower continues to monitor for the actual start.

17. Feed-in-Tariff System

Pursuant to the RE Law, the FIT system is an energy supply policy aimed to accelerate the development of emerging renewable energy sources by providing incentives, such as a fixed tariff to be paid for electricity produced from each type of renewable energy resource over a fixed period not less than 12 years.

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

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.

In Resolution No. 10, Series of 2012, ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar, and wind resources:

	FIT Rate	Degression Rate
Wind	8.53	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On October 6, 2015, ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. In Resolution No. 1, Series of 2017, ERC set the degressed FIT rates for hydro and biomass plants at ₱5.8705/kWh and ₱6.5969/kWh, respectively. Through a letter dated February 23, 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until December 31, 2019.

As the fund administrator of the FIT-All, Transco filed an application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for Calendar Year ("CY") 2020. On January 28, 2020, ERC released a decision authorizing Transco to collect a FIT-All rate of ₱0.0495/kWh, lower than the applied ₱0.2471/kWh rate for CY2019. Prior to this decision, the last approved FIT-All rate is ₱0.2226/kWh for CY2018.

On May 26, 2020, the ERC promulgated its Resolution No. 6, series of 2020, wherein the ERC resolved to approve and adopt FIT adjustments for the years 2016, 2017, 2018, 2019, and 2020, using 2014 as the base year for the CPI and forex, to be recovered for a period of five years.

On August 4, 2020, TransCo filed its Application for the FIT-All rate of CY2021 of ₱0.1881/kwh, effective the January 2021 billing period. In the alternative, it asked for a FIT-All rate of ₱0.2008/kWh based on a lower Forecast National Sales to account for the impact of COVID-19 to electricity consumption. Similarly on July 29, 2021, TransCo filed its Application for the FIT-All rate for CY2022 of ₱0.3320/kwh, effective the January 2022 billing period, or in the alternative, ₱0.3165/kwh based on an increase in kWh sales in 2021 due to the anticipated economic recovery from the COVID-19 pandemic. Both cases remain pending before the ERC.

18. Proposed Revisions to the Guidelines for the Financial Standards of Generation Companies

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

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

19. Green Energy Auction Policy

On July 14, 2020, the DOE issued guidelines on the Green Energy Auction Policy (Department Circular No. DC 2020-07-0017) which set the framework for which the DOE shall facilitate the procurement of supply from RE projects by the mandated participants under the RPS on-grid rules through a competitive process for compliance with the RPS program and as applicable for their long-term power supply requirements. The process involves a regular auction process (notice every 15th 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.

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

The Opt-In Guidelines shall still be promulgated by DOE. Its issuance shall not delay the first GEAP Auction round.

The GEAP also includes the determination of GEAR Price. The GEAR Price (max price offer) is used as ceiling price for each auction round. The ERC shall issue the GEAR Price within 60 days after the Notice of Auction has been published in a newspaper of general circulation. The Notice of Auction has been posted on the DOE website and published on February 9, 2022 in the Daily Tribune.

With the revised GEAP DC, the first auction is expected in the middle of 2022.

20. Retail Competition and Open Access

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

21. The Open Access Transmission Service (OATS) Rules

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

The ERC has posted the draft Amendments to the OATS Rules on February 9, 2022 and the deadline for submission of comments was on February 22, 2022. AboitizPower continues to monitor for any developments on the OATS Rules.

22. Amendments to the Public Service Acts

Commonwealth Act No. 146, otherwise known as the Public Service Act, is a law governing the regulation of public services, which originally included "electric light, heat and power". On February 2, 2022, the Philippine Senate and the House of Representatives consolidated HB No. 78 and Senate Bill No. 2094, which involved amendments to the Public Service Act. The amendments introduced the classification of certain public service as public utilities, which included both the distribution and transmission of electricity. The amendments also provided for revisions in the regulatory authorities of administrative agencies, but also provided that nothing in the Public Service Act shall be construed as amending or repealing laws and administrative regulations deregulating or delisting services, industries and/or rates. The bicameral committee version was signed by President Duterte into law on March 21, 2022.

(xii) Amount Spent on Research and Development Activities

AboitizPower and its Subsidiaries do not allot specific amounts or fixed percentages for research and development. All research and development activities are done by AboitizPower's Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Costs and Effects of Compliance with Environmental Laws

AboitizPower's generation and distribution operations are subject to extensive, evolving, and increasingly stringent safety, health, and environmental laws and regulations. These laws and regulations address concerns relating to, among other things, air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials, and wastes; workplace conditions; and employee's exposure to hazardous substances. Standard laws and regulations that govern business operations include the Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), Philippine Environmental Impact Statement System (PD No. 1586), and Occupational Safety and Health Standards (RA No. 11058). The RE Law also added new and evolving measures that must be complied with. These laws usher in new opportunities for the Company and set competitive challenges for the businesses covered. Additional regulations such as DOE's Energy Regulation No. 1-94 require companies to allocate funds for the benefit of host communities for the protection of the natural environment and for the benefit of the people living within the area. Further, funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program.

The Safety, Health, Environment and Security (SHES) group of AboitizPower oversees the SHES programs and activities within its operational control from the corporate center, business units, to facility teams. This includes the accounting of all environmental impacts. For the Generation Group, the facilities include: (1) APRI's Tiwi-MakBan plants, (2) SacaSun's San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, B, and Tudaya A, Tudaya B, Manolo Fortich, and Talomo HEPPs of the Hedcor Group, (4) SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (5) the Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, (6) Coal Group's Davao and Toledo plants. For the Distribution Utilities, the facilities include: Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, Malvar Enerzone, and Subic EnerZone.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives and programs. All facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

AboitizPower and its Subsidiaries remain committed to align with international best practices in all power plants and distribution utilities. This is exemplified with the attainment of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety. However due to the impact of the COVID-19 pandemic in 2021, a few of the AboitizPower subsidiaries in Power Generation, which were ready for their recertification or surveillance audit, have decided to defer it to 2022. Meanwhile, the Power Distribution maintained its certifications on ISO 9001:2015 Quality Management System, ISO 45001:2018 and ISO 14001:2015 Environmental Management System.

In 2021, continuous improvement in managing environmental impacts is evident, as seen in the increased total environmental management expenses at ₱154.5 mn, which is a 115% increase compared with previous year (₱71.8 mn). This consists of ₱28.5 mn for APRI, ₱14.6mn for Hedcor, ₱61.7 mn for the Coal Group, ₱13 mn for the SN AboitizPower Group; ₱34 mn for the Oil Group, and a total of ₱2.4 mn for the Distribution Utilities.

Of the ₱154.5 mn total environmental management expenses, ₱24.8 mn was allocated for capital expenditure (CAPEX) aimed at improving pollution prevention and control. The following projects were implemented: (1) APRI Makban's purchase of new unit of Continuous Ambient Monitoring Station (CAMS) upwind and downwind; (2) APRI Tiwi's installation of data acquisition system and updating of existing CAMS and meteorological sensors; (3) the Oil Group's installation of air quality monitoring station in Mobile 2; (4) the Coal group's improvement of Domestic Wastewater Treatment Facility and Project BRICK at its Davao plant and improvement of sewage treatment facility through installation of wetland and hypochlorination system and installation of online Continuous Emission Monitoring System at its Toledo plant.

Operational expenditure (OPEX) projects were also implemented to improve environmental management practices on site, such as: (1) APRI Makban's rehabilitation of its hazardous waste storage area, improvement of the composting facility and installation of greenhouse farm/agriculture at storage facility, asbestos management and assessment; (2) the SN AboitizPower Group's modification of its sewage treatment facility; (3) the Coal Group's installation of Continuous Ambient Air Quality Monitoring System in Toledo City, Cebu and bamboo tree planting for carbon dioxide sequestration and noise suppression in Barangay Bocalor, Toledo City; (4) the Oil Group's improvement of sewage treatment facility and oil water separators at Mobile 3-6, (5) the Distribution Utilities' gradual replacement program of Compact Fluorescent Lights to less hazardous LED lights.

AboitizPower also supports environmental initiatives that go beyond its compliance requirements. The Company takes part in AEV's A-Park program, various coastal and river clean-up activities, and biodiversity initiatives. In the year 2021, the Company has planted a total of 288,112 trees at an expanse of 1,152 hectares with the help of almost 859 volunteers. AboitizPower organized and conducted 25 coastal and river clean-up activities, wherein over 15,000 kilograms of wastes were collected. Furthermore, AboitizPower supports a number of biodiversity initiatives, such as (1) the Adopt Tigas River, Adopt Visitang Naga River and Mt. Malinao biodiversity assessment supported by APRI, (2) Hedcor's Dino Dolig Coffee agroforestry project in Sabangan, Mt. Province and watershed management program in Bakun, Benguet; (3) SN AboitizPower-Magat HEPP's partnership in Uplifting Upland Natural Resources Livelihood and Assets (PUNLA) for the Upper Magat Watershed Management Program in Ifugao Province; (4) SN AboitizPower-Benguet partnership with NPC for 2.5km radius Technical Cooperation Agreement on forest fire protection in Ambuklao and Binga reservoir, (5) the Coal group's Adopt-an-*Estero* water body program at Inawayan River, Brgy. Inawayan, Sta. Cruz, Davao del Sur and Coastal Resource Management Program in Toledo City, Cebu; (6) Davao Light's Adopt-an-*Estero* for San Isidro creek and the Cleanergy park located in Punta Dumalag, Davao City; and (7) Visayan Electric's mangrove plantation project in Panadtaran, San Fernando, Cebu.

AboitizPower and its Subsidiaries received a total of 74 awards, certifications and citations in 2021 in relation to SHES. To highlight a few: (1) APRI Makban Plant's Bronze Corporate Safety and Health Excellence Award from the Safety & Health Association of the Philippine Energy Sector, Inc. (SHAPES); (2) APRI Tiwi Plant's Platinum Corporate Safety and Health Excellence Award; (3) SN AboitizPower-Magat's Outstanding Safety and Health Professionals Award, Corporate Safety and Health Excellence award - Gold. In addition, the Coal Group received a special citation from DENR-EMB Region VII for highly esteemed contributions over the years in Implementing sustainable air quality management.

In 2021, AboitizPower and its Subsidiaries did not incur any major sanctions for violation of environmental standards and laws. AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

(xiv) Employees

At the parent company level, AboitizPower has a total of 457 employees as of February 28, 2022. These include executives, managers, supervisory, and rank-and-file staff employees. There is no existing Collective Bargaining Agreement (CBA) covering AboitizPower employees.

The following table provides a breakdown of total employee headcount on a per business group basis, according to employees' function, as of February 28, 2022:

Business Group	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
Aboitiz Power	457	96	75	87	199	0	N/A
Generation Companies							
Run-of-River Hydros	393	12	17	46	318	104	September 19, 2022 (Hedcor)
Large Hydros	189	20	40	69	60	0	N/A
Geothermal	249	12	16	46	175	11	February 28, 2022 (APRI)
Solar	0	0	0	0	0	0	N/A
Oil	406	12	36	208	150	0	N/A
Coal	1,398	22	72	295	1,009	0	N/A
RES	4	0	0	1	3	0	N/A

Business Group	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
Distribution Utilities*	774	15	66	138	555	316	December 31, 2016[8] (Visayan Electric) June 30, 2024 (Cotabato Light) June 16, 2026 (Davao Light) May 9, 2024 (SFELAPCO)
Total No. of Employees	**3,870**	**189**	**322**	**890**	**2,469**	**431**	

**Data for SFELAPCO is as of October 31, 2021.*

The Company does not anticipate any significant increase in manpower within the next twelve months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business

An integral part of AboitizPower's Enterprise Risk Management (ERM) efforts is to anticipate, understand, and address the risks that the Company may encounter in its businesses.

Risk management is integrated in the Company's strategic and operational planning and decision-making processes. Management and operating teams identify and assess the risk areas that may impact the Company's strategic objectives and day-to-day business operations. In addition, the Company develops key risk treatment plans to address the drivers of the Company's top risks, as well as emerging risks that may also significantly impact its business and stakeholders. The risk management processes, which include ESG focus areas, business continuity management, and risk transfer strategies, are also embedded in the organizational planning and risk management processes. Business continuity management (BCM) and risk finance are the other pillars of the ERM approach that are actively being implemented and continuously developed by AboitizPower.

Risk management planning in Aboitiz Power is an iterative process that is conducted at least semi-annually for strategic risks. Most of the top or strategic risks that are captured at the corporate or AboitizPower level originated from risks reported by the corporate support and business units. The Company's business units review operational risks and implement mitigation measures as part of day-to-day operations.

Following the completion of the 2021 year-end strategic risk consolidation at AboitizPower, the following top or strategic risks have been identified and reported to the senior management executives:

1. Project Delays

AboitizPower has identified delay in project completion as a top risk as it continues to grow its power generation portfolio, in particular, with the construction and commissioning of the GNPD project. The risk is currently driven by issues related to the management of COVID-19 onsite, issues with the EPC contractor, unresolved technical issues related to the boiler and steam turbine, and regulatory issues.

COVID-19-related travel restrictions, mandatory quarantine protocols, and on-site infections have delayed the achievement of the project milestones in 2021 and early 2022. Short term suspension of works by the EPC contractor became unavoidable as a preventive measure to arrest widespread transmission inside the facility. Implementation of stricter workplace protocols and improvement in business continuity plans and administration of vaccines to the workers were done to mitigate the COVID-19 threat.

[8] The Secretary of Labor and Employment (SOLE), in its resolution dated January 11, 2022 denied with finality, Visayan Electric's Motion for Reconsideration. The parties are directed to submit their compliance within 15 days from receipt, a copy of their signed CBA incorporating the salary increase awarded retroactive to the expiration of the CBA or January 1, 2017. Visayan Electric filed its Joint Motion for Extension with VECEU last January 31, 2022 requesting to be given until March 11, 2022 to submit the signed CBA implementing the retroactivity of the salary increase.

Unresolved issues with the EPC contractor have started to emerge as a major risk driver as GNPD Unit 1 completes performance testing and rectification of defects. These issues, which are typical of negotiations between owners and contractors during the turnover phase, are managed through active stakeholder engagement not just by the joint venture operator, but also directly by AboitizPower's own project development team and third-party experts as part of the Company's key risk treatment plan. The contractor currently remains committed to working closely with the plant operator and AboitizPower.

Boiler combustion and turbine vibration issues remain to be a threat to the continuous generation of Unit 1. As of February 28, 2022, Unit 1 has been running on full load with occasional deration due to boiler slagging. The contractor continues to supervise the operation of the unit to monitor parameters. There have been improvements in the performance of the boiler due to the support of specialist contractors who were engaged to resolve technical issues as part of the mitigation plans. The same approach of consulting third party experts in close coordination with the contractor will be pursued until the technical issues are resolved.

Regulatory issues are related to the delivery of the transmission assets owned by NGCP in order to dispatch full capacity from GNPD. The delivery of the transmission assets is no longer at the critical path. Nevertheless, AboitizPower continues to work with NGCP to ensure the transmission assets are ready when Units 1 and 2 begin commercial operations. Operational readiness reviews are performed to ensure that new generating units are ready for full commercial operations. Project post-mortem reviews are also conducted to determine key learnings that can be applied to ongoing and future projects.

As an overall risk mitigation plan, project risk management plans are thoroughly defined and regularly reviewed for each project in order to track issues related to quality, safety, compliance, schedule, and resources. This ensures that identified risk control measures and recovery actions are implemented. Appropriate project insurance coverage, as well as periodic performance reviews of selected partners, reputable contractors, and third-party suppliers, are also in place.

2. Sustainability

Investments are at risk if these are not able to sustain a viable economic return due to a combination of technology, regulatory, and/or market changes. Among these changes, ESG strategies continue to be the trend in the global community where investors are seeking to mitigate exposure to fossil-based fuel and diversifying portfolio to prioritize renewable energy. In the event that future laws or contracts are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, certain capital expenditures or operating expenses or financing costs may not be fully recoverable.

The growing multi-sectoral negative action against coal has led many financial institutions to restrict investments in coal projects. The following are important considerations of the Company's existing portfolio and strategic project pipeline, where coal concentration will significantly be reduced by the year 2030:

(a) Difficulty in insurance procurement or renewal, where insurers' policy on coal underwriting and investing are also aligned with the same global trends on sustainability and ESG issues. While insurers are still willing to cover coal plants, the resulting impact is significantly higher premium rates for coal insurance year on year. Inability to fill up 100% capacity due to the reluctance or withdrawal of some insurance markets to insure coal plants has prompted the Company to resort to self-insurance. Other noteworthy risk drivers are the hardening of the insurance market aggravated by the global economic impact of the COVID-19 pandemic, and any significant losses on damage to critical assets and related business interruptions;
(b) Financing and refinancing risks in terms of the Company's inability to borrow money to fund future projects due to current investments in coal. While banks are still willing to lend, the cost of project financing tends to be more expensive;
(c) Withdrawal of technical support by critical contractors and suppliers from construction and/or maintenance thermal power plants in line with global trends on sustainability; and
(d) Sourcing of fuel (coal and oil) due to global price volatility because of supply and demand fundamental affected by pressure on the continued operation of mines and transhipment of fuel due to the International Maritime Organization (IMO) 2020 regulations which will have the effect of increasing freight costs for coal and oil.

The Philippines is a party to the 2015 Paris Agreement signed by almost 200 nations. The Paris Agreement aims to keep the increase in global average temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy.

Recently promulgated implementing rules and regulations by the DOE on "Renewable Portfolio Standards" also mandate electric power industry participants (such as generation companies, distribution utilities and electric cooperatives) to source or produce a portion of their electricity requirements from eligible renewable energy resources and undertake CSPs in sourcing renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the Company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

AboitizPower is cognizant of the regulatory and market drivers in the shift towards green and sustainable business transformations. AboitizPower and its Subsidiaries are guided by its sustainability framework that looks into environmental, social and governance risks including climate-related risks of its value chains. Its strategy has long considered environmental sustainability as one of its key pillars and, to date, together with its partners, the Company is the largest private renewable energy operator in the country with 1,365 MW in installed capacity as of January 1, 2022.

AboitizPower's growth strategy remains aligned with the energy trilemma – balancing the three pillars of energy security, energy equity, and environmental sustainability. Over the last decade, the growth in energy demand has necessitated a focus on energy security and energy equity - the provision of reliable, and affordable energy for a growing economy. Having addressed energy security and energy equity via the presence of sufficient baseload capacity, AboitizPower has begun to shift focus back to environmental sustainability, and rebalancing its energy portfolio. This transition is included in the Company's sustainability agenda, with the Company targeting a mix of 50% thermal and 50% renewable energy capacity by 2030 from its current mix of 74% thermal (which are conventional or combustion power plants such as coal or fuel fired plants), and 26% renewable (which do not rely on fossil fuels).

Further, to properly assess the potential and extent of the above-mentioned risks, AEV and AboitizPower signed up to become the first Philippine supporters of the international Task Force on Climate-Related Financial Disclosures ("TCFD") in early 2020. This is a voluntary commitment to adopt a defined governance structure on identifying and addressing physical and transition risks associated with climate change, as well uncovering opportunities, and improving disclosures to provide clear and reliable information to stakeholders. Under SEC Memorandum Circular No. 4, series of 2019 on the Sustainability Reporting Guidelines for Publicly-Listed Companies ("PLCs"), there is a three-year period under which PLCs can comply, which includes the adoption of the TCFD reporting template.

3. Regulatory Risks

The electric power industry is characterized by a constantly evolving regulatory environment. Any shortcoming in regulatory compliance poses negative consequences in both the net income and reputation of each Business Unit and the Group. Further, the Company's results of operations and cash flow could be adversely affected by the inability to predict, influence, or respond appropriately to changes in law or regulations, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact results of operations and cash flow. The Company's business could also be adversely affected by any changes in laws or regulations, or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, could adversely affect the Company's business, including, but not limited to:

(a) adverse changes in tax laws including misinterpretation of statutory incentives granted to developers;
(b) changes in the timing of tariff increases or in the calculation of tariff incentives;

(c) change in existing subsidies and other changes in the regulatory determinations under the relevant concessions or grants;
(d) other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business affecting both the generation and distribution utility business; 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 AboitizPower's results of operations.

For renewable assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. To the extent that operating costs rise above the level approved in the tariff, the Business Units that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant government authority may unilaterally impose additional restrictions on the project's tariff rates, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Business Unit or the Group, financial condition, results of operations and prospects. Withholding of adjustment in feed-in-tariff rates for qualified plants under the portfolio of AboitizPower are risks that are being monitored and addressed through active stakeholder engagement with similarly situated developers and the ERC.

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.

4. Financial

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

(a) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and;
(b) Forex risks in terms of forex fluctuations that may significantly affect its foreign currency-denominated placements, transactions, and borrowings. This risk is currently driven by the global COVID-19 crisis, given the impact it has on general currency markets; and the amount of natural hedge flows which may decline.

These risks constrain any expansion and growth projects. Furthermore, defaulting on existing loans and other financial obligations will consequently put the Company's reputation at risk.

To address these risks, the Company carries out regular monitoring of the Company's cash position and at the same time maintaining good relationships with the banks. AboitizPower is implementing the Group's Financial Risk Management Framework, which is a collaboration of the Group Risk and Treasury teams and designed to ensure a consistent approach in identifying, assessing, quantifying, and mitigating financial risks across the Group.

5. Reputation

AboitizPower recognizes that its reputation is its single most valuable asset, a competitive advantage that allows the Company to earn, maintain, and strengthen the trust of its stakeholders. The Company knows that its reputation today took generations to build and sustain; hence, the need to protect and enhance it progressively is imperative.

Today's operating environment is characterized by increasing corporate governance standards, heightened public consciousness due to social media, and greater scrutiny from key stakeholders. Reputation risks result from the occurrence of, or failure to, mitigate other risks.

AboitizPower continues to strengthen stakeholder engagement activities with all its stakeholders, including its customers, employees, shareholders, lenders and insurers, regulators, host communities, and LGUs. One of the key engagement channels is ER 1-94 which allows host communities to reap financial benefits for their contribution to power plants situated in their localities. AboitizPower's assumption of the fund's administration functions has hastened fund remittance and utilization for local electrification, development and livelihood, and environment enhancement projects of host communities. Due to the COVID-19 pandemic, DOE Department Circular 2020-04-0008 dated April6, 2020 rationalized the utilization by host LGUs of ER 1-94 funds for COVID-19 response instead. As year-end 2021, the total available ER 1-94 funds have been released by DOE and AboitizPower amounted to ₱714 mn, which was made available to the Company's host beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits and vaccines.

In 2021, AboitizPower continues to be recognized as a constituent company in the FTSE4Good Index Series for the fourth consecutive year. The Company has managed to get a higher overall rating in the latest assessment with a score of 3.1 in 2021 from 2.5 the previous year, a 24 percent increase brought by the improvements in its health and safety initiatives as well as its campaign on diversity, equity, and inclusion, among others. The FTSE4Good Index Series, created by global index provider FTSE Russell, measures the performance of companies demonstrating strong ESG practices.

The Company's recent Corporate Sustainability Assessment by the highly regarded S&P Global has also shown marked improvements in its ESG performance. The Company's score further increased from 40 in 2020 to 44 in the 2021 assessment, which also improved its percentile ranking in the global peer group from 54^{th} to 67^{th} 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.

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.

6. Operations

The loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within AboitizPower. Interruptions may also be caused by other factors such as critical equipment breakdown, Information Technology (IT) and OT security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities, terrorism, and other serious risks.

Planned maintenance and overall outage management of AboitizPower's generation facilities and its critical equipment and OT infrastructure and systems are governed by asset management standards based on global best practice. All of AboitizPower's generation facilities have achieved asset management certifications based on ISO 55001:2014 standard. Recently commissioned plants will also be lined up for certification.

On the other hand, distribution network availability and reliability targets have consistently been aligned with the performance bond standards set by the ERC as part of the Rules for Distribution Wheeling Rates (RDWR).

All Business Units have also achieved OSHAS 18001 certification, a British standard which is focused on controlling occupational health and safety hazards. AboitizPower companies are also transitioning to the ISO 45001 standard to drive a risk-based culture with more proactive approaches toward mitigating risks before they happen. To further reinforce industrial fire safety, annual in-house training program on Fixed Fire Fighting Systems of the U.S. National Fire Protection Association is conducted for operations, maintenance, and safety personnel.

Group insurance programs that leverage on the Company's portfolio of generation and distribution assets, supported by risk modelling and quantification, are also in place and regularly reviewed. AboitizPower ensures that its Business Units have the right insurance solutions to achieve the optimal balance between retaining or transferring risks versus lowering the Total Cost of Insurable Risk. As such, business interruption insurance is procured to cover any potential loss in gross profits that may result from a major damage to critical assets. AboitizPower is embarking on a major initiative to look for alternative risk transfer strategies to optimize loss indemnity and risk retention.

Business Units periodically review, test, develop, update, and improve their business continuity plan (BCP) to ensure that they remain relevant with current business conditions, and address the uncertainties and issues faced by the Company.

Some of these enhancements include: (a) typhoon preparedness; (b) regular emergency drills and simulation exercises on various scenarios related to other natural and man-made calamities; and (c) post-event evaluations to ensure that employees are able to respond effectively and safely as planned. AboitizPower is looking to expand business continuity strategies on a geographic regional scale for better coordination among several plants.

To further improve its existing BCM framework and practices, AboitizPower has rolled out a three-year roadmap of Business Continuity initiatives, which conforms to ISO 22301:2012 standards and requirements.

7. Cyber and Information Security

AboitizPower recognizes the vulnerabilities of global information security breaches and the increasingly complex challenges of digital transformations. Management acknowledges that information security threats should be addressed to prevent targeted and non-targeted attacks which can adversely disrupt operations and customer services, and result in serious impacts to the Company's bottom line and reputation.

In 2021, AboitizPower further strengthened its protection protocols against security threats with the implementation of the ISMS following the ISO 27001:2015 standard. For 2021, the Company's Generation and Distribution Business Groups have rolled out and currently completing a uniform, Company-wide Operational Technology (OT) Security Minimum Standard.

AboitizPower aligns with the Aboitiz Group-wide Cyber Security Program, specific governance, standards, training and culture-building, and Operational Technology Security projects. OT Security projects in generation and distribution facilities are also ongoing through phased implementation until 2022. The ISMS discipline will continue to be embedded in all three pillars of Information and Operational Systems Security, namely, People, Process, and Technology.

The cybersecurity program execution which started in 2020 is progressing very well. Its anchor program, the Continuous Threat Detection (CTD) roll-out, has faced challenges from the global logistics delays which run from 45 to more than 120 days. The delivery of this project is expected to catch up as logistics normalizes and issues are resolved. Together with the CTD roll-out, the network segmentation will be implemented. End-point detection solutions for legacy operating systems (OS) will be addressed in 2022 with a new industrial control systems (ICS) end-point protection system offering the latest malware detection and protection.

In order to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the Company, BCPs on loss of technology scenarios are in place, annually tested, reviewed, and continually improved. AboitizPower keeps pace with current information security threat landscape, solutions, and best practices to further strengthen prevention, detection, and comprehensive response to information security threats. Information risks, including cyber security risks, will remain on top of the agenda of the Board Risk Committee for the coming years.

8. Competition Risk

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk, to wit: (a) generation companies being required to participate in a transparent and competitive bidding of power supply requirements of distribution utilities and electric cooperatives through the CSP; and (b) spot prices are expected to continue to be volatile. As such, fixed pricing may potentially increase exposure to fuel and forex risk, while the inability to contract at favorable rates and commercial terms may result in further exposure to higher levels of spot market volatility. This risk could result in inefficiencies in margins due to aggressive or competitive pricing and forecasting inaccuracy.

As AboitizPower endeavors to market and contract project capacities from investments ahead of time, as well as renew expiring contracts from existing capacities, it also maximizes energy trading opportunities in the spot market. Striking this balance requires a combination of portfolio pricing and contracting strategies, and hedging of coal and forex exposure on fixed contracts. This is to ensure that plant operations are optimized, and that revenue and cash flow streams are managed.

8. Talent 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 2021, AboitizPower heightened efforts in ensuring talent supply meets talent demand by utilizing strategic workforce planning process, in particular:

(a) Optimize talent attraction channels / approaches such as establishing a compelling employer brand, building targeted talent communities and employee referral programs;
(b) Build talent capability building to ensure a thriving workforce;
(c) Promote a culture-centric engagement and benchmarked employee experience to retain critical talents;
(d) Create as robust labor relations and business continuity plans, labor regulatory compliance checks & manager education; and
(e) Improve HR internal capability building and transformation thru leveraging analytics and digital tools/system, re-skilling and resourcing, structure redesign and process simplification/standardization.

AboitizPower integrated the Strategic and Operational Workforce Planning into the Organizational Planning processes to enable the identification of current and future talent needs. This helped shape the people strategy of AboitizPower to be able to increase workers engagement and remain competitive in the job market reshaped by the COVID-19 pandemic.

9. Litigation

The most effective way to avoid litigation and its adverse consequences is to prevent it. Litigation diverts valuable management resources, adversely affects reputation and standing, and exposes the Company including its employees and officers to liability.

In 2021, AboitizPower strengthened the capability of its Legal team to ensure legal and contractual obligations are complied with and in order to be able act quickly and effectively on a potential dispute prior to its escalation. Legal and internal and external subject matter experts identify and proactively address litigation risks to reduce threats associated with regulatory action, legal claims, and disputes. Legal strategies are supported by active stakeholders engagement with the intent to exhaust all available legal remedies outside of litigation.

10. Pandemic

For the AboitizPower Group, the primary impact of the COVID-19 pandemic during its early stages was the decrease in demand for electricity as business activities were hampered by the government-enforced community quarantines. These quarantines also resulted in reduced mobility to and from the Power Group's existing facilities, and new facilities being constructed. The curtailed economic activity brought about by the shutdown and/or scaled down operations of energy-intensive industries have resulted in significant drops in electricity demand and consumption, which in turn has affected the revenue targets of AboitizPower's generation, distribution, and retail electricity supply businesses. The Company collaborates with its customers and key stakeholders to minimize the impact of the pandemic to its PSAs for all concerned parties. Distribution Utilities have also maximized the use of social media and digital platforms to deliver customer services.

The AboitizPower Group continued to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities. To address the challenges posed by the pandemic, the AboitizPower Group developed a program that combines the best of work-from-home, two-week 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 GNPower Dinginin project. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. GNPD Unit 1 started commercial operations in January 2022 after it was granted by the ERC with a Certificate of Compliance and following the completion of the functional tests required under the EPC. 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.

The Company ensures that the supply chains for its power plants and Distribution Utilities remain stable. It also ensures that supply of coal, critical spare parts, and services from outside the country continues through a number of options, including alternative local suppliers and service providers. Close coordination with LGUs and key government agencies by AboitizPower External Relations and its Business Unit's Legal and Compliance teams facilitate the unimpeded delivery of energy-related goods and services.

To date, all AboitizPower power generation facilities and power distribution utilities have normalized operations despite the appearance of new COVID-19 variants including Delta and Omicron. BCPs have been successfully implemented to ensure the adequate and reliable supply and distribution of electricity and to adapt to the nature of the virus with the least disruption in operations but ensuring team members are not put at risk which is the primary objective of the Company's COVID-19 response. These BCPs are continually and promptly updated to adhere to the health and other community quarantine protocols and guidelines issued by the DOE, ERC, DOH, DOLE, Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), and the LGUs. COVID-19 vaccination of employees and contractors is at a high rate due to company-initiated vaccination programs. The Company is also facilitating a program for the administration of boosters to its employees to maximize protection afforded by the vaccines. As long as the Company continues to improve and remain steadfast on its COVID-19 protocols despite continued and impending lockdowns, disruption to the Company's business is seen to be not as consequential as what was seen during the onset of the pandemic.

The Company will continue to comply with the government's minimum health standards and directives being a provider of essential services during this time of the pandemic.

11. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. These are newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on the organization in the future. These potential risks could be triggered by the fast-changing landscapes in the political, economic, social, technological, environmental, and legal facets surrounding the Company's operations.

For AboitizPower, one such major risk is that of climate change. While the Company has recognized that the availability of insurance and long-term financing for coal plants has become more and more challenging, these are being addressed by an overall sustainability strategy that is manifested by its portfolio mix changing towards sustainable energy sources over the long term. Active engagements with stakeholders to clarify AboitizPower's ESG strategy are undertaken to clarify the Company's positions and plans to achieve its sustainability goals in the context of the Philippine energy and growth plans. The market for fuel, particularly coal, is also being actively monitored as currently there are a lot of risk drivers that are starting to emerge that are coming from sustainability policies and dynamic domestic and international trade policies. The most recent fuel-related risk is the month-long export ban on coal announced by the Indonesian government which put at risk the continued normal and full operation of the Company's coal power plants. While the ban was temporary, the Company has been developing a more robust risk mitigation plan against potential loss or unavailability of coal suppliers.

Disruptive and new technology are likewise emerging risks the Company continues to monitor. Among others, the battery storage and the digitization or internet of things are potential transformers of the power business. Energy storage could play a wider role in the global energy markets moving from limited uses to displacing power generation due to its potential for reliability, quality, and its capability for renewables integration. The internet of things has the potential to significantly transform the power sector by optimizing operations, managing asset performance. Other technologies are expected to impact power generation and transmission segments. The Company sees these technologies both as threats and opportunities.

Such risks are captured and validated in the semi-annual risk assessment process and during the environmental scans of the strategic planning and annual organizational planning process of AboitizPower, and are subjected to further study by subject matter experts. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

(b) Requirements as to Certain Issues or Issuers

(i) Debt Issues

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

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

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

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

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

Use of Proceeds

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

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

Note: Amounts are in thousands

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

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

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

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

Use of Proceeds

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

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

Note: Amounts are in thousands

Series "D" 7.25 Billion Peso Fixed Rate Retail Bonds issued in October 2019

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

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

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

Use of Proceeds

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

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Repayment of short-term loan	₱7,161,972	₱7,250,000
Bonds issuance cost	88,028	-
TOTAL	**₱7,250,000**	**₱7,250,000**

Note: Amounts are in thousands

Series "E" and "F" 9.55 Billion Peso Fixed Rate Retail Bonds issued in July 2020

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

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

AboitizPower received the aggregate amount of ₱9,550,000,000.00 bn as proceeds from the offer and sale of the Series "E" and Series "F" bonds. AboitizPower has been paying interest to its bond holders since October 2020 for the Series "E" and Series "F" bonds.

Use of Proceeds

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

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

Note: Amounts are in thousands

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

Note: Amounts are in thousands

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

On December 18, 2020, AboitizPower filed a Registration Statement with the SEC for the registration of its proposed fixed rate retail bonds in the aggregate principal amount of ₱30 bn, to be registered under the shelf registration program of the SEC (the "2021 Bonds").

Series "A" Eight Billion Peso Fixed Rate Bonds issued in March 2021

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

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

AboitizPower received the aggregate amount of ₱8 bn as proceeds from the offer and sale of the First Tranche Bonds.

Use of Proceeds

As of December 31, 2021, the proceeds of the Series "A" Bonds were utilized for the following projects:

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

	Per Final Prospectus	Actual
Gross proceeds	₱8,000,000	₱8,000,000
Net proceeds	7,895,303	7,903,093

Note: Amounts are in thousands

Series "B" and "C" Twelve Billion Peso Fixed Rate Bonds issued in November 2021

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

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

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

Use of Proceeds

As of December 31, 2021, the proceeds of the Second Tranche Bonds were utilized for the following projects:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Partially fund the equity contributions for the construction of the 74 MW Solar power plant in Pangasinan province	₱1,000,000	₱677,000
Refinancing of the 2020 Series E Bonds Maturing in 2022	9,000,000	-
Fund future renewable projects	1,839,849	-
Bond issuance costs	160,151	150,195
TOTAL	**₱12,000,000**	**₱827,195**

Note: Amounts are in thousands

	Per Final Prospectus	Actual
Gross proceeds	₱12,000,000	₱12,000,000
Net proceeds	11,839,849	11,849,805

Note: Amounts are in thousands

Balance of the proceeds as of December 31, 2021: ₱11,172,805,000

Series "D" and "E" Ten Billion Peso Fixed Rate Bonds issued in March 2022

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

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

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

Item 2. Properties

The Company's head office is located at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by the Company is leased from a third party. As a holding company, the Company does not utilize a significant amount of office space.

As of February 29, 2022, there are no definite plans of acquiring properties in the next twelve months. Nonetheless, the Company plans to continually participate in future projects that become available to it and will disclose the same in accordance with the applicable disclosure rules under the SRC.

On a consolidated basis, AboitizPower's Property, Plant and Equipment were valued at around ₱203.24 bn as of end-2021, as compared to ₱203.45 bn as of end-2020. The breakdown of the Company's Property, Plant and Equipment as of December 31, 2021 and December 31, 2020 is as follows:

Property, Plant and Equipment as of December 31	2021	2020
Land	1,807,495	₱ 1,751,190
Buildings, Warehouses and Improvements	51,935,601	38,731,336
Powerplant, Equipment, and Streamfield Assets	126,267,975	138,325,267
Transmission, Distribution and Substation Equipment	25,319,519	23,002,108
Transportation Equipment	1,634,855	5,311,547
Office Furniture, Fixtures and Equipment	1,038,896	1,345,146
Leasehold Improvements	3,029,884	2,950,245
Electrical Equipment	10,661,921	8,176,921
Meter and Laboratory Equipment	2,899,385	2,383,018
Tools and Others	4,863,477	4,687,252
Construction in Progress	8,661,336	5,464,652
Right-of-use Assets	38,392,228	38,012,187
Less: Accumulated Depreciation and Amortization	69,684,027	63,441,503
Less: Accumulated Impairment	3,588,720	3,248,123
TOTAL	**203,239,825**	**₱203,451,243**

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

Subsidiary	Description	Location/Address	Condition
Cotabato Light	Industrial land, buildings/ plants, equipment, and machinery	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/ plants, equipment, and machinery	P. Reyes Street, Davao City and Bajada, Davao City	In use for operations
Visayan Electric	Industrial land, buildings/ plants, equipment, and machinery	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Lima Enerzone	Industrial land, buildings/plants, equipment, and machinery	Lipa City and Malvar, Batangas	In use for operations
Balamban Enerzone	Industrial land, buildings/plants, equipment, and machinery	Balamban, Cebu	In use for operations

Item 3. Legal Proceedings

Material Pending Legal Proceedings

AboitizPower and its Subsidiaries are involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that none of these legal proceedings will have a material effect on the Company's financial position and results of operations.

Visayan Electric, for example, received several assessments of real property taxes on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. Visayan Electric consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code of the Philippines, and therefore are not lawful objects of real property tax. Further, Section 270 of the Local Government Code of 1991 provides that the collection of real property tax is mandatory within five years from the date they become due, and that failure to collect the real property tax within the said period will bar collection thereof.

Visayan Electric has availed of Cebu City's tax amnesty ordinance in settlement of its real property tax assessment case amounting to ₱183mn covering the period from 1989 to 2019 pending before the Cebu City Assessor's Office. Visayan Electric was issued a tax certificate on January 5, 2021, clearing the company of any and all real property tax liabilities for all its electric poles and their attachments located in Cebu City.

The other material pending legal proceedings involving the Company and its Subsidiaries are as follows:

Luzon Hydro Corporation vs. The Provincial Government of Benguet, represented by Governor Melchor D. Diclas; Orlando T. Oidi, in his official capacity as the Provincial Assessor of Benguet Province; Imelda I. Macanes, in her official capacity as the Provincial Treasurer of Benguet Province; Bado K. Pasule, in his official capacity as the Municipal Assessor of Bakun, Benguet; and Merlita Tolito, in her official capacity as the OIC-Municipal Treasurer of Bakun, Benguet
Civil Case No. 20I-CV-3558

In view of the finality of the SC's Decision in the case entitled: *"National Power Corporation vs. Luzon Hydro Corporation (LHC), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet"* docketed as GR No. 244450 and GR No. 244659, the Municipal Treasurer of Bakun issued real property tax Bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24 on January 16, 2020.

On February 3, 2020, LHC wrote to the Provincial Governor requesting for the amendment of the real property tax Bills to align with the MOA dated December 20, 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited Executive Order (EO) No. 88, Series of 2019, which reduced the liability for real property tax of IPPs such as LHC with BOT Agreements with Government Owned and

Controlled Corporations to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.

On September 14, 2020, LHC filed a Petition with the Regional Trial Court ("RTC") of La Trinidad, Benguet, praying for the issuance of a writ of *mandamus* to compel the Province of Benguet to comply with the provisions of the EO and recompute the real property tax liabilities of LHC. The Province of Benguet filed its Comment with Motion to Dismiss, which was denied by the RTC. The RTC also directed the parties to immediately manifest their conformity to the statement of undisputed facts, admitted documentary exhibits, and the statement of legal issues. LHC filed its Comment on January 21, 2021 while the Province filed its Compliance with Manifestation on February 5, 2021.

On March 23, 2021, a hearing was held through videoconference to discuss the factual issues raised by the Province. The judge advised that an Amended Order will be issued containing the summary of admitted facts, list of admitted facts, list of admitted documents, and statement of legal issues based on the respective Comments or Manifestations filed by the parties. LHC filed its Memorandum on April 28, 2021.

On December 17, 2021, LHC received the RTC's Decision dated November 18, 2021 denying the Petition. On December 28, 2021, LHC filed with the Supreme Court a motion for extension of time, requesting a 30-day extension from January 1, 2022, or until January 31, 2022, within which to file its Petition for Review on Certiorari.

On February 2, 2022[9], LHC filed its Petition for Review on Certiorari with the Supreme Court. As of February 28, 2022, the Petition is pending before the Supreme Court.

G.R. No. 210245 entitled "*Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al*.", Supreme Court; December 19, 2013

G.R. No. 210255 entitled "*National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al*.", Supreme Court; December 20, 2013

G.R. No. 210502 entitled "*Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court;* January 8, 2014

On December 19, 2013, Bayan Muna representatives filed a Petition for *Certiorari* against ERC and Meralco with the SC, questioning the alleged substantial increase in Meralco's power rates for the billing period of November 2013. These cases raised, among others, the: (i) legality of Sections 6, 29 and 45 of the EPIRA, (ii) failure of ERC to protect consumers from high prices of electricity, and (iii) alleged market collusion by the generation companies. These cases were consolidated by the SC, which issued a TRO preventing Meralco from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the SC for another 60 days, or until April 22, 2014. On April 22, 2014, the SC extended the TRO indefinitely.

Meralco filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by Meralco from the WESM during the contested billing period. The SC ordered other power industry participants (DOE, ERC, PEMC, PSALM, and the generation companies) to respond to Meralco's counter-petition.

The SC set the consolidated cases for oral arguments on January 21, 2014, February 4 and 11, 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. Meralco has been prevented from collecting the differential increase of the price hike. Because of Meralco's counter-petition against the generation companies, PEMC withheld settlement of the power purchases during the covered period.

[9] On January 12, 2022, the Supreme Court issued Memorandum Order No. 10-2022 which, among others, extended until February 1, 2022 the filing periods of any and all pleadings and other court submissions that will fall due in the month of January 2022 in view of the rising cases of COVID-19 due to the Omicron variant. Further, through Proclamation No. 1236 dated October 29, 2021, February 1, 2022 has been declared a Special (Non-Working) Day in view of the celebration of Chinese New Year. Hence, all pleadings that will fall due on said date may be filed on the next business day.

On February 7, 2019, petitioners in G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of February 28, 2022, 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 August 4, 2014"]

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation (PEMC-ECO) conducted an investigation on TMO for possible non-compliance with the Must-Offer-Rule for the period October 26, 2013 to December 25, 2013. PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on September 5, 2014, contending that it did not violate the Must-Offer Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation after having been non-operational for five years. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on November 21, 2013.

In its letter dated January 30, 2015, the PEMC Board of Directors denied TMO's request for reconsideration and confirmed its earlier findings. On February 13, 2015, TMO filed a Notice of Dispute with PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On February 16, 2015, TMO filed a petition for TRO before the Pasig City RTC. In its Order dated February 24, 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to: (i) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (ii) refrain from charging interest on the financial penalty and having the same accrue; and (iii) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On April 1, 2015, the RTC rendered a Decision in favor of TMO. PEMC appealed the RTC decision before the Court of Appeals (CA) and sought to reverse and set aside the decision of the RTC.

On December 14, 2015, the CA rendered a Decision denying PEMC’s Petition for Review and affirming the April 1, 2015 Decision of RTC in favor of TMO. On June 6, 2016, PEMC filed a Petition for Review on *Certiorari* with the SC to assail the December 14, 2015 CA Decision. TMO filed its Comment to PEMC's Petition for Review and PEMC filed a Reply. In its March 29, 2017 Resolution, the SC noted TMO's Comment and PEMC's Reply.

As of February 28, 2022, 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 December 26, 2013, as amended by Office Order No. 82, Series of 2017*", Court of Appeals, Manila;

ERC Case No. 2015-025 MC entitled “*Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Meralco and Therma Mobile, Inc. [For Violation of Section*

***45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Economic Withholding)]*", ERC Pasig City, June 4, 2015;**

ERC Case No. 2015-027 MC entitled "*Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 vs Therma Mobile, Inc. [For Violation of Section 45 of RA 9136, otherwise known as EPIRA, Rule 11, Section 1 and 8(e) of IRR of the EPIRA (Commission of an Anti-Competitive Behavior, particularly Physical Withholding)]*", ERC, Pasig City, June 4, 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 January 24, 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 January 29, 2014, TMO filed its Compliance and Submission to the *Subpoena Duces Tecum*. Further, on March 11, 2014, TMO filed its Memorandum, arguing that it did not commit any act constituting anti-competitive behavior and/ or misuse of market power. TMO then requested ERC-IU to terminate and close the investigation.

On May 20, 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 June 23, 2015, ERC ordered Meralco and TMO to file their respective Answers to the Complaint. On August 24, 2015, TMO filed its Answers praying for the dismissal of the Complaints.

In its Manifestation dated October 7, 2016, ERC-IU manifested the resignation of Atty. Isabelo Tomas as Investigating Officer (IO) and the appointment of Director Alfredo Vergara, Jr. and Engr. Nelson Canlas as new IOs. In a separate pleading, the new IOs filed their Reply to various motions filed by TMO.

On July 27, 2016, Meralco filed in ERC Case No. 2015-025MC an Urgent Motion to Dismiss with Motion to Suspend Proceedings on the ground that ERC has no jurisdiction over anti-competitive behavior cases, and that jurisdiction is with PCC. On July 28, 2016, TMO filed in the same case a Manifestation and Motion adopting Meralco's Urgent Motion to Dismiss. On August 1, 2016, TMO also filed its Manifestation and Motion, which sought the dismissal of ERC Case No. 2015-027MC for lack of jurisdiction.

In an Order dated February 2, 2017, ERC denied Meralco's and TMO's motions to dismiss for lack of jurisdiction. TMO filed its Motion for Reconsideration, which the ERC subsequently denied in its Order dated June 20, 2017.

On September 18, 2017, TMO filed a Petition for *Certiorari* with the CA, praying that the CA: (i) issue a TRO commanding the ERC to desist from conducting further proceedings in ERC Case No. 2015-025MC and ERC Case No. 2015-027MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 ERC Orders.

In a Resolution dated October 2, 2017, the CA directed the respondents to file their comment on TMO's Petition for *Certiorari* and denied TMO's prayer for a TRO. TMO filed a Motion for Partial Reconsideration of the CA's October 2, 2017 Resolution, which the CA denied. Thereafter, the CA issued its Notice of Judgment and Decision dated May 23, 2018, which denied TMO's Petition. On June 20, 2018, TMO filed its Motion for Reconsideration of CA's Decision dated May 23, 2018. In a Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by TMO, Meralco and APRI and the motion for partial reconsideration filed by the ERC.

Subsequently, ERC filed a Petition dated February 21, 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 July 30, 2019, the SC directed the respondents to file their Comments on ERC's Petition. On November 25, 2019, TMO filed its Manifestation with the SC. As of February 28, 2022, ERC's Petition is still pending with the SC.

Meanwhile, on March 26, 2021, virtual hearings were held with respect to ERC Case No. 2015-025 MC and ERC Case No. 2015-027. On August 27, 2021, the parties had their pre-trial conferences in these cases. Thereafter, the parties have filed motions in relation to matters arising from the pre-trial conferences. As of February 28, 2022, the motions are still pending with the ERC.

SC G.R. Nos. 244449 and 244455-56 entitled "*Energy Regulatory Commission vs. Therma Mobile, Inc., Manila Electric Company and AP Renewables, Inc.*", Supreme Court;

CA G.R. SP. No. 152613 entitled, "*AP Renewables, Inc. vs. Energy Regulatory Commission and Directors Alfredo P. Vergara, Jr. and Engr. Nelson Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulations Commission*", Court of Appeals, Manila

ERC Case No. 2015-038 MC entitled "*Energy Regulatory Commission vs. AP Renewables, Inc. ([Violation of Section 45 of EPIRA, Rule 11, Sec. 1 and 8 (E) of the Implementing Rules and Regulations (Commission of an Anti-Competitive Behavior, particularly, Physical Withholding)]*", ERC, Pasig City, June 9, 2015

ERC-IU conducted investigations on the alleged anti-competitive behavior and market abuse committed by some participants of the WESM, including APRI. On May 20, 2015, ERC-IU released its report holding that APRI's non-compliance with the Must-Offer Rule for four intervals is tantamount to Physical Withholding which, it alleged, is a form of anti-competitive behavior.

On June 9, 2015, complainant Atty. Isabelo Joseph Tomas III, Investigating Officer of the IU, filed the complaint for Anti-Competitive Behavior against APRI. On June 23, 2015, ERC issued an Order directing APRI to file its answer within 15 days from notice.

On July 1, 2015, APRI received the summons and complaint. Subsequently, on July 7, 2015, APRI filed a Motion praying that: (a) the Complainant serve upon APRI the complete copy of the complaint and its annexes; (b) the Complainant clarify and put on record the answer to the following issues: (i) which of Makban Plants' generating units is the subject of the complaint; and (ii) the dates and times of the four intervals mentioned in the complaint during which APRI allegedly offered "less than its total registered capacity." Meanwhile, on July 29, 2015, APRI filed its Answer *ad cautelam*.

In its Manifestation dated October 7, 2016, ERC-IU manifested the resignation of Atty. Isabelo Tomas as IO and the appointment of new IOs. The new IOs filed their Reply to various motions filed by APRI.

Subsequently, APRI filed a Motion to Dismiss dated July 29, 2016, arguing that jurisdiction over the case is vested in the PCC. APRI also filed its *Ad Cautelam* Pre-Trial Brief and Judicial Affidavits. ERC denied APRI's Motion to Dismiss, and APRI's subsequent Motion for Reconsideration.

On September 19, 2017, APRI filed a Petition for *Certiorari* (with application for TRO and Writ of Preliminary Injunction) with the CA (CA G.R. SP. No. 152613), praying for the CA to: (i) issue a TRO commanding ERC to desist from conducting further proceedings in ERC Case. No. 2015-038MC; (ii) after proceedings, issue a Writ of Preliminary Injunction; and (iii) annul and set aside the February 2, 2017 and June 20, 2017 ERC Orders, and dismiss the complaint and ERC proceedings with prejudice.

On November 6, 2017, the IOs filed a Motion for Consolidation seeking to consolidate CA G.R. SP. No. 152613 with TMO's Petition in CA GR. No. 152588. Therafter, the CA issued its Notice of Judgment and Decision dated

May 23, 2018, which denied APRI's Petition. On June 18, 2018, APRI filed its Motion for Reconsideration of the CA's Decision dated May 23, 2018.

In a Resolution dated January 28, 2019, the CA denied the motions for reconsideration filed by APRI, Meralco, and TMO and the motion for partial reconsideration filed by ERC.

Subsequently, ERC filed a Petition dated February 21, 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 November 4, 2019, APRI filed its Comment with the SC. As of February 28, 2022, ERC's Petition is still pending with the SC.

Meanwhile, on March 26, 2021, a hearing was held in ERC Case No. 2015-038 MC. As of February 28, 2022, 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*", March 28, 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 March 3, 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 March 18, 2014, PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

The Company's Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC, and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

ERC, in its Order dated October 15, 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the "Petitions") before the CA on November 19, 24, December 1, and 4, 2014, respectively. The CA ordered the consolidation of the Petitions on October 9, 2015.

On November 7, 2017, the CA granted the Petitions. ERC's March 3, 2014 Order, among other orders, were declared null and void, and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and Meralco filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI, and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated March 29, 2019, the CA denied the motions for reconsideration by 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 November 7, 2017 and the CA Omnibus Resolution dated March 29, 2019. They also prayed that the SC reinstate the ERC Orders.

In September to October 2019, the SC issued Resolutions denying the Petitions for Review on *Certiorari* filed by several entities, including Calco Industries Inc., Paperland, *Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan* (AGHAM), Ateneo de Manila University, Citizenwatch, Riverbanks Dev't. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated November 7, 2017 and Omnibus Resolution dated March 29, 2019.

In a Resolution dated September 11, 2019, the SC required respondents to file their Comments to ERC's Petition for Review on *Certiorari*. On January 28, 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on *Certiorari* dated June 13, 2019); whereas APRI filed its Comment (on the Petition for Review on *Certiorari* dated June 13, 2019) on February 11, 2020.

In a Resolution dated February 10, 2020, the SC required respondents to file their Comments on Meralco's Petition for Review on *Certiorari* dated June 13, 2019. On July 9, 2020, APRI filed its Comment, and TLI and TMO filed their Consolidated Comment to Meralco's Petition for Review on *Certiorari*.

Subsequently, the SC issued a Resolution dated March 11, 2020 requiring the respondents to comment on San Beda University's Motion for Leave to Intervene and to Admit Petition-In-Intervention. On October 2, 2020, APRI filed its Opposition to San Beda University's Motion; while TLI and TMO filed their Opposition on October 21, 2020.

In a Resolution dated November 4, 2020, the SC resolved to consolidate and transfer the case with G.R. Nos. 247352-61 to the case with G.R. Nos. 246621-30. In a Resolution dated June 23, 2021, the SC required Meralco to file its Consolidated Reply to respondents' Comments, which Meralco filed on October 19, 2021.

As of February 28, 2022, 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)*", August 29, 2013

On August 29, 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 March 4, 2013 and July 1, 2013 in ERC Case No. 2008- 083 MC where the SGCs were not parties to.

On September 20, 2013, APRI and TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that Meralco's petition should be dismissed for failure to state a cause of action and 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 February 28, 2022, ERC has yet to render its decision on the Joint Motion to Dismiss.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AboitizPower's common shares are traded on the PSE.

The high and low stock prices of AboitizPower's common shares for each quarter of the past two 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	34.20	23.00	28.25	24.30	₱40.35	₱34.10
Fourth Quarter	34.00	29.30	28.55	25.60	₱40.40	₱33.00

The closing price of AboitizPower common shares as of March 23, 2022 is ₱35.40 per share.

(2) Holders

As of March 23, 2022, AboitizPower has 592 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of same date were 7,358,604,307 shares.

The top 20 stockholders of AboitizPower as of March 23, 2022 are as follows:

Name	Number of Shares	Percentage
1) Aboitiz Equity Ventures Inc.	3,825,794,642	51.99%
2) JERA Asia Private Limited	1,986,823,063	27.00%
3) PCD Nominee Corporation (Filipino)	1,097,446,124	14.91%
4) PCD Nominee Corporation (Foreign)	157,411,177	2.14%
5) Bauhinia Management, Inc.	20,948,380	0.28%
6) Dominus Capital Inc.	14,009,949	0.19%
6) FMK Capital Partners, Inc.	14,009,949	0.19%
7) Portola Investors, Inc.	13,713,337	0.19%
8) Hawk View Capital, Inc.	13,711,967	0.19%
9) Ixidor Holdings, Inc.	8,203,632	0.11%
10) San Fernando Electric Light & Power Co., Inc.	7,931,034	0.11%
11) Parraz Development Corporation	7,827,522	0.11%
12) Arrayanes Corporation	6,936,943	0.09%
13) Sabin M. Aboitiz	5,667,406	0.08%
14) Iker M. Aboitiz	5,465,100	0.07%
15) Danel C. Aboitiz	4,528,696	0.06%
16) Ramon Aboitiz Foundation, Inc.	3,900,000	0.05%
17) Tris Management Corporation	3,130,359	0.04%
18) Tinkerbell Management Corporation	3,042,454	0.04%
19) CAL Management Corporation	3,036,798	0.04%
20) Gitana Management & Dev't. Corporation	2,817,091	0.04%
SUBTOTAL	**7,206,355,623**	**97.93%**
Other Stockholders	**152,248,684**	**2.07%**
TOTAL SHARES	**7,358,604,307**	**100.00%**

(3) Dividends

Since 2013, the Company's dividend policy has been to declare an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company, in all cases subject to the approval of the Company's Board of Directors. The policy changed the previous cash dividend payment ratio of 33% of previous year's net profits.

The cash dividends declared by AboitizPower to common stockholders from 2020 to the first quarter of 2022 are shown in the table below:

Year	Cash Dividend Per Share	Total Declared	Declaration Date	Record Date	Payment Date
2022 (regular)	₱1.45	₱10.67 bn	3/4/2022	3/18/2022	3/30/2022
2021 (regular)	₱0.85	₱6.25 bn	3/5/2021	3/19/2021	3/31/2021
2020 (regular)	₱1.18	₱8.68 bn	3/6/2020	3/20/2020	4/3/2020

There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of March 23, 2022.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

AboitizPower does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of AboitizPower Corporation's ("AboitizPower", "Parent", or the "Company") consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying schedules and disclosures 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 the acquisition of said investment, net of goodwill impairment cost, if any. It also indicates the profitability of the investment and investees' contribution to the Group's net income.

   Goodwill is the difference between the purchase price of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

   Manner of Computation:
   Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost

2. **Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA).** The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts.

3. **Cash Flow Generated.** Using the Consolidated Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external

sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **Current Ratio.** Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group**.**

5. **Debt–to–Equity Ratio.** Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total liabilities by stockholders' equity.

Year Ended December 31, 2021 versus Year Ended December 31, 2020

The table below shows the comparative figures of the key performance indicators for 2021 and 2020:

Key Performance Indicators	2021	2020
Amounts in thousands of ₱s, except for financial ratios		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	9,479,696	2,675,136
EBITDA	50,661,619	44,687,315
CASH FLOW GENERATED:		
Net cash flows from operating activities	36,327,036	31,781,669
Net cash flows used in investing activities	1,018,171	(4,526,973)
Net cash flows used in financing activities	(19,103,660)	(25,914,010)
Net (Decrease)/Increase in Cash & Cash Equivalents	18,241,547	1,340,686
Cash & Cash Equivalents, Beginning	38,699,545	37,433,929
Cash & Cash Equivalents, End	57,130,243	38,699,545
CURRENT RATIO	1.53	1.38
DEBT-TO-EQUITY RATIO	1.75	1.96

- Share in net earnings in associates and joint ventures for the year 2021 increased by 254% compared to 2020. The increase was mainly due to higher water inflows of SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet and the claim of liquidated damages for the delay in the construction of the GNPD plant.

- EBITDA for the year 2021 increased by 13% Year-on-Year (YoY). This was primarily due to the commissioning revenue from GNPD Unit 1, higher water inflow, higher availability of the TLI, TSI, and TVI facilities, and higher WESM dispatch in compliance with the must-offer rule.

- For the year ended 2021, cash and cash equivalents increased by ₱18.43 billion (bn) compared to 2020. This was mainly due to the Parent's retail bond issuance, partly offset by loans and lease payments during the year 2021.

- Current Ratio as of December 31, 2021 was at 1.53x as compared to 1.38x as of December 31, 2020. The increase was primarily due to Parent's retail bond issuance in 2021.

- Debt-to-Equity Ratio as of December 31, 2021 was at 1.75x, lower than the 1.96x recorded as of December 31, 2020.

Results of Operations

Net income for 2021 was ₱20.84 bn, which was 66% higher than the ₱12.58 bn reported in 2020. This translated to earnings per share of ₱2.83 for 2021. The Company recognized non-recurring losses of ₱228 mn during 2021 (as compared to the non-recurring gains of ₱45 mn in 2020), primarily due to the impairment losses of TPVI and RPEnergy, which were partially offset by net foreign exchange gains on the revaluation of dollar-denominated liabilities. Without these one-off gains, the Company's core net income for 2021 was ₱21.1 bn, 68% higher than the ₱12.5 bn recorded in 2020. This was primarily due to commissioning revenue from GNPD Unit 1, higher water inflow for AboitizPower's hydro plants, higher availability of the TLI, TSI, and TVI facilities, and higher WESM dispatch in compliance with the must-offer rule. During 2021, AboitizPower was also able to claim liquidated damages for the delay in the construction of GNPD Units 1 and 2, and also received the final payment for business interruption claims resulting from the GMEC and APRI outages in previous years.

Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱43.4 bn during 2021, 15% higher than the ₱37.7 bn recorded in 2020. This was due to the commissioning revenue from GNPD Unit 1, higher availability of the Company's TLI, TSI, and TVI facilities, higher water inflows for the hydro plants, and higher WESM dispatch in compliance with the must-offer rule. These gains were partially offset by the lower margins resulting from the GMEC outage. Capacity sold in 2021 increased by 10% to 3,753 megawatts (MW), compared to 3,417 MW in 2020. Energy sold increased by 14% to 26,031 gigawatt-hours (GWh) for 2021, compared to 22,754 GWh during 2020.

Power Distribution

During 2021, AboitizPower's distribution business recorded EBITDA of ₱7.5 bn, 5% higher than the ₱7.2 bn recorded in 2020. Energy sales increased by 4% to 5,584 GWh for 2021, compared to 5,368 GWh for 2020. This was driven by higher energy consumption resulting from recoveries in demand. Energy sales from the Residential, Commercial and Industrial customer segments increased due to less stringent community quarantine during 2021 and the resumption of operations of commercial and industrial customers.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

Consolidated Statements of Income

Net income attributable to equity holders of the Parent Company increased by ₱8.26 bn, or 66% YoY. The various movements in line items are shown below to account for the increase:

(Amounts in thousands of ₱s)

Net Income Attributable to Equity Holders of the Parent (January - December 2020)	**₱12,577,676**
Increase in operating revenues	23,982,572
Increase in operating expenses	(22,652,663)
Decrease in interest income	(309,843)
Decrease in interest expense	663,163
Increase in share in net earnings of associates and joint ventures	6,804,560
Decrease in other income	(4,714,998)
Decrease in provision for taxes	3,951,202
Decrease in income attributable to non-controlling interests	535,513
Total	8,259,506
Net Income Attributable to Equity Holders of the Parent (January - December 2021)	**₱20,837,182**

Operating Revenues
(22% increase from ₱110.38 bn to ₱134.36 bn)

The increase in operating revenues during 2021 as compared to 2020 was primarily due to higher availability of TLI, TSI, and TVI facilities and higher WESM dispatch in compliance with the must-offer rule.

Operating Expenses
(27% increase from ₱83.50 bn to ₱106.15 bn)

The increase in operating expenses during 2021 as compared to 2020 was mainly due to the higher cost of purchased power and generated power.

Interest Income
(47% decrease from ₱653.00 mn to ₱343.00 mn)

The decrease in interest income during 2021 as compared to 2020 was primarily due to lower interest rates on money market placements.

Interest Expense and other financing costs
(5% decrease from ₱14.25 bn to ₱13.59 bn)

Interest expense decreased in 2021 compared to 2020, due to lower interest accretion on lease liabilities as timely payments were made on TLI's obligation to PSALM. The refinancing of Hedcor Bukidnon project loan in September 2020, and the prepayment of Parent's US dollar loan also contributed to lower interest expense in 2021. These were partly offset by additional interest expenses recognized in 2021 on AboitizPower's ₱9.55 bn and ₱8.00 bn retail bonds issued in July 2020 and March 2021, respectively.

Share in Net Earnings of Associates and Joint Ventures
(254% increase from ₱2.68 bn to ₱9.48 bn)
Share in net earnings in associates and joint ventures for the year 2021 increased by 254% YoY. The increase was mainly due to higher water inflows of SN Aboitiz Power-Magat and SN Aboitiz Power-Benguet, and the claim of liquidated damages for the delay in the construction of the GNPD plant.

Other Income (Expenses) – net
(96% decrease from ₱4.93 bn to ₱214.00 mn other income)

The decrease in other income in 2021 as compared to 2020 was mainly due to the losses on the revaluation of foreign-currency denominated liabilities.

Provision for Taxes
(65% decrease from ₱6.06 bn to ₱2.11 bn)

The decrease in provision for taxes was due to the application of the provisions of the CREATE Act reducing the regular corporate income tax (RCIT) rate from 30% to 25%. The AboitizPower Group also recognized a reversal of deferred tax on Net Operating Loss Carry-Over (NOLCO) during the year 2020 that resulted in higher provision for taxes during 2020 as compared to 2021.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Total assets (as of December 31, 2021 compared to December 31, 2020) increased by ₱29.49 bn, or 7%. The major movements of the accounts leading to the increase were as follows:

a) Cash and cash equivalents increased by ₱18.43 bn, or 48% (from ₱38.70 bn to ₱57.13 bn). This was due to Parent's retail bond issuance, offset by loans and lease payments during the year 2021.

b) Trade and other receivables increased by ₱4.80 bn, or 22% (from ₱22.02 bn to ₱26.82 bn), primarily due to higher revenues.

c) Inventories increased by ₱3.27 bn or 52% (from ₱6.31 bn to ₱9.57 bn). This was mainly driven by the increase in spare parts, supplies and fuel inventory.

d) Other current assets decreased by ₱969.00 mn, or 9% (from ₱10.48 bn to ₱9.51 bn). This was mainly driven by TVI's utilization of restricted cash in accordance with its loan agreement.

e) Investments and advances increased by ₱3.12 bn, or 5% (from ₱61.83 bn to ₱64.95 bn). This was mainly driven by GNPD's capital contributions and share in earnings during the year 2021.

f) Intangible assets increased by ₱1.74 bn, or 4% (from ₱44.28 bn to ₱46.02 bn). This was primarily due to the foreign exchange revaluation of GMEC's goodwill, partly offset by amortization of existing assets.

g) Net pension assets increased by ₱37.00 mn, or 73% (from ₱50.00 mn to ₱87.00 mn). This was mainly due to actuarial gains.

h) Deferred income tax assets decreased by ₱97.00 mn, or 6% (from ₱1.54 bn to ₱1.44 bn). This was mainly due to the application of the provisions of the CREATE Act.

i) Other noncurrent assets decreased by ₱2.09 bn, or 23% (from ₱9.27 bn to ₱7.18 bn). This was mainly due to the regular reduction in PSALM deferred adjustment of the Power Distribution group.

Liabilities

Compared to December 31, 2020, total liabilities as of December 31, 2021 increased by ₱8.49 bn, or 3%. The major movements of accounts leading to the increase were as follows:

a) Short-term loans increased by ₱5.44 bn, or 41% (from ₱13.18 bn to ₱18.63 bn). This was mainly due to loan availments by the AboitizPower Group during the year 2021 which were used for working capital purposes.

b) Trade and other payables increased by ₱4.37 bn, or 24% (from ₱18.37 bn to ₱22.74 bn). This was primarily due to the increase in trade and fuel purchases.

c) Income tax payable decreased by ₱458.00 mn, or 63% (from ₱723.00 mn to ₱265.00 mn). This was mainly due to the application of the provisions of the CREATE Act.

d) Customers' deposits increased by ₱401.00 mn, or 6% (from ₱6.80 bn to ₱7.20 bn). This was mainly due to the receipt of bill deposits from new customers.

e) Decommissioning liability increased by ₱678.00 mn, or 14% (from ₱5.01 bn to ₱5.69 bn). This was mainly due to the recognition of additional decommissioning provisions on power plant assets of APRI.

f) Long-term debt (current and non-current portions) increased by ₱6.16 bn (from ₱175.88 bn to ₱182.04 bn). This was mainly due to Parent's retail bond issuance in 2021.

g) Lease liabilities (current and noncurrent portions) decreased by ₱5.49 bn (from ₱39.26 bn to ₱33.77 bn), as TLI made timely payments during 2021 of its obligations to PSALM.

h) Long-term obligation on power distribution system (current and noncurrent portions) decreased by ₱18.00 mn, or 10% (from ₱183.00 mn to ₱166.00 mn), due to regular payments.

i) Net derivative asset and liability increased by ₱2.85 bn (from ₱1.79 bn liability to ₱1.07 bn asset) during the year 2021 due to hedging gains.

j) Deferred income tax liabilities decreased by ₱160.00 mn, or 21% (from ₱745.00 mn to ₱585.00 mn), mainly due to the application of the provisions of the CREATE Act.

k) Other noncurrent liabilities decreased by ₱1.04 bn, or 95% (from ₱1.10 bn to ₱55.00 mn), mainly due to the regular payments of the PSALM deferred adjustments.

Equity

Equity attributable to equity shareholders of the Parent increased by 16% (from ₱127.16 bn as of December 31, 2020 to ₱147.95 bn as of December 31, 2021) after the declaration of dividends in March 2021, net of comprehensive income recognized during the year 2021. Cumulative translation adjustments increased by ₱5.28 bn, due to the upward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMEC and LHC during the period.

Material Changes in Liquidity and Cash Reserves of Registrant

As of December 31, 2021, the Group's cash and cash equivalents increased by 48% to ₱57.13 bn, from ₱38.70 bn as of December 31, 2020.

Higher water inflows, higher availability of the Company's thermal facilities, and higher spot sales resulted in higher cash generated from operations during the year 2021 by ₱4.55 bn, which was a 14% increase YoY.

Net cash flows from (used in) investing activities reversed from -₱4.53 bn in 2020 to ₱1.02 bn in 2021 mainly due to the increase in dividends received from associates.

The net cash flows used in financing activities decreased from ₱25.91 bn in the year 2020 to ₱19.10 bn in the year 2021 mainly due to lower payments of cash dividends and higher net availment of short-term loans.

Financial Ratios

As of December 31, 2021, current assets increased by 35% and current liabilities increased by 22% YoY. The current ratio as of December 31, 2021 was at 1.53x compared to 1.38x as of December 31, 2020.

Consolidated debt to equity ratio as of December 31, 2021 was at 1.75x, lower than the 1.96x recorded at the end of 2020. This was due to a 3% increase in total liabilities and 16% increase in equity during the year 2021.

Outlook for the Upcoming Year/ Known Trends, Events, and Uncertainties which may have Material Impact on the Registrant

AboitizPower remains focused on addressing the needs of its markets, namely: (1) providing reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. The Company believes that there is no single technology that completely addresses the country's energy requirements and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, the Company believes that it has built the foundation to sustain its long-term growth, as seen in its pipeline of new power generation projects.

The Company has over 1,000 MW of projects under construction which are expected to commercially operate in 2022: the GNPower Dinginin Project ("Dinginin Project"); the PV Sinag Power Cayanga Project ("Cayanga Solar Project"); the TMI Maco Hybrid Battery Energy Storage System Project ("Maco BESS Project").

GNPD Unit 1 officially went on COD last January 26, 2022. Unit 2 has started commissioning. The target for Unit 2's initial synchronization remains to be the second quarter of 2022, from which GNPD Unit 2 may start earning revenues.

The PV Sinag Power Cayanga Project is for the construction of a 94 megawatts peak (MWp) solar power plant located in barangay Cayanga, municipality of Bugallon, Pangasinan. The EPC contract was awarded to JGC Philippines last December 2021. Its groundbreaking ceremony was held last February 2022. The project is expected to commercially operate by Q4 2022.

The Maco BESS Project 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 nears completion at around 90% with the BESS barge moored in the TMI facility right next to the power barge. The mobilized technical team continues to work on the testing and commissioning activities to get the plant running in May 2022. It will serve as a model for future battery investments as well as hybrid renewable energy projects.

On top of the projects under construction, the Company has a 160 MWp of RE project expected to be issued a notice to proceed in 2022: the PV Sinag Power Laoag project ("Laoag Solar Project"). The Laoag Solar Project is expected to commercially operate by Q3 2023.

The Company also has an additional capacity of 721 MW of RE projects under priority development which are expected to commercially operate by 2024 to 2025: the 10 MW SN AboitizPower Magat BESS Project; the 84 MWp PV Sinag Power San Manuel Solar Project; the 44 MWp AP Renewable Energy Corporation Tarlac Solar Project; the 40 MW Hedcor Bukidnon Kibungan Hydro Project; the 212 MWp PV Sinag Power Olongapo Solar Project; the 56 MWp PV Sinag Power Ramon Solar Project; the 50 MWp PV Sinag Power Gamu Solar Project ; the 75 MWp SN AboitizPower-Magat Floating Solar Project; and the 150 MWp Aboitiz Solar Power Inc Calatrava Solar Project.

In relation to AboitizPower's existing capacity, the steam field operator for AP Renewables Inc. (APRI) has commenced the drilling of 12 new wells, which are expected to result in a minimum 50 MW of aggregated individual well capacity by 2023. Four wells were completed as of 2021,. Four more will be added by 2022, and another four by 2023. In Tiwi, the initiative to convert waste heat from the geothermal brine to power a 15 MW Binary power plant is reaching the final stages of tender. The project is expected to commercially operate by the Q3 of 2023.

The Company targets to double its capacity to 9,200 MW by 2030. It intends to achieve a 50:50 balance between its renewable ("Cleanergy") and thermal capacities, without new coal builds. This is expected to come from a portfolio of renewables and selective baseload builds.

The Company aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE. 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 targets to significantly grow Cleanergy by 3,700 MW, both domestically and internationally, and bring its renewable portfolio to 4,600 MW by 2030.

The Company is optimizing its existing baseload facilities to meet critical market needs. Baseload demand will continue to increase. There is a need to address this in the absence of new coal plants. AboitizPower is currently conducting studies for viable alternatives to coal. In the event of a critical shortage, AboitizPower's third unit options located in existing baseload facilities may respond if called upon. The Company is also shifting its focus to gas for baseload growth. It has early feasibility studies, and within the next ten years, expects to construct 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. AboitizPower is also closely and proactively monitoring the risks associated with climate-related regulations and initiatives, including recent discussions on the early retirement of coal assets in the Philippines and Indonesia. AboitizPower, through its parent company, AEV, is the first Philippine company to sign up and commit to the Task Force on Climate-Related Financial Disclosure framework. The Company has taken steps to proactively quantify the potential impacts of various climate regulations on its assets. The Company is monitoring this risk as part of its risk management framework and is developing strategies to manage risks that are above certain risk thresholds.

Given the current state of power needs in the Philippines and the expected build progression of new plants over the next ten years, AboitizPower believes its existing coal assets will need to continue to play a significant role for at least another 15 to 20 years. AboitizPower is always looking at improvements to make sure it continues to operate its assets responsibly and in compliance with all regulations.

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 ₱28 bn for capital expenditures in 2022, for the development and construction of various solar power, hydro power, and battery energy-storage systems, and the continuous improvement of the reliability of baseload plants. These include remaining investment for GNPD's construction, a general overhaul of GMEC, and development and construction of solar and hydro plants, as well as BESS projects. The balance is allocated for maintenance of business, primarily to ensure the availability of sufficient baseload during the 2022 election period.

Last December 2021, JERA completed the acquisition of a 27% ownership stake in AboitizPower, which includes two board seats. The partnership enables AboitizPower's ten-year renewable energy expansion journey.

AboitizPower and JERA have agreed to explore immediate collaboration in the following areas: 1) development of power projects, including (Liquified Natural Gas) LNG-to-Power projects; 2) management and sourcing of LNG fuel supply; and 3) potential participation in aspects of plant operation and maintenance (O&M).

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Annual Report (*e.g. for an extensive discussion on regulatory issues, see Effect of Existing or Probable Government Regulations on the Business on page 39 of the Company's 2021 Annual Report*).

Year Ended December 31, 2020 versus Year Ended December 31, 2019

The table below shows the comparative figures of the key performance indicators for 2020 and 2019:

Key Performance Indicators	2020	2019
Amounts in thousands of ₱s, except for financial ratios		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	2,675,136	3,813,962
EBITDA	44,687,315	45,005,022
CASH FLOW GENERATED:		
Net cash flows from operating activities	31,781,669	39,356,962
Net cash flows used in investing activities	(4,526,973)	(34,060,585)
Net cash flows used in financing activities	(25,914,010)	(14,376,055)
Net (Decrease)/Increase in Cash & Cash Equivalents	1,340,686	(9,079,677)
Cash & Cash Equivalents, Beginning	37,433,929	46,343,041
Cash & Cash Equivalents, End	38,699,545	37,433,929
CURRENT RATIO	1.38	1.50
DEBT-TO-EQUITY RATIO	1.96	2.07

- Share in net earnings in associates and joint ventures for the year 2020 decreased by 30% compared to 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat resulting from a reduction in volume sold caused by reduced water levels and GNPD net losses due to foreign-currency denominated loan revaluations.

- EBITDA for the year of 2020 decreased by 1% YoY. This was due to lower demand resulting from the imposition of COVID-19 related quarantine measures. EBITDA was also affected by plant outages offset by lower purchased power cost during the year, as well as new capacities.

- For the year ended 2020, cash and cash equivalents increased by ₱1.27 bn. This was mainly due to Company's retail bond issuance in July 2020 which was partly offset by principal payments made on existing loans.

- Current Ratio as of December 31, 2020 was at 1.38x as compared to 1.50x as of December 31, 2019. The decline was primarily due to maturing bonds of the Company that were reclassified from noncurrent to current during 2020.

- Debt-to-Equity Ratio as of December 31, 2020 was at 1.96x, lower than the 2.07x recorded at the end of 2019.

Results of Operations

AboitizPower's net income for 2020 was ₱12.58 bn, 27% lower than the ₱17.32 bn reported in 2019. This translated to earnings per share of ₱1.71 for 2020. The Company recognized non-recurring net gains of ₱45 mn during 2020, compared to non-recurring net gains of ₱702 mn during 2019, due to net foreign exchange gains on the revaluation of dollar denominated liabilities. Without these one-off gains, the Company's core net income for 2020 was ₱12.53 bn, 25% lower than the ₱16.62 bn recorded in 2019. This was primarily due to additional tax expenses following the expiration of the income tax holiday (ITH) incentives of TSI and GMEC. The Company also de-recognized deferred tax assets on Net Operating Loss Carry Over (NOLCO) from 2018 and 2019. There were also additional interest expenses from the Company's bonds and loans that were availed of during late 2019 and the second half of 2020.

Power Generation and Retail Electricity Supply (RES)

AboitizPower's generation and retail supply business recorded EBITDA of ₱37.70 bn in 2020, 4% higher than the ₱36.20 bn recorded in 2019. The variance was primarily due to better availability of the Group's coal facilities and the recognition of BI claims, which offset the lower demand caused by the COVID-related community quarantines and lower water inflows to the Group's hydro facilities.

Capacity sold during 2020 increased by 7% to 3,417 MW from 3,184 MW in 2019. This resulted from increased contracting levels driven by the new capacity of TVI and additional portfolio contracts. The increase in contracting levels, however, was offset by the lower demand brought about by the pandemic and lower water inflows to the Group's hydro facilities. This resulted in a YoY reduction in energy sold, which declined by 1% to 22,754 GWh for 2020 from 22,942 GWh during 2019.

Power Distribution

For 2020, AboitizPower's distribution business recorded EBITDA of ₱7.2 bn, 12% lower than the ₱8.2 bn recorded during 2019. Energy sales decreased by 8% to 5,368 GWh in 2020 from 5,851 GWh in 2019. This was due to lower consumption resulting from the enforcement of COVID-related community quarantines.

Material Changes in Line Items of Registrant's Statements of Income and Comprehensive Income

Consolidated Statements of Income

Net income attributable to equity holders of the Parent Company decreased by ₱4.75 bn, or 27%, YoY. The various movements in line items are shown below to account for the decrease:

Net Income Attributable to Equity Holders of the Parent (January - December 2019)	**₱17,322,677**
Decrease in operating revenues	(15,258,508)
Increase in operating expenses	13,282,521
Increase in interest income	(638,627)
Increase in interest expense	(205,882)
Decrease in share in net earnings of associates and joint ventures	(1,138,826)
Decrease in other income - net	1,445,176
Higher provision for taxes	(2,846,414)
Decrease in income attributable to non-controlling interests	615,559
Total	(4,745,001)
Consolidated Net Income Attributable to Equity Holders of the Parent for 2018	**₱12,577,676**

Operating Revenues
(12% decrease from ₱125.64 bn to ₱110.38 bn)

The decrease in operating revenues during 2020 was primarily due to lower demand brought about by the COVID-19 pandemic and resulting community quarantines, lower spot prices and indices, lower contract rates, and lower water inflow.

These were offset by new capacities which went online in 2020.

Operating Expenses
(14% decrease from ₱96.78 bn to ₱83.50 bn)

The decrease in operating expenses was mainly due to the lower cost of purchased power and of generated power brought about by COVID-19.

Interest Income
(49% decrease from ₱1.29 bn to ₱653.00 mn)

The decrease in interest income during 2020 compared to 2019 was primarily due to lower interest rates on placements.

Interest Expense and other financing costs
(1% increase from ₱14.05 bn to ₱14.25 bn)

Interest expense increased during 2020 compared to 2019 was due to the interest and financing costs on AboitizPower's ₱7.25 bn and ₱9.55 bn retail bonds issued in October 2019 and July 2020, respectively.

Share in Net Earnings of Associates and Joint Ventures
(30% decrease from ₱3.81 bn to ₱2.68 bn)

Share in net earnings in associates and joint ventures for 2020 decreased by 30% compared to 2019. The decrease was mainly due to lower income contributions from SN Aboitiz Power-Magat, as reduced water levels during 2020 caused a reduction in volume sold, and to a higher share of GNPD's net losses resulting from foreign-currency denominated loan revaluations.

Other Income (Expenses) – net
(41% increase from ₱3.48 bn to ₱4.93 bn other income)

The increase in other income during 2020 compared to 2019 was mainly due to business interruption insurance claims of TSI due to plant outages.

Provision for Taxes
(89% increase from ₱3.22 bn to ₱6.06 bn)

The increase in provision for taxes during 2020 was due to the additional taxes resulting from the expiration of the ITH incentives of TSI and GMEC and the derecognition of deferred tax assets on NOLCO from 2018 and 2019.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

Assets

Total assets (as of December 31, 2020 compared to December 31, 2019) decreased by ₱12.54 bn, or 3%. The major movements of the accounts leading to the decrease were as follows:

a) Cash and cash equivalents increased by ₱1.27 bn, or 3% (from ₱37.43 bn to ₱38.70 bn). This was primarily due to the availment of the last tranche of retail bond drawn in July 2020.

b) Inventories decreased by ₱324.00 mn, or 5% (from ₱6.63 bn to ₱6.31 bn). This was mainly driven by a decrease in coal inventory during 2020.

c) Other current assets decreased by ₱604.00 mn, or 5% (from ₱11.08 bn to ₱10.48 bn). This was mainly driven by the reclassification during 2020 of a portion of TVI's Advances to NGCP to Other noncurrent assets.

d) Investments and advances increased by ₱950.00 mn, or 2% (from ₱60.88 bn to ₱61.83 bn). This was mainly driven by the new capital contributions to GNPD during 2020.

e) Property, plant and equipment decreased by ₱6.07 bn, or 3% (from ₱209.52 bn to ₱203.45 bn). This was primarily due to the depreciation of existing assets.

f) Intangible assets decreased by ₱2.43 bn, or 5% (from ₱46.71 bn to ₱44.28 bn). This was primarily due to the amortization of existing assets.

g) Net pension assets decreased by ₱18.00 mn, or 26% (from ₱68.00 mn to ₱50.00 mn). This was mainly due the accrual of retirement costs.

h) Deferred income tax assets decreased by ₱1.25 bn, or 45% (from ₱2.79 bn to ₱1.54 bn). This was mainly due to the reduction of the deferred tax benefits recognized by TLI on its net operating loss.

i) Other noncurrent assets decreased by ₱4.25 bn, or 31% (from ₱13.52 bn to ₱9.27 bn). This was mainly due to the decrease in Input VAT, regular reduction in PSALM deferred adjustment, and the reclassification of TVI's restricted cash to Cash and cash equivalents.

Liabilities

Compared to December 31, 2019, total liabilities as of December 31, 2020 decreased by ₱13.49 bn, or 5%. The major movements of accounts leading to the decrease were as follows:

a) Short-term loans increased by ₱1.41 bn, or 14% (from ₱10.34 bn to ₱11.74 bn). This was mainly due to new loans availed of by the Group during 2020 for working capital purposes.

b) Trade and other payables decreased by ₱4.00 bn, or 18% (from ₱22.38 bn to ₱18.37 bn). This was primarily due to the reduction of trade payables.

c) Income tax payable increased by ₱213.00 mn, or 42% (from ₱510.00 mn to ₱723.00 mn). This was mainly due to the expiration of the ITH incentives of TSI and GMEC.

d) Decommissioning liability increased by ₱1.44 bn, or 40% (from ₱3.57 bn to ₱5.01 bn). This was mainly due to the recognition of additional decommissioning provisions on power plant assets of APRI and GMEC.

e) Long-term debt (current and non-current portions) decreased by ₱650.00 mn (from ₱177.97 bn to ₱177.32 bn). This was mainly due to principal payments made on existing loans and the revaluation of dollar denominated loans, which were partly offset by the Parent's retail bond issuance during 2020.

f) Lease liabilities (current and noncurrent portions) decreased by ₱5.53 bn (from ₱44.79 bn to ₱39.26 bn), as TLI made timely payments during 2020 of its obligations to PSALM.

g) Long-term obligation on power distribution system (current and noncurrent portions) decreased by ₱16.00 mn, or 8% (from ₱199.00 mn to ₱183.00 mn), as payments were made in 2020.

h) Net derivative liabilities decreased by ₱597 mn (from ₱2.39 bn to ₱1.79 bn) during 2020 due to hedging gains.

i) Deferred income tax liabilities decreased by ₱103 mn, or 12% (from ₱848.00 mn to ₱745.00 mn), mainly due to the amortization of Franchise Assets and increase in the Allowances for Impairment and Probable Losses.

j) Net pension liabilities decreased by ₱132 mn, or 31% (from ₱426.00 mn to ₱294.00 mn), mainly due to the contributions to the retirement fund during 2020 which were higher than the effect of retirement costs and net actuarial losses.

k) Other noncurrent liabilities decreased by ₱5.71 bn, or 84% (from ₱6.81 bn to ₱1.10 bn), mainly due to the regular payments of the PSALM deferred adjustments and the settlement of TVI's Other noncurrent liabilities.

Equity

Equity attributable to equity shareholders of the Parent Company increased by 1% (from ₱125.54 bn as of December 31, 2019 to ₱127.16 bn as of December 31, 2020) after the declaration of dividends in March 2020, net of comprehensive income recognized during the year of 2020. Cumulative translation adjustments decreased by ₱1.45 bn, due to the downward net adjustment in the fair value of the Group's foreign currency forward and commodity swap contracts designated as cash flow hedges, as well as the net assets translation effect of GMEC and LHC during 2020.

Material Changes in Liquidity and Cash Reserves of Registrant

As of December 31, 2020, the Group's cash and cash equivalents increased by 3% to ₱38.70 bn, from ₱37.43 bn as of December 31, 2019.

The reduction in power demand brought about by COVID-19 related community quarantines contributed to lower cash generated from operations during 2020 by ₱7.58 bn, which was a 19% decrease compared to 2019.

Net cash flows used in investing activities decreased to ₱4.53 bn in 2020, from ₱34.06 bn i2019, which was mainly due to the ₱24.95 bn AA Thermal acquisition taken up during 2019.

The net cash flows used in financing activities as of December 31, 2020 increased by ₱11.54 bn compared to 2019, primarily due to payments by the Group of principal amortizations on various loans.

Financial Ratios

As of December 31, 2020, current assets increased by 1% and current liabilities increased by 9% compared to the end of 2019. The current ratio as of December 31, 2020 was at 1.38x compared to 1.50x as of December 31, 2019.

Consolidated debt to equity ratio as of December 31, 2020 was at 1.96x, higher than the 2.07x recorded at the end of 2019. This was due to a 5% decrease in total liabilities during 2020, coupled with a 1% increase in equity during the same period.

Year Ended December 31, 2019 versus Year Ended December 31, 2018

The table below shows the comparative figures of the top five key performance indicators for 2019 and 2018.

Key Performance Indicators	2019	2018
Amounts in thousands of ₱s, except for financial ratios		
SHARE IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	3,813,962	4,356,825
EBITDA	45,005,022	51,490,894
CASH FLOW GENERATED:		
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)
Net (Decrease)/Increase in Cash & Cash Equivalents	(9,079,677)	10,889,028
Cash & Cash Equivalents, Beginning	46,343,041	35,699,631

Key Performance Indicators	2019	2018
Cash & Cash Equivalents, End	37,433,929	46,343,041
CURRENT RATIO	1.50	1.89
DEBT-TO-EQUITY RATIO	2.07	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 SN Aboitiz Power-Magat, Inc. (SN Aboitiz Power-Magat) and GNPower Dinginin Ltd. Co. (GNPD). The lower share in net earnings of GNPD was mainly due to a foreign exchange (forex) gain recorded in 2018 as against a forex loss reported in 2019. SN Aboitiz Power-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 Power 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 December 31, 2019 was at 2.07, higher than the 1.85 recorded at the end of 2018 due to the availment of new debts during 2019.

Results of Operations

Net income for 2019 decreased 20% Year-on-Year (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 Power 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, Inc.'s 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 Retail Electricity Supply (RES)

The Power 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 Therma Visayas, Inc.'s (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 power distribution group's 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:

Consolidated Net Income Attributable to Equity Holders of the Parent for 2018	**₱21,707,603**
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)
Decrease in other income - net	4,775,698
Higher provision for taxes	(289,875)
Decrease in income attributable to non-controlling interests	866,792
Total	4,384,926
Consolidated Net Income Attributable to Equity Holders of the Parent for 2019	**₱17,322,677**

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 Therma Marine, Inc. (TMI) and Thermal Mobile, Inc. (TMO), and (iii) lower average selling price on the Power Generation Group and RES power supply contracts. This was partly offset by higher electricity sales from the Company's 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 ₱96.78 bn to ₱97.36 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, Inc. (Hedcor Bukidnon) and Pagbilao Energy Corporation (PEC). The cost or 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 Therma South, Inc. (TSI), TVI, Hedcor Bukidnon and AP Renewables, Inc. (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 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 purpose.

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 SN Aboitiz Power-Magat and GNPD. SN Aboitiz Power-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.

<u>Other Income (Expenses) – net</u>
(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.

<u>Provision for Taxes</u>
(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.

<u>Net Income Attributable to Non-controlling Interests</u>
(23% decrease from ₱3.73 bn to ₱ 2.86 bn)

The decrease was due to a decline in the operating results of GMCP combined with a reduction in the Company's non-controlling ownership in GMCP after the acquisition of non-controlling interests in May 2019.

Changes in Registrant's Resources, Liabilities and Shareholders' Equity

<u>Assets</u>

Total assets (as of December 31, 2019 compared to December 31, 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 December 31, 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 ₱11.04 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 bn in 2019) mainly due to the recognition of right-of-use assets on the Group's leases resulting from the adoption of Philippine Financial Reporting Standards (PFRS) 16, *Leases*.

f) Derivatives assets were down by ₱211 mn in 2019, primarily due to fair value changes on GMCP'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 Therma Luzon, Inc. (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 6, *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 15% YoY (from ₱439 mn in 2018 to ₱506 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 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 8% 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 Parent 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 GMCP and Luzon Hydro Corporation (LHC) for the current period.

b) Share in cumulative translation adjustments of associates and join 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 GMCP.

Material Changes in Liquidity and Cash Reserves of Registrant

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 GMCP, the net cash outflows from financing activities amounting to ₱14.38 in 2019 is still lower than 2018. This is due to higher debt availed in 2019.

As of December 31, 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.

Item 7. Financial Statements

The consolidated financial statements of AboitizPower are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary schedules are filed as part of this SEC Form 17-A.

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

The Company has engaged the services of SyCip Gorres Velayo & Co. (SGV) during the two most recent fiscal years. There were no disagreements with SGV on accounting and financial disclosure.

Information on Independent Public Accountant

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

During the March 4, 2022 Board Meeting, the Chairman of the Audit Committee, Mr. Carlos C. Ejercito, reported to the Board that the Audit Committee evaluated and assessed the previous year's performance of the Company's external auditor, SyCip Gorres Velayo & Co. (SGV). Based on the results of its evaluation, the Audit Committee advised the Board of Directors that it is satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2022.

The Board of Directors discussed the Audit Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the shareholders the re-appointment of SGV as the Company's external auditor for 2022.

The accounting firm of SGV has been AboitizPower's Independent Public Accountant for more than 23 years. Ms. Maria Veronica Andresa R. Pore, who has been AboitizPower's audit partner since audit year 2017, will be replaced by Ms. Jhoanna Feliza C. Go as audit partner starting audit year 2022. AboitizPower complies with the requirements of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There was no event in the past 23 years wherein AboitizPower and SGV (or its handling partner) had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of SGV will be present during the 2022 ASM and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

The Chairman of the Audit Committee is Mr. Carlos C. Ejercito, an Independent Director. The other members are Messrs. Raphael P.M. Lotilla and Eric Ramon O. Recto, both Independent Directors, and Messrs. Danel C. Aboitiz and Luis Miguel O. Aboitiz, both directors of AboitizPower.

External Audit Fees and Services

The following table sets out the aggregate fees billed to the Company for each of the last two years for professional services rendered by SGV.

Fee Type	Year ended December 31, 2021	Year ended December 31, 2020
Audit Fees		
Audit Fees	₱575,000	₱502,000.00
Audit Related Fees – Bond	18,000,000.00	8,200,000.00
Total	**18,575,000.00**	**8,702,000.00**
Non-Audit Fees		
Financial and Tax Due Diligence	1,149,500.00	–
Total	**1,149,500.00**	**–**
Total Audit and Non-Audit Fees	**₱19,724,500.00**	**₱8,702,000.00**

AboitizPower engaged SGV to audit its 2021 and 2020 annual financial statements. SGV was also engaged to conduct post reviews and other procedures for the purpose of issuing comfort letters in connection with the issuance of the ₱8 bn and ₱12 bn bonds in 2021 and ₱9.6 bn bonds in 2020. In 2021, the Company also engaged SGV to provide financial and tax due diligence in relation to the Company's preparation of BIR form 1709, comparability analysis and benchmarking update, and transfer pricing documentation.

As a policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of SGV for 2021 and 2020 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.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

(a) Directors and Officers for 2021-2022

(1) Directors for 2021-2022

The Company's Board is composed of nine directors, three of whom are Independent Directors, four are Non-Executive Directors, and two are Executive Directors. Below are the profiles of each director for 2021-2022 with their corresponding positions, offices, and business experience held for the past five years. Except for Mr. Toshiro Kudama who assumed his directorship on December 22, 2021, the directors were elected during AboitizPower's 2021 ASM to serve for a term of one year, and until their successors are duly elected and qualified.

SABIN M. ABOITIZ
Chairman of the Board
Non-Executive Director

Age: 57 years old
Citizenship: Filipino
Date of First Appointment: April 26, 2021
Tenure: 10 months

Committee Memberships:

Chairman	Board Risk and Reputation Management Committee *(since April 26, 2021)*
Member	Board Environmental, Social and Corporate Governance Committee *(since April 26, 2021)*
	Board Executive Committee *(since April 26, 2021)*
	Board Cybersecurity Committee *(since April 26, 2021)*

Present Positions:

Chairman of the Board	Aboitiz Power Corporation*
	Aboitiz Foundation, Inc.
	Aboitiz Infracapital, Inc.
	Aboitiz Land, Inc.
	Aboitiz Renewables, Inc.
	CRH Aboitiz Holdings, Inc.
	Filagri Holdings, Inc.
	Manila-Oslo Renewable Enterprise, Inc.
	Republic Cement Services, Inc.
	SN Aboitiz Power – Benguet, Inc.
Director/President and Chief Executive Officer	Aboitiz Equity Ventures Inc.*
	Aboitiz & Company, Inc.
Director/Chairman/ President and Chief Executive Officer	Aboitiz Renewables, Inc.
Director/President	AEV CRH Holdings, Inc.
Director	Aboitiz Construction International, Inc.
	Aboitiz Construction, Inc.
	AboitizPower International Pte. Ltd.
	AEV International Pte Ltd.
	Apo Agua Infrastructura, Inc.
	Lima Land, Inc.
	Pilmico Animal Nutrition Corporation
	Pilmico Foods Corporation
	Pilmico International Pte. Ltd.

	Republic Cement & Building Materials, Inc.
	Therma Luzon, Inc.
	Therma South, Inc.
	Unity Digital Infrastructure Inc.
	Union Bank of the Philippines, Inc *
	UnionDigital Bank, Inc.

** A publicly listed company*

Previous Positions:

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

Educational Background:

College	Business Administration, Major in Finance Gonzaga University, Spokane, U.S.A

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

LUIS MIGUEL O. ABOITIZ
Vice Chairman of the Board
Non-Executive Director

Age: 57 years old
Citizenship: Filipino
Date of First Appointment: April 26, 2021
Tenure: 10 months

Committee Memberships:

Member	Board Audit Committee *(since April 26, 2021)*
	Board Environmental, Social and Corporate Governance Committee *(since April 26, 2021)*
	Board Executive Committee *(since April 26, 2021)*
	Board Cybersecurity Committee *(since April 26, 2021)*

Present Positions:

Vice Chairman of the Board	Aboitiz Power Corporation*
Chairman of the Board	Aboitiz Impact Ventures, Inc.
Director	Aboitiz & Company, Inc.
Director and President	DDLS Aboitiz, Inc.
Director	AB Capital Securities, Inc.
Trustee	Pacific Basin Economic Council

* A publicly listed company

Previous Positions:

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

Educational Background:

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

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

EMMANUEL V. RUBIO
Executive Director/President and Chief Executive Officer

Age: 57 years old
Citizenship: Filipino
Date of First Appointment: January 1, 2020
Tenure: 2 years

Committee Memberships:

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

Present Positions:

Director/President and Chief Executive Officer	Aboitiz Power Corporation
Chairman of the Board	SN Aboitiz Power Group
	Therma South, Inc.
	AA Thermal, Inc.
Director	Aboitiz Power Distributed Energy, Inc.
	Aboitiz Power Distributed Renewables, Inc.
	Aboitiz Renewables, Inc.
	AboitizPower International B.V.
	AboitizPower International Pte. Ltd.
	Abovant Holdings, Inc.
	Cebu Energy Development Corporation
	Cebu Private Power Corporation
	Cotabato Light & Power Company
	Davao Light & Power Co., Inc.
	Hedcor Group
	Maaraw Holdings San Carlos, Inc.
	Redondo Peninsula Energy, Inc.
	San Carlos Sun Power Inc.
	STEAG State Power, Inc.
Directorship and Management Position	GNPower Mariveles Energy Center Ltd. Co.
Trustee	Aboitiz Foundation, Inc.

Previous Positions:

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

Executive Vice President - Chief Operating Officer	

Educational Background:

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

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

TOSHIRO KUDAMA
Non-Executive Director

Age: 64 years old
Citizenship: Japanese
Date of First Appointment: December 22, 2021
Tenure: 2 months

Committee Memberships:

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

Present Positions:

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

Previous Positions:

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

Educational Background:

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

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

EDWIN R. BAUTISTA
Non-Executive Director

Age: 61 years old
Citizenship: Filipino
Date of First Appointment: April 26, 2021
Tenure: 10 months

Committee Memberships:

N/A	N/A

Present Positions:

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

* A publicly listed company

Previous Positions:

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

Educational Background:

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

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

DANEL C. ABOITIZ
Executive Director

Age: 40 years old
Citizenship: Filipino
Date of First Appointment: December 11, 2018
Tenure: 3 years

Committee Memberships:

Member	Board Audit Committee *(since January 28, 2020)*
	Board Executive Committee *(since April 26, 2021)*

Present Positions:

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

Previous Positions:

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

Educational Background:

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

Affiliations:

Director	Philippine Electricity Market Corporation
Member, Board of Trustees	Philippine Independent Power Producers Association

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

RAPHAEL P.M. LOTILLA
Lead Independent Director

Age: 63 years old
Citizenship: Filipino
Date of First Appointment: April 26, 2021
Tenure: 10 months

Committee Memberships:

Chairman	Board Environmental, Social and Corporate Governance Committee *(since April 26, 2021)*
Member	Board Audit Committee *(since April 26, 2021)*
	Board Risk and Reputation Management Committee *(since April 26, 2021)*
	Board Related Party Transaction Committee *(since April 26, 2021)*

Present Positions:

Lead Independent Director	Aboitiz Power Corporation*
Chairman of the Board of Trustees	The Asia-Pacific Pathways to Progress Foundation, Inc.
Independent Director	Petron Foundation, Inc.
	ACE Enexor, Inc.*
	First Metro Investment Corporation
Trustee	Philippine Institute for Development Studies**
Member of the Advisory Committee	Ateneo University Professional Schools
Adjunct Faculty	Asian Institute of Management

* A publicly listed company

** A government agency or instrumentality.

Previous Positions:

Independent Director	Aboitiz Equity Ventures Inc.
President and Chief Executive Officer	Power Sector Assets and Liabilities Management (PSALM) Corporation
Deputy Director – General	National Economic and Development Authority
Coordinator	Philippine Council for Sustainable Development
Chairman	Philippine National Oil Company
Vice-Chairman	National Power Corporation
Vice-Chairman	National Transmission Corporation
Secretary of Energy	Department of Energy
Regional Programme Director	Global Environment Facility, UN Development Programme

Educational Background:

College	Bachelor of Science in Psychology/ Bachelor of Arts in History University of the Philippines – Diliman
Graduate Studies	Bachelor of Laws University of the Philippines – Diliman
	Master of Laws University of Michigan Law School, U.S.A.

CARLOS C. EJERCITO
Independent Director

Age: 76 years old
Citizenship: Filipino
Date of First Appointment: May 19, 2014
Tenure: 7 years

Committee Memberships:

Chairman	Board Audit Committee *(since May 19, 2014)*
Member	Board Risk and Reputation Management Committee *(since May 19, 2014)*
	Board Environmental, Social and Corporate Governance Committee *(since May 19, 2014)*
	Board Related Party Transactions Committee *(since May 15, 2017)*

Present Positions:

Independent Director	Aboitiz Power Corporation*
Independent Director and Chairman of the Board Audit Committee	Bloomberry Resorts Corporation*
Independent Director and Member of the Audit Committee	Century Properties Group, Inc.*
Chairman	Northern Access Mining, Inc.
President and Chief Executive Officer	Mount Grace Hospitals, Inc.
Board Member	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 Good Samaritan Medical Center

* A publicly listed company

Previous Positions:

Chairman of the Board	United Coconut Planters Bank
Director	National Grid Corporation of the Philippines
President and Chief Executive Officer	Greenfield Development Corporation
Vice President and Senior Country Operations Officer	Citibank, NA.

Educational Background:

College	Bachelor of Science in Business Administration (*cum laude)*, University of the East
Graduate Studies	Management Development Program Harvard Business School, Massachusetts, U.S.A.

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

ERIC RAMON O. RECTO
Independent Director

Age: 58 years old
Citizenship: Filipino
Date of First Appointment: May 21, 2018
Tenure: 3 years

Present Positions:

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

* A publicly listed company

Previous Positions:

Vice Chairman	Alphaland Corporation
President	Top Frontier Investment Holdings, Inc.
Director	San Miguel Corporation
	Manila Electric Company (Meralco)
Undersecretary	Department of Finance

Educational Background:

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

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

Performance Assessment and Attendance Reports of the Board

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

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

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

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

For more discussion on the Board's (i) performance assessment, and (ii) attendance record at Board, Board Committee, and stockholders' meetings for the year 2021, please refer to the Board Matters portion of Part III – Corporate Governance on page 126 of the Company's 2021 Annual Report.

Nominations for Independent Directors and Procedure for Nomination

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

Nominations for Independent Directors were opened beginning January 1, 2022 and the table for nominations was closed on February 15, 2022, in accordance with Section C(1) of the Guidelines. The period may be extended by unanimous vote of the Board ESCG Committee for meritorious reasons.

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

On February 18, 2022, the Chairman of the Board of the ESCG Committee submitted the Final List of Nominees to the Corporate Secretary. In approving the nominations for Independent Directors, the Board ESCG Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Amended Guidelines, and AboitizPower's Revised Manual. In 2021, Mr. Raphael P.M. Lotilla, Lead Independent Director, was the Chairman of the Board ESCG Committee. The other voting members are Messrs. Sabin M. Aboitiz, Luis Miguel O. Aboitiz, Carlos C. Ejercito, and Eric Ramon O. Recto, while the *ex-officio* non-voting members are Ms. Ma. Consolacion C. Mercado, Ms. Susan V. Valdez, and Mr. David Jude L. Sta. Ana.

No nominations for Independent Director shall be accepted at the floor during the ASM at which such nominee is to be elected. Independent Directors shall be elected in the ASM during which other members of the Board are to be elected.

Messrs. Raphael P. M. Lotilla and Eric Ramon O. Recto are the nominees for Independent Directors of AboitizPower for the 2022 ASM. They are neither officers nor employees of AboitizPower or any of its Affiliates, and do not have any relationship with AboitizPower which would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director.

AboitizPower stockholders, Mesdames Catherine Alvarez and Maricar Suico Le, have respectively nominated Messrs. Lotilla and Recto as AboitizPower's Independent Directors. None of the nominating stockholders have any relation to the respective independent director they are nominating.

Other Nominees for Election as Members of the Board of Directors

As the Board ESCG Committee conveyed to the Corporate Secretary on February 18, 2022, the following were also nominated and qualified as candidates to the AboitizPower Board of Directors for the ensuing year 2022-2023:

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

Pursuant to Section 7, Article I of the Amended By-Laws of AboitizPower, nominations for members of the Board, other than Independent Directors, for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the ASM on April 25, 2022 or not later than March 31, 2022.

All other information regarding the positions and offices held by nominees are integrated in Item 5(a)(1) above. Mr. Satoshi Yajima is being nominated to the AboitizPower Board for the first time.

Below is the profile of Mr. Yajima including the positions and offices he held for the past five years:

SATOSHI YAJIMA
Nomination: Non-Executive Director

Age: 55 years old
Citizenship: Japanese

Present Positions:

Managing Executive Officer/ Senior Operating Officer – Business Development Department	JERA Co., Inc.

Previous Positions:

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

Educational Background:

College	Bachelor's Degree in Electrical Engineering Waseda University, Japan

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

(2) Officers for 2021-2022

Below is the list of AboitizPower's officers for 2021-2022 with their corresponding positions and offices held for the past five years. Unless otherwise indicated, the officers assumed their positions during AboitizPower's organizational meeting in 2021 for a term of one year.

SABIN M. ABOITIZ
Chairman – Board of Directors

Refer to Item 5 (a)(1) for the profile of Mr. Sabin M. Aboitiz

LUIS MIGUEL O. ABOITIZ
Vice Chairman – Board of Directors

Refer to Item 5 (a)(1) for the profile of Mr. Luis Miguel O. Aboitiz.

EMMANUEL V. RUBIO
Director/President and Chief Executive Officer

Refer to Item 5 (a)(1) for the profile of Mr. Emmanuel V. Rubio.

LIZA LUV T. MONTELIBANO
Senior Vice President – Chief Financial Officer/Corporate Information Officer

Age: 46
Citizenship: Filipino

Committee Memberships:

Ex-Officio Member	Board Risk and Reputation Management Committee
	Board Executive Committee

Present Positions:

Senior Vice President – Chief Financial Officer/Corporate Information Officer	Aboitiz Power Corporation
Director/Treasurer/Chief Finance Officer	AA Thermal, Inc.
Director/SVP – Finance	Aboitiz Renewables, Inc.
Director	AboitizPower International Pte Ltd
	AP Renewable Energy Corporation
	Aseagas Corporation
	Archipelago Insurance Pte Ltd
	Cotabato Light & Power Company
	Davao Light & Power Co., Inc.
	Hedcor Group
	Luzon Hydro Corporation
	Subic Enerzone Corporation
	Therma Power, Inc.
	Visayan Electric Co., Inc.
Directorship and Management Position	GNPower Mariveles Energy Center Ltd. Co.

Previous Positions:

Country Controller	NXP Semiconductors

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

Educational Background:

College	Bachelor of Science in Management, Minor in Finance *(cum laude)* Ateneo de Manila University, Manila

She is also a Certified Internal Auditor under the Institute of Internal Auditors. She is not connected with any Philippine government agency or instrumentality. She is not a director of a publicly-listed company in the Philippines.

MA. CONSOLACION C. MERCADO*
Compliance Officer

Age: 43
Citizenship: Filipino

Committee Memberships:

Ex-Officio Member	Board Environmental, Social, and Corporate Governance Committee

Present Positions:

Compliance Officer/ Vice President for Legal – Energy Affairs	Aboitiz Power Corporation

Previous Positions:

Vice President for Regulatory Affairs, Distribution Utility Group	Aboitiz Power Corporation
Assistant Vice-President for Legal – Energy Affairs	

Educational Background:

College	Bachelor of Science in Business Administration and Accountancy University of the Philippines – Diliman
Graduate Studies	Bachelor of Laws University of the Philippines – Diliman

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

**Effective April 1, 2022, Ms. Monalisa C. Dimalanta will assume the role of Compliance Officer in AboitizPower.*

MARIA VERONICA C. SO
Group Treasurer

Age: 50
Citizenship: Filipino

Committee Memberships:

None	N/A

Present Positions:

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

Previous Positions:

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

Educational Background:

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

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

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

Age: 52
Citizenship: Filipino

Committee Memberships:

None	N/A

Present Positions:

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

Previous Positions:

First Vice President and Chief Legal Officer	Aboitiz Equity Ventures Inc.
General Counsel	AGP International Holdings Ltd.
	Atlantic, Gulf & Pacific Company of Manila, Inc.
Executive Director and Assistant General Counsel	J.P. Morgan Chase Bank N.A.

Vice President and Legal Counsel	DKR Oasis (Hong Kong) LLC
Associate	Skadden, Arps, Slate, Meagher & Flom, LLP
	Romulo Mabanta Buenaventura Sayoc & de los Angeles

Educational Background:

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

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

MAILENE M. DE LA TORRE
Assistant Corporate Secretary

Age: 40
Citizenship: Filipino

Committee Memberships:

None	N/A

Present Positions:

Assistant Corporate Secretary	Aboitiz Power Corporation
Assistant Vice President – Governance and Compliance and Assistant Corporate Secretary	Aboitiz Equity Ventures Inc.
Corporate Secretary	Aboitiz Renewables Inc.
	Therma Power, Inc.
	Therma South, Inc.
	Therma Visayas, Inc.
	Manila Oslo Renewable Enterprise Inc.
	Pilmico Foods Corporation
	AEV CRH Holdings, Inc.
	SN AboitizPower Group
	Enerzones Group
	Pagbilao Energy Corporation
Assistant Corporate Secretary	Cotabato Light & Power Company
	Visayan Electric Co., Inc.

Previous Positions:

Senior Associate General Counsel for Governance and Compliance	Aboitiz Equity Ventures Inc.

Educational Background:

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

She is also a graduate member of the Institute of Corporate Directors and completed 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 Philippine government agency or instrumentality. She is not a director of a publicly-listed company in the Philippines.

SAMMY DAVE A. SANTOS
Assistant Corporate Secretary

Age: 37
Citizenship: Filipino

Committee Memberships:

None	N/A

Present Positions:

Assistant Corporate Secretary	Aboitiz Power Corporation
Senior Associate General Counsel for Governance and Compliance	Aboitiz Equity Ventures Inc.
Corporate Secretary	Various Subsidiaries of the Aboitiz Group
Assistant Corporate Secretary	Various Subsidiaries of the Aboitiz Group
	Good Governance Advocates and Practitioners of the Philippines

Previous Positions:

Associate General Counsel for Governance and Compliance	Aboitiz Equity Ventures Inc.

Educational Background:

College	Master of Science in Industrial Economics University of Asia and the Pacific, Pasig
Graduate Studies	Juris Doctor Ateneo de Manila University, Manila

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

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

Age: 40
Citizenship: Filipino

Committee Memberships:

Ex-Officio Member	Board Risk and Reputation Management Committee

Present Positions:

Vice President for Risk and Organizational Performance Management and Data Protection Officer	Aboitiz Power Corporation

Previous Positions:

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

Educational Background:

College	Bachelor of Arts in Political Science University of the Philippines – Diliman
Graduate Studies	Bachelor of Laws San Beda College of Law, Manila

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

SATURNINO E. NICANOR, JR.
Internal Audit Head

Age: 59
Citizenship: Filipino

Committee Memberships:

None	N/A

Present Positions:

Internal Audit Head/ Vice President for Internal Audit	Aboitiz Power Corporation

Previous Positions:

Internal Audit Head/ Assistant Vice President for Internal Audit	Aboitiz Power Corporation

Educational Background:

College	Bachelor of Science in Commerce, Major in Accounting *(Magna Cum Laude)* University of San Jose Recoletos, Cebu City

Mr. Nicanor is an Accredited Training Facilitator of the Institute of Internal Auditors Philippines. He is not connected with any Philippine government agency or instrumentality. He is not a director of any publicly-listed company in the Philippines.

Period in which the Directors and Executive Officers Should Serve

The directors shall serve for a period of one year.

Term of Office of a Director

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

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

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

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

(3) Significant Employees

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

(4) Family Relationships

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

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

(5) Involvement in Certain Legal Proceedings as of March 23, 2022

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 March 23, 2022, which would put to question his/her ability and integrity to serve AboitizPower and its stockholders.

(6) Parent Company

AboitizPower's parent company is AEV. As of March 23, 2022, AEV owns 51.99% of the voting shares of AboitizPower. In turn, ACO owns, as of March 23, 2022, 48.59% of the voting shares of AEV.

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

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

Item 10. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

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

Name of Officer and Principal Position*	Year	Salary	Bonus	Other Compensation
Chief Executive Officer and the Four Most Highly Compensated Officers: 1. **EMMANUEL V. RUBIO** *- President and Chief Executive Officer* 2. **LUIS MIGUEL O. ABOITIZ** *- Vice Chairman* 3. **LIZA LUV T. MONTELIBANO** *- Senior Vice President - Chief Financial Officer/Corporate Information Officer* 4. **JAIME JOSE Y. ABOITIZ*** *- Executive Vice President & Chief Operating Officer* 5. **DANEL C. ABOITIZ** *- Chief Commercial and Stakeholder Engagement Officer*				
All above named officers as a group	**Actual 2021**	₱95,120,000.00	₱5,220,000.00	₱34,340,000.00
	Actual 2020	₱100,840,000.00	₱4,960,000.00	₱43,340,000.00
	Projected 2022	₱100,800,000.00	₱5,500,000.00	₱36,400,000.00
All other officers and directors as a group	**Actual 2021**	₱11,640,000.00	₱810,000.00	₱13,790,000.00
	Actual 2020	₱25,010,000.00	₱1,660,000.00	₱43,650,000.00
	Projected 2022	₱12,300,000.00	₱900,000.00	₱14,600,000.00

** Mr. Jaime Jose Y. Aboitiz retired from the Company effective January 1, 2022.*

The 2020 Amended By-Laws of the Company, as approved by the SEC on October 1, 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 2021, the Company's Summary of Compensation of Executive Officers covers the compensation of officers as reported under Item 5 (a) of the Annual Report.

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

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

(b) Compensation of Directors

(1) Standard Arrangements

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

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

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

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2021 is as follows:

Name of Director	Total Compensation Received as a Director[10]
SABIN M. ABOITIZ[11]*** *Chairman of the Board of Directors*	₱4,850,000.00
LUIS MIGUEL O. ABOITIZ* *Vice Chairman of the Board of Directors*	₱3,800,000.00
TUSHIRO KUDAMA[12] *Director*	₱300,000.00
EMMANUEL V. RUBIO* ** *Director/President and Chief Executive Officer*	₱4,500,000.00
EDWIN R. BAUTISTA* *Director*	₱2,400,000.00
DANEL C. ABOITIZ *** *Director/Chief Commercial and Stakeholder Engagement Officer*	₱4,250,000.00
RAPHAEL P.M. LOTILLA* *Lead Independent Director*	₱3,300,000.00
CARLOS C. EJERCITO *Independent Director*	₱4,830,000.00
ERIC RAMON O. RECTO *Independent Director*	₱5,000,000.00
ENRIQUE M. ABOITIZ** *Director*	₱1,480,000.00
ERRAMON I. ABOITIZ** *Director*	₱2,290,000.00
JAIME JOSE Y. ABOITIZ[13]*** *Director & Executive Vice President and Chief Operating Officer*	₱1,300,000.00
MIKEL A. ABOITIZ *Director (Resigned effective December 22, 2021)*	₱4,250,000.00

** Elected during the April 26, 2021 Annual Stockholders' Meeting*
*** Replaced during the April 26, 2021 Annual Stockholders' Meeting*
****A portion of the director's compensation was paid to their nominating company.*

(2) 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.

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

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

[10] Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2021.
[11] Mr. Sabin M. Aboitiz replaced Mr. Erramon I. Aboitiz on April 26, 2021.
[12] Mr. Toshiro Kudama replaced Mr. Mikel Aboitiz on December 22, 2021.
[13] Mr. Jaime Jose Y. Aboitiz retired from the Company effective January 1, 2022.

(d) Warrants and Options Outstanding

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

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 23, 2022

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	1. **Aboitiz Equity Ventures Inc. (AEV)**[14] 32nd Street, Bonifacio Global City, Taguig City (Stockholder)	Aboitiz Equity Ventures Inc.[15]	Filipino	3,825,794,642 (Record and Beneficial)	51.99%
Common	2. **JERA Asia Private Limited (JERA Asia)**[16] 1 Raffles Places, #49-00 One Raffles 603-279-596 Place, Singapore 48616 (Stockholder)	JERA Asia Private Limited	Japanese	1,986,823,063 (Beneficial)	27.00%
Common	3. **PCD Nominee Corporation**[17] 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers[18]	Filipino	1,097,446,124 (Record)	14.91%

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

AEV is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of March 23, 2022, the following entities own at least five per centum (5%) or more of AEV:

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

[14] AEV is the parent company of AboitizPower.

[15] Mr. Sabin M. Aboitiz, President and Chief Executive Officer of AEV, will vote the shares of AEV in AboitizPower in accordance with the directive of the AEV Board of Directors.

[16] Messrs. Low Kian Min, Takao Onuki, and Katsuya Harada, Authorized Representatives of JERA Asia, will vote for the shares of JERA Asia in AboitizPower in accordance with the directive of JERA Asia's Board of Directors.

[17] PCD Nominee Corporation is not related to the Company. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.

[18] Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. AboitizPower has no record relating to the power to decide how the shares held by PCD are to be voted. None of the beneficial owners under a PCD participant own more than 5% of the Company's common shares, as of February 28, 2022.

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	**2. PCD Nominee Corporation (Filipino)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Filipino	997,122,163 (Record)	17.71%
Common	**3. Ramon Aboitiz Foundation, Inc.** 35 Lopez Jaena St., Cebu City (Stockholder)	Ramon Aboitiz Foundation, Inc.	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	**4. PCD Nominee Corporation** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers	Non-Filipino	337,091,841 (Record)	5.99%

(2) Security Ownership of Management as of March 23, 2022 (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	**Sabin M. Aboitiz** Chairman of the Board	5,667,406	Direct	Filipino	0.08%
		15,280,079	Indirect		0.21%
Common	**Luis Miguel O. Aboitiz** Vice Chairman of the Board	11,167,081	Direct	Filipino	0.15%
		21,238,323	Indirect		0.29%
Common	**Toshiro Kudama** Director	0	Direct	Japanese	0.00%
		100	Indirect		0.00%
Common	**Emmanuel V. Rubio** Director/President and Chief Executive Officer	89,130	Direct	Filipino	0.00%
		428,000	Indirect		0.01%
Common	**Danel C. Aboitiz** Director/Chief Commercial and Stakeholder Engagement Officer	4,081,636	Direct	Filipino	0.06%
		3,369,504	Indirect		0.05%
Common	**Edwin R. Bautista** Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Raphael P.M. Lotilla** Lead Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Carlos C. Ejercito** Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Eric Ramon O. Recto** Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Veronica C. So** Group Treasurer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Liza Luv T. Montelibano** Senior Vice President/Chief Financial Officer/Corporate Information Officer	19,600	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Ma. Consolacion C. Mercado** Compliance Officer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Manuel Alberto R. Colayco** Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%

Title of Class of Shares	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	**Mailene M. de la Torre** Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		5,000	Indirect		0.00%
Common	**Sammy Dave A. Santos** Assistant Corporate Secretary	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Mark Louie L. Gomez** Data Privacy Officer and Vice President for Risk and Organizational Performance Management	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	**Saturnino E. Nicanor, Jr.** Internal Audit Head	26,896	Direct	Filipino	0.00%
		0	Indirect		0.00%
	TOTAL	**61,376,755**			**0.83%**

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

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

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

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

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

No other transactions, without proper disclosure, were undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest. Other than what has been discussed in this Annual Report and the Company's 2021 Annual Financial Statements, there are no other related party transactions entered into by the Company with related parties, including transactions with directors or self-dealings by the Company's directors.

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

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

In 2021, the Aboitiz Group began the next chapter in its history, by continuing to drive change for a better world by advancing business and communities for the next 100 years. The Group has taken deliberate steps in transforming the organization into an enterprise that not only endures but thrives in the new and dynamic business landscape. This story of transformation builds on a strong foundation of growth and expansion that was nurtured by more than five generations of leaders with unwavering commitment to the highest standards of corporate governance.

Leading this transformation is AboitizPower's Board of Directors, all of whom firmly believe that a sound framework of corporate governance creates a path towards the realization of the Group's strategic goals and growth aspirations.

Notable accomplishments of the AboitizPower Board for 2021 are as follows:

- Reviewed and affirmed the appropriateness of the Group's purpose and brand promise in support of the country's gradual economic recovery.
- Reviewed and aligned the Group's short-term and long-term business strategies to sustain and expand the business under the new normal.
- Reviewed and ensured the sufficiency of the internal controls system and enterprise risk management framework of AboitizPower.
- Assessed and approved the sale of 25.01% of the Company's equity ownership in AboitizPower.
- Authorized and held AboitizPower's Virtual Annual Stockholders' Meeting for the second year.
- Reviewed and approved amendments to the Board and Committee Charters.
- Established the Board Information Security and Cybersecurity Committee to formalize a group-wide integrated approach in managing cybersecurity-related risks.
- Approved amendments to the Company's Code of Ethics and Business Conduct, Whistleblowing Policy, and the Related Party Transactions Policy.
- Reviewed and implemented changes to the Board's governance mechanism in alignment with global best practices and the demands of the current business environment.
- In addition to the Annual Corporate Governance Seminar, conducted regular virtual learning sessions to strengthen the continuous learning program for the Company's directors and officers.

Shareholders Rights and Equitable Treatment

The protection of the rights of its shareholders is of paramount importance to the Company. The goal is to ensure the free exercise of shareholder rights, regardless of the number of shares they own. Among the rights of the Company's shareholders are:(i) to receive notices of and to attend shareholders' meetings; (ii) to participate and vote on the basis of the one-share, one-vote policy; (iii) nominate,elect, remove, and replace Board members (including via cumulative voting); (iv) call for a special board meeting and propose a meeting agenda, (v) inspect corporate books and records; (vi) vote in person, *in absentia*, or through proxy; (vii) receive dividends; and (viii) ratify corporate actions.

Right to Actively Participate at Shareholders' Meetings

The Company strives to maintain a transparent and fair conduct of its Annual and Special Shareholders' Meetings and ensures that accurate and timely information are available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Definitive Information Statement and the Annual Report, distributed prior to the ASM and made available in the Company's website, include the highlights and summary of the financial condition of the Company. Stockholders are provided with individual profiles of new and returning directors, as well as a summary of the Board meeting attendance and performance record of its Directors.

In the conduct of its shareholders' 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 2021, AboitizPower conducted a fully digital stockholders' meeting for the second consecutive year. Driven by its commitment to practice sound corporate governance and guided by its core value of innovation, AboitizPower was able to provide an accessible and convenient venue for its shareholders to exercise their basic and inviolable right to elect their representatives to the Boards of Directors while remaining in the comfort and safety of their homes. Beginning 2020, the Company allowed voting through remote communication or *in absentia*. Stockholders may access AboitizPower's online voting portal in order to register and vote on the matters submitted for shareholders approval at any stockholder meetings.

All shareholders are encouraged and given the right to participate in the meetings. The opportunity to ask questions or raise issues, the questions, answers, issues and motions raised, the agreements and resolutions arrived at, the corporate acts approved or disapproved, and the voting results are reported in the minutes. The Company also discloses to PSE, PDEx and the SEC all the items approved at the shareholders' meeting no later than the next business day. The voting results including quorum and summary of resolutions approved are made publicly available by the next working day through the Company's website under Investor Relations' page. There are no barriers or impediments preventing shareholders from consulting or communicating with one another, with the Directors and with the Corporate Secretary.

The Company continues to exert efforts to extend the communication channels between the Company and the institutional and individual stockholders through its Investor Relations Office and Shareholder Relations Office, respectively.

Right to Receive Dividends

The right to receive dividends is a basic shareholder right. The Company promotes this basic shareholder right by adopting a clear and transparent dividend policy.

Every year, the Company pays dividends in an equitable and timely manner. All shareholders are treated equally, receiving an amount of dividends per share that is proportionate to their shareholdings. The period for payment of dividends is based on trading requirements or constraints of the SEC and PSE.

In the last three (3) years, the Company has paid the following dividends:

		Declaration Date	Record Date	Payment Date	Dividends per Share	Total Dividends Declared
AboitizPower	2021	March 5, 2021	March 19, 2021	March 31, 2021	₱0.85 (regular)	₱6.25bn
	2020	March 6, 2020	March 20, 2020	April 3, 2020	₱1.18 (regular)	₱8.68bn
	2019	March 7, 2019	March 21, 2019	April 5, 2019	₱1.47 (regular)	₱10.82bn

For a more detailed discussion on the rights of the shareholders of the Company, please refer to the 2021 Consolidated Annual and Sustainability Report, the 2021 Integrated Annual Corporate Governance Report (IACGR), and the Governance page of the AboitizPower website, which will be available at www.aboitizpower.com.

BOARD MATTERS

Board of Directors

The Board leads the Group's corporate governance framework. Independent from management, its members are committed to serve and promote long-term success, and to secure the Group's sustained growth, competitiveness and sustainability. The Directors perform the crucial role of articulating and assessing the Group's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the Group's businesses are soundly established and are in line with the overall Group's goals and strategy. In line with best practices, the members of the Board are responsible 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 2021, the AboitizPower Board had three Independent Directors, five Non-Executive Directors, and one Executive Director. The Chairman of the AboitizPower Board, Mr. Enrique M. Aboitiz, is a highly experienced Non-Executive Director. As a Non-Executive Director, he is not involved in the Company's day-to-day operations, which enables him to focus on ensuring that the AboitizPower Board properly discharges its duties and responsibilities. Following the 2021 ASM, 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 (alsofunctions as the Nomination and Selection Committee) to ensure an independent and transparent nomination, selection, election, and performance assessment process of the Board.

The members of the AboitizPower Board are the following:

ABOITIZ POWER CORPORATION'S BOARD OF DIRECTORS					
Director (Age, Nationality)	**Designation/ Directorship**	**Year First Elected**	**Number of Years Served as Director**	**Board and Committee Memberships and % of Attendance for 2021**	**Directorships in Other Listed Companies Outside the Aboitiz Group**
SABIN M. ABOITIZ 57 years old Filipino	Chairman of the Board (NED)	April 26, 2021	0	(C) BOD (100%) (C) Risk (100%) (M) ESCG (100%) (M) ExCom (100%) (M) Cyber (100%)	None
LUIS MIGUEL O. ABOITIZ 57 years old Filipino	Vice-Chairman (NED)	September 1, 2018	1	(VC) BOD (100%) (M) AudCom (75%) (M) Risk (100%) (M) ExCom (100%) (M) Cyber (100%) (M) ESCG (N.A.)***	None
MIKEL A. ABOITIZ** 67 years old Filipino	Director (NED)	February 13, 1998	23	(M) BOD (100%) (M) ExCom (100%) (M) ESCG (100%)	None
EMMANUEL V. RUBIO 57 years old Filipino	President and CEO (ED)	January 1, 2020	1	(M) BOD (100%) (C) ExCom (100%) (M) Risk (100%) (Ex Officio) Cyber (100%)	None
EDWIN R. BAUTISTA 61 years old Filipino	Director (NED)	April 26, 2021	0	(M) BOD (100%)	None
DANEL C. ABOITIZ 40 years old Filipino	Chief Commercial and Stakeholder Engagement Officer (ED)	Dec 11, 2018	2	(M) BOD (89%) (M) AudCom (100%) (M) ExCom (100%)	None

RAPHAEL P.M. LOTILLA 63 years old Filipino	Lead Independent Director	April 26, 2021	0	(M) BOD (100%) (C) ESCG (100%) (M) Risk (100%) (M) AudCom (100%) (M) RPT (100%)	• ACE Enexor, Inc. (ID) • First Metro Investment Corp. (ID)
CARLOS C. EJERCITO 76 years old Filipino	Independent Director	May 19, 2014	6	(M) BOD (100%) (M) ESCG (100%) (M) Risk (100%) (C) AudCom (100%) (M) RPT (100%)	• Bloomberry Resorts Corporation (ID); • Century Properties Group, Inc. (ID)
ERIC RAMON O. RECTO 58 years old Filipino	Independent Director	May 21, 2018	2	(M) BOD (78%) (M) ESCG (100%) (M) Risk (100%) (M) AudCom (100%) (C) RPT (100%) (C) Cyber (100%)	• Philippine Bank of Communications (C) • Atok-Big Wedge Co., Inc (Ex) • DITO CME Holdings Corp. (D) • PH Resorts Group Holdings, Inc. (ID)
TOSHIRO KUDAMA** 63 years old Japanese	Non-Executive Director	December 22, 2021	0	(M) BOD (100%) (M) Risk (N.A.)*** (M) ExCom (N.A.)***	None

** C- Chairman; VC – Vice Chairman; M – Member; ID – Independent Director; NED – Non-Executive Director; ED – Executive Director; ExO – Ex Officio; BOD - Board of Directors; ESCG - Board Environmental, Social, and Corporate Governance Committee; ExCom - Board Executive Committee; AudCom - Board Audit Committee; Risk - Board Risk and Reputation Management Committee; RPT - Board Related Party Transactions Committee; Cyber – Board Information Security and Cybersecurity Committee.*
*** On December 20, 2021, the members of the Board appointed Mr. Toshiro Kudama to replace Mr. Mikel A. Aboitiz as Director of AboitizPower effective December 22, 2021.*
**** Appointed as committee member on December 22, 2021.*

Board Performance

In 2021, the members of the AboitizPower Board conducted the following performance review and assessment:

Type of Assessment	Respondents and Scope	Criteria
Director Self-Assessment Completed: October 2021	Respondents: Members of the Board Scope: Individual and the collective performance of the members of the Board and Board committees.	(1) compliance with best governance practices and principles; (2) participation and contribution to the Board and committee meetings; and (3) performance of their duties and responsibilities as provided in the company's Revised Manuals, Charters, Amended Articles, and Amended By-Laws.
Key Officers Evaluation *Completed: October 2021*	**Respondents:** Members of the Board **Scope:** Chairman, Chief Executive Officer, Internal Audit Head, Risk Officer, Corporate Secretary, and Compliance Officer	
Director Evaluation *Completed: October 2021*	**Respondents:** Executive Officers Scope: Members of the Board and Board Committees	(1) business acumen, (2) independent judgment, (3) familiarity with the business, (4) active participation and effective challenge, (5) professional expertise and network, (6) value contribution, (7) embodiment of Aboitiz core values, and (8) goodwill and reputation.

Type of Assessment	Respondents and Scope	Criteria
Board and Committee Charter Assessment Completed: December 2021	**Respondents:** Board and Committee Members	(1) Membership and composition, (2) duties and responsibilities, (3) conduct of meetings, (4) support and resources

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

Board Committees

The different Board committees - Audit, Corporate Governance (now Environmental, Social, and Corporate Governance), Risk and Reputation Management, Related Party Transactions, Executive Committee, and the Cyber and Information Security Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate of each Board committee, including key accomplishments in 2021, are described below:

a. The **Board Environmental, Social, and Corporate Governance Committee** is responsible for ensuring the establishment of a governance mechanism that promotes sustainability practices through proper environmental stewardship, social development, and sound corporate governance. The ESCG Committees also perform the functions of the Nomination and Remuneration Committees. In carrying out their duties and responsibilities, the ESCG Committee is supported by the company's Compliance Officer, Chief External Relations Officer, as well as the Group Chief Human Resources Officer. These officers regularly attend committee meetings to act as resource persons. The chairmen of the ESCG Committees are the Lead Independent Directors.

Key Areas of Focus in 2021	
Environmental and Social	- Discussed the potential impact of the COP26 outcome to the Group. - Monitored the progress of the ongoing Climate Value at Risk study. - Monitored the progress of the groupwide ESG Materiality Re-assessment. - Ensured that each of the company's ESG programs are implemented. In the same year, the ESCG Committee amended the Code of Ethics and Business Conduct and the Whistleblowing Policy to further strengthen the company's commitment to corporate governance, particularly on sustainability and ethical corporate citizenship.
Compliance	- Reviewed and monitored AboitizPower and AboitizPower's compliance with new laws and regulations. - Ensured that the nomination, selection, election, remuneration, and assessment of each company's directors and officers are aligned with the Manuals.
Corporate Governance	- Reviewed and endorsed for Board approval the proposed amendments to the Codes, Whistleblowing Policies, and RPT Policies. - Reviewed and endorsed the implementation of the Aboitiz High Impact Governance. - Reviewed and monitored the status of whistleblowing reports. - Endorsed the creation of the Board Information and Cybersecurity Committee and its Charter.
Nomination and Compensation	- Approved the final list of nominees for directors for election after reviewing the all the qualifications and none of the disqualifications as provided in the By-Laws, Revised Manuals, and other relevant SEC rules. - Reviewed and endorsed management's proposal to increase the per diems of the Board and Board Committee Chairmen. - Reviewed the qualifications of all persons nominated to appointed positions by the Board. - Reviewed and approved the 2021 groupwide merit increase guidelines.

b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of the Board Audit Committee, including its Chairman. At the end of every Audit Committee meeting, Committee Members meets without the presence of any executives. In 2021, the President and Chief Executive Officer, Chief Financial Officer, and Internal Audit Head attested to the sufficient internal control and compliance system of their respective companies.

Key Areas of Focus in 2021	
Financial Reports	- Reviewed, discussed, and approved for public disclosure the 2021 quarterly unaudited consolidated financial statements. - Endorsed for approval by the full Board the 2021 annual audited financial statements of AboitizPower and AboitizPower, its subsidiaries and alliances.
External Auditors	- Reviewed the performance of SGV as AboitizPower and AboitizPower's external auditor - Endorsed to the Board the appointment of SGV as AboitizPower and AboitizPower's External Auditor for 2021 - Reviewed and approved the overall scope and audit plan of SGV - Reviewed and approved the audit plan, fees and terms of engagement which covers non-audit and audit-related services provided by SGV
Internal Auditors	- Reviewed and approved the annual audit program for 2021 which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor. - Confirmed that the internal audit function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. - Brought to the attention of the board the seriousness of cybersecurity risks to the group.
Committee Charter	- Updated the Board Audit Committee Charters to improve on each of the company's control performance by having an adequate and effective control system.

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 2021, 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 to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary.

Key Areas of Focus in 2021	
RPT Policy and Committee Charter	- Reviewed and updated AboitizPower and AboitizPower's RPT Policies and their respective charters to further strengthen the process of reviewing, reporting, and approval of all RPTs, particularly those falling below the SEC-defined materiality threshold.
Completion of RPT Certification	- Updated and monitored the compliance with the submission of the RPT Certification by the directors and key officers of AboitizPower and AboitizPower in compliance with relevant BIR regulations on the reporting guidelines for the transactions of individuals and juridical entities with related parties. - Monitored the compliance of AboitizPower and AboitizPower with the reportorial requirements of the BIR.
Fairness of RPTs	- Continued to ensure that RPTs are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval.

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.

f. The **Board Information Security and Cybersecurity Committee** was established on March 8, 2021. It assists the Board in providing strategic direction and ensuring the establishment of a system of governance (processes, policies, controls and management) for the Company and its strategic business units on matters relating to information security and cybersecurity.

Key Areas of Focus in 2021	
Organizational	- Organized the governance structure of AboitizPower and AboitizPower on matters involving information and cybersecurity.
Cybersecurity Strategy	- Reviewed the Aboitiz Group IT and OT cybersecurity programs and maturity roadmap, and their respective implementation strategies.
Cybersecurity Risks	- Reviewed the cybersecurity risk map and key risk treatment plans.

For more details on the AboitizPower Board and Board Committees matters, please refer to the 2021 Consolidated Annual and Sustainability Report, the 2021 IACGR, and the Governance page of the AboitizPower website, which will be available at www.aboitizpower.com.

GOVERNANCE PRACTICES

Compliance with Governance Policies

AboitizPower has a Revised Manual and a Code of Ethics and Business Conduct ("Code of Ethics") to guide the attainment of its corporate goals and the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies to further strengthen the Company's corporate governance practices. The Board regularly reviews the Revised Manual to ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

The Revised Manual is supported by various company policies that are regularly reviewed and issued by the Board including the Code of Ethics. AboitizPower ensures that its Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to review the Code of Ethics and to sign an affirmation that they have read and understood the same. In order to support this annual exercise, an e-learning module on the Group's Code of Ethics was developed and is rolled out every year. As part of the Group's commitments in the Code of Ethics, all team members are expected to act professionally, fairly, and with integrity in all of their business dealings, and to comply with all applicable laws and regulations, including those against bribery and corruption.

The Chief Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board, management, and employees with the Revised Manual, the Code of Ethics, other company policies, and existing laws and regulations. The Chief Compliance Officer also ensures the implementation of AboitizPower's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Chief Compliance Officer regularly reports the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies to the Board ESCG Committee.

In addition, the Company has a Whistleblowing Policy to support the implementation of the Revised Manual and the Code of Ethics. Through this policy, allegations of violations of the Revised Manual, the Code of Ethics, or of other illegal conduct can be reported through an independent whistleblowing portal. Matters reported through the whistleblowing platform are discussed by the Board ESCG Committee and, if necessary, escalated to the entire Board.

In 2021, AboitizPower updated its Code to align with international best practices and promote the Company's Environmental, Social and Governance efforts. The following policies and guidelines were approved by the Board of Directors:

- Amended Code of Ethics and Business Conduct to (i) strengthen the Company's commitment to sustainability principles, and (ii) further elaborate on the Company's commitment to its stakeholders, particularly on anti-bribery and anti-corruption, trade compliance, and anti-money laundering. Related guidelines on (i) anti-corruption, (ii) gift, meals, and entertainment, and (iii) business partner due diligence were also approved by senior management to operationalize the amendments to the Code

- Amended the Company's Whistleblowing Policy. The Company is evaluating the adoption of a new whistleblowing portal to encourage team members, team leaders and third parties to report suspected or actual violation of the Code and Company policies. Procedures were also developed to assist and guide in the handling, investigation, and resolution of reports or complaints received, whether via the whistleblowing platform or through any other channel.

There are no major deviations from the Revised Manual as of the date of this report. There were also no corruption-related incidents reported in 2021.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2021 Consolidated Annual and Sustainability Report, the 2021 IACGR, and the Governance page of the AboitizPower website which will be available at *www.aboitizpower.com*.

Disclosure and Transparency

Pursuant to its commitment to transparency and accountability, AboitizPower's website, *www.aboitizpower.com* has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders.

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 create a balance between business growth and sustainability initiatives. It adopts the triple bottom line framework 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 standards and practices.

Indices and Ratings

AboitizPower continues to be recognized as a constituent company in the FTSE4Good Index Series for the fourth consecutive year since 2018. The Company has managed to get a higher overall rating in the latest assessment with a score of 3.1 in 2021 from 2.5 in 2020, a 24% increase because of the improvements in its health and safety initiatives as well as its campaign on diversity, equity, and inclusion, among others. The FTSE4Good Index Series, created by global index provider FTSE Russell, measures the performance of companies demonstrating strong ESG practices.

The Company's recent Corporate Sustainability Assessment by the highly regarded S&P Global has also shown marked improvements in its ESG performance. The Company's score further increased from 40 in 2020 to 44 in the 2021 assessment, which also improved its percentile ranking in the global peer group from 54^{th} to 67^{th} percentile.

AboitizPower also earned a Sustainalytics ESG Risk Rating of 33.9, a 3.5 decrease of risk exposure from the previous year. Meanwhile, the Company retained its BB rating from the MSCI ESG Rating and D- in the CDP Climate Change Report.

Focus Areas

AboitizPower is driven by its Sustainability Vision 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 in various areas of ESG, including governance improvements, addressing climate-related risks, 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 a 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 (SDGs).

United Nations Sustainable Development Goals

The Aboitiz Group is one of the first Philippine businesses to support the United Nations' 17 SDGs and in 2020, became a member of the United Nations Global Compact, and is currently a member of the Board of Trustees of UNGC's Global Compact Network Philippines (GCNP). AboitizPower, has, or expects to have, direct, significant, and profitable contributions to UN SDG 7 or Affordable and Clean Energy, through its Cleanergy, AboitizPower's brand for clean and renewable energy. As of end-2021, the Company has a total net sellable capacity of 1,249 MW of renewable energy.

AboitizPower is submitting its Sustainability Report through the consolidated report that its parent company, AEV, publishes annually. AEV began publishing its Sustainability Report in 2009, being one of the few Philippine publicly-listed companies to publish and submit a report on its sustainability impacts and performances to SEC.

Sustainable Finance

In February 2016, Asian Development Bank ("ADB") provided a credit enhancement to AboitizPower's Subsidiary, APRI, for its Tiwi-MakBan geothermal energy facilities. The issuance by APRI of the U.S.$225 mn (₱10.7 bn in 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, Inc. (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 ₱326 mn in CSR projects and initiatives to support its communities in 2021, of which ₱130 mn was committed for its environmental programs, ₱26 mn for enterprise or livelihood programs, ₱122 mn was committed for educational programs, and ₱47 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.

The Company provides funds for the communities through its compliance with 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. On April 6, 2020, due to the COVID-19 pandemic, DOE released a new department circular DC2020-04-0008 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 the end of 2021 to about 150 host beneficiaries. About ₱554 mn-worth of outstanding ER 1-94 funds was also remitted by the DOE to the Company's beneficiaries. The remitted funds were used by the beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits and vaccines. 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. AboitizPower supports the A-Park Program through the watershed management and carbon sink programs of its Subsidiaries.

(b) Aboitiz Cleanergy Park

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 more than 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 critically endangered hawksbill sea turtles. Since 2014, the park has already released more than 6,400 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 16 *pawikans*.

(c) Cleanergy Center and Energy Education Resource Center

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. Since it opened, the center has already accommodated a total of 3,500 visitors.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits. None

(b) Reports on SEC Form 17-C

Reports filed by AboitizPower on SEC Form 17-C from April 2021 to March 2022 are as follows:

Date Reported	Disclosure Details
April 26, 2021	Results of the 2021 Annual Stockholders' Meeting
April 26, 2021	Results of the 2021 Organizational Meeting
April 26, 2021	First Quarter 2021 Financial and Operating Results
June 22, 2021	Press Release: Bakun hydro plants receive cease and desist order from NCIP-CAR
June 29, 2021	Matters Approved by the Board during its June 29, 2021 Board Meeting
June 29, 2021	Press Release: Hedcor advised to continue operating Bakun hydros
July 1, 2021	Press Release: Bakun LGU resists DOE order, forcibly closes 3 hydros
July 28, 2021	Second Quarter 2021 Financial and Operating Results
August 2, 2021	Press Release: AboitizPower eyes ₱190-B spend for RE growth
August 4, 2021	Press Release: Hedcor, IPs come together to resume Bakun RE plants operation
August 18, 2021	Press Release: Hedcor's hydro in Bukidnon generates Cleanergy at full capacity
August 26, 2021	Resignation of Data Privacy Officer and Appointment of Replacement
September 14, 2021	Full Payment of Early Redemption of 2014 Bonds
September 17, 2021	Matters Approved by the Board during its September 17, 2021 Board Meeting
October 29, 2021	Third Quarter 2021 Financial and Operating Results
December 2, 2021	Listing with PDEx of the Second Tranche of the ₱30 bn Bonds, equivalent to ₱12 bn, including oversubscription
December 15, 2021	Press Release: AboitizPower awards JGC Philippines EPC contract for 94-MW solar power plant
December 20, 2021	Changes in the Members of the Board of Directors
December 27, 2021	Retirement of Officer
January 10, 2022	Filing of Preliminary Registration Statement for Third Tranche Bonds
January 17, 2022	PhilRatings' Credit Rating of Third Tranche Bonds
February 18, 2022	Nominees to the Board of Directors for 2022-2023
February 22, 2022	Matters Approved by the Board during its February 22, 2022 Board Meeting
March 2, 2022	Receipt of the Certificate of Permit to Offer Securities for Sale from SEC in relation to the Company's Application for the Issuance of the Third Tranche of the ₱30 bn Bonds
March 4, 2022	Resignation of Compliance Officer and Appointment of Replacement
March 4, 2022	Declaration of Regular Cash Dividends
March 4, 2022	Full Year 2021 Financial and Operating Results
March 4, 2022	Matters Approved by the Board during its March 4, 2022 Board Meeting
March 4, 2022	Notice and Agenda of AboitizPower's Annual Stockholders' Meeting on April 25, 2022
March 17, 2022	Listing with PDEx of the Third Tranche of the ₱30 bn Bonds, equivalent to ₱10 bn, including oversubscription

(c) Sustainability Report

The 2021 Aboitiz Group Annual Report and Sustainability Report (the "2021 Consolidated Annual Report") is submitted together with the Company's SEC Form 17-A (2021 Annual Report) and is also available for download at the Company's website at latest Annual Report page in the Investor Relations tab in: *https://aboitizcom-uploads.s3.ap-southeast-1.amazonaws.com/public/2021+Annual+and+Sustainability+Report.pdf*.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, AboitizPower has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Taguig on April 11, 2022.

By:

EMMANUEL V. RUBIO Principal Executive Officer	**LIZA LUV T. MONTELIBANO** Principal Financial Officer
MANUEL ALBERTO R. COLAYCO Corporate Secretary	**MYLA M. ESPINEDA** Controller/Principal Accounting Officer

Before me, a notary public in and for the city named above, personally appeared:

NAME	GOVT ISSUED ID	DATE / PLACE OF ISSUE	CTC NO.	DATE / PLACE OF ISSUE
EMMANUEL V. RUBIO	Passport No. P3162364B	September 13, 2019 DFA Manila	09551084	January 15, 2022 Manila
LIZA LUV T. MONTELIBANO	Passport No. P7070135A	May 7, 2018 DFA Manila	08785188	January 13, 2022 Makati
MANUEL ALBERTO R. COLAYCO	Passport No. P7171651B	July 9, 2021 DFA Pampanga	21176127	January 11, 2022 Taguig City
MYLA M. ESPINEDA	Drivers' License No. D16-08-000403	-	04401404	February 14, 2022 Rizal

who were identified by me through competent evidence of identity to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath/affirmation before me as to such instrument.

Witness my hand and seal this April 11, 2022.

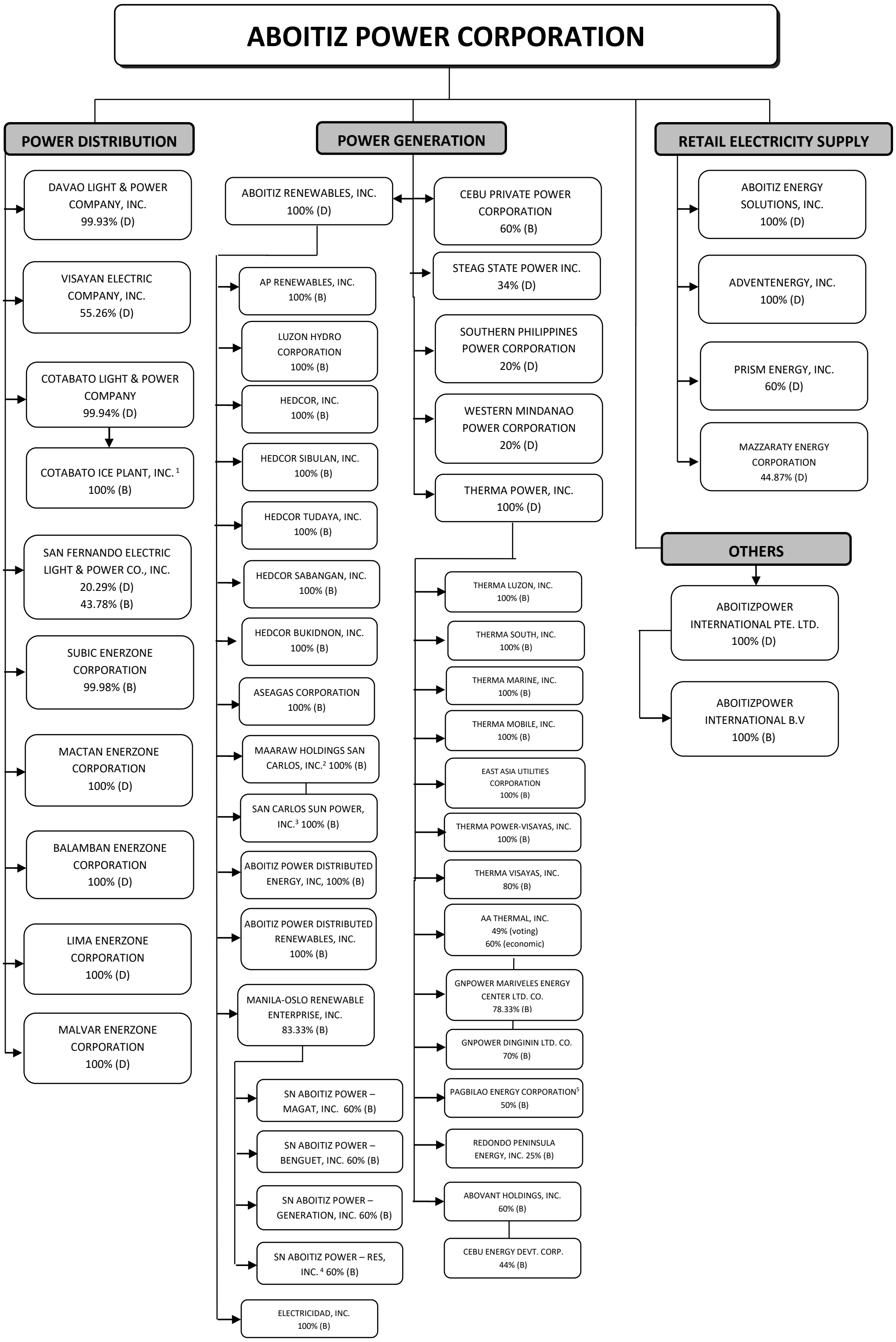
Doc. No. 202;
Page No. 42;
Book No. XIX;
Series of 2022.

ATTY. STRELLA MARIE G. SACDALAN
ROLL NO. 63289
NOTARY PUBLIC
TAGUIG CITY, PHILS

Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Comission No. 99
Until June 30, 2022
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-5401958, January 11, 2022, Taguig City
IBP OR No. 183968, February 2, 2022
Roll No. 63289
MCLE Compliance No. VII-0012445

ANNEX "A" – Conglomerate Map

As of February 28, 2022



Legend:
B – Beneficial Ownership
D – Direct Ownership

---

[1] *Other services*
[2] *ARI has a 60% direct ownership in Maaraw San Carlos, with AbotizPower International B.V. directly owning the remaininga 40%.*
[3] *ARI has a 75% direct ownership in SacaSun; while AbotizPower International and Maaraw San Carlos directly owning 15% and 10%, respectively.*
[4] *Engages in Retail Electricity Supply Business*
[5] *Joint operations*

ANNEX "B" – Certificates of Compliance

Title of Document	Issued under the Name of	Power Plant Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
COC No. 18-12-M-0030L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No.18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hydroelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
Provisional Authority to Operate	Hedcor, Inc.	La Trinidad	Hydroelectric Power Plant	La Trinidad, Benguet	20.4 MW	Hydro	October 5, 2021 - October 5, 2022	November 3, 2021
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	April 30, 2017 – April 29, 2022	April 19, 2017
COC No. 20-08-M-00061M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Brgy. Malagos, Davao City	1 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00062M	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Brgy. Mintal, Davao City	0.6 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00063M	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Upper Mintal, Davao City	0.65 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	0.3 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 20-08-M-00065M	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1.92 MW	Hydro	February 16, 2020 - February 15, 2025	August 12, 2020
COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant (FSL)	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018

Title of Document	Issued under the Name of	Power Plant					Economic Life/Term of COC	Date of Issuance
		Name	Type	Location	Capacity	Fuel		
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	November 5, 2018 - November 4, 2023	December 11, 2018
Provisional Authority to Operate	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	February 9, 2021 - February 8, 2022*	November 4, 2020
		Sibulan A – Unit 2			8.164 MW			
Provisional Authority to Operate	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	November 23, 2020 - November 22, 2021*	November 4, 2020
		Sibulan B – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	March 10, 2019- March 9, 2024	March 5, 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	July 30, 2018 – July 29, 2023	June 20, 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro	April 11, 2019-April 10, 2024	March 5, 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
Provisional Authority to Operate	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.139 MW	Hydro	September 29, 2021 - September 28, 2022	September 29, 2021
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	June 18, 2019-June 17, 2024	June 18, 2019
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	January 10, 2017 - January 9, 2022*	April 19, 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C/ Diesel	June 11, 2018 – June 10, 2023	March 27, 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	June 4, 2018 – June 3, 2023	March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao Power	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali, Zamboanga City	112 MW	Bunker C/Diesel	August 27, 2018 – August 26,	December 4, 2018

Title of Document	Issued under the Name of	Power Plant					Economic Life/Term of COC	Date of Issuance
		Name	Type	Location	Capacity	Fuel		
	Corporation	N/A	Blackstart		160 kW	Diesel	2023	
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	August 27, 2018 – August 26, 2023	December 4, 2018
			Blackstart		160 kW	Diesel		
Provisional Authority to Operate	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	November 29, 2021 - November 28, 2022	November 18, 2020
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Blackstart Diesel Generator Set	Blackstart		344 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I Hydroelectric Power Plant	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	April 4, 2018 – April 3, 2023	April 4, 2018
Provisional Authority to Operate	SN Aboitiz Power – Benguet, Inc.	Binga Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	March 12, 2022 - March 11, 2023	March 2, 2022
		Binga Hydroelectric Power Plant – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		
Provisional Authority to Operate	SN Aboitiz Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	August 31, 2021 - August 30, 2022	September 1, 2021
		Ambuklao Hydroelectric Power Plant –			34.85 MW			

Title of Document	Issued under the Name of	Power Plant Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
		Unit 2						
		Ambuklao Hydroelectric Power Plant – Unit 3			34.85 MW			
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	232 MW	Coal	September 5, 2019 – September 4, 2024	June 13, 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phividec Industrial Estate, Balacanas, Villanueva, Misamis Oriental	400 kW	Diesel	September 5, 2019 - September 4, 2024	September 5, 2019
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Bay, Plant A, Unit 1	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	December 1, 2021 to November 30, 2022	January 11, 2022
		Makban – Bay, Plant A, Unit 2			63.2 MW			
		Makban – Bay, Plant D, Unit 7			20.0 MW			
		Makban – Bay, Plant D, Unit 8			20.0 MW			
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Calauan, Plant B, Unit 3	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	December 1, 2021 to November 30, 2022	January 11, 2022
		Makban – Calauan, Plant B, Unit 4			63.2 MW			
		Makban – Calauan, Plant C, Unit 5			55.0 MW			
		Makban – Calauan, Plant C, Unit 6			55.0 MW			
Provisional Authority to Operate	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E, Unit 9	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	December 1, 2021 to November 30, 2022	January 11, 2022
		Makban – Sto. Tomas, Plant E, Unit 10			20.0 MW			

Title of Document	Issued under the Name of	Power Plant Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
Provisional Authority to Operate	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	December 12, 2020 - December 11, 2021*	July 28, 2021
		Plant A, Unit 2			60 MW			March 17, 2021
Provisional Authority to Operate	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	December 12, 2020 - December 11, 2021*	March 17, 2021
		Plant C, Unit 6			57 MW			
Provisional Authority to Operate	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	November 7, 2021 - November 6, 2022	November 12, 2021
Provisional Authority to Operate	San Carlos Sun Power Inc.	San Carlos Sun Power Inc.	Solar Power Plant	Brgy. Punao, San Carlos City, Negros Occidental	58.98 MWp DC	Solar	July 14, 2021 - July 13, 2022	July 7, 2021
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, Maco, Davao de Oro	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Sta. Ana, Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	March 30, 2016
			Blackstart		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	July 9, 2017 - July 8, 2022	June 22, 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	July 9, 2017 - July 8, 2022	June 22, 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	July 9, 2017 - July 8, 2022	June 22, 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	July 9, 2017 - July 8, 2022	June 22, 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	January 6, 2021 – January 5, 2022	December 16, 2020
		Blackstart Diesel Engine Generating Unit	Blackstart		440 kW	Diesel		

Title of Document	Issued under the Name of	Power Plant Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	Date of Issuance
Provisional Authority to Operate	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150.025 MW	Coal	September 1, 2021 - August 31, 2022	September 16, 2021
		Unit 2			150.025 MW	Coal		
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	September 20, 2019 - September 19, 2024	September 20, 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	April 15, 2019 - April 14, 2024	June 26, 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	July 20, 2019 - July 19, 2024	July 9, 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired Thermal Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	420 MW	Coal	February 20, 2018 – February 19, 2023	February 20, 2018
			Blackstart		1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	December 3, 2017 – December 2, 2022	November 21, 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		
COC No. 21-12-M-00203L	GNPower Dinginin Ltd. Co.	Unit 1	Supercritical Coal-Fired Power Plant	Coastal Area, Sitio Dinginin, Brgy. Alas-asin, Mariveles, Bataan	724.965 MW	Coal	December 2, 2021 - December 1, 2026	December 2, 2021
COC No. 21-04-S-04285L		N/A	Diesel	Sitio Dinginin, Brgy. Alas-asin, Mariveles, Bataan	2.400 MW	Diesel	Apri 30, 2021 to April 29, 2026	April 30, 2021

Annex C. Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

We are pleased to present, in our 13th year of sustainability reporting, the Aboitiz Power Corporation (AboitizPower) Annual and Sustainability Report (the "2021 Annual and Sustainability Report"). The theme for the 2021 report is *"Transitioning Pathways towards Sustainability"* as the Aboitiz Group continues to transform itself through innovation in the midst of adversity, and in constantly finding better ways of driving change for a better world by advancing business and communities.

The 2021 Annual and Sustainability Report provides information on AboitizPower's financial, operational, governance, social, and environmental performance that are material to its businesses and various stakeholders. This report also provides our progress through various programs guided by the UN Sustainable Development Goals. This report has been prepared in accordance with the GRI Standards: Core Option. GRI Materiality Disclosures Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI content index is found starting on page 298 of the 2021 Annual and Sustainability Report.

This report is in compliance with the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2020: "Sustainability Reporting Guidelines for Publicly Listed Companies."

Kindly refer to the 2021 Annual and Sustainability Report available for downloading at https://aboitizcom-uploads.s3.ap-southeast-1.amazonaws.com/public/2021+Annual+and+Sustainability+Report.pdf

Please take note that the page number indicated in the references of each disclosure item are PDF pages.

Contextual Information

Company Details	
Name of Organization	Aboitiz Power Corporation
Location of Headquarters	NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, 1643 Philippines
Location of Operations	The locations where the operations of the Aboitiz Group's businesses are found on page 125 (page 248 in print) of the 2021 Annual and Sustainability Report.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	The reporting scope is found on page 130 (pages 258-259 in print) of the 2021 Annual and Sustainability Report.

Business Model, including Primary Activities, Brands, Products, and Services	Kindly refer to pages 6 to 7 (pages 10 - 13 in print) of the 2021 Annual and Sustainability Report.
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Emmanuel V. Rubio President and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The discussion on the materiality assessment process can be found on page 5 (page 8 in print) of the 2021 Annual and Sustainability Report (About the Report). Materiality, as defined by the GRI reporting framework, includes topics and disclosures that reflect the Group's significant economic, environmental, and social impacts, or those that would substantially influence the assessments and decisions of our stakeholders. Our process involved an internal analysis of the importance of a broad list of sustainability issues related to our core businesses of power, banking and financial services, food, infrastructure, land, and our corporate foundations. At the parent company level, we integrated the common material issues that are within the medium-term horizon of our reporting parameters. We used our stakeholder dialogues and company-wide feedback channels to inform the selection of these material issues, which were discussed and approved by the Aboitiz Group Management Committee as part of the focus areas of our Aboitiz Sustainability Framework. Supporting references are found on page 78 (page 155 in print) for Key Dialogue Channel for Stakeholders and 150 (page 298 in print) for Summary of Material Concerns of the 2021 Annual and Sustainability Report.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

AboitizPower's financial performance is summarized on page 9 (pages 16-17 in print, Financial Highlights), and discussed on pages 17 to 20 (pages 32-39 in print, CFO Message) of the 2021 Annual and Sustainability Report. Economic and Governance practices of AboitizPower are also available in the company website at https://aboitizpower.com/sustainability/governance/.

Disclosure	Amount	Units
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		
a. Operating costs		PhP
b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		Php
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

A discussion on management's approach in addressing material economic indicators are found on pages 68 to 87 (pages 134-154 in print) of the 2021 Annual and Sustainability Report (Management Approach).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Climate-related risks and opportunities[2]

A discussion on the Aboitiz Group's Climate-related actions is found on pages 72 to 75 (pages 143-149 in print), and Climate-related risk management on page 88 (page 144 in print) of the 2021 Annual and Sustainability Report.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	**Quantity**	**Units**
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

Refer to page 79 (pages 156 - 157 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Anti-corruption

Refer to pages 107 to 109 (pages 213-217 in print, Corporate Governance) of the 2021 Annual and Sustainability Report.

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%

Percentage of employees that have received anti-corruption training		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Incidents of Corruption

Corruption-related reports or incidents are discussed on pages 108 (pages 215 in print, Key Company Policies) of the 2021 Annual and Sustainability Report.

Disclosure	**Quantity**	**Units**
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

ENVIRONMENT

Information on environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report. Environmental metrics and indicators of AboitizPower are also available in the company website at https://aboitizpower.com/sustainability/environment/.

A discussion on the Aboitiz Group's management approach on environmental stewardship is found on pages 71 - 73 (pages 145-149 in print, Management Approach) of the 2021 Annual and Sustainability Report.

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

Refer to pages 71 - 73 (pages 145-149 in print, Management Approach) and environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

Refer to pages 71 - 73 (pages 145-149 in print, Management Approach) and environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

Refer to pages 71 - 73 (pages 145-149 in print, Management Approach) and environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

Refer to pages 71 - 73 (pages 145-149 in print, Management Approach) and environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

[4] International Union for Conservation of Nature

organization’s involvement in the impact?		
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

Refer to pages 71 - 73 (pages 145-149 in print, Management Approach) and environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Air pollutants

Disclosure	**Quantity**	**Units**
NO_x		kg
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

Refer to pages 71 - 73 (pages 145-149 in print, Management Approach) and environmental indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

<u>Solid and Hazardous Wastes</u>

<u>Solid Waste</u>

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

Refer to pages 68 to 87 (pages 134-178 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

Refer to pages 68 to 87 (pages 134-178 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

Refer to pages 68 to 87 (pages 134-178 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization		

Environmental compliance

<u>Non-compliance with Environmental Laws and Regulations</u>

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

Refer to pages 68 to 87 (pages 134-178 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify the opportunity/ies related to material topic of the organization		

SOCIAL

Information on social indicators material to the Aboitiz Group are found on pages 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report. Social metrics and indicators of AboitizPower are also available in the company website at https://aboitizpower.com/sustainability/social/.

A discussion on the Aboitiz Group's management approach and focus areas focused on people is found beginning on page 93 (pages 185-195 in print, Management Approach), and pages 55 to 62 (pages 108-123 in print, Corporate Social Responsibility) of the 2021 Annual and Sustainability Report.

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate[6]		rate
Ratio of lowest paid employee against minimum wage		ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			
Further education support			
Company stock options			
Telecommuting			
Flexible-working Hours			
(Others)			

Refer to pages beginning on page 93 (pages 185-195 in print, Talent Management), page 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

Refer to pages beginning on page 93 (pages 185-195 in print, Talent Management), page 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Labor-Management Relations

Disclosure	Quantity	Units

% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

Refer to pages beginning on page 93 (pages 185-195 in print, Talent Management), page 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Diversity and Equal Opportunity

Disclosure	**Quantity**	**Units**
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Refer to pages beginning on page 93 (pages 185-195 in print, Talent Management), page 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries		#
No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

Refer to pages beginning on page 93 (pages 185-195 in print, Talent Management); and page 152 (page 262 in print, GRI Content Index, Occupational Health and Safety 2018) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	We have a human rights commitment on our website. See section on Respecting Human Rights at https://aboitizpower.com/sustainability/social/.
Child labor	Y	
Human Rights	Y	

Refer to pages beginning on page 93 (pages 185-195 in print, Talent Management), page 153 (page 304 in print, Appendix Table) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes, AboitizPower has a policy [1AP-SSM-002 Policy - Accredit to Evaluate] and guidelines on Vendor Accreditation and Vendor Performance Evaluation [1AP-SSM-002-G001 Guideline - Accredit to Evaluate].

All prospective vendors shall submit all appropriate accreditation requirements. Where site and/or office inspections shall be required for critical vendors or as deemed necessary, the Ocular Inspection Team shall conduct the inspection, comprising the following: supply chain management representative, health, safety, environment (HSE) representative, risk representative and authorized technical representative/s. Moreover, Supply Chain Management team will monitor all vendor's performance. For all active critical vendors shall be assessed at least once a year. Vendor's performance shall be monitored and evaluated based on quality, timeliness of service delivery, customer service or after sales, compliance and cost effectiveness or price competitiveness.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	The company conducts accreditation through an Ocular Inspection Team can be comprised of the following 1. Supply Chain Management representative 2. Health, Safety, Environment (HSE) representative
Forced labor	Y	
Child labor	Y	

Human rights	Y	3. Risk representative 4. Authorized technical representative/s
Bribery and corruption	Y	

Refer to pages 68 to 87 (pages beginning 134 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Relationship with Community

Significant Impacts on Local Communities

Refer to pages 55 to 62 (pages 108-123 in print, Corporate Social Responsibility) of the 2021 Annual and Sustainability Report.

Operations with significant (positive or negative)	Location	Vulnerable groups (if applicable)*	Does the particular operation have	Collective or individual rights that have been	Mitigating measures (if negative) or enhancement

impacts on local communities (exclude CSR projects; this has to be business operations)			impacts on indigenous people (Y/N)?	identified that or particular concern for the community	measures (if positive)

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	92%	Y - The company engaged with a Third Party to conduct a satisfaction survey among its retail customers only in mid-2020. Using the index of 4.6, the company's CSAT is at 92% (4.6/5), using a sample size of n=101 out of 200 customers. No target was set in 2019 because this is the first year that AboitizPower formalized its customer satisfaction survey for its retail business. AboitizPower customers appear to be very satisfied with the company's service.

Refer to pages 68 to 87 (pages beginning 134 in print, Management Approach) of the 2021 Annual and Sustainability Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*		#

No. of complaints addressed		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

<u>Marketing and labelling</u>

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*		#
No. of complaints addressed		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and*

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	*initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

The Value Creation Business model of the Aboitiz Group provides societal value and contribution to the UN SDGs. Guided by UN SDGs we provide management approaches to minimize our potential negative impacts to various programs we implement across the group. Kindly refer to pages 71 to 72 (pages 141-142 in print, Aboitiz Sustainability Programs) of the 2021 Annual and Sustainability Report.

Our Businesses	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Power	Power Generation & Distribution Service	• Ample and reliable power supply • Reasonable and competitive price • Availability of a right mix of energy supply SDG 7	Potential negative impacts of Carbon footprint to SDG 13 14 and 15	• Managing Carbon footprint of our operations through compliance to regulatory standards and minimizing by promoting Carbon sequestration and biodiversity programs

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: AARON PAGKATIPUNAN
Receipt Date and Time: April 06, 2022 09:45:07 AM

Company Information

SEC Registration No.: C199800134
Company Name: ABOITIZ POWER CORP.
Industry Classification: E40100
Company Type: Stock Corporation

Document Information

Document ID: OST1040620228285285
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Parent
Remarks: None

Gmail

ap accounting <ap200652460@gmail.com>

Your BIR AFS eSubmission uploads were received

1 message

---

eafs@bir.gov.ph <eafs@bir.gov.ph> Tue, Apr 5, 2022 at 5:29 PM
To: AP200652460@gmail.com
Cc: AP200652460@gmail.com

Hi ABOITIZ POWER CORPORATION,

Valid files

- EAFS200652460TCRTY122021-01.pdf
- EAFS200652460OTHTY122021.pdf
- EAFS200652460AFSTY122021.pdf
- EAFS200652460ITRTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-C6F8E6GC07B9F9BF7P24XPPW20AKFEC55A**
Submission Date/Time: **Apr 05, 2022 05:29 PM**
Company TIN: **200-652-460**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	1	9	9	8	0	0	1	3	4	

C O M P A N Y   N A M E

A B O I T I Z   P O W E R   C O R P O R A T I O N

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

3 2 n d   S t r e e t ,   B o n i f a c i o   G l o b a l   C i t y ,   T a g u i g   C i t y ,   M e t r o   M a n i l a ,   P h i l i p p i n e s

Form Type	Department requiring the report	Secondary License Type, If Applicable
A P F S	C R M D	N / A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
ap_investor@aboitiz.com	**(632) 889-10307**	**Not Available**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
594	**4th Monday of April**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Liza Luv T. Montelibano	**liza.montelibano@aboitiz.com**	**(02) 8886-2800**	**Not Available**

CONTACT PERSON's ADDRESS

32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

AboitizPower

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the Parent financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

SABIN M. ABOITIZ
Chairman of the Board

EMMANUEL V. RUBIO
President & Chief Executive Officer

LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this March 04, 2022

Republic of the Philippines)
City of Taguig) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport	Date/Place Issued
SABIN M. ABOITIZ	P7230904B	July 19, 2021; DFA Manila
EMMANUEL V. RUBIO	P3162364B	September 13, 2019; DFA Manila
LIZA LUV T. MONTELIBANO	P7070135A	May 7, 2018, DFA Manila

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAR 04 2022.

Doc. No. 315;

Page No. 64;

Book No. IV;

Series of 2022

RACHEL GINAYA W. COPANUT-PANGWI
NOTARY PUBLIC UNTIL June 30, 2022/TAGUIG CITY
Not. Com. Appt. No. 10 (2020-2021)
PTR No. A-5334323/1-4-22, Taguig City
IBP O.R. No. 165796/10-14-2021, RSM
MCLE Comp. No. VI-0019686/3-1-2019
ROLL No. 61627

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines 1634

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Aboitiz Power Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2021 and 2020, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
Tax Identification No. 164-533-282
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0662-AR-4 (Group A)
November 21, 2019, valid until November 20, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-071-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854348, January 3, 2022, Makati City

March 4, 2022

ABOITIZ POWER CORPORATION

PARENT COMPANY BALANCE SHEETS

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱18,371,422,227**	₱8,320,836,713
Trade and other receivables (Note 5)	**832,166,838**	1,277,383,079
Input VAT	**7,825,893**	7,011,255
Total Current Assets	**19,211,414,958**	9,605,231,047
Noncurrent Assets		
Investments and advances (Note 6)	**118,262,794,631**	120,096,381,604
Project development costs (Note 9)	**448,995,430**	702,671,150
Property and equipment (Note 7)	**85,599,005**	103,044,819
Derivative asset (Note 18)	**75,717,785**	–
Other noncurrent assets (Note 8)	**1,024,599,205**	1,061,321,422
Total Noncurrent Assets	**119,897,706,056**	121,963,418,995
TOTAL ASSETS	**₱139,109,121,014**	₱131,568,650,042
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term debts - net of deferred financing cost (Note 11)	**₱9,012,855,045**	₱6,637,206,289
Trade and other payables (Note 10)	**734,898,603**	638,678,090
Current portion of lease liabilities (Note 19)	**24,701,232**	22,084,295
Total Current Liabilities	**9,772,454,880**	7,297,968,674
Noncurrent Liabilities		
Long-term debts - net of deferred financing cost (Note 11)	**54,176,302,410**	52,172,875,914
Derivative liability (Note 18)	**–**	429,498,461
Pension liability (Note 14)	**18,829,708**	33,139,892
Lease liabilities - net of current portion (Note 19)	**4,657,472**	29,296,845
Total Noncurrent Liabilities	**54,199,789,590**	52,664,811,112
Total Liabilities	**63,972,244,470**	59,962,779,786
Equity		
Capital stock (Note 12a)	**7,358,604,307**	7,358,604,307
Additional paid-in capital (Note 12a)	**12,588,894,332**	12,588,894,332
Cash flow hedge reserve (Note 18)	**75,717,785**	(429,498,461)
Actuarial losses on defined benefit plan (Note 14)	**(537,866,915)**	(605,394,508)
Retained earnings (Note 12b)		
Appropriated	**20,060,000,000**	33,660,000,000
Unappropriated	**35,591,527,035**	19,033,264,586
Total Equity	**75,136,876,544**	71,605,870,256
TOTAL LIABILITIES AND EQUITY	**₱139,109,121,014**	₱131,568,650,042

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE			
Dividends (Note 16)	**₱13,584,933,218**	₱6,682,236,151	₱13,985,410,862
Technical, management and other service fees (Note 16)	**1,033,204,426**	1,308,299,061	1,964,330,515
Interest income (Notes 4 and 16e)	**98,196,432**	106,589,029	163,380,755
	14,716,334,076	8,097,124,241	16,113,122,132
GENERAL AND ADMINISTRATIVE EXPENSES			
Interest and other financing charges (Notes 11, 17 and 19)	**3,471,372,528**	2,946,898,811	2,547,531,855
Personnel (Note 13)	**1,066,641,892**	1,000,114,150	841,147,414
Service fees (Note 16)	**250,318,230**	151,085,981	114,024,341
Professional fees (Note 16)	**136,516,864**	133,527,727	84,589,126
Transportation and travel (Note 16)	**68,267,910**	54,115,983	98,277,343
Depreciation and amortization (Notes 7 and 8)	**48,112,514**	44,543,930	55,316,885
Taxes and licenses	**23,961,998**	67,867,303	35,961,127
Advertising and sponsorships	**18,762,673**	6,957,340	19,972,985
Communication	**18,106,175**	5,100,713	15,218,626
Training	**16,765,191**	10,301,594	11,935,333
Entertainment, amusement and recreation	**7,762,576**	9,170,026	3,756,593
Repairs and maintenance	**7,743,500**	7,323,199	7,583,781
Office supplies	**5,157,938**	4,534,695	6,106,790
Rent (Notes 16 and 19)	**1,379,362**	3,426,142	7,027,319
Light and water	**711,721**	1,009,786	1,202,157
Others	**12,251,929**	7,893,043	9,621,206
	5,153,833,001	4,453,870,423	3,859,272,881
OTHER INCOME (CHARGES) - net			
Foreign exchange gains (loss) (Note 17)	**(383,484,630)**	571,207,124	104,238,709
Write-off of project development costs (Note 9)	**(298,031,413)**	(7,086,632)	–
Others (Note 21c)	**349,170,980**	4,446,921	5,656,727
	(332,345,063)	568,567413	109,895,436
INCOME BEFORE INCOME TAX	**9,230,156,012**	4,211,821,231	12,363,744,687
PROVISION FOR INCOME TAX (Note 15)	**17,079,902**	18,388,719	59,382,106
NET INCOME	**9,213,076,110**	4,193,432,512	12,304,362,581
EARNINGS PER COMMON SHARE (Note 12c)			
Basic and diluted, for net income for the year	**₱1.25**	₱0.57	₱1.67

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
NET INCOME	**₱9,213,076,110**	₱4,193,432,512	₱12,304,362,581
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (loss) on defined benefit plans (Note 14)	**67,527,593**	(48,597,682)	(258,909,416)
Income tax effect	**–**	–	(89,366,223)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	**67,527,593**	(48,597,682)	(348,275,639)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of cash flow hedge (Note 18)	**505,216,246**	(509,632,732)	80,134,271
Total other comprehensive income (loss) for the year, net of tax	**572,743,839**	(558,230,414)	(268,141,368)
TOTAL COMPREHENSIVE INCOME	**₱9,785,819,949**	₱3,635,202,098	₱12,036,221,213

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 12a)	Additional Paid-In Capital (Note 12a)	Cash Flow Hedge Reserve (Note 18)	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 12b) Appropriated	Retained Earnings (Note 12b) Unappropriated	Total
Balances at January 1, 2021	**₱7,358,604,307**	**₱12,588,894,332**	**(₱429,498,461)**	**(₱605,394,508)**	**₱33,660,000,000**	**₱19,033,264,586**	**₱71,605,870,256**
Net income for the year	–	–	–	–	–	**9,213,076,110**	**9,213,076,110**
Other comprehensive income	–	–	**505,216,246**	**67,527,593**	–	–	**572,743,839**
Total comprehensive income	–	–	**505,216,246**	**67,527,593**	–	**9,213,076,110**	**9,785,819,949**
Cash dividends (Note 12b)	–	–	–	–	–	**(6,254,813,661)**	**(6,254,813,661)**
Reversal of appropriation (Note 12b)	–	–	–	–	**(13,600,000,000)**	**13,600,000,000**	–
Balances at December 31, 2021	**₱7,358,604,307**	**₱12,588,894,332**	**₱75,717,785**	**(₱537,866,915)**	**₱20,060,000,000**	**₱35,591,527,035**	**₱75,136,876,544**

	Capital Stock (Note 12a)	Additional Paid-In Capital (Note 12a)	Cash Flow Hedge Reserve (Note 18)	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 12b) Appropriated	Retained Earnings (Note 12b) Unappropriated	Total
Balances at January 1, 2020	₱7,358,604,307	₱12,588,894,332	₱80,134,271	(₱556,796,826)	₱33,660,000,000	₱23,522,985,155	₱76,653,821,239
Net income for the year	–	–	–	–	–	4,193,432,512	4,193,432,512
Other comprehensive loss	–	–	(509,632,732)	(48,597,682)	–	–	(558,230,414)
Total comprehensive income (loss)	–	–	(509,632,732)	(48,597,682)	–	4,193,432,512	3,635,202,098
Cash dividends (Note 12b)	–	–	–	–	–	(8,683,153,081)	(8,683,153,081)
Balances at December 31, 2020	₱7,358,604,307	₱12,588,894,332	(₱429,498,461)	(₱605,394,508)	₱33,660,000,000	₱19,033,264,586	₱71,605,870,256

	Capital Stock (Note 12a)	Additional Paid-In Capital (Note 12a)	Cash Flow Hedge Reserve (Note 18)	Actuarial Losses on Defined Benefit Plan	Retained Earnings (Note 12b) Appropriated	Unappropriated	Total
Balances at January 1, 2019	₱7,358,604,307	₱12,588,894,332	₱–	(₱208,521,187)	₱34,060,000,000	₱21,635,770,905	₱75,434,748,357
Net income for the year	–	–	–	–	–	12,304,362,581	12,304,362,581
Other comprehensive income (loss)	–	–	80,134,271	(348,275,639)	–	–	(268,141,368)
Total comprehensive income (loss)	–	–	80,134,271	(348,275,639)	–	12,304,362,581	12,036,221,213
Cash dividends (Note 12b)	–	–	–	–	–	(10,817,148,331)	(10,817,148,331)
Appropriation during the year (Note 12b)	–	–	–	–	11,900,000,000	(11,900,000,000)	–
Reversal of appropriation (Note 12b)	–	–	–	–	(12,300,000,000)	12,300,000,000	–
Balances at December 31, 2019	₱7,358,604,307	₱12,588,894,332	₱80,134,271	(₱556,796,826)	₱33,660,000,000	₱23,522,985,155	₱76,653,821,239

See accompanying Notes to Parent Company Financial Statements.

ABOITIZ POWER CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱9,230,156,012**	₱4,211,821,231	₱12,363,744,687
Adjustments for:			
Interest and other financing charges (Notes 11, 17 and 19)	**3,471,372,528**	2,946,898,811	2,547,531,855
Unrealized foreign exchange losses (gain) (Note 17)	**958,305,749**	(609,508,010)	(605,762,999)
Write-off of project development costs (Note 9)	**298,031,413**	7,086,632	—
Interest income (Notes 4 and 16e)	**(98,196,432)**	(106,589,029)	(163,380,755)
Depreciation and amortization (Notes 7 and 8)	**48,112,514**	44,543,930	35,961,127
Losses (gain) on disposal of property and equipment (Note 7)	**878,330**	(3,983,013)	(1,329,856)
Gain on disposal of financial assets at FVTPL	**—**	—	(1,250,542)
Unrealized fair valuation gain on financial assets at FVTPL	**—**	—	(2,464,564)
Operating income before working capital changes	**13,908,660,114**	6,490,270,552	14,173,048,953
Decrease (increase) in:			
Trade and other receivables	**461,523,013**	(203,280,545)	(123,992,097)
Input VAT	**(814,638)**	4,614,590	168,232,322
Increase (decrease) in:			
Trade and other payables	**635,204**	(3,922,163)	103,142,506
Pension liability	**53,217,409**	(235,202,259)	(39,164,947)
Net cash generated from operations	**14,423,221,102**	6,052,480,175	14,319,328,241
Income taxes refunded (paid) - net	**16,133,106**	(165,176,422)	(168,612,213)
Net cash flows from operating activities	**14,439,354,208**	5,887,303,753	14,150,716,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**81,889,660**	105,980,970	195,342,135
Decrease (increase) in recoverable deposits	**212,277**	(66,906)	75,420,311
Proceeds from:			
Advances from subsidiaries and associates	**2,000,560,857**	1,412,353,654	—
Redemption on preferred shares (Note 6)	**14,413,000**	6,939,000	5,340,000
Disposal of property and equipment (Note 7)	**5,124,967**	4,034,952	4,344,811
Disposal of financial asset at FVTPL	**—**	—	101,250,542
Additions to:			
Investments and advances	**(181,386,884)**	(881,465,617)	(31,707,725,376)
Project development costs (Note 9)	**(44,355,693)**	(86,418,415)	(234,871,366)
Property and equipment (Note 7)	**(30,796,911)**	(20,759,356)	(29,851,823)
Computer software license (Note 8)	**(2,576,154)**	(22,597,540)	(4,535,865)
Net cash flows from (used in) investing activities	**1,843,085,119**	518,000,742	(31,595,286,631)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debts (Note 11)	**₱26,000,000,000**	₱9,550,000,000	₱27,881,500,000
Payments of:			
Long-term debt	**(22,815,725,000)**	(50,000,000)	—
Cash dividends (Note 12b)	**(6,254,587,553)**	(8,682,746,344)	(10,817,148,331)
Interest and other financing charges	**(3,049,008,525)**	(2,797,326,277)	(2,301,301,047)
Transaction costs from availment of long-term debt	**(292,662,959)**	(116,717,375)	(431,396,357)
Lease liability, including interest accretion (Note 19)	**(25,334,028)**	(23,650,208)	(17,825,560)
Bank loans	**—**	(8,600,000,000)	(4,700,000,000)
Availment of bank loans	**—**	8,600,000,000	—
Net cash flows from (used in) financing activities	**(6,437,318,065)**	(2,120,440,204)	9,613,828,705
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,845,121,262**	4,284,864,291	(7,830,741,898)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**205,464,252**	(174,091,990)	165,617,999
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,320,836,713**	4,210,064,412	11,875,188,311
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱18,371,422,227**	₱8,320,836,713	₱4,210,064,412

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation and power distribution in the Aboitiz Group.

On December 16, 2021, JERA Asia Private Limited completed the acquisition of the Company's share from Aboitiz Equity Ventures, Inc. (AEV) and Aboitiz & Company, Inc. (ACO) totaling to 27%. As of December 31, 2021, AEV (also incorporated in the Philippines) owns 52.00% of the Company. The ultimate parent of the Company is ACO.

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The parent company financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 4, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting

Basis of Financial Statement Preparation
The accompanying parent company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at FVTPL which are measured at fair value. The parent company financial statements are presented in Philippine peso which is the Company's functional currency.

Statement of Compliance
The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to existing standards which were applied starting January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Company's treasury function is managing the Company's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the change reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

The adoption of these amendments did not have a significant impact on the parent company financial statements.

<u>New Standards and Interpretation Issued and Effective after December 31, 2021</u>
The Company will adopt the standards enumerated below when these become effective. The Company does not expect the adoption of these new and amended PFRSs to have significant impact on its parent company financial statements.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are applied prospectively.

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

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

  The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

  The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of PFRS* – Subsidiary as a first-time adopter

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

◦ PAS 41, A*griculture – Taxation in fair value measurements*

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

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

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

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

  The Company is currently in the process of quantifying the impact of this amendment in respect of those temporary differences arising from the transactions contemplated by this amendment.

- Amendments to *PAS 8, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

Deferred effectivity

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

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

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

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset as current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Foreign Currency Translation</u>

The Company's financial statements are presented in Philippine Peso, which is the Company's functional currency. Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited to or charged against current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents in the parent company balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the parent company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

<u>Financial Instruments - Classification and Measurement</u>

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e, interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to a contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. The amortization is included in ‘Interest income’ in the parent company statement of income and is calculated by applying the effective interest method to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the effective interest method is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in ‘Provision for credit and impairment losses’ in the parent company statement of income.

The Company's financial assets at amortized cost as of December 31, 2021 and 2020 consist of cash in banks, cash equivalents and trade and other receivables (see Note 17). The Company assessed that the contractual cash flows of these financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets are to be measured at amortized cost.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in the parent company statement of income until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:
- the Company's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Company; and
- the amount of the dividend can be measured reliably.

The Company does not have any financial asset at FVOCI as of December 31, 2021 and 2020.

Financial assets at FVTPL
Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statement of income as incurred.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company's does not have any financial assets at FVTPL as of December 31, 2021 and 2020.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a Company of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities measured at amortized cost as of December 31, 2021 and 2020 which comprise of trade and other payables, long-term debts and lease liabilities (see Note 17).

Reclassifications of financial instruments
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:
- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the parent company statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative within a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held. On the other hand, an embedded derivative with a financial liability or a non-financial host is separated from the host and accounted for as a separate derivative if: its economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Separated embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Company uses derivative financial instruments, such as foreign currency forward and interest rate swaps (IRS) to hedge its foreign currency risks and interest rate risk, respectively.

For the purpose of hedge accounting, the Company's hedge are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge
The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the parent company statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions and IRS contracts to manage its floating interest rate exposure on its loans. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Company designated all of the foreign currency forward and IRS as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when, and only when:
- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Company's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Company's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Company could be required to repay ('the guarantee amount'). When the Company's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Company's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Company's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest method (or credit-adjusted effective interest method for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Impairment of Financial Assets
The Company recognizes ECL for the following financial assets that are not measured at FVTPL:
- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the balance sheet date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

A financial asset is considered to have low credit risk if:
- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each balance sheet date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the balance sheet date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Company has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the parent company balance sheet.

Classification of Financial Instruments between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Investments in Subsidiaries, Associates and a Joint Venture
A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in subsidiaries, associates and a joint venture are carried at cost, less impairment in value, in the parent company financial statements.

The Company recognizes income from the investments only to the extent that the Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value, if any. The initial cost of property and equipment compromises its purchase price, including import duties, if any, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that costs is incurred if the recognition criteria are met. Repairs and maintenance costs are recognized in the parent company statement of income as incurred.

Depreciation is computed using the straight-line method over the useful lives of the assets as follows:

Category	Number of years
Transportation equipment	5
Office equipment	3
Communication equipment	3
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods, residual values and method of depreciation are consistent with the expected patter of economic benefit from the items of property and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the parent company statement of income in the year in which the expenditure is incurred.

Computer software license

Computer software license is initially recognized at cost. Following initial recognition, the computer software license cost is carried at cost less accumulated amortization and any accumulated impairment in value, if any.

The computer software license is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the computer software license is available for use. The amortization period and the amortization method for the license are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the parent company statement of income in the expense category consistent with the function of the computer software license.

Project development costs

Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property and equipment" when construction of an asset commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure

The Company's policy is to record research expenses in the parent company statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the parent company balance sheet if the Company can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

Input VAT, project development costs, property and equipment and other noncurrent assets

Except for the project development costs, which are tested for impairment annually, the Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments and advances

The Company performs impairment review on its investments and advances whenever an impairment indicator exists. This requires an estimation of the value in use of the investees. Estimating the value in use requires the Company to make an estimate of the future cash flows of the investees and to use a suitable discount rate to calculate the present value of those future cash flows. Impairment losses, if any, are recognized in the parent company statement of income.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

Retained Earnings
The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial balance sheet date are dealt with as an event after the financial balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income
Dividend income is recognized when the Company's right to receive payment is established.

Technical, management and service fees
Technical, management and service fees are recognized when the related services are rendered.

Interest income
Interest is recognized as it accrues taking into account the effective interest method.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
It is the Company's policy to classify right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets only pertain to office spaces and are depreciated on a straight-line basis over the shorter of the lease term of 5 to 10 years and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases of conference rooms (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

<u>Pension benefits</u>
The Company has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes
Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the parent company statement of comprehensive income and not in the parent company statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO and excess MCIT can be utilized in the future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the parent company statement of income.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Company does not have dilutive common stock equivalents.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the Company's parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. The judgment, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's parent company financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following items are those matters which the Company assess to have significant risk arising from judgement and estimation uncertainty:

Judgments

In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the parent company financial statements.

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company balance sheet.

Contractual cash flows assessment

For each financial asset, the Company assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Identifying performance obligations
The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

Revenue recognition
The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company will continue to recognize revenue from rendering of services over time, since customers simultaneously receives and consumes the benefits as the Company provides the services.

Identifying methods for measuring progress of revenue recognized over time
The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

<u>Estimates and assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Measurement of expected credit losses
ECLs are derived from unbiased and probability-weighted estimates of expected loss. Financial assets that are not credit-impaired at the balance sheet date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The Company leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased.

No allowance for expected credit losses was recognized in 2021 and 2020. Trade and other receivables amounted to ₱0.8 billion and ₱1.3 billion as of December 31, 2021 and 2020, respectively (see Note 5).

Inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *PD*

  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *LGD*

  Loss Given Default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *EAD*

  EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the balance sheet date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Estimating allowance for impairment of losses on investment in and advances to subsidiaries, associates and a joint venture
Investments in and advances to subsidiaries, associates and a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or impairment recovery for any significant change in the expected historical or projected future operating results of the investees. No impairment loss recognized in 2021 and 2020. The aggregate carrying amount of the investments in and advances to subsidiaries, associates and a joint venture amounted to ₱118.3 billion and ₱120.1 billion as of December 31, 2021 and 2020, respectively (see Note 6).

Estimating impairment of project development costs
Impairment is determined for development costs by assessing the recoverable amount of each projects. Where the recoverable amount of the project is less than the carrying amount, an impairment loss is recognized. When calculating recoverable amount, the future cash flow is discounted by a discount factor that takes into consideration risk free interest and the risk associated with the specific project.

The Company has written-off project development costs amounting to ₱298.0 million and ₱7.1 million in 2021 and 2020, respectively. The carrying amount of the Company's project development costs amounted to ₱449.0 million and ₱702.7 million as of December 31, 2021 and 2020, respectively (see Note 9).

Estimating useful lives of property and equipment
The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2021 and 2020, the net book values of property and equipment amounted to ₱85.6 million and ₱103.0 million, respectively (see Note 7).

Estimating residual value of property and equipment
The residual value of the Company's property and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property and equipment of similar age and condition. As of December 31, 2021 and 2020, the aggregate net book values of property and equipment amounted to ₱85.6 million and ₱103.0 million, respectively (see Note 7).

Assessing impairment of nonfinancial assets
The Company assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property and equipment, input VAT and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of the assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

As of December 31, 2021, the carrying values of property and equipment, input VAT and other noncurrent assets amounted to ₱85.6 million, ₱7.8 million, and ₱1.0 billion, respectively. As of December 31, 2020, the carrying values of property and equipment, input VAT and other noncurrent assets amounted to ₱103.0 million, ₱7.0 million, and ₱1.1 billion, respectively (see Notes 7 and 8).

Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure its lease liability. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. As of December 31, 2021 and 2020, lease liability amounted to ₱29.4 million and ₱51.4 million, respectively (see Note 19).

Pension benefits
The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 14.

Net benefit expense amounted to ₱53.2 million in 2021, ₱54.5 million in 2020 and ₱29.8 million in 2019. Net pension liability amounted to ₱18.8 million and ₱33.1 million as of December 31, 2021 and 2020, respectively (see Note 14).

Recognition of deferred income tax assets
The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. Deferred income tax asset amounted to ₱21.4 million and ₱313.2 million as of December 31, 2021 and 2020, respectively (see Note 15).

No deferred income tax assets were recognized for deductible temporary difference and carryforward benefit from unused NOLCO and excess MCIT as disclosed in Note 15.

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the parent company financial statements for the years ended December 31, 2021 and 2020.

4. **Cash and Cash Equivalents**

	2021	2020
Cash on hand and in banks	**₱303,532,539**	₱569,409,822
Short-term deposits	**18,067,889,688**	7,751,426,891
	₱18,371,422,227	₱8,320,836,713

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposits rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱98.2 million, ₱106.6 million and ₱163.4 million in 2021, 2020 and 2019, respectively.

5. **Trade and Other Receivables**

	2021	2020
Trade receivables		
Related parties (Note 16)	**₱9,940,769**	₱586,147,450
Others	**88,395,183**	26,864,936
Dividends (Note 16)	**698,732,939**	645,719,866
Interest	**28,731,132**	12,424,360
Others	**6,366,815**	6,226,467
	₱832,166,838	₱1,277,383,079

Trade receivables are noninterest-bearing and are generally on 30 days' term.

For terms and conditions relating to related party receivables, refer to Note 16.

6. Investments and Advances

The details of the Company's investments and advances follow:

	2021	2020
Investments in Subsidiaries		
Therma Power, Inc. (TPI)	**₱30,116,058,873**	₱30,116,058,873
Aboitiz Renewables, Inc. (ARI)	**25,172,988,814**	25,172,988,814
Therma Visayas, Inc. (TVI)	**7,118,681,570**	7,118,681,570
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	**2,997,000,000**	2,997,000,000
Hedcor Sabangan, Inc. (Hedcor Sabangan)	**1,732,643,142**	1,732,643,142
Lima Enerzone Corporation (LEZ)	**1,329,696,667**	1,329,696,667
Hedcor, Inc. (HI)	**1,237,204,309**	1,237,204,309
Therma South, Inc. (Therma South)	**877,892,679**	877,892,679
Therma Mobile, Inc. (Therma Mobile)	**742,400,000**	742,400,000
Davao Light & Power Co., Inc. (DLPC)	**738,472,506**	738,472,506
Visayan Electric Co., Inc. (VECO)	**665,438,202**	665,438,202
Hedcor Tudaya, Inc. (HTI)	**656,250,000**	656,250,000
Mactan Enerzone Corporation (MEZC)	**609,532,287**	609,532,287
Balamban Enerzone Corporation (BEZC)	**444,869,161**	444,869,161
Subic Enerzone Corporation (SEZC)	**227,000,000**	227,000,000
Cotabato Light & Power Co. (CLPC)	**214,047,443**	214,047,443
AboitizPower International Pte. Ltd. (AP Int)	**171,404,666**	171,404,666
Retensol, Inc. (RI)	**135,116,116**	135,116,116
Malvar Enerzone Corporation (Malvez)	**110,500,000**	110,500,000
East Asia Utilities Corporation (EAUC)	**100,914,275**	100,914,275
AP Renewable Energy Corporation (APREC)	**27,382,759**	27,382,759
Aboitiz Energy Solutions, Inc. (AESI)	**21,000,000**	21,000,000
Cebu Private Power Corporation (CPPC)	**17,806,608**	17,806,608
Prism Energy, Inc. (PEI)	**12,648,600**	12,648,600
AdventEnergy, Inc. (AI)	**812,500**	812,500
	75,477,761,177	75,477,761,177
Investments in Associates and a Joint Venture		
AA Thermal, Inc. (ATI)	**31,822,827,705**	31,643,684,239
STEAG State Power, Inc. (STEAG)	**4,400,611,465**	4,400,611,465
Hijos de F. Escaño, Inc. (Hijos)	**873,491,034**	873,491,034
Pampanga Energy Ventures, Inc. (PEVI)	**209,465,106**	209,465,106
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	**180,863,801**	180,863,801

(Forward)

	2021	2020
AEV Aviation, Inc. (AAI)	**₱142,583,000**	₱156,996,000
Western Mindanao Power Corporation (WMPC)	**79,099,377**	79,099,377
Southern Philippines Power Corporation (SPPC)	**45,776,067**	45,776,067
Mazzaraty Energy Corporation (MEC)	**2,243,418**	—
	37,756,960,973	37,589,987,089
Less allowance for impairment loss	**1,071,358,480**	1,071,358,480
	112,163,363,670	111,996,389,786
Advances	**6,099,430,961**	8,099,991,818
	₱118,262,794,631	₱120,096,381,604

Investment in ATI
The Company subscribed additional RPS amounting to USD 3.7 million (₱179.1 million) and USD 11.2 million (₱560.7 million) in 2021 and 2020, respectively.

Investment in AAI
AAI redeemed shares attributable to the Company at 14,413 RPS and for ₱14.4 million and 6,939 RPS and for ₱6.9 million at ₱1,000 per share in 2021 and 2020, respectively.

Investment in MEC
In 2021, the Company made capital contributions to MEC amounting to ₱2.2 million.

Investment in Malvez
In 2020, the Company subscribed additional 40.1 million Redeemable Preferred Shares (RPS) for ₱40.1 million.

Investment in HI
In 2020, the Company subscribed additional 262.3 million RPS for ₱262.3 million.

Investment in RI
In 2020, the Company subscribed additional 116.1 thousand RPS for ₱116.1 thousand.

Investment in APREC
In 2020, the Company subscribed additional 2.4 million RPS for ₱2.4 million.

Investment in AP Int
In 2020, the Company converted the advances to AP Int to equity in the form RPS amounting to ₱50.7 million.

Investment in Hijos
In 2020, the Company converted the advances to Hijos to equity in the form of common and redeemable preferred shares amounting to ₱15.4 million.

Advances

These advances include advances to subsidiaries that will be applied against future subscriptions of the Company to the shares of stock of the subsidiaries.

In 2021, the Company received partial settlement from TPI and other advances amounting to ₱2.0 billion and ₱0.6 million, respectively. In 2020, the Company received partial settlement from TPI and TSI's advances amounting to ₱1.2 billion and ₱212.4 million, respectively.

The Company's subsidiaries, all incorporated in the Philippines except for AP Int which was incorporated in Singapore and the corresponding percentage equity ownership are as follows:

		2021		2020	
Name of Company	Nature of Business	**Direct**	**Indirect**	Direct	Indirect
TPI	Holding company	**100 %**	**—**	100 %	—
ARI	Holding company	**100 %**	**—**	100 %	—
TVI	Power generation	**—**	**80 %**	—	80 %
Hedcor Bukidnon	Power generation	**—**	**100 %**	—	100 %
Hedcor Sabangan	Power generation	**—**	**100 %**	—	100 %
LEZ	Power distribution	**100 %**	**—**	100 %	—
HI	Power generation	**—**	**100 %**	—	100 %
Therma South	Power generation	**—**	**100 %**	—	100 %
Therma Mobile	Power generation	**—**	**100 %**	—	100 %
DLPC	Power distribution	**100 %**	**—**	100 %	—
VECO	Power distribution	**55 %**	**—**	55 %	—
HTI	Power generation	**—**	**100 %**	—	100 %
MEZC	Power distribution	**100 %**	**—**	100 %	—
BEZC	Power distribution	**100 %**	**—**	100 %	—
SEZC	Power distribution	**65 %**	**35 %**	65 %	35 %
CLPC	Power distribution	**100 %**	**—**	100 %	—
RI*	Power generation	**— %**	**100 %**	—	100 %
EAUC	Power generation	**50 %**	**50 %**	50 %	50 %
Malvez*	Power distribution	**100 %**	**—**	100 %	—
AP Int	Holding company	**100 %**	**—**	100 %	—
APREC*	Power generation	**— %**	**100 %**	—	100 %
AESI	Retail electricity supplier	**100 %**	**—**	100 %	—
CPPC	Power generation	**60 %**	**—**	60 %	—
PEI	Retail electricity supplier	**60 %**	**—**	60 %	—
AI	Retail electricity supplier	**100 %**	**—**	100 %	—

** No commercial operations as of December 31, 2021 and 2020*

The percentage of the Company's ownership in associates and a joint venture is as follows:

		Percentage of Ownership	
Name of Company	Nature of Business	**2021**	2020
AAI	Service	**49 %**	49 %
ATI (Joint venture)	Holding company	**49 %**	49 %
Hijos	Holding company	**47 %**	47 %
MEC	Retail electricity supplier	**45 %**	— %
PEVI*	Holding company	**43 %**	43 %
STEAG	Power generation	**34 %**	34 %
SFELAPCO*	Power distribution	**20 %**	20 %
SPPC	Power generation	**20 %**	20 %
WMPC	Power generation	**20 %**	20 %

**PEVI has direct ownership in SFELAPCO of 54.83% while the Company's direct ownership in SFELAPCO is 20.29% resulting to the Company's effective ownership in SFELAPCO of 43.78%.*

7. **Property and Equipment**

December 31, 2021

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Right-of-use asset - Office Space	Total
Cost:						
Balances at beginning of year	**₱91,003,933**	**₱57,379,403**	**₱816,915**	**₱40,811,095**	**₱65,824,334**	**₱255,835,680**
Additions	**23,861,802**	**6,935,109**	**—**	**—**	**—**	**30,796,911**
Disposals	**(14,242,232)**	**(1,809,416)**	**—**	**—**	**—**	**(16,051,648)**
Balances at end of year	**100,623,503**	**62,505,096**	**816,915**	**40,811,095**	**65,824,334**	**270,580,943**
Accumulated Depreciation and Amortization:						
Balances at beginning of year	**54,913,109**	**44,446,127**	**762,827**	**24,608,778**	**28,060,020**	**152,790,861**
Depreciation and amortization	**14,100,692**	**7,563,210**	**21,635**	**3,984,556**	**16,569,335**	**42,239,428**
Disposals	**(8,790,089)**	**(1,258,262)**	**—**	**—**	**—**	**(10,048,351)**
Balances at end of year	**60,223,712**	**50,751,075**	**784,462**	**28,593,334**	**44,629,355**	**184,981,938**
Net Book Values	**₱40,399,791**	**₱11,754,021**	**₱32,453**	**₱12,217,761**	**₱21,194,979**	**₱85,599,005**

December 31, 2020

	Transportation Equipment	Office Equipment	Communication Equipment	Leasehold Improvements	Right-of-use asset - Office Space	Total
Cost:						
Balances at beginning of year	₱82,586,235	₱47,474,243	₱752,009	₱39,601,265	₱46,702,778	₱217,116,530
Additions	9,521,245	9,963,375	64,906	1,209,830	19,121,556	39,880,912
Disposals	(1,103,547)	(58,215)	—	—	—	(1,161,762)
Balances at end of year	91,003,933	57,379,403	816,915	40,811,095	65,824,334	255,835,680
Accumulated Depreciation and Amortization:						
Balances at beginning of year	41,417,997	37,818,494	752,009	20,612,633	11,490,685	112,091,818
Depreciation and amortization	14,546,720	6,685,848	10,818	3,996,145	16,569,335	41,808,866
Disposals	(1,051,608)	(58,215)	—	—	—	(1,109,823)
Balances at end of year	54,913,109	44,446,127	762,827	24,608,778	28,060,020	152,790,861
Net Book Values	₱36,090,824	₱12,933,276	₱54,088	₱16,202,317	₱37,764,314	₱103,044,819

The Company recognized loss on disposal of property and equipment amounting to ₱0.9 million in 2021 and recognized gain on disposal amounting to ₱4.0 million in 2020. There are no restrictions on the title and no property and equipment are pledged as security for liabilities.

Fully depreciated property and equipment with cost amounting to ₱75.7 million and ₱71.5 million as of December 31, 2021 and 2020, respectively, are still carried in the books of the Company and still in use.

8. Other Noncurrent Assets

	2021	2020
Prepaid tax	**₱991,803,238**	₱1,025,016,246
Computer software licenses	**27,155,473**	30,452,405
Recoverable deposits	**5,640,494**	5,852,771
	₱1,024,599,205	₱1,061,321,422

In 2021, the Company received a tax refund amounting to ₱129.8 million.

The rollforward analysis of computer software licenses is presented below:

	2021	2020
Cost:		
Balances at beginning of year	**₱43,825,070**	₱21,227,530
Additions	**2,576,154**	22,597,540
Balances at end of year	**46,401,224**	43,825,070
Accumulated amortization:		
Balances at beginning of year	**13,372,665**	10,637,601
Amortization for the year	**5,873,086**	2,735,064
Balances at end of year	**19,245,751**	13,372,665
Net book values	**₱27,155,473**	₱30,452,405

9. **Project Development Costs**

	2021	2020
Balances at beginning of year	**₱702,671,150**	₱623,339,367
Additions	**44,355,693**	86,418,415
Write-offs	**(298,031,413)**	(7,086,632)
Balances at end of year	**₱448,995,430**	₱702,671,150

Project development costs consist of rights, titles and interests for various power plant development projects.

10. **Trade and other payables**

	2021	2020
Trade payables	**₱87,492,752**	₱13,196,121
Accrued interest (see Note 11)	**490,480,539**	395,121,338
Output VAT	**84,875,522**	111,204,790
Accrued taxes and fees	**55,638,164**	92,119,057
Nontrade payables	**14,634,281**	25,499,920
Others (see Note 16)	**1,777,345**	1,536,864
	₱734,898,603	₱638,678,090

Trade payables are noninterest-bearing and generally on 30-day term. Accrued taxes and fees represent taxes withheld on compensation, benefits, interests and other fees.

11. **Long-term Debts**

Long-Term Debts

	Interest Rate	**2021**	2020
Financial and non-financial institutions - unsecured			
2014 7-year retail bonds	5.21%	**₱–**	₱6,600,000,000
2014 12-year retail bonds	6.10%	**–**	3,400,000,000
2017 10-year retail bonds	5.34%	**3,000,000,000**	3,000,000,000
2018 5.25-year retail bonds	7.51%	**7,700,000,000**	7,700,000,000
2018 10-year retail bonds	8.51%	**2,500,000,000**	2,500,000,000
2019 5-year long-term loan	LIBOR + 1.20%	**2,804,945,000**	14,406,900,000
2019 7-year retail bonds	5.28%	**7,250,000,000**	7,250,000,000
2019 7-year long-term loan	4.33% - 5.28%	**4,900,000,000**	4,950,000,000
2020 2-year retail bonds	3.13%	**9,000,000,000**	9,000,000,000
2020 5-year retail bonds	3.94%	**550,000,000**	550,000,000
2021 7-year retail notes	4.00%	**6,000,000,000**	–
2021 5-year retail bonds	3.82%	**8,000,000,000**	–
2021 4-year retail bonds	4.00%	**4,800,000,000**	–
2021 7-year retail bonds	5.03%	**7,200,000,000**	–
		63,704,945,000	59,356,900,000
Less deferred financing costs		**515,787,545**	546,817,797
		63,189,157,455	58,810,082,203
Less current portion - net of deferred financing costs		**9,012,855,045**	6,637,206,289
		₱54,176,302,410	₱52,172,875,914

** London Interbank Offered Rate (LIBOR)*

Retail Bonds - ₱12.0 billion

In December 2021, the Company issued a total of ₱12.0 billion bonds, broken down into a ₱4.8 billion 4-year bond due 2025 at a fixed rate equivalent to 4% p.a. and a ₱7.2 billion 7-year bond due 2028 at a fixed rate equivalent to 5.03% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Long-term Loan - ₱6.0 billion

In July 2021, the Company availed ₱6.00 billion 5-year fixed-rate notes from the BDO Unibank, Inc. due 2026 at an annual fixed rate equivalent to 4%.

Retail Bonds - ₱8.0 billion

In March 2021, the Company issued another ₱8.00 billion 5-year bond due 2026 at an annual fixed rate equivalent to 3.82% as part of the first tranche of its ₱30.00 billion debt securities program. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱9.6 billion

In July 2020, the Company issued the fourth and last tranche of its 30 billion debt securities program, equivalent to ₱9.6 billion in July (the "Series E and F Bonds"). The Fixed Rate "Series E and F Bonds" has an interest rate of 3.125% and 3.935% per annum (p.a.) maturing in 2022 and 2025, respectively. The bonds have been rated PRS Aaa by PhilRatings.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2021.

Long-term Loan - ₱5.0 billion

In November 2019, the Company obtained a ₱5.0 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.

In 2020, the Company amend the "Mode of Payment" for the Principal from bullet payment to partial payments equal to 1 percent (%) of total principal amount payable annually starting November 2020 and the remaining 94 percent (%) upon maturity.

On July 13, 2021, the Company reached a rate reduction agreement to amend the interest rates of the loan from fixed rate loan of 5.28% to the sum of a benchmark rate and a spread of 0.90%, divided by an applicable factor and 4.125% per annum, whichever is higher.

Under the facility agreement, the Company shall not incur any obligation with a maturity of more than 1 year, if on the date of such borrowing, the net debt to consolidated equity ratio will exceed 3:1. The Company is in compliance with the debt covenants as of December 31, 2021.

Retail Bonds - ₱7.3 billion

In October 2019, the Company issued ₱7.3 billion 7-year bond due 2026 at a fixed rate of 5.28% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Dollar Loan - $300 million

On April 2019, the Company executed and availed a US$300,000,000 syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd. and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

In April and July 2021, the Company prepaid a total of $245.0 million of the $300.0 million syndicated bridge loan facility availed in 2019 to finance the AA Thermal, Inc. acquisition. This loan is due in 2024.

The Company recognized a loss on extinguishment of the pre-terminated loans amounted to ₱447.5 million included as part of the "Interest expense and other financing costs" in the parent company statement of income for the year ended December 31, 2021.

Under the facility agreement, the Company shall ensure that the net consolidated debt to net consolidated equity ratio is not more than 3:1 at all times and the leverage ratio is not more than 5:50:1 at all times. The Company is in compliance with the debt covenants as of December 31, 2021.

Retail Bonds - ₱10.2 billion
In October 2018, the Company issued a total of ₱10.2 billion bonds, broken down into a ₱7.7 billion 5.25-year bond due 2024 at a fixed rate equivalent to 7.51% p.a. and a ₱2.5 billion 10-year bond due 2028 at a fixed rate equivalent to 8.51% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱3.0 billion
In July 2017, the Company issued ₱3.0 billion 10-year bond due 2027 at an annual fixed rate of 5.34% p.a. The bonds have been rated PRS Aaa by PhilRatings.

Retail Bonds - ₱10.0 billion
In September 2014, the Company issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at a fixed rate equivalent to 5.21% p.a. and a ₱3.4 billion 12-year bond due 2026 at a fixed rate equivalent to 6.10% p.a. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of these bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

In September 2021, the Company settled its 2014 Series 'B' Bonds by prepaying ₱3.4 billion twelve-year bond maturing in 2026 and paying as scheduled its ₱6.6 billion seven-year bond.

Under the bond trust agreements, the Company shall not permit its debt-to-equity ratio to exceed 3:1 calculated based on the year-end debt and consolidated equity. The Company is in compliance with the debt covenants as of December 31, 2021.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by ₱515.8 million and ₱546.8 million as of December 31, 2021 and 2020, respectively.

Total interest expense recognized on long-term debts amounted to ₱2.8 billion, ₱2.7 billion and ₱2.4 billion in 2021, 2020 and 2019, respectively.

Bank Loans
In 2020, the Company obtained unsecured bank loans from financial institutions with a total principal amount of ₱8.6 billion at an annual interest rate ranging from 3.25% to 5.20% for working capital purposes. These loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties. As of December 31, 2020, the loans have been fully paid.

In 2020, interest expense on bank loans amounted to ₱124.7 million.

12. **Equity and Earnings per Common Share**

a. Paid-in Capital

	2021	2020
Capital Stock:		
Authorized - ₱1 par value:		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued:		
Common shares - 7,358,604,307 shares	**₱7,358,604,307**	₱7,358,604,307
Additional Paid-in Capital	**12,588,894,332**	12,588,894,332
	₱19,947,498,639	₱19,947,498,639

On May 25, 2007, the Company listed with the Philippine Stocks Exchange its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2021, 2020 and 2019, the Company has 594, 598 and 631 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred stock shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common stock.

There are no preferred shares issued and outstanding as of December 31, 2021 and 2020.

b. Retained Earnings

As of December 31, 2020, the Company has appropriated retained earnings amounting to ₱33.7 billion. This appropriation pertains to the project development and construction of power plants that was approved on March 7, 2019, November 24, 2016 and November 27, 2014, amounting ₱11.9 billion, ₱13.2 billion and ₱8.6 billion, respectively.

On March 5, 2021, the BOD approved the reversal of a total of ₱13.6 billion retained earnings appropriation for the following:

- set up in 2014 for the ₱2.6 billion equity requirements of the 68 MW Manolo Fortich Hydropower and for the ₱6.0 billion of the 400 MW Pagbilao Coal Power Plant; and
- set up in 2016 for the ₱5.0 billion equity requirements of RP Energy.

As of December 31, 2021, total appropriated retained earnings amounted to ₱20.1 billion.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 per share (₱10.8 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 per share (₱8.7 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.

On March 5, 2021, the BOD approved the declaration of regular cash dividends of ₱0.85 per share (₱6.3 billion) were paid to all stockholders of record as of March 19, 2021. The cash dividends are payable on March 31, 2021.

To comply with the requirements of Section 43 of the Corporation Code, on March 4, 2022, the BOD approved the declaration of regular cash dividends of ₱1.45 per share (₱10.7 billion) to all stockholders of record as of March 18, 2022. The cash dividends are payable on March 30, 2022.

c. Earnings per Common Share

Basic and diluted earnings per common share amounts were computed as follows:

	2021	2020	2019
a. Net income	**₱9,213,076,110**	₱4,193,432,512	₱12,304,362,581
b. Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307	7,358,604,307
Basic and diluted earnings per common share (a/b)	**₱1.25**	₱0.57	₱1.67

13. **Personnel Costs**

	2021	2020	2019
Salaries and wages	**₱716,663,207**	₱670,398,476	₱572,060,660
Employee benefits	**296,761,276**	275,233,905	239,240,032
Retirement benefit costs (see Note 14)	**53,217,409**	54,481,769	29,846,722
	₱1,066,641,892	₱1,000,114,150	₱841,147,414

14. **Retirement Costs**

The Company has a funded, non-contributory, defined benefit pension plan (the "Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered fund. This retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also officers of AEV, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the parent company statements of income and the funded status and amounts recognized in the parent company balance sheets for the plan.

Net benefit expense (recognized as part of personnel costs):

	2021	2020	2019
Retirement expense to be recognized in the parent company statements of income:			
Current service cost	**₱51,991,233**	₱43,670,341	₱32,960,153
Net interest cost (income)	**1,226,176**	10,811,428	(3,113,431)
	₱53,217,409	₱54,481,769	₱29,846,722

Remeasurement effect to be recognized in other comprehensive income:

	2021	2020	2019
Actuarial gains (loss) due to:			
Experience adjustments	**(₱40,983,766)**	(₱11,775,982)	(₱197,172,700)
Changes in financial assumptions	**52,489,103**	(37,371,952)	(61,716,402)
Actual return excluding amount included in net interest cost	**56,022,256**	(91,442,619)	(20,314)
Changes in demographic assumptions	**–**	91,992,871	–
	₱67,527,593	(₱48,597,682)	(₱258,909,416)

Pension liability

	2021	2020
Present value of obligation	**₱484,385,778**	₱510,957,588
Fair value of plan assets	**(465,556,070)**	(477,817,696)
	₱18,829,708	₱33,139,892

Changes in the present value of the defined benefit obligation are as follows:

	2021	2020
At January 1	**₱510,957,588**	₱533,382,355
Net benefit expense:		
Current service cost	**51,991,233**	43,670,341
Interest cost	**18,905,431**	26,242,412
	70,896,664	69,912,753
Benefits paid	**(106,833,425)**	(63,575,517)
Employee transfers	**20,870,288**	14,082,934
Remeasurements in other comprehensive income:		
Actuarial gain (loss) due to:		
Changes in financial assumptions	**(52,489,103)**	37,371,952
Experience adjustments	**40,983,766**	11,775,982
Changes in demographic assumptions	**–**	(91,992,871)
	(11,505,337)	(42,844,937)
At December 31	**₱484,385,778**	₱510,957,588

Changes in the fair value of plan assets are as follows:

	2021	2020
At January 1	**₱477,817,696**	₱313,637,886
Actual contributions	**–**	289,684,028
Interest income included in net interest cost	**17,679,255**	15,430,984
Actual return excluding amount included in net interest cost	**56,022,256**	(91,442,619)
Benefits paid	**(106,833,425)**	(63,575,517)
Transfers	**20,870,288**	14,082,934
At December 31	**₱465,556,070**	₱477,817,696

Changes in pension liability recognized in the parent company balance sheets are as follows:

	2021	2020
At January 1	**₱33,139,892**	₱219,744,469
Actual contributions	**–**	(289,684,028)
Actuarial loss (gain) recognized for the year	**(67,527,593)**	48,597,682
Retirement expense for the year	**53,217,409**	54,481,769
At December 31	**₱18,829,708**	₱33,139,892

The fair value of plan assets by each class at the end of the reporting period are as follows:

	2021	2020
Assets:		
Financial assets at FVOCI	**₱307,542,035**	₱570,586,556
Equity instruments - financial institution:		
Financial assets at amortized cost	**65,581,602**	60,321,478
Holding	**4,305**	4,805
Power	**41,364,400**	37,892,745
Financial institution	**16,284,186**	10,026,135
Others	**164,302,206**	130,129,078
	595,078,734	808,960,797
Liability:		
Financial liability	**(129,522,664)**	(331,143,101)
Fair value of plan assets	**₱465,556,070**	₱477,817,696

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The Company's retirement benefit fund for its employees has investments in the equity of the Company. The carrying value of these investments as of December 31, 2021 and the losses of Fund arising from such investments for the year then ended amounted to ₱112.4 million and ₱26.5 million, respectively.

The principal assumptions used in determining net pension liability for the Company's Plan is shown below:

	2021	2020
Discount rate	**5.03%**	3.70 %
Salary increase rate	**6.00%**	6.00 %

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation	
		2021	2020
Discount rates	100	**(₱33,260,909)**	(₱31,137,705)
	(100)	**38,452,804**	35,974,948
Future salary increases	100	**₱39,815,019**	₱37,058,928
	(100)	**(35,090,757)**	(32,766,595)

The Company's defined benefit pension plan is funded by the Company.

The Company expected to contribute ₱38.8 million to the defined benefit plans in 2022. The average duration years of the defined benefit obligation is 13 years as of December 31, 2021 and 2020.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Company also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

15. Income Tax

Details of provision for income tax are as follows:

	2021	2020	2019
Current:			
Corporate income tax	**₱7,532,077**	₱4,166,070	₱21,180,971
Final	**9,547,825**	14,222,649	26,101,093
	17,079,902	18,388,719	47,282,064
Deferred	**–**	–	12,100,042
	₱17,079,902	₱18,388,719	₱59,382,106

The provision for corporate income tax represents MCIT in 2021, 2020 and 2019.

Reconciliation between the statutory income tax rate and the Company's effective income tax rates follows:

	2021	2020	2019
At statutory rate of 25% in 2021 and 30% in 2020 and 2019	**₱2,307,539,003**	₱1,263,546,369	₱3,709,123,406
Additions to (reductions in) income tax resulting from:			
Dividend income	**(3,396,233,305)**	(2,004,670,845)	(4,195,623,259)
Movement in unrecognized deferred income tax asset on:			
NOLCO	**1,023,007,205**	754,815,801	568,058,043
Unamortized past service cost	**(13,800,478)**	(26,308,544)	49,398,725
Pension liability	**13,304,352**	5,149,103	(101,115,717)
MCIT	**8,573,595**	4,166,070	21,180,971
Others	**495,782**	20,768,673	14,986,699
Nondeductible expenses:			
Project and bidding expenses	**74,507,853**	2,172,111	–
Interest expense	**2,465,483**	7,620,867	15,570,740
Interest income already subjected to final tax at a lower rate	**(2,779,588)**	(8,870,886)	(21,082,970)
Others	**–**	–	(1,114,532)
	₱17,079,902	₱18,388,719	₱59,382,106

The components of the Company's net deferred income tax assets (liability) are as follows:

	2021	2020
Deferred income taxes on NOLCO	**₱21,391,101**	₱313,161,044
Deferred income tax liability on unrealized foreign exchange gains	**(21,391,101)**	(313,161,044)
	₱–	₱–

As of December 31, 2021, the Company has MCIT that can be claimed as deduction from regular income tax liability as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2018	2019-2021	₱15,959,089	₱–	₱15,959,089	₱—
2019	2020-2022	21,180,971	–	–	21,180,971
2020	2021-2023	3,124,553	–	–	3,124,553
2021	2022-2024	8,573,595	–	–	8,573,595
		₱48,838,208	₱–	₱15,959,089	₱32,879,119

Bayanihan to Recover as One Act (Bayanihan 2)
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Company has NOLCO before taxable year 2020 which are valid as deduction against the regular taxable income for the next three (3) consecutive taxable years, as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2018	2019-2021	₱606,218,323	₱–	(₱606,218,323)	₱–
2019	2020-2022	2,327,888,945	–	–	2,327,888,945
		₱2,934,107,268	₱–	(₱606,218,323)	₱2,327,888,945

As of December 31, 2021, the Company has NOLCO incurred in taxable years 2021 and 2020 which can be claimed as deduction against the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan 2, as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2020	2021-2025	₱3,130,564,280	₱–	₱–	₱3,130,564,280
2021	2022-2026	3,139,176,172	–	–	3,139,176,172
		₱6,269,740,452	₱–	₱–	₱6,269,740,452

No deferred income tax assets have been recognized on the following temporary differences as it is probable that no sufficient taxable income will be available to allow the benefit of the net deferred income tax assets to be utilized:

	2021	2020
NOLCO	**₱8,512,064,993**	₱5,015,797,802
Unamortized past service cost	**274,131,297**	329,333,209
MCIT	**32,879,119**	41,306,130
Pension liability	**18,829,708**	33,139,892

No deferred income tax has been recognized on the impairment of investment in subsidiaries amounting to ₱1.1 billion as of December 31, 2021 and 2020 as management's intention of recovering this amount is through future dividend which is exempt from income tax.

The Company has unrecognized deductible and taxable temporary differences that arises from the initial recognition of the lease liability and the right-of-use asset upon adoption of PFRS 16 which affects neither the accounting profit nor taxable profit or loss amounting to ₱29.4 million and ₱21.2 million, respectively, as of December 31, 2021 and ₱51.4 million and ₱37.8 million, respectively, as of December 31, 2020.

16. Related Party Disclosures

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

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Company, in its normal course of business, has transactions with its related parties, which principally consist of the following:

a. The Company has management agreements with each of the following subsidiaries: CLPC, DLPC, and CPPC for which it is entitled to management fees.

b. The Company renders various services to related parties such as technical and legal assistance for various projects, trainings and other services, for which it bills technical and service fees.

c. The Company obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain subsidiaries, associates and joint ventures in connection with certain loans and credit accommodations. As of December 31, 2021 and 2020, the Company provided SBLCs for AP Renewables, Inc. (APRI), Cebu Energy Development Corporation (CEDC), Luzon Hydro Corporation (LHC), SN Aboitiz Power-Benguet, Inc. (SNAP B), Therma South (TSI), Pagbilao Energy Corporation (PEC), Hedcor Inc., STEAG, and TVI amounting to ₱3.6 billion and ₱5.7 billion, respectively.

d. Interest-bearing advances from the Company availed by DLPC and CLPC. The annual interest rates are determined on arm's length basis.

e. AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Company and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Agreements are in place to ensure quality of service. This arrangement enables the Company to maximize efficiencies and realize cost synergies.

f. Cash deposits and money market placements with Union Bank of the Philippines (UBP), an associate of AEV. At prevailing rates, these fixed-rate investments earned interest income amounting to ₱11.5 million and ₱38.6 million in 2021 and 2020, respectively. Outstanding balances amounted ₱1.4 billion and ₱5.8 billion as of December 31, 2021, and 2020, respectively.

g. Rentals paid at current market rates to AEV and Cebu Praedia Development Corporation (CPDC) for the use of meeting rooms and properties by the Company's officers and employees.

h. Aviation service fees paid at arm's length basis to AAI for the use of aircraft during travel of the Company's officers and employees.

i. HI renders technical services to the Company for the technical expertise of its highly qualified professionals on the Company's project management.

j. Consultancy service fees paid at arm's length basis to Aboitiz Data Innovation PTE. Ltd (ADI) for services relating to data innovation initiatives.

k. TMI incurred shared services relating to corporate support for the Company.

The Company's balance sheets and statements of income include the following accounts resulting from the above transactions with related parties:

Technical, Management and other Service Fees

	Revenue			Receivable			
	2021	2020	2019	**2021**	2020	Terms	Conditions
Subsidiaries:							
DLPC	**₱470,453,414**	₱437,377,855	₱367,741,901	**₱–**	₱–	30-day, noninterest-bearing	Unsecured; no impairment
VECO	**71,364,024**	260,857,566	391,849,526	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
TVI	**67,385,513**	3,752,756	625,236,619	**–**	573,848,932	30-day, noninterest-bearing	Unsecured; no impairment
CLPC	**44,514,947**	51,782,341	46,897,878	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
AESI	**44,066,628**	66,551,036	57,630,764	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
GMEC	**42,508,219**	42,390,557	43,374,465	**–**	3,325,878	30-day, noninterest-bearing	Unsecured; no impairment
Therma Luzon, Inc. (TLI)	**38,939,644**	32,668,804	41,166,971	**234,428**	–	30-day, noninterest-bearing	Unsecured; no impairment
AI	**25,928,663**	34,276,983	26,315,382	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Hedcor Bukidnon	**23,801,631**	5,033,883	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
APRI	**22,458,468**	19,663,735	10,253,796	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
ARI	**16,794,750**	—	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
TSI	**12,405,436**	13,431,519	12,674,586	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Therma Marine, Inc. (TMI)	**11,417,673**	2,036,277	5,979,579	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
PEI	**8,039,203**	10,516,295	2,627,543	**121,000**	–	30-day, noninterest-bearing	Unsecured; no impairment
SEZC	**7,136,902**	9,585,362	10,905,487	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
LEZC	**5,351,677**	5,677,043	4,390,866	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
HI	**3,789,097**	390,019	5,169,208	**48,840**	–	30-day, noninterest-bearing	Unsecured; no impairment
TMO	**2,918,377**	595,162	40,682	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
MEZC	**2,676,338**	6,901,875	5,429,535	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
BEZC	**2,676,338**	6,824,396	4,848,405	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
EAUC	**1,832,018**	1,635,682	3,191,420	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment

(Forward)

	Revenue 2021	Revenue 2020	Revenue 2019	Receivable 2021	Receivable 2020	Terms	Conditions
CPPC	**₱1,741,872**	₱1,003,228	₱20,900,607	**₱1,916,059**	₱–	30-day, noninterest-bearing	Unsecured; no impairment
San Carlos Sun Power, Inc.	**1,178,232**	9,160,805	118,706	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Aboitiz Power Distributed Renewables, Inc.	**362,574**	548,220	15,856	**45,067**	–	30-day, noninterest-bearing	Unsecured; no impairment
TPVI	**348,385**	7,838,252	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Luzon Hydro Corporation	**291,880**	—	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Hedcor Sabangan	**291,880**	—	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Hedcor Sibulan, Inc.	**291,880**	—	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Hedcor Tudaya, Inc.	**291,880**	—	—	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Aboitiz Power Distributed Energy, Inc.	**262,726**	596,647	15,856	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
CIPI	–	191,920	597,083	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Malvez	–	—	41,235	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Associates:							
SFELAPCO	**19,000,000**	108,837,850	106,760,000	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
CEDC	**39,502,302**	39,883,596	41,768,304	**7,575,375**	3,111,900	30-day, noninterest-bearing	Unsecured; no impairment
GNPD	–	88,445,000	74,074,000	**–**	5,860,740	30-day, noninterest-bearing	Unsecured; no impairment
Joint Venture:							
SN Aboitiz Power - Magat, Inc.	**6,696,429**	6,696,429	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
SN Aboitiz Power - Benguet,	**6,696,429**	6,696,429	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
SN Aboitiz Power - Generation	**238,501**	–	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Affiliates:							
Apo Agua Infrastructura, Inc.	**14,948,497**	4,253,406	7,482,550	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Aboitiz Infracapital, Inc.	–	–	907,589	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
	₱1,018,602,427	₱1,286,100,928	₱1,918,406,399	**₱9,940,769**	₱586,147,450		

Advances to Related Parties

	Advances		Outstanding Receivable			
	2021	2020	**2021**	2020	Terms	Conditions
Subsidiaries:						
CLPC	**₱179,000,000**	₱–	**₱–**	₱–	30-day, noninterest-bearing	Unsecured; no impairment
DLPC	**2,035,000,000**	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
TPI	**–**	–	**6,099,063,840**	8,099,063,840	30-day, noninterest-bearing	Unsecured; no impairment
Affiliates:						
Hijos	**–**	–	**367,121**	367,121	On-demand; noninterest-bearing	Unsecured; no impairment
Others	**–**	–	**–**	560,857	On-demand; noninterest-bearing	Unsecured; no impairment
	₱2,214,000,000	₱–	**₱6,099,430,961**	₱8,099,991,818		

Dividends

	Revenue			Receivable			
	2021	2020	2019	**2021**	2020	Terms	Conditions
Subsidiaries:							
ARI	**₱7,900,000,000**	₱–	₱3,358,000,000	**₱–**	₱–	30-day, noninterest-bearing	Unsecured; no impairment
DLPC	**1,690,784,646**	1,780,720,001	1,545,389,160	**–**	389,719,866	30-day, noninterest-bearing	Unsecured; no impairment
VECO	**1,158,584,493**	1,176,607,600	686,176,541	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
LEZC	**285,120,000**	369,680,000	65,600,000	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
AESI	**272,454,554**	926,533,750	437,000,000	**272,454,554**	–	30-day, noninterest-bearing	Unsecured; no impairment

(Forward)

	Revenue			Receivable			
TSI	**₱230,000,000**	₱247,800,000	₱482,500,000	**₱–**	₱–	30-day, noninterest-bearing	Unsecured; no impairment
H.Sabangan	**196,915,636**	108,612,660	110,378,720	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
AI	**196,278,385**	555,736	217,000,000	**196,278,385**	–	30-day, noninterest-bearing	Unsecured; no impairment
CPPC	**180,000,000**	477,000,000	80,400,000	**180,000,000**	186,000,000	1-year, noninterest-bearing	Unsecured; no impairment
SEZC	**130,130,000**	140,205,000	86,385,000	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
CLPC	**70,843,998**	76,722,542	78,953,374	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
H.Tudaya	**53,731,491**	37,662,260	50,216,346	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
EAUC	**50,000,000**	115,000,000	97,500,000	**50,000,000**	70,000,000	90-day, noninterest-bearing	Unsecured; no impairment
MEZC	**39,307,449**	20,310,308	39,745,171	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
PEI	**25,800,000**	69,000,000	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
BEZC	**25,738,900**	20,935,262	36,278,227	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
H.Bukidnon	**17,728,483**	531,854,481	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
TMO	**–**	(2,890,362)	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
TPI	**–**	–	6,070,000,000	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
Affiliates:							
STEAG	**862,776,180**	392,524,220	402,784,740	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
SFELAPCO	**71,008,973**	68,995,283	88,398,806	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
PEVI	**67,730,030**	79,339,670	51,236,633	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
WMPC	**60,000,000**	44,000,000	–	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
AEV Aviation	**–**	1,067,740	1,468,144	**–**	–	30-day, noninterest-bearing	Unsecured; no impairment
	₱13,584,933,218	₱6,682,236,151	₱13,985,410,862	**₱698,732,939**	₱645,719,866		

Interest

	Revenue			Receivable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Subsidiaries:							
DLPC	**₱1,931,302**	₱–	₱–	**₱–**	₱–	30-day, noninterest-bearing	Unsecured
CLPC	**21,280,662**	–	–	**–**	–	30-day, noninterest-bearing	Unsecured
	₱23,211,964	₱–	₱–	**₱–**	₱–		

Transportation and Travel

	Expense			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Parent:							
AEV	**₱–**	₱–	₱704	**₱–**	₱–	30-day, noninterest-bearing	Unsecured
Affiliate:							
AAI	**22,268,283**	16,939,847	17,138,321	**–**	–	30-day, noninterest-bearing	Unsecured
	₱22,268,283	₱16,939,847	₱17,139,025	**₱–**	₱–		

Rent

	Expense			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Parent							
AEV	**₱–**	₱411,400	₱2,212,900	**₱–**	₱–	30-day, noninterest-bearing	Unsecured
Affiliate							
CPDC	**1,028,941**	1,141,394	1,095,894	**–**	–	30-day, noninterest-bearing	Unsecured
	₱1,028,941	₱1,552,794	₱3,308,794	**₱–**	₱–		

Professional, Legal and Service Fees

	Expense			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Parents							
AEV	**₱105,091,860**	₱81,335,683	₱80,916,869	**₱–**	₱–	30-day, noninterest-bearing	Unsecured
ACO	**4,500,000**	–	–	**–**	–	30-day, noninterest bearing	Unsecured
Subsidiary							
HI	**30,630,903**	18,803,326	–	**–**	–	30-day, noninterest-bearing	Unsecured
	₱140,222,763	₱100,139,009	₱80,916,869	**₱–**	₱–		

Contracted Services

	Expense			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Subsidiary							
TMI	**₱872,437**	₱697,175	₱–	**₱695,193**	₱–	30-day, noninterest-bearing	Unsecured
Affiliate							
ADI	**5,772,399**	–	–	**–**	–	30-day, noninterest-bearing	Unsecured
	₱6,644,836	₱697,175	₱–	**₱695,193**	₱–		

The above transactions are expected to be settled in cash.

The Company's Fund is in the form of a trust being maintained and managed by AEV under the supervision of the BOT of the plan. In 2021 and 2020, other than contributions to the Fund, no transactions occurred between the Company or any of its subsidiaries and the Fund.

Total compensation and benefits of key management personnel of the Company are as follows:

	2021	2020	2019
Short-term benefits	**₱154,754,328**	₱209,576,892	₱182,349,079
Post-employment benefits (see Note 14)	**6,166,450**	9,879,034	10,403,791
	₱160,920,778	₱219,455,926	₱192,752,870

17. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from its operations.

The Company also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities (see Note 19).

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Company's risks in line with the policies and limits.

The main risks arising from the Company's financial instruments are credit risk involving possible exposure to counter party default on its cash and cash equivalents, and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements changes; and interest rate risk primarily to its long-term debt with a floating interest rate and to its derivative asset.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of the changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt with a floating interest rate and to its derivative asset.

The Company's policy is to manage its interest cost using effective hedging derivatives subject to BOD approval.

The following tables set out the carrying amounts, by maturity, of the Company's financial instruments that are exposed to cash flow interest rate risk (amounts in thousands):

As of December 31, 2021

	<1 year	**1-5 years**	**>5 years**	**Total**
Floating rate - long term debt	**₱–**	**₱2,777,437**	**₱–**	**₱2,777,437**

As of December 31, 2020

	<1 year	1-5 years	>5 years	Total
Floating rate - long term debt	₱–	₱14,196,824	₱–	₱14,196,824

The following tables demonstrate the sensitivity to a reasonably possible change in rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings). The effect on equity pertains to the impact of the Company's derivative designated under cash flow hedge accounting:

	Increase (decrease) in basis points	**Effect on income before tax**
2021	**200**	**₱55,549,000**
	(100)	**(27,774,000)**
2020	200	₱283,936,000
	(100)	(141,968,000)

There is no other impact on the Company's equity other those already affecting the parent company statements of income.

The interest expense and other financing costs recognized according to sources are as follows:

	2021	2020	2019
Short term and long-term debts	**₱2,793,782,731**	₱2,789,726,329	₱2,445,928,120
Loss on loan extinguishment	**447,501,753**	–	–
Lease liabilities	**3,311,592**	4,307,644	5,080,616
Other long-term obligations	**226,776,452**	152,864,838	96,523,119
	₱3,471,372,528	₱2,946,898,811	₱2,547,531,855

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk on cash in banks and cash equivalents and trade and other receivables pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these assets. With respect to cash in banks and cash equivalents, the risk is mitigated by the short-term and/or liquid nature of its short-term deposits mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. With respect to trade and other receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Company's policy that all debtors who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality per class of financial assets as of December 31 is as follows (amounts in thousands):

2021

	Neither past nor impaired			**Past due but not impaired**	
	High Grade	**Standard**	**Sub-standard**		**Total**
Cash and cash equivalents*	**₱18,370,292**	**₱–**	**₱–**	**₱–**	**₱18,370,292**
Trade and other receivables	**808,118**	**–**	**–**	**24,049**	**832,167**
Derivative asset	**75,718**	**–**	**–**	**–**	**75,718**
Total	**₱19,254,128**	**₱–**	**₱–**	**₱24,049**	**₱19,278,177**

**Excluding cash on hand*

2020

	Neither past due nor impaired			Past due but not impaired	
	High Grade	Standard	Sub-standard		Total
Cash and cash equivalents*	₱8,319,638	₱–	₱–	₱–	₱8,319,638
Trade and other receivables	668,483	–	–	608,900	1,277,383
Total	₱8,988,121	₱–	₱–	₱608,900	₱9,597,021

**Excluding cash on hand*

High grade pertains to receivables from customers with good favorable credit standing and have no history of default.

Standard grade pertains to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade pertains to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The aging analyses of financial assets as of December 31 are as follows (amounts in thousands):

2021

			Past Due		
	Total	**Current**	**30 days**	**31 to 60 days**	**Over 60 days**
Cash and cash equivalents*	**₱18,370,292**	**₱18,370,292**	**₱–**	**₱–**	**₱–**
Trade and other	**832,167**	**808,118**	**7,928**	**–**	**16,121**
Derivative asset	**75,718**	**75,718**	**–**	**–**	**–**
Total	**₱19,278,177**	**₱19,254,128**	**₱7,928**	**₱–**	**₱16,121**

**Excluding cash on hand*

2020

			Past Due		
	Total	Current	30 days	31 to 60 days	Over 60 days
Cash and cash equivalents*	₱8,319,638	₱8,319,638	₱–	₱–	₱–
Trade and other receivables	1,277,383	668,483	17,189	3,341	588,370
Total	₱9,597,021	₱8,988,121	₱17,189	₱3,341	₱588,370

**Excluding cash on hand*

Liquidity risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

In managing its short-term fund requirements, the Company's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term borrowings. With regard to its long-term financing requirements, the Company's policy is that not more than 25% of long-term borrowings should mature in any 12-month period.

The following tables summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31 (amounts in thousands):

2021

		Contractual undiscounted payments				
	Total Carrying	**Total**	**On Demand**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Financial liabilities:						
Trade and other payables*	**₱593,240**	**₱593,240**	**₱–**	**₱593,240**	**₱–**	**₱–**
Long-term debts	**63,189,157**	**77,143,096**	**–**	**11,972,891**	**44,718,696**	**20,451,509**
Lease liabilities	**29,359**	**30,914**	**–**	**27,754**	**3,160**	**–**
Total	**₱63,811,753**	**₱77,767,250**	**₱–**	**₱12,593,885**	**₱44,721,856**	**₱20,451,509**

**Excluding output VAT, withholding tax and other statutory liabilities*

2020

		Contractual undiscounted payments				
	Total Carrying	Total	On Demand	Less than 1 year	1 to 5 years	More than 5 years
Financial liabilities:						
Trade and other payables*	₱434,224	₱434,224	₱–	₱434,224	₱–	₱–
Long-term debts	58,810,082	72,011,720	–	9,242,052	56,684,406	6,085,262
Lease liabilities	51,381	56,259	–	25,345	30,914	–
Derivative liability	429,498	429,498	–	–	429,498	–
Total	₱59,725,185	₱72,931,701	₱—	₱9,701,621	₱57,144,818	₱6,085,262

**Excluding output VAT, withholding tax and other statutory liabilities*

Market Risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Company's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Foreign exchange risk

The foreign exchange risk of the Company pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Company enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows.

Presented below are the Company's foreign currency denominated financial assets and liabilities translated to Philippine Peso:

	2021		2020	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Financial asset:				
Cash and cash equivalents	**$22,654,190**	**₱1,155,341,036**	$113,585,317	₱5,454,707,694
Financial liability:				
Long-term debt	**(55,000,000)**	**(2,804,945,000)**	(300,000,000)	(14,406,900,000)
Net foreign currency denominated liability	**($32,345,810)**	**(₱1,649,603,964)**	($186,414,683)	(₱8,952,192,306)

The exchange rate for December 31, 2021 and 2020 is ₱50.999:US$1 and ₱48.023:US$1, respectively. As a result of the translation of these net foreign-currency denominated liability, the Company reported net unrealized foreign exchange loss of ₱958.3 million in 2021, and foreign exchange gain of ₱609.5 million in 2020.

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Company's income before income tax (amounts in thousands).

	Increase (decrease)	Effect on income
2021		
US dollar-denominated accounts	**5%**	**(₱82,480)**
US dollar-denominated accounts	**-5%**	**82,480**
2020		
US dollar-denominated accounts	5%	(₱447,610)
US dollar-denominated accounts	-5%	447,610

There is no other impact on the Company's equity other than those already affecting the parent company statements of income.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company considers equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Its policy is to keep the gearing ratio at 70% or below. The Company determines net debt as the sum of interest-bearing short-term and long-term loans less cash and short-term deposits.

	2020	2019
Long-term debts (Note 11)	**₱63,189,157,455**	₱58,810,082,203
Cash and cash equivalents (Note 4)	**(18,371,422,227)**	(8,320,836,713)
Net debt (a)	**44,817,735,228**	50,489,245,490
Equity	**75,136,876,544**	71,605,870,256
Equity and net debt (b)	**₱119,954,611,772**	₱122,095,115,746
Gearing ratio (a/b)	**37.36%**	41.35%

Part of the Company's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Company is in compliance with the financial covenants attached to its long-term debts as of December 31, 2021 and 2020 (see Note 11).

No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

18. **Financial Instruments**

Fair Value of Financial Instruments
Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments whose fair values are different from their carrying amounts (amounts in thousands).

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debts	**₱63,189,157**	**₱62,209,990**	₱58,810,082	₱62,456,152
Lease liabilities	**29,359**	**28,653**	51,381	49,324
	₱63,218,516	**₱62,238,643**	₱58,861,463	₱62,505,476

The following method and assumption are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair values due to the relatively short-term maturity of these financial instruments.

Long-term debts
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 2.78% to 6.09% in 2021 and 3.03% to 4.34% in 2020.

Lease liabilities
The fair values are computed using Level 3 of the fair value hierarchy and are based on the discounted value of expected future cash flows using the applicable credit-adjusted risk-free rates of 2.86% to 3.58% and 3.29% to 3.44% in 2021 and 2020, respectively.

Derivative Financial Instruments
The fair value of forward contracts is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date (Level 2), taking into account its remaining term to maturity. The fair value of the IRS and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

The Company entered into an IRS agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign-currency denominated payments.

Interest rate swap (IRS)
On September 6, 2019, the Company entered into an IRS agreement effective September 30, 2019 to hedge $150 million of its floating rate exposure on its loan (see Note 11). Under the IRS agreement, the Company, on a quarterly basis, pays a fixed rate of 1.449% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. On February 5, 2020, the Company entered additional IRS agreement effective April 29, 2020 to hedge $50 million of its floating rate exposure on its loan (see Note 12). Under the IRS agreement, the Company, on a quarterly basis, pays a fixed rate of 1.434% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period of up to April 30, 2024. The Company designated the swap as a cash flow hedge.

As of December 31, 2021, the outstanding notional amount and fair value of the swap amounted to ₱2.8 billion and ₱34.0 million, respectively. As of December 31, 2020 the outstanding notional amount and fair value of the swap amounted to ₱9.6 billion and ₱389.4 million, respectively.

Foreign currency forward contracts
In 2020, the Company entered into foreign currency forward contracts, namely Principal-only Swap (POS) and Call Spread (CS), with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2021, the notional amount of the forward contract is $25.0 million (₱1.2 billion) and $10.0 million (₱480.8 million) for POS and CS, respectively. In 2021, the Company entered into additional POS contract with a notional amount of $10.0 million (₱485.8 million). The Company designated these forward contracts as a cash flow hedge.

Hedge Effectiveness Results
Since the critical terms of the hedged loan and the IRS match, the hedge was assessed to be highly effective. The effective portion of the changes in the fair value of the swap amounting to ₱75.7 million gain and ₱429.5 million loss in 2021 and 2020, respectively, was deferred in equity under the "Cash flow hedge reserve" account.

The following is the maturity analysis of the notional amount and the corresponding average fixed interest rate (amounts in thousands):

As of December 31, 2021

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
IRS - Derivative liability						
Notional amount	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,804,945**	**₱2,804,945**
Average fixed interest rate (%)	**–**	**–**	**–**	**–**	**1.45%-1.43%**	
POS - Derivative asset						
Notional amount	**–**	**–**	**–**	**–**	**1,700,575**	**1,700,575**
CS - Derivative asset						
Notional amount	**–**	**–**	**–**	**–**	**480,800**	**480,800**

As of December 31, 2020

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
IRS - Derivative liability						
Notional amount	₱–	₱–	₱–	₱–	₱9,604,600	₱9,604,600
Average fixed interest rate (%)	–	–	–	–	1.45%-1.51%	
POS - Derivative liability						
Notional amount	–	–	–	–	1,214,775	1,214,775
CS - Derivative liability						
Notional amount	–	–	–	–	480,360	480,360

The impact of the hedged item and hedging instrument in the parent company balance sheets and in the parent company statements of income and parent company statements of comprehensive income is as follows:

As of December 31, 2021

	Carrying amount	**Change in fair value used for measuring ineffectiveness**	**Total hedging loss recognized in other comprehensive income**	**Ineffectivenes s recognized in other income (charges)**
IRS - Derivative liability	**(₱33,958,165)**	**(₱33,958,165)**	**(₱33,958,165)**	**₱–**
POS - Derivative asset	**64,789,385**	**64,789,385**	**64,789,385**	**–**
CS - Derivative asset	**44,886,566**	**44,886,566**	**44,886,566**	**–**
	₱75,717,785	**₱75,717,785**	**₱75,717,785**	**₱–**

As of December 31, 2020

	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain recognized in other comprehensive	Ineffectiveness recognized in other income (charges)
IRS - Derivative liability	(₱389,376,797)	(₱469,511,068)	(₱469,511,068)	₱–
POS - Derivative liability	(39,350,319)	(39,350,319)	(39,350,319)	–
CS - Derivative liability	(771,345)	(771,345)	(771,345)	–
	(₱429,498,461)	(₱509,632,732)	(₱509,632,732)	₱–

The movements in fair value changes of derivative instruments are as follows:

	2021	2020
At beginning of year	**₱429,498,461**	(₱80,134,271)
Net changes in fair value of derivatives designated as accounting hedges	**(505,216,246)**	509,632,732
At end of year	**(₱75,717,785)**	₱429,498,461

The changes in the fair value of derivatives designated as cash flow hedges were deferred in equity under “Cash flow hedge reserve”.

For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements were made.

19. **Lease Agreements**

a. Operating Lease Agreement with Manta Equities, Inc. (MEI)

The Company entered into an operating lease agreement with MEI for its use of administrative office space and parking space for a period of ten (10) years from April 1, 2013 to May 31, 2023 and nine (9) years and three (3) months from and March 1, 2014 to May 31, 2023, respectively. Both lease contracts have an escalation rate of 5.0%.

The Company entered additional operating lease agreement with MEI in 2020 for use of administrative office space and parking space for a period of three (3) years and five (5) months from January 1, 2020 to May 31, 2023. The lease contract has an escalation rate of 5.0%

b. Operating Lease Agreement with SM Prime Holdings, Inc. (SMPH)

The Company entered into an operating lease agreement with SMPH for its use of administrative and sales office space for a period of three (3) years from August 1, 2019 to July 31, 2022. The lease contract has a an escalation of 5.0%

The Company also has certain leases of conference rooms with lease terms of 12 months or less. The Company applies the ‘short-term lease’ recognition exemptions of these leases.

Set out below are the carrying amount and movements of the Company's lease liabilities:

	2021	2020
Balance at beginning of year	**₱51,381,140**	₱51,602,147
Additions	**–**	19,121,556
Interest expense	**3,311,592**	4,307,645
Payments	**(25,334,028)**	(23,650,208)
Balance at end of year	**₱29,358,704**	₱51,381,140

The Company also has certain leases of conference rooms with lease terms of 12 months or less. The company applies the 'short-term lease' recognition exemption on these arrangements.

Set out below, are the amounts recognized in the parent company statements of income:

	2021	2020	2019
Amortization expense of right-of-use assets	**₱16,569,335**	₱16,569,335	₱11,490,685
Interest expense on lease liabilities	**3,311,592**	4,307,645	5,080,616
Rent expense - short-term leases	**1,379,362**	3,426,142	7,027,319
	₱21,260,289	₱24,303,122	₱23,598,620

20. **Note to Statements of Cash Flows**

The following are the cash flow movements of the Company's financing liabilities:

	January 1, 2021	Net cash flows	Non-cash Changes: Dividend declaration	Amortized deferred financing costs	Foreign exchange movement	Interest expense	Others	December 31, 2021
Lease liability	**₱51,381,140**	**(₱25,334,028)**	**₱—**	**₱—**	**₱—**	**₱3,311,592**	**₱—**	**₱29,358,704**
Non-current interest-bearing loans and borrowings	**58,810,082,203**	**2,891,612,041**	**—**	**323,693,211**	**1,163,770,000**	**—**	**—**	**63,189,157,455**
Interest on loans and borrowings	**395,121,338**	**(3,049,008,525)**	**—**	**—**	**—**	**2,793,782,731**	**350,584,995**	**490,480,539**
Dividend payable	**406,737**	**(6,254,587,553)**	**6,254,813,661**	**—**	**—**	**—**	**—**	**632,845**
Total liabilities from financing activities	**₱59,256,991,418**	**(₱6,437,318,065)**	**₱6,254,813,661**	**₱323,693,211**	**₱1,163,770,000**	**₱2,797,094,323**	**₱350,584,995**	**₱63,709,629,543**

	January 1, 2020	Net cash flows	Non-cash Changes: Dividend declaration	Amortized deferred financing costs	Foreign Exchange Movement	Interest expense	Others	December 31, 2020
Lease Liability	₱70,723,703	(₱23,650,208)	₱—	₱—	₱—	₱4,307,645	₱—	₱51,381,140
Non-current interest-bearing loans and borrowings	50,079,825,067	9,383,282,625	—	130,574,511	(783,600,000)	—	—	58,810,082,203
Interest on loans and borrowings	380,430,960	(2,797,326,277)	—	—	—	2,789,726,329	22,290,326	395,121,338
Dividend payable	—	(8,682,746,344)	8,683,153,081	—	—	—	—	406,737
Total liabilities from financing activities	₱50,530,979,730	₱ (2,120,440,204)	₱8,683,153,081	₱130,574,511	(₱783,600,000)	₱2,794,033,974	₱22,290,326	₱59,256,991,418

21. **Others**

a. COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The economic slowdown during the ECQ has been caused by reduced consumer spending in most sectors and therefore, affects the Company's operations.

The Company has an in-placed and extensive business continuity plan on similar risk, including the lay out of the necessary steps that will help address or minimize the Company's business exposures. However, considering the evolving nature of this outbreak, the Company will continue to monitor the situation and adjust the steps it is currently implementing in subsequent periods.

b. Application of the Provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the parent company financial statements of the Company as of and for the year ended December 31, 2020 because of their retroactive effect:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the parent company financial statements of the Company as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The Company reflected the changes in the current and deferred income taxes its parent company financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱1.0 million.

c. Other Income

In August 2021, the Company received ₱324.9 million from a fund held in escrow as compensation for warranties and contingencies from its previous investment transaction.

d. Bond Issuance

On January 5, 2022, the Company filed the application with the Securities and Exchange Commission (SEC) for the issuance of the third tranche of its Php30 billion fixed-rate retail bonds registered on March 1, 2021 under the shelf registration program of SEC (the "Third Tranche Bonds"). The Third Tranche Bonds, with an aggregate principal amount of up to ₱10.0 billion, including oversubscription, is expected to be issued in March 2022. Interest rate setting was completed on February 28, 2022.

22. **Supplementary Information Required Under Revenue Regulations (RR) 15-2010**

The Company also reported and/or paid the following types of taxes for the year:

VAT

The Company's sales are subject to output value added tax (VAT) while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

i. Net receipts and output VAT declared in the Company's VAT returns in 2021

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales of services	₱1,613,132,035	₱192,241,133

The Company's sales that are subject to VAT are reported under the following accounts:
Service Income - Management fees
Service Income - Professional fees
Service Income - Technical fees
Miscellaneous Income - Operating
Miscellaneous Income - Non-operating

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the parent company statement of income.

ii. Input VAT for 2021

Balance at January 1	₱12,204,075
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	1,903,843
Capital goods subject to amortization	2,967,633
Capital goods not subject to amortization	155,340
Services lodged under the other accounts	49,461,215
	66,692,106
Claims for tax credit/refund and other adjustments	(53,942,950)
Balance at December 31	₱12,749,156

Other taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2021:

License and permit fees	₱13,067,238
Fringe benefit taxes	5,872,997
Deficiency and amnesty taxes	5,009,053
Documentary stamp taxes (DST)	110
Others	12,600
	₱23,961,998

Withholding taxes

Final withholding taxes	₱341,257,591
Withholding taxes on compensation and benefits	226,534,455
Expanded withholding taxes	33,248,050
Withholding VAT	489,579
	₱601,529,675

Tax assessment and cases

The Company has no pending tax cases outside of the administration of the BIR as of December 31, 2021.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: AARON PAGKATIPUNAN
Receipt Date and Time: April 06, 2022 09:45:53 AM

Company Information

SEC Registration No.: C199800134
Company Name: ABOITIZ POWER CORP.
Industry Classification: E40100
Company Type: Stock Corporation

Document Information

Document ID: OST1040620228285289
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Consolidated
Remarks: None

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C 1 9 9 8 0 0 1 3 4

COMPANY NAME

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

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

32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CFD	-NA-

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.aboitizpower.com	(02) 8886-2800	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
594	April 26	December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Liza Luv T. Montelibano	liza.montelibano@aboitiz.com	02) 8886-2813	Not Available

CONTACT PERSON's ADDRESS

32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

AboitizPower

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Aboitiz Power Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

SABIN M. ABOITIZ
Chairman of the Board

EMMANUEL V. RUBIO
President & Chief Executive Officer

LIZA LUV T. MONTELIBANO
SVP & Chief Financial Officer/Corporate Information Officer

Signed this March 04, 2022

Republic of the Philippines)
City of Taguig) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport	Date/Place Issued
SABIN M. ABOITIZ	P7230904B	July 19, 2021; DFA Manila
EMMANUEL V. RUBIO	P3162364B	September 13, 2019; DFA Manila
LIZA LUV T. MONTELIBANO	P7070135A	May 7, 2018, DFA Manila

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this MAR 04 2022.

Doc. No. 314;

Page No. 64;

Book No. IV;

Series of 2022

RACHEL GINAYA W. COPANUT-PANGWI
NOTARY PUBLIC UNTIL June 30, 2022/TAGUIG CITY
Not. Com. Appt. No. 10 (2020-2021)
PTR No. A-5334323/1-4-22, Taguig City
IBP O.R. No. 165796/10-14-2021, RSM
MCLE Comp. No. VI-0019686/3-1-2019
ROLL No. 61627

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Power Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment Testing of Goodwill

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2021, the goodwill attributable to several cash-generating units (CGUs) amounted to ₱41.16 billion or 10% of total consolidated assets, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to uncertainty on the estimation process due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically discount and growth rates, revenue assumptions, and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodologies and assumptions used. We compared the key assumptions used, such as growth rate and revenue assumptions against the historical performance of the CGUs, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Revenue Recognition of Distribution Utilities

The distribution utilities' revenue from the sale of electricity amounting to ₱44.38 billion for the year ended December 31, 2021 accounts for 33% of the Group's consolidated revenues and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers, and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

The Group's disclosures related to this matter are provided in Notes 3 and 20 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial

reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Recoverability of Certain Segments of Property, Plant and Equipment

Based on the assessment of the Group as of December 31, 2021, certain segments of its property, plant and equipment totaling ₱8.4 billion, may be impaired due to the existence of impairment indicators. As such, the Group assessed the recoverable amount of these segments of property, plant and equipment and this requires significant judgment and involves estimation and assumptions about future electricity generation levels and costs as well as external inputs such as fuel prices, electricity prices and discount rates. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, we consider such assessment as a key audit matter in our audit.

The disclosures about the recoverability of certain segments of property, plant and equipment are included in Note 11 to the consolidated financial statements.

Audit Response
We involved our internal specialist in assessing the methodologies and assumptions used. We compared the key assumptions used against the historical performance of certain segments of property, plant and equipment, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of certain segments of property, plant and equipment.

Consolidation Process

Aboitiz Power Corporation owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosures on the basis of consolidation are in Note 3 to the consolidated financial statements.

Audit Response
We obtained an understanding of the Group's consolidation process and the related controls, the process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation and reviewed the

eliminating entries recorded, including fair value adjustments. In addition, we reviewed the foreign currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
Tax Identification No. 164-533-282
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0662-AR-4 (Group A)
November 21, 2019, valid until November 20, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-071-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854348, January 3, 2022, Makati City

March 4, 2022

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱57,130,243**	₱38,699,545
Trade and other receivables (Note 6)	**26,820,071**	22,017,309
Inventories (Note 7)	**9,574,613**	6,308,200
Derivative assets (Note 33)	**1,383,903**	—
Other current assets (Note 8)	**9,511,107**	10,479,648
Total Current Assets	**104,419,937**	77,504,702
Noncurrent Assets		
Investments and advances (Note 9)	**64,952,728**	61,828,801
Property, plant and equipment (Notes 11 and 34)	**203,239,825**	203,451,243
Intangible assets (Note 12)	**46,015,496**	44,279,386
Derivative assets - net of current portion (Note 33)	**75,718**	—
Net pension assets (Note 26)	**87,146**	50,410
Deferred income tax assets (Note 28)	**1,441,768**	1,539,020
Other noncurrent assets (Note 13)	**7,183,001**	9,271,556
Total Noncurrent Assets	**322,995,682**	320,420,416
TOTAL ASSETS	**₱427,415,619**	₱397,925,118

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 15)	**₱18,625,546**	₱13,184,103
Current portions of:		
Long-term debts (Note 16)	**18,419,227**	15,813,523
Lease liabilities (Note 34)	**8,106,781**	7,104,181
Long-term obligation on power distribution system	**40,000**	40,000
Derivative liabilities (Note 33)	**219,030**	787,273
Trade and other payables (Note 14)	**22,744,322**	18,371,798
Income tax payable	**264,647**	722,715
Total Current Liabilities	**₱68,419,553**	₱56,023,593

(Forward)

	December 31	
	2021	2020
Noncurrent Liabilities		
Noncurrent portions of:		
Long-term debts (Note 16)	**₱163,618,747**	₱160,067,119
Lease liabilities (Note 34)	**25,667,098**	32,158,796
Long-term obligation on power distribution system	**125,532**	143,436
Derivative liabilities - net of current portion (Note 33)	**174,664**	1,001,529
Customers' deposits (Note 17)	**7,200,341**	6,798,845
Decommissioning liability (Note 18)	**5,686,224**	5,008,033
Deferred income tax liabilities (Note 28)	**585,440**	745,214
Net pension liabilities (Note 26)	**302,812**	294,086
Other noncurrent liabilities (Note 39k)	**54,505**	1,099,394
Total Noncurrent Liabilities	**203,415,363**	207,316,452
Total Liabilities	**271,834,916**	263,340,045
Equity Attributable to Equity Holders of the Parent		
Paid-in capital (Note 19a)	**19,947,498**	19,947,498
Share in other comprehensive income (loss) of associates and joint ventures (Note 9)	**185,183**	(576,692)
Cumulative translation adjustments (Note 33)	**1,917,151**	(1,067,593)
Cash flow hedge reserve (Note 33)	**917,353**	(1,379,180)
Actuarial losses on defined benefit plans (Note 26)	**(1,072,629)**	(1,239,612)
Equity reserve	**(7,175,742)**	(7,175,742)
Retained earnings (Note 19b)		
Appropriated	**20,060,000**	33,660,000
Unappropriated (Notes 9 and 19c)	**113,172,268**	84,989,900
	147,951,082	127,158,579
Non-controlling Interests	**7,629,621**	7,426,494
Total Equity (Note 19c)	**155,580,703**	134,585,073
TOTAL LIABILITIES AND EQUITY	**₱427,415,619**	₱397,925,118

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2021	2020	2019
OPERATING REVENUES			
Sale of power (Notes 20 and 31):			
Generation	**₱70,008,135**	₱51,750,660	₱55,895,587
Distribution	**44,375,529**	41,872,331	46,120,403
Retail electricity supply	**19,874,964**	16,476,713	22,805,450
Technical, management and other fees (Note 31)	**100,593**	276,945	813,717
OPERATING REVENUES	**134,359,221**	110,376,649	125,635,157
OPERATING EXPENSES			
Cost of purchased power (Notes 21 and 31)	**41,496,499**	31,409,251	35,835,144
Cost of generated power (Note 22)	**33,499,708**	23,461,858	35,526,706
Depreciation and amortization (Notes 11, 12 and 34)	**11,202,273**	10,973,364	9,895,695
General and administrative (Note 23)	**9,540,775**	8,663,373	8,155,366
Operations and maintenance (Note 24)	**10,410,170**	8,988,916	7,366,372
	106,149,425	83,496,762	96,779,283
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 5 and 31)	**343,233**	653,076	1,291,703
Interest expense and other financing costs (Notes 15, 16, 32 and 34)	**(13,590,365)**	(14,253,528)	(14,047,646)
	(13,247,132)	(13,600,452)	(12,755,943)
OTHER INCOME (EXPENSES)			
Share in net earnings of associates and joint ventures (Note 9)	**9,479,696**	2,675,136	3,813,962
Other income (expenses) - net (Note 27)	**213,565**	4,928,563	3,483,387
	9,693,261	7,603,699	7,297,349
INCOME BEFORE INCOME TAX	**24,655,925**	20,883,134	23,397,280
PROVISION FOR INCOME TAX (Note 28)	**2,110,710**	6,061,912	3,215,498
NET INCOME	**₱22,545,215**	₱14,821,222	₱20,181,782
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱20,837,182**	₱12,577,676	₱17,322,677
Non-controlling interests	**1,708,033**	2,243,546	2,859,105
	₱22,545,215	₱14,821,222	₱20,181,782
EARNINGS PER COMMON SHARE (Note 29)			
Basic and diluted, income for the period attributable to ordinary equity holders of the parent	**₱2.83**	₱1.71	₱2.35

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱20,837,182**	₱12,577,676	₱17,322,677
Non-controlling interests	**1,708,033**	2,243,546	2,859,105
	22,545,215	14,821,222	20,181,782
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Movement in cumulative translation adjustments	**2,990,011**	(2,749,926)	751,169
Movement in cash flow hedges	**2,355,803**	764,459	(2,518,667)
Share in movement in cumulative translation adjustment of associates and joint ventures	**753,960**	(530,557)	(474,624)
Share in net unrealized valuation losses on fair value through other comprehensive income (FVOCI) investments of an associate (Note 9)	**—**	(3,125)	—
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**6,099,774**	(2,519,149)	(2,242,122)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:			
Share in actuarial gain (loss) on defined benefit plans of associates and joint ventures, net of tax	**7,915**	23,047	(44,028)
Actuarial gain (loss) on defined benefit plans, net of tax (Note 26)	**168,827**	(327,505)	(329,029)
Net other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods	**176,742**	(304,458)	(373,057)
Total other comprehensive income (loss) for the period, net of tax	**6,276,516**	(2,823,607)	(2,615,179)
TOTAL COMPREHENSIVE INCOME	**₱28,821,731**	₱11,997,615	₱17,566,603
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱27,047,317**	₱10,298,742	₱14,947,290
Non-controlling interests	**1,774,414**	1,698,873	2,619,313
	₱28,821,731	₱11,997,615	₱17,566,603

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to Equity Holders of the Parent									
							Retained Earnings (Note 19b)			
	Paid-in Capital (Note 19a)	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures (Note 9)	Cumulative Translation Adjustments	Cash Flow Hedge Reserve	Actuarial Losses on Defined Benefit Plans (Note 26)	Equity Reserve	Appropriated	Unappropriated	Non-controlling Interests	Total
Balances at January 1, 2021	₱19,947,498	(₱576,692)	(₱1,067,593)	(₱1,379,180)	(₱1,239,612)	(₱7,175,742)	₱33,660,000	₱84,989,900	₱7,426,494	₱134,585,073
Net income for the year	—	—	—	—	—	—	—	20,837,182	1,708,033	22,545,215
Other comprehensive income										
Share in other comprehensive income of associates and joint ventures	—	761,875	—	—	—	—	—	—	—	761,875
Movement in cumulative translation adjustments	—	—	2,984,744	—	—	—	—	—	5,267	2,990,011
Movement in cash flow hedges	—	—	—	2,296,533	—	—	—	—	59,270	2,355,803
Actuarial gain on defined benefit plans, net of tax	—	—	—	—	166,983	—	—	—	1,844	168,827
Total comprehensive income for the year	—	761,875	2,984,744	2,296,533	166,983	—	—	20,837,182	1,774,414	28,821,731
Reversal of appropriation	—	—	—	—	—	—	(13,600,000)	13,600,000	—	—
Cash dividends - ₱0.85 per share (Note 19b)	—	—	—	—	—	—	—	(6,254,814)	—	(6,254,814)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(1,586,998)	(1,586,998)
Change in non-controlling interests	—	—	—	—	—	—	—	—	15,711	15,711
Balances at December 31, 2021	₱19,947,498	₱185,183	₱1,917,151	₱917,353	(₱1,072,629)	(₱7,175,742)	₱20,060,000	₱113,172,268	₱7,629,621	₱155,580,703

	Attributable to Equity Holders of the Parent									
	Paid-in Capital (Note 19a)	Share in Other Comprehensive Loss of Associates and Joint Ventures (Note 9)	Cumulative Translation Adjustments	Cash Flow Hedge Reserve	Actuarial Losses on Defined Benefit Plans (Note 26)	Equity Reserve	Retained Earnings (Note 19b) Appropriated	Retained Earnings (Note 19b) Unappropriated	Non-controlling Interests	Total
Balances at January 1, 2020	₱19,947,498	(₱66,057)	₱1,229,557	(₱2,223,810)	(₱923,833)	(₱7,175,742)	₱33,660,000	₱81,095,377	₱8,100,021	₱133,643,011
Net income for the year	—	—	—	—	—	—	—	12,577,676	2,243,546	14,821,222
Other comprehensive income (loss)										
Share in other comprehensive loss of associates and joint ventures	—	(510,635)	—	—	—	—	—	—	—	(510,635)
Movement in cumulative translation adjustments	—	—	(2,297,150)	—	—	—	—	—	(452,776)	(2,749,926)
Movement in cash flow hedges	—	—	—	844,630	—	—	—	—	(80,171)	764,459
Actuarial loss on defined benefit plans, net of tax	—	—	—	—	(315,779)	—	—	—	(11,726)	(327,505)
Total comprehensive income (loss) for the year	—	(510,635)	(2,297,150)	844,630	(315,779)	—	—	12,577,676	1,698,873	11,997,615
Cash dividends - ₱1.18 per share (Note 19b)	—	—	—	—	—	—	—	(8,683,153)	—	(8,683,153)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(2,350,216)	(2,350,216)
Change in non-controlling interests	—	—	—	—	—	—	—	—	(22,184)	(22,184)
Balances at December 31, 2020	₱19,947,498	(₱576,692)	(₱1,067,593)	(₱1,379,180)	(₱1,239,612)	(₱7,175,742)	₱33,660,000	₱84,989,900	₱7,426,494	₱134,585,073

	Attributable to Equity Holders of the Parent									
							Retained Earnings (Note 19b)			
	Paid-in Capital (Note 19a)	Share in Other Comprehensive Income (Loss) of Associates and Joint Ventures (Note 9)	Cumulative Translation Adjustments	Cash Flow Hedge Reserve	Actuarial Losses on Defined Benefit Plans (Note 26)	Equity Reserve	Appropriated	Unappropriated	Non-controlling Interests	Total
Balances at January 1, 2019	₱19,947,498	₱452,595	₱312,802	₱213,114	(₱587,267)	(₱1,113,564)	₱34,060,000	₱74,189,848	₱8,823,681	₱136,298,707
Net income for the year	—	—	—	—	—	—	—	17,322,677	2,859,105	20,181,782
Other comprehensive income (loss)										
Share in other comprehensive loss of associates and joint ventures	—	(518,652)	—	—	—	—	—	—	—	(518,652)
Movement in cumulative translation adjustments	—	—	916,755	—	—	—	—	—	(165,586)	751,169
Movement in cash flow hedges	—	—	—	(2,436,924)	—	—	—	—	(81,743)	(2,518,667)
Actuarial loss on defined benefit plans, net of tax	—	—	—	—	(336,566)	—	—	—	7,537	(329,029)
Total comprehensive income (loss) for the year	—	(518,652)	916,755	(2,436,924)	(336,566)	—	—	17,322,677	2,619,313	17,566,603
Reversal of appropriation	—	—	—	—	—	—	(12,300,000)	12,300,000	—	—
Appropriations during the period	—	—	—	—	—	—	11,900,000	(11,900,000)	—	—
Acquisition of non-controlling interest (Note 9)	—	—	—	—	—	(6,062,178)	—	—	(710,830)	(6,773,008)
Cash dividends - ₱1.47 per share (Note 19b)	—	—	—	—	—	—	—	(10,817,148)	—	(10,817,148)
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(2,580,724)	(2,580,724)
Change in non-controlling interests	—	—	—	—	—	—	—	—	(51,419)	(51,419)
Balances at December 31, 2019	₱19,947,498	(₱66,057)	₱1,229,557	(₱2,223,810)	(₱923,833)	(₱7,175,742)	₱33,660,000	₱81,095,377	₱8,100,021	₱133,643,011

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱24,655,925**	₱20,883,134	₱23,397,280
Adjustments for:			
Interest expense and other financing costs (Note 32)	**13,590,365**	14,253,528	14,047,646
Depreciation and amortization (Notes 11 and 12)	**11,202,273**	10,973,364	9,895,695
Share in net earnings of associates and joint ventures (Note 9)	**(9,479,696)**	(2,675,136)	(3,813,962)
Net unrealized foreign exchange loss (gain)	**1,816,579**	(2,022,493)	(1,950,762)
Interest income (Notes 5 and 31)	**(343,233)**	(653,076)	(1,291,703)
Impairment loss (recovery) on property, plant and equipment, goodwill and other assets (Notes 11, 12, 13 and 27)	**340,597**	113,683	(245,489)
Write-off of project development costs (Notes 12 and 27)	**298,031**	7,240	31,431
Losses on disposal of property, plant and equipment (Note 27)	**214,032**	88,227	304,631
Unrealized fair valuation loss (gain) on derivatives and financial assets at FVTPL (Note 33)	**(18,333)**	4,848	1,424
Unrealized fair valuation gains on investment property (Note 27)	**—**	(115,829)	(126,842)
Gain on sale of financial assets at FVTPL	**—**	—	(1,251)
Operating income before working capital changes	**42,276,540**	40,857,490	40,248,098
Decrease (increase) in:			
Trade and other receivables	**(4,134,879)**	(8,521,328)	(5,765,526)
Inventories	**(3,266,413)**	323,829	58,424
Other current assets	**1,102,850**	2,857,713	2,780,992
Increase (decrease) in:			
Trade and other payables	**2,427,336**	632,050	5,230,984
Long-term obligation on power distribution system	**(40,000)**	(40,000)	(40,000)
Customers' deposits	**401,496**	277,376	513,105
Net cash generated from operations	**38,766,930**	36,387,130	43,026,077
Income and final taxes paid	**(2,439,894)**	(4,605,461)	(3,669,115)
Net cash flows from operating activities	**36,327,036**	31,781,669	39,356,962
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 9)	**8,355,017**	3,238,926	3,784,671
Decrease (increase) in other noncurrent assets	**1,553,457**	(636,579)	(2,109,404)
Interest received	**314,490**	654,133	1,421,536
Proceeds from redemption of shares (Note 9)	**14,413**	6,939	5,340
Proceeds from sale of property, plant and equipment	**10,360**	8,851	63,555
Net collection of advances (Note 9)	**5,549**	2,035	—
Acquisitions through business combinations, net of cash acquired	**1,251**	—	—
Disposal of assets at FVTPL	**—**	—	101,251

(Forward)

	Years Ended December 31		
	2021	2020	2019
Additions to:			
Property, plant and equipment (Note 11)	**(₱8,254,307)**	(₱5,428,730)	(₱9,675,816)
Intangible assets - service concession rights (Note 12)	**(27,673)**	(39,957)	(60,625)
Additional investments (Note 9)	**(954,386)**	(2,332,591)	(27,591,092)
Net cash flows from (used in) investing activities	**1,018,171**	(4,526,973)	(34,060,584)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from long-term debt (Note 16)	**39,737,724**	20,967,211	33,246,916
Net availments (payments of) short-term loans (Note 15)	**5,352,163**	1,888,223	(934,625)
Cash dividends paid (Note 19b)	**(6,254,588)**	(8,682,746)	(10,817,148)
Payments of:			
Long-term debt (Note 16)	**(37,179,837)**	(19,905,432)	(11,819,230)
Lease liabilities (Note 34)	**(9,401,915)**	(7,632,923)	(7,424,990)
Interest	**(9,770,209)**	(10,032,413)	(7,273,246)
Payment of dividends to non-controlling interests	**(1,586,998)**	(2,515,930)	(2,580,724)
Acquisition of non-controlling interest (Note 9)	**—**	—	(6,773,008)
Net cash flows used in financing activities	**(19,103,660)**	(25,914,010)	(14,376,055)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,241,547**	1,340,686	(9,079,677)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	**189,151**	(75,070)	170,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**38,699,545**	37,433,929	46,343,041
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱57,130,243**	₱38,699,545	₱37,433,929

See accompanying Notes to Consolidated Financial Statements.

(Amounts in Thousands, Except Earnings per Share and Exchange Rate Data and When Otherwise Indicated)

1. Corporate Information

Aboitiz Power Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1998. The Company is a publicly-listed holding company of the entities engaged in power generation, retail electricity supply and power distribution in the Aboitiz Group. On December 16, 2021, JERA Asia Private Limited completed the acquisition of the Company's share from Aboitiz Equity Ventures, Inc. (AEV) and Aboitiz & Company, Inc. (ACO) totaling to 27%. As of December 31, 2021, AEV (also incorporated in the Philippines) owns 52.00% of the Company. The ultimate parent of the Company is ACO.

The Company's registered office address is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 4, 2022.

2. Group Information

The consolidated financial statements comprise the financial statements of the Company, subsidiaries of the Company and a joint operation that is subject to joint control (collectively referred to as "the Group"; see Note 10). The following are the subsidiaries as of December 31 of each year:

		Percentage of Ownership					
	Nature of	**2021**		2020		2019	
	Business	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Aboitiz Renewables, Inc. (ARI) and Subsidiaries	Power generation	**100.00**	**–**	100.00	–	100.00	–
AP Renewables, Inc. (APRI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Aboitiz Power Distributed Energy, Inc.	Power generation	**–**	**100.00**	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc.	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Tudaya, Inc. (HTI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Luzon Hydro Corporation (LHC)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Sinag Solar Power Corporation (formerly AP Solar Tiwi, Inc.)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Retensol, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
AP Renewable Energy Corporation*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Bakun Power Line Corporation*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Cleanergy, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Cordillera Hydro Corporation*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Bukidnon, Inc. (Hedcor Bukidnon)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Kabayan, Inc. *	Power generation	**–**	**100.00**	–	100.00	–	100.00
PV Sinag Power, Inc. (formerly Hedcor Ifugao, Inc.)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Amihan Power, Inc. (formerly Hedcor Kalinga, Inc.)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Aboitiz Solar Power, Inc. (formerly Hedcor Itogon Inc.)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00

(Forward)

	Nature of Business	2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
		Percentage of Ownership					
Amihan Frontier Energy, Inc. (formerly Hedcor Mt. Province, Inc.)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Hedcor Tamugan, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Mt. Apo Geopower, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Electricidad, Inc. (formerly La Filipina Electrika, Inc.)*	Power generation	**–**	**100.00**	–	–	–	–
Wind Renewable Energy Corporation*	Power generation	**–**	**100.00**	–	–	–	–
Maaraw Renewable Energy Corporation*	Power generation	**–**	**100.00**	–	–	–	–
Hydro Electric Development Corporation*	Power generation	**–**	**99.97**	–	99.97	–	99.97
Therma Power, Inc. (TPI) and Subsidiaries	Power generation	**100.00**	**–**	100.00	–	100.00	–
Mindanao Sustainable Solutions, Inc.*	Services	**–**	**100.00**	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma Power-Visayas, Inc. (TPVI)	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma Central Visayas, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma Subic, Inc.*	Power generation	**–**	**100.00**	–	100.00	–	100.00
Therma Mariveles Holdings, Inc.	Holding company	**–**	**100.00**	–	100.00	–	100.00
GNPower Mariveles Energy Center Ltd. Co. (former GNPower Mariveles Coal Plant) (GMEC)	Power generation	**–**	**78.33**	–	78.33	–	78.33
Therma Dinginin Holdings, Inc.	Holding company	**–**	**100.00**	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)	Power generation	**–**	**80.00**	–	80.00	–	80.00
Abovant Holdings, Inc.	Holding company	**–**	**60.00**	–	60.00	–	60.00
AboitizPower International Pte. Ltd. (API)	Holding company	**100.00**	**–**	100.00	–	100.00	–
Aboitiz Energy Solutions, Inc. (AESI)	Retail electricity supplier	**100.00**	**–**	100.00	–	100.00	–
Adventenergy, Inc. (AI)	Retail electricity supplier	**100.00**	**–**	100.00	–	100.00	–
Balamban Enerzone Corporation (BEZ)	Power distribution	**100.00**	**–**	100.00	–	100.00	–
Lima Enerzone Corporation (LEZ)	Power distribution	**100.00**	**–**	100.00	–	100.00	–
Mactan Enerzone Corporation (MEZ)	Power distribution	**100.00**	**–**	100.00	–	100.00	–
Malvar Enerzone Corporation (MVEZ)	Power distribution	**100.00**	**–**	100.00	–	100.00	–
East Asia Utilities Corporation (EAUC)	Power generation	**50.00**	**50.00**	50.00	50.00	50.00	50.00
Cotabato Light and Power Company (CLP)	Power distribution	**99.94**	**–**	99.94	–	99.94	–
Cotabato Ice Plant, Inc.	Manufacturing	**–**	**100.00**	–	100.00	–	100.00
Davao Light & Power Company, Inc. (DLP)	Power distribution	**99.93**	**–**	99.93	–	99.93	–
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Holding company	**–**	**100.00**	–	100.00	–	100.00
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power generation	**–**	**100.00**	–	100.00	–	100.00
AboitizPower International B.V. (APIBV, see Note 9)	Holding company	**–**	**100.00**	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power distribution	**65.00**	**34.98**	65.00	34.98	65.00	34.98
Cebu Private Power Corporation (CPPC)	Power generation	**60.00**	**–**	60.00	–	60.00	–
Prism Energy, Inc. (PEI)	Retail electricity supplier	**60.00**	**–**	60.00	–	60.00	–
Visayan Electric Company (VECO)	Power distribution	**55.26**	**–**	55.26	–	55.26	–

** No commercial operations as of December 31, 2021.*

All of the foregoing subsidiaries are incorporated and registered with the Philippine SEC and operate in the Philippines except for the following:

Subsidiary	Country of incorporation
AboitizPower International Pte. Ltd.	Singapore
AboitizPower International B.V.	Netherlands

Material partly-owned subsidiary

Information of subsidiaries that have material non-controlling interests is provided below:

	2021 VECO	2020 VECO	**2021 TVI**	2020 TVI	**2021 GMEC**	2020 GMEC
Summarized balance sheet information						
Current assets	**₱3,893,467**	₱3,927,347	**₱8,204,475**	₱8,884,283	**₱11,903,465**	₱8,799,937
Noncurrent assets	**13,063,250**	13,172,421	**33,463,331**	34,999,698	**32,261,831**	31,011,841
Current liabilities	**7,123,948**	6,983,082	**4,199,642**	5,085,904	**10,081,276**	5,413,454
Noncurrent liabilities	**3,358,708**	4,084,624	**24,697,667**	27,114,919	**31,372,483**	32,243,565
Non-controlling interests	**2,676,895**	2,534,720	**2,570,405**	2,352,937	**895,600**	902,282
Summarized comprehensive income information						
Profit for the year	**₱2,337,966**	₱1,883,558	**₱1,081,523**	₱283,194	**₱83,498**	₱4,133,938
Total comprehensive income	**2,303,253**	1,848,845	**1,087,338**	271,949	**385,153**	3,746,717
Summarized other financial information						
Profit (loss) attributable to non-controlling interests	**₱1,080,695**	₱814,947	**₱216,305**	₱56,639	**(₱76,688)**	₱1,401,774
Dividends paid to non-controlling interests	**938,149**	952,742	**—**	—	**—**	714,687
Summarized cash flow information						
Operating	**₱2,498,355**	₱1,790,658	**₱4,394,866**	₱57,912	**₱1,962,435**	₱7,042,638
Investing	**(379,535)**	(658,185)	**555,734**	(533,532)	**(2,176,780)**	(769,887)
Financing	**(1,986,331)**	(1,954,658)	**(4,299,085)**	(2,104,388)	**(210,090)**	(6,311,812)
Net increase (decrease) in cash and cash equivalents	**₱132,489**	(₱822,185)	**₱651,515**	(₱2,580,008)	**(₱504,310)**	(₱39,061)

3. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets at FVTPL and investment properties which are measured at fair value. The consolidated financial statements are presented in Philippine peso which is the Company's functional currency and all values are rounded to the nearest thousand except for earnings per share and exchange rates and as otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous periods.

Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and a joint operation that is subject to joint control, as at December 31 of each year. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect is returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements if control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses, cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Transactions with Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals of non-controlling interest is also recognized directly in equity.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to existing standards which were applied starting January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

The adoption of these amendments did not have a significant impact on the consolidated financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2021
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are applied prospectively.

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

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

  The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The Group is currently in the process of quantifying the impact of this amendment.

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

  The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

    - Amendments to PFRS 1, *First-time Adoption of PFRS* – Subsidiary as a first-time adopter

      The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

      The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

      The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

      The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    - PAS 41, Agriculture – Taxation in fair value measurements

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

      An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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

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

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

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

The Group is currently in the process of quantifying the impact of this amendment in respect of those temporary differences arising from the transactions contemplated by this amendment.

- Amendments to PAS *8, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

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

Deferred effectivity

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

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

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

Summary of Significant Accounting Policies

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "bargain purchase gain" in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for a least twelve months after reporting period

All other assets are classified as noncurrent.
A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or

a. There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

<u>Fair Value Measurement</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the external valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen Valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyses the movements in the values of the investment properties which are required to be re-measured or re-assessed in accordance with the subsidiaries' accounting policies. The team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Investments in Associates and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

Interest in Joint Operations
A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of its subsidiaries; Therma Mariveles Group, Therma Dinginin Group, AboitizPower International Pte. Ltd., AboitizPower International B.V. and LHC, and its associate; STEAG State Power, Inc. (STEAG), is the United States (US) Dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statement of income and statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. Upon disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Inventories
Materials and supplies are valued at the lower of cost and net realizable value (NRV). Cost is determined on weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Financial Instruments - Classification and Measurement

Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the consolidated statement of income.

The Group's debt financial assets as of December 31, 2021 and 2020 consist of cash in banks, including restricted cash, cash equivalents, and trade and other receivables and the Power Sector Assets and Liabilities Management Corporation (PSALM) deferred adjustment - net of current portion included in "Other noncurrent assets" in the consolidated balance sheets. The Group assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

Financial assets at FVOCI
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

The Group does not have any financial asset at FVOCI as of December 31, 2021 and 2020.

Financial assets at FVTPL
Financial assets at FVTPL are measured at its fair value unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's investments in quoted equity securities and in unquoted equity shares are measured at FVTPL as of December 31, 2021 and 2020.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities measured at amortized cost as of December 31, 2021 and 2020 include trade and other payables (excluding taxes and fees, output value-added tax (VAT) and unearned revenue), customers' deposits, short-term loans, lease liabilities, long-term obligation on power distribution system, long-term debts, lease liabilities and other noncurrent liabilities and (see Note 32).

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Derivative financial instruments
Initial recognition and subsequent measurement
Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative within a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held. On the other hand, an embedded derivative with a financial liability or a non-financial host is separated from the host and accounted for as a separate derivative if: its economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Separated embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group uses derivative financial instruments, such as foreign currency forward, interest rate swap (IRS) and commodity swap contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges. Hedges are classified as cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Group's hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge
The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign currency forward contracts as hedges of its exposure to foreign currency risk in forecast transactions, IRS contracts to manage its floating interest rate exposure on its loans and commodity swap contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to these contracts are recognized in other operating income or expenses as realized gain or loss on derivative instruments.

The Group designated all of the foreign currency forward, IRS and commodity swap contracts as hedging instrument. The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated statement of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive must be accounted for depending on the nature of the underlying transaction as described above.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when, and only when:

- the rights to receive cash flows from the asset expires;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Group treats the transaction as a transfer of a financial asset if the Group:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash- settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Impairment of Financial Assets</u>
The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade and other receivables'. The Group has established a provision matrix for customer segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

<u>Financial Guarantee Contracts and Loan Commitments</u>
Financial guarantees are contracts issued by the Group that require it to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequently, these are measured at the higher of:

- the amount of the loss allowance determined in accordance with the ECL model and
- the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of PFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument or that are issued at below-market interest rates.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for financial instruments that include both a loan and an undrawn commitment (i.e. loan commitment) component where the Group cannot separately identify the expected credit losses on the loan commitment component from those on the loan component, the expected credit losses on the loan commitment should be recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognized as a provision.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements whereby the related assets and liabilities are presented gross in the consolidated balance sheet.

<u>Classification of financial instruments between liability and equity</u>
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

<u>Property, Plant and Equipment</u>
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Cost also include

decommissioning liability relating to the decommissioning of power plant equipment, if any. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Buildings, warehouses and improvements	10-50
Power plant equipment	2-50
Transmission, distribution and substation equipment:	
Power transformers	30
Poles and wires	20-40
Other components	12-30
Transportation equipment	5-10
Office furniture, fixtures and equipment	2-20
Electrical equipment	5-25
Meters and laboratory equipment	25
Steam field assets	20-25
Tools and others	2-20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements ranging from 5 to 15 years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts, and any resulting gain or loss is credited or charged to current operations. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) included as part of "Property, plant and equipment" account in the consolidated balance sheet. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of years
Land	10-50
Building	2-50
Power plant	20-25
Equipment and others	2-20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Service Concession Arrangements</u>
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PFRS 15, for the services it performs. If an entity performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at the stand-alone selling price of the related service. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PFRS 15. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PFRS 15.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Software and licenses

Software and licenses are initially recognized at cost. Following initial recognition, the software and licenses are carried at cost less accumulated amortization and any accumulated impairment in value.

The software and licenses is amortized on a straight-line basis over its estimated useful economic life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs is available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Service concession right

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated economic useful life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 18 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Investment Properties
Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Impairment of Non-financial Assets
Property, plant and equipment, intangible assets, investment and advances and other current and noncurrent assets excluding restricted cash and PSALM deferred adjustment

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Decommissioning Liability
The decommissioning liability arose from the Group's obligation, under their contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets, or the end of the lease term, or upon abandonment of the plant. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income under "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively.

Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of property, plant and equipment. The amount deducted from the cost of property, plant and equipment, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the property, plant and equipment, the excess shall be recognized immediately in the consolidated statement of income.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

Retained Earnings
The amount included in retained earnings includes accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of power
For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts that give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Power distribution and retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time and based on amounts billed.

Technical, management and other fees
Technical, management and other fees are recognized when the related services are rendered.

Interest income
Interest is recognized as it accrues taking into account the effective interest method.

Other income
Revenue is recognized when non-utility operating income and surcharges are earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
The Group has defined benefit pension plans which require contributions to be made to separately administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries,

- associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

Income tax relating to items recognized directly in other comprehensive income is also recognized in other comprehensive income and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

<u>VAT</u>
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheet, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's financial position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share

Basic earnings per common share are computed by dividing consolidated net income for the year attributable to the equity holders of the Company by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the consolidated net income for the year attributable to the equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive potential common shares.

Operating Segments

For management purposes, the Group is organized into two major operating segments (power generation and power distribution) according to the nature of the services provided, with each segment representing a significant business segment. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on the operating segment is presented in Note 30.

4. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRSs require management to make judgment, estimates and assumptions that affect amount reported in the financial statements and related notes. The judgment, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates. Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under circumstances. The following items are those matters which the Group assess to have significant risk arising from judgements and estimation uncertainties:

Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine Peso except for certain subsidiaries and an associate whose functional currency is the US Dollar. The Philippine Peso is the currency of the primary economic environment in which companies in the Group operates and it is the currency that mainly influences the sale of power and services and the costs of power and of providing the services. The functional currency of the Group's subsidiaries and associates is the Philippine Peso except for Therma Mariveles Group, Therma Dinginin Group, AboitizPower International Pte. Ltd., AboitizPower International B.V. and LHC (subsidiaries), and STEAG (associate) whose functional currency is the US Dollar.

Service concession arrangements - Companies in the Group as Operators

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). SEZ, MEZ and LHC's service concession agreements were accounted for under the intangible asset model.

The Company's associate, STEAG, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Determining fair value of customers' deposits

In applying PFRS 9 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using alternative valuation techniques since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits, which are therefore stated at cost, amounted to ₱7.2 billion and ₱6.8 billion as of December 31, 2021 and 2020, respectively (see Note 17).

Determining whether Independent Power Producer (IPP) Administration Agreement Contains a Lease
In accounting for its IPP Administration Agreement with PSALM, the Group's management has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group's management has made a judgment that TLI has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a lease and recognized a right-of-use asset included as part of power plant and lease liability at the present value of the agreed monthly payments to PSALM (see Note 34).

The power plant is depreciated over its estimated useful life, as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2021 and 2020, the carrying value of the power plant amounted to ₱31.41 billion and ₱32.5 billion, respectively (see Notes 11 and 34). The carrying value of the lease liability related to this contract amounted to ₱31.38 billion and ₱37.15 billion as of December 31, 2021 and 2020, respectively (see Note 34).

Nonconsolidation of Manila-Oslo Renewable Enterprise, Inc. (MORE) and its investees, AA Thermal, Inc. (AA Thermal) and GNPower Dinginin Ltd. Co. (GNPD)

The Group has 83.33% interest in MORE which has a 60% ownership interest in SN Aboitiz Power-Magat, Inc. (SNAP M), SN Aboitiz Power-Benguet, Inc. (SNAP B), SN Aboitiz Power-RES, Inc. (SNAP RES), and SN Aboitiz Power-Generation, Inc.

The Group has 70% interest in GNPD.

The Group does not consolidate MORE, AA Thermal and GNPD since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees, AA Thermal and GNPD. This is a result of partnership and shareholders' agreements which, among others, stipulate the management and operation of MORE, AA Thermal and GNPD. Management of MORE, AA Thermal and GNPD are vested in their respective BOD or "Management Committee" and the affirmative vote of the other shareholder or partners is required for the approval of certain company actions which include financial and operating undertakings (see Note 9).

Determining a joint operation
The Group has 50% interest in Pagbilao Energy Corporation (PEC). The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Contractual cash flows assessment
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Identifying performance obligations
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Power distribution and retail supply also qualify as a series of distinct goods or services which is accounted for as one performance obligation since the delivery of energy every month are distinct services which are recognized over time and have the same measure of progress.

Revenue recognition
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group's revenue from power generation, power distribution, ancillary services and retail supply are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power.

Identifying methods for measuring progress of revenue recognized over time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

For power generation and ancillary services:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

For power distribution and retail supply, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.

Determining method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Group applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., volume and prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., provisional ERC rates).

Allocation of variable consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution, ancillary services and retail supply revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

<u>Estimates and assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or impairment recovery for any significant change in the expected historical or projected future operating results of the investees. There were no impairment indicators in 2021 and 2020 based on management's assessment. The carrying amounts of the investments and advances amounted to ₱64.95 billion and ₱61.83 billion as of December 31, 2021 and 2020, respectively (see Note 9).

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate

the present value of those cash flows. The carrying amount of goodwill as of December 31, 2021 and 2020 amounted to ₱41.16 billion and ₱38.81 billion, respectively (see Note 12). No impairment of goodwill was recognized in 2021, 2020 and 2019.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2021 and 2020, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱195.42 billion and ₱198.88 billion, respectively (see Note 11).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that would be obtained from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. Such estimation is based on the prevailing price of property, plant and equipment of similar age and condition. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates due to changes in the prevailing price of a property, plant and equipment of similar age and condition. As of December 31, 2021 and 2020, the aggregate net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱195.42 billion and ₱198.88 billion, respectively (see Note 11).

Estimating useful lives of intangible asset - franchise
The Group estimates the useful life of VECO distribution franchise based on the period over which the asset is estimated to be available for use over 40 years. As of December 31, 2021 and 2020, the carrying value of the franchise amounted to ₱2.42 billion and ₱2.49 billion, respectively (see Note 12).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contracts at the end of the original contract term. As of December 31, 2021 and 2020, the aggregate net book values of intangible asset - service concession rights amounted to ₱1.75 billion and ₱2.01 billion, respectively (see Note 12).

Assessing impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (property, plant and equipment, intangible assets (excluding goodwill), and other current and noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of non-financial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment, intangible assets (excluding goodwill), and other current and noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income.

As of December 31, 2021 and 2020, the aggregate net book values of these assets amounted to ₱220.65 billion and ₱222.24 billion, respectively (see Notes 8, 11, 12 and 13). Impairment losses and write-off recognized on these non-financial assets in 2021, 2020 and 2019 amounted to ₱711.5 million, ₱165.0 million and ₱41.3 million, respectively (see Notes 11, 12 and 13).

Measurement of expected credit losses
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures. The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- *Loss given default*
  Loss Given Default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer segment.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed on a quarterly basis.

Simplified approach for trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns (i.e., by geography, customer segment and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for expected credit losses of trade and other receivables will increase the Group's recorded expenses and decrease current assets. As of December 31, 2021 and 2020, allowance for expected credit losses amounted to ₱3.02 billion and ₱2.28 billion, respectively. Trade and other receivables, net of allowance for ECL, amounted to ₱26.82 billion and ₱22.02 billion as of December 31, 2021 and 2020, respectively (see Note 6).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2021 and 2020, allowance for inventory obsolescence amounted to ₱27.5 million and ₱102.8 million respectively. The carrying amount of the inventories amounted to ₱9.57 billion and ₱6.31 billion as of December 31, 2021 and 2020, respectively (see Note 7).

Estimating the incremental borrowing rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The carrying amount of the lease liabilities amounted to ₱33.77 billion and ₱39.26 billion as of December 31, 2021 and 2020, respectively (see Note 34).

Estimating decommissioning liability
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of their lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under “Interest expense” in the consolidated statement of income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group’s current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱5.69 billion and ₱5.01 billion as of December 31, 2021 and 2020, respectively, (see Note 18).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group recognize deferred taxes based on enacted or substantially enacted tax rates for renewable of 10% and for non-renewable of 30%. The Group has deferred income tax assets amounting to ₱3.52 billion and ₱3.06 billion as of December 31, 2021 and 2020, respectively.

Details of the Group’s unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) are disclosed in Note 28.

Pension benefits
The cost of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and

its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 26.

Net benefit expense amounted to ₱277.3 million in 2021, ₱231.0 million in 2020, and ₱182.3 million in 2019. The net pension assets as of December 31, 2021 and 2020 amounted to ₱87.1 million and ₱50.4 million, respectively. Net pension liabilities as of December 31, 2021 and 2020 amounted to ₱302.8 million and ₱294.1 million, respectively.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques which include the discounted cash flow model and other generally accepted market valuation model. The inputs for these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair values of the Group's financial instruments are presented under Note 33.

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2021, 2020 and 2019.

5. **Cash and Cash Equivalents**

	2021	2020
Cash on hand and in banks	**₱17,239,024**	₱14,790,197
Short-term deposits	**39,891,219**	23,909,348
	₱57,130,243	₱38,699,545

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposits rates. Interest income earned from cash and cash equivalents amounted to ₱343.2 million in 2021, ₱653.1 million in 2020, and ₱1.29 billion in 2019.

6. Trade and Other Receivables

	2021	2020
Trade receivables - net of allowance for expected credit losses of ₱3.02 billion and ₱2.28 billion in 2021 and 2020, respectively (see Notes 31 and 32)	**₱19,618,892**	₱15,450,006
Non-trade receivable	**4,726,071**	3,766,426
Dividends receivable (see Note 9)	**1,192,000**	1,498,000
Advances to contractors	**191,904**	226,123
Interest receivable	**48,343**	33,893
PSALM deferred adjustment (see Note 39k)	**1,042,861**	1,042,861
	₱26,820,071	₱22,017,309

Trade and other receivables are noninterest-bearing and are generally on 10 - 30 days' term.

For terms and conditions relating to related party receivables, refer to Note 31.

Advances to contractors refer to noninterest-bearing advance payments made for acquisition of inventories and services which are offset against progress billings to be made by the suppliers.

Non-trade receivable relates mostly to claims from insurance against the property damage and business interruption insurance policies of TSI, and receivable of GMEC from the National Grid Corporation of the Philippines (NGCP) related to the sale of transmission assets in 2019 and advances to partners in GMEC.

The rollforward analysis of allowance for expected credit losses as of December 31, 2021 and 2020, which pertains to trade receivables, is presented below:

	2021	2020
January 1	**₱2,276,373**	₱1,973,520
Provision (see Note 23)	**1,089,566**	719,193
Write-off	**(204,940)**	(121,618)
Effect of changes in foreign exchange rate	**(142,018)**	(294,722)
December 31	**₱3,018,981**	₱2,276,373

7. Inventories

	2021	2020
Plant spare parts and supplies	**₱4,881,095**	₱3,154,218
Fuel	**3,399,155**	1,635,333
Transmission and distribution supplies	**1,294,087**	1,469,095
Other parts and supplies	**276**	49,554
	₱9,574,613	₱6,308,200

Inventories are carried at lower of cost and NRV as of December 31, 2021 and 2020.

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱27.48 billion in 2021, ₱19.65 billion in 2020, and ₱29.39 billion in 2019 (see Note 22). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱272.1 million in 2021, ₱305.8 million in 2020, and ₱353.7 million in 2019 (see Note 24). Write-down on inventories to arrive at NRV amounted to ₱27.5 million, ₱102.8 million and ₱88.2 million in 2021, 2020 and 2019, respectively.

8. Other Current Assets

	2021	2020
Restricted cash (Note 16)	**₱4,073,381**	₱5,324,213
Prepaid tax	**2,529,435**	1,352,645
Input VAT	**1,387,464**	1,972,706
Prepaid expenses	**818,610**	561,739
Advances to NGCP	**615,785**	1,167,296
Others	**86,432**	101,049
	₱9,511,107	₱10,479,648

Restricted cash represents proceeds from sale of power under the control of trustees of TVI and TSI's lenders as per loan agreement (see Note 16). The asset will be used to pay the current portion of loans payable, interest payments and operating costs in the following period.

Advances to NGCP pertain to TVI's cost of construction and installation of substation and transmission facilities which are subject for reimbursement.

Prepaid expenses mainly include prepayments for insurance.

9. Investments and Advances

	2021	2020
Acquisition cost:		
Balance at beginning of the year	**₱60,470,649**	₱58,144,997
Additions during the year	**954,386**	2,332,591
Step acquisition to subsidiary	**(77)**	—
Redemptions during the year	**(14,413)**	(6,939)
Balance at end of year	**61,410,545**	60,470,649
Accumulated equity in net earnings:		
Balance at beginning of the year	**2,482,442**	3,345,164
Share in net earnings	**9,479,696**	2,675,136
Step acquisition to subsidiary	**1,082**	—
Dividends received or receivable	**(8,049,017)**	(3,537,858)
Balance at end of year	**3,914,203**	2,482,442

(Forward)

	2021	2020
Share in net unrealized valuation gain on FVOCI investment of an associate	**₱98,602**	₱98,602
Share in actuarial gains on defined benefit plans of associates and joint ventures	**16,663**	8,748
	2021	2020
Share in cumulative translation adjustments of associates and joint ventures	**69,918**	(684,042)
	185,183	(576,692)
	65,509,931	62,376,399
Less allowance for impairment losses	**568,125**	568,125
Investments at equity	**64,941,806**	61,808,274
Advances	**10,922**	20,527
	₱64,952,728	₱61,828,801

As of December 31, 2021 and 2020, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱3.91 billion and ₱2.48 billion, respectively, are not available for distribution to the stockholders unless declared by the investees (see Note 19).

2021

In 2021, the Group, through TPI and AA Thermal, made capital contributions to GNPD amounting to ₱952.1 million.

In 2021, the Group made capital contributions to MEC amounting to ₱2.2 million.

In 2021, AEV Aviation, Inc. (AAI) redeemed 14,413 RPS held by the Company for ₱14.4 million.

In 2021, the Group, through ARI acquired 100% of Electricidad, Inc. (formerly La Filipina Electrika, Inc.) from TPI (40%) and La Filipina Uy Gongco Corporation (60%) at its par value of ₱192,500. As a result, Electricidad, Inc. (formerly an associate) became a subsidiary.

2020

In 2020, the Group converted the advances to Hijos de F. Escaño, Inc. (Hijos) to equity in the form of common and redeemable preferred shares amounting to ₱15.4 million.

In 2020, AAI redeemed 6,939 RPS held by the Company for ₱6.9 million.

In 2020, the Group, through TPI and AA Thermal made capital contributions to GNPD amounting to US$48.25 million (₱2.32 billion).

The completion of the transaction increases the Company's economic interests in GMEC, and GNPD to 78.3%, and 75.0%, respectively.

The Group's associates and joint ventures and the corresponding equity ownership are as follows:

		Percentage of Ownership		
	Nature of Business	**2021**	2020	2019
MORE[1]	Holding company	**83.33**	83.33	83.33
GNPD[1]	Power generation	**70.00**	70.00	72.50
AA Thermal[1,2]	Holding company	**60.00**	60.00	60.00
Hijos	Holding company	**46.73**	46.73	46.73
Mazzaraty Energy Corporation (MEC)	Retail electricity supplier	**44.87**	44.87	44.87
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding company	**42.84**	42.84	42.84
Electricidad, Inc.. *	Power generation	**—**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
AAI	Service	**26.69**	26.69	26.69
Cebu Energy Development Corporation (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RPEI)*	Power generation	**25.00**	25.00	25.00
Southfern Philippines Power Corporation (SPPC)	Power generation	**20.00**	20.00	20.00
Western Mindanao Power Corporation (WMPC)	Power generation	**20.00**	20.00	20.00

[1] *Joint ventures.*
[2] *Economic interest.*
* *No commercial operations as of December 31 ,2021.*

The principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

All ownership percentages presented in the table above are direct ownership of the Group except for GNPD and SFELAPCO. As of December 31, 2021, ATI has an indirect ownership in GNPD of 50% while the Group's direct ownership in GNPD is 40% resulting to the Group's effective ownership in GNPD of 70%. PEVI has direct ownership in SFELAPCO of 54.83% while the Group's direct ownership in SFELAPCO is 20.29% resulting to the Group's effective ownership in SFELAPCO of 43.78%.

The carrying values of investments, which are accounted for under the equity method are as follows:

	2021	2020
AA Thermal	**₱26,517,258**	₱24,146,045
GNPD	**22,164,022**	17,713,271
MORE	**8,151,748**	10,653,803
STEAG	**3,211,116**	3,855,162
CEDC	**2,928,493**	3,409,799
RPEI	**361,663**	522,347
PEVI	**586,219**	532,796
SFELAPCO	**437,673**	395,698
Hijos	**212,038**	213,524
WMPC	**179,639**	168,244
SPPC	**48,368**	53,246
Others	**143,569**	144,339
	₱64,941,806	₱61,808,274

Following is the summarized financial information of significant associates and joint ventures:

	2021	2020	2019
MORE:			
Total current assets	**₱655,296**	₱1,046,825	₱681,925
Total noncurrent assets	**9,672,667**	12,724,102	12,222,826
Total current liabilities	**(510,947)**	(961,848)	(610,443)
Total noncurrent liabilities	**(34,918)**	(24,516)	(75,721)
Equity	**₱9,782,098**	₱12,784,563	₱12,218,587
Gross revenue	**₱222,460**	₱178,636	₱198,636
Operating profit	**3,800,149**	3,194,516	3,750,522
Net income	**3,788,908**	3,193,335	3,732,874
Other comprehensive income (loss)	**16,501**	22,889	(152,630)
Group's share in net income	**₱3,157,424**	₱2,658,476	₱3,110,204
Additional information:			
Cash and cash equivalents	**₱55,669**	₱36,165	₱34,480
Current financial liabilities	**10,385**	9,890	11,745
Noncurrent financial liabilities	**8,209**	13,785	43,821
Depreciation and amortization	**18,628**	20,124	18,163
Interest income	**188**	500	1,175
Interest expense	**1,501**	2,132	4,272
Income tax expense	**10,149**	4,836	14,373
WMPC:			
Total current assets	**₱933,419**	₱786,831	₱643,983
Total noncurrent assets	**245,101**	338,568	348,174
Total current liabilities	**(210,852)**	(203,776)	(193,157)
Total noncurrent liabilities	**(67,288)**	(80,403)	(83,804)
Equity	**₱900,380**	₱841,220	₱715,196
Gross revenue	**₱1,596,258**	₱1,390,204	₱1,157,772
Operating profit	**630,603**	427,771	280,417
Net income	**351,931**	348,795	196,693
Other comprehensive loss	**—**	—	—
Group's share in net income	**₱71,395**	₱69,667	₱36,053
SPPC:			
Total current assets	**₱142,071**	₱149,970	₱148,228
Total noncurrent assets	**189,810**	222,642	265,422
Total current liabilities	**(37,565)**	(51,339)	(39,137)
Total noncurrent liabilities	**(53,015)**	(55,041)	(76,324)
Equity	**₱241,301**	₱266,232	₱298,189
Gross revenue	**₱—**	₱12,857	₱—
Operating loss	**(9,490)**	(56,722)	(88,013)
Net loss	**(43,115)**	(48,136)	(77,296)
Other comprehensive income	**—**	—	—
Group's share in net loss	**(₱4,878)**	(₱8,250)	(₱20,359)
SFELAPCO*:			
Total current assets	**₱1,071,258**	₱1,112,909	₱1,135,431
Total noncurrent assets	**2,918,480**	2,825,295	2,691,104
Total current liabilities	**(699,925)**	(831,991)	(868,787)
Total noncurrent liabilities	**(772,733)**	(826,003)	(784,368)
Equity	**₱2,517,080**	₱2,280,210	₱2,173,380
Gross revenue	**₱4,674,301**	₱4,318,340	₱4,448,624
Operating profit	**1,336,613**	573,989	479,553
Net income	**517,748**	437,566	342,199
Other comprehensive income (loss)	**68,923**	8,203	(51,500)
Group's share in net income	**₱234,137**	₱198,142	₱164,080
STEAG:			
Total current assets	**₱3,510,163**	₱5,053,099	₱3,107,046
Total noncurrent assets	**9,155,136**	9,000,415	9,967,406
Total current liabilities	**(1,687,950)**	(1,605,648)	(1,379,138)
Total noncurrent liabilities	**(3,732,167)**	(4,205,178)	(2,840,129)
Equity	**₱7,245,182**	₱8,242,688	₱8,855,185
Gross revenue	**₱3,780,615**	₱3,941,673	₱4,812,414
Operating profit	**1,242,155**	1,504,642	1,250,028
Net income	**1,028,755**	1,022,111	1,150,501
Other comprehensive income (loss)	**73,301**	(42,194)	(29,106)
Group's share in net income	**₱218,730**	₱210,781	₱249,432
(Forward)			

	2021	2020	2019
CEDC:			
Total current assets	**₱4,546,675**	₱4,611,404	₱5,199,140
Total noncurrent assets	**11,074,007**	11,851,774	12,842,201
Total current liabilities	**(3,205,091)**	(7,751,429)	(2,496,096)
Total noncurrent liabilities	**(5,823,525)**	(1,008,946)	(7,672,244)
Equity	**₱6,592,066**	₱7,702,803	₱7,873,001
Gross revenue	**₱8,984,184**	₱7,718,729	₱8,578,452
Operating profit	**4,111,795**	2,726,815	3,017,831
Net income	**1,921,029**	1,576,645	2,317,071
Other comprehensive income	**(36,552)**	(17,256)	29,483
Group's share in net income	**₱839,766**	₱710,307	₱1,002,882
AA Thermal			
Total current assets	**₱9,859**	₱491,206	₱75,243
Total noncurrent assets	**16,775,941**	15,998,648	14,827,626
Total current liabilities	**(89)**	(134)	(7,762)
Total noncurrent liabilities	**(152)**	—	—
Equity	**₱16,785,559**	₱16,489,720	₱14,895,107
Gross revenue	**₱—**	₱—	₱—
Operating profit	**—**	—	—
Net income	**(2,920)**	—	—
Other comprehensive income	**—**	—	—
Group's share in net loss	**₱—**	(₱6,937)	₱—
GNPD			
Total current assets	**₱14,738,599**	₱3,949,591	₱1,612,549
Total noncurrent assets	**81,161,930**	71,095,383	67,043,356
Total current liabilities	**(5,173,546)**	(2,542,327)	(5,623,202)
Total noncurrent liabilities	**(64,794,734)**	(56,958,752)	(48,514,482)
Equity	**₱25,932,249**	₱15,543,895	₱14,518,221
Gross revenue	**₱18,531,437**	₱1,725,867	₱—
Operating income (loss)	**2,067,594**	(752,254)	(1,161,098)
Net loss	**7,495,055**	(1,642,379)	(1,160,004)
Other comprehensive income	**—**	1,514	—
Group's share in net income (loss)	**₱2,922,760**	(₱683,376)	(₱726,682)
Additional information:			
Cash and cash equivalents	**₱6,037,783**	₱272,868	₱1,093,991
Current financial liabilities	**1,295,090**	1,213,841	2,033,297
Noncurrent financial liabilities	**2,133,426**	2,146,158	48,514,482
Depreciation and amortization	**113,358**	8,051	61,005
Interest income	**26,868**	3,702	590
Interest expense	**87,560**	24,494	63,928
Income tax expense	**₱1,448,237**	₱807,066	₱395,945
Others**:			
Total current assets	**₱407,576**	₱380,749	₱403,979
Total noncurrent assets	**2,585,044**	2,759,869	2,831,067
Total current liabilities	**(27,113)**	(34,193)	(31,272)
Total noncurrent liabilities	**(143,983)**	(166,040)	(111,875)
Gross revenue	**₱131,073**	₱125,908	₱150,059
Net income (loss)	**8,138**	(18,021)	(8,856)

**Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment, net income amounted to ₱517.7 million, ₱449.2 million and ₱374.8 million in 2021, 2020, and 2019, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

10. **Joint Operation**

		Percentage of Ownership		
Name of Joint Operation	Nature of Business	**2021**	2020	2019
PEC	Power generation	**50.00**	50.00	50.00

**PEC's principal place of business and country of incorporation is the Philippines.*

On May 15, 2014, the Group entered into a shareholders' agreement with TPEC Holdings Corporation (TPEC) for the development, construction and operation of the 400 MW Pagbilao Unit III in Pagbilao, Quezon through PEC. TPI and TPEC both agreed to provide their respective capital contributions and subscribe to common shares such that each stockholder owns 50% of the issued and outstanding shares of stock of PEC.

The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis.

11. **Property, Plant and Equipment**

December 31, 2021

	Land	Buildings, warehouses and improvements	Power plant equipment and steam field assets (see Note 18)	Transmission, distribution and substation equipment	Transportation equipment	Office furniture fixtures and equipment	Leasehold improvements	Electrical equipment	Meters and laboratory equipment	Tools and others	Construction in progress	ROU assets (see Note 34)	Total
Cost:													
Balances at beginning of	**₱1,751,190**	**₱38,731,336**	**₱138,325,267**	**₱23,002,108**	**₱5,311,547**	**₱1,345,146**	**₱2,950,245**	**₱8,176,921**	**₱2,383,018**	**₱4,687,252**	**₱5,464,652**	**₱38,012,187**	**₱270,140,869**
Additions (see Notes 14 and 18)	**4,482**	**26,826**	**528,603**	**—**	**72,165**	**77,234**	**97,316**	**71,687**	**—**	**41,266**	**7,334,757**	**380,040**	**8,634,376**
Disposals	**—**	**—**	**(335,264)**	**(9,909)**	**(65,497)**	**(57,544)**	**(9)**	**10,951**	**107**	**(2,191)**	**(2,958)**	**—**	**(462,314)**
Reclassifications and others	**51,823**	**13,177,439**	**(11,094,680)**	**2,327,320**	**(3,683,360)**	**(325,940)**	**(17,668)**	**2,402,362**	**516,260**	**137,150**	**(4,135,115)**	**1**	**(644,408)**
Balances at end of year	**1,807,495**	**51,935,601**	**127,423,926**	**25,319,519**	**1,634,855**	**1,038,896**	**3,029,884**	**10,661,921**	**2,899,385**	**4,863,477**	**8,661,336**	**38,392,228**	**277,668,523**
Accumulated Depreciation and Amortization:													
Balances at beginning of year	**—**	**6,358,394**	**40,637,430**	**6,411,392**	**1,055,681**	**992,516**	**817,685**	**3,653,417**	**281,595**	**701,844**	**—**	**2,531,549**	**63,441,503**
Depreciation and amortization	**—**	**1,940,013**	**5,388,949**	**723,878**	**152,391**	**172,403**	**130,744**	**442,545**	**122,759**	**300,314**	**—**	**1,326,394**	**10,700,390**
Disposals	**—**	**—**	**(119,538)**	**(2,092)**	**(59,152)**	**(65,773)**	**(9)**	**10,774**	**2**	**(2,134)**	**—**	**—**	**(237,922)**
Reclassifications and others	**—**	**3,054,170**	**(6,376,082)**	**645**	**(4,560)**	**(290,457)**	**29,349**	**507,676**	**28**	**15,238**	**—**	**—**	**(3,063,993)**
Balances at end of year	**—**	**11,352,577**	**39,530,759**	**7,133,823**	**1,144,360**	**808,689**	**977,769**	**4,614,412**	**404,384**	**1,015,262**	**—**	**3,857,943**	**70,839,978**
Accumulated Impairment:													
Balances at beginning of year	**—**	**—**	**599,963**	**—**	**2,088**	**792**	**251**	**—**	**—**	**—**	**2,645,029**	**—**	**3,248,123**
Impairment (see Note 27)	**—**	**9,955**	**187,533**	**77,541**	**—**	**—**	**—**	**—**	**65,568**	**—**	**—**	**—**	**340,597**
Balances at end of year	**—**	**9,955**	**787,496**	**77,541 e**	**2,088**	**792**	**251**	**—**	**65,568**	**—**	**2,645,029**	**—**	**3,588,720**
Net book values	**₱1,807,495**	**₱40,573,069**	**₱87,105,671**	**₱18,108,155**	**₱488,407**	**₱229,415**	**₱2,051,864**	**₱6,047,509**	**₱2,429,433**	**₱3,848,215**	**₱6,016,307**	**₱34,534,285**	**₱203,239,825**

December 31, 2020

	Land	Buildings, warehouses and improvements	Power plant equipment and steam field assets (Note 18)	Transmission, distribution and substation equipment	Transportation equipment	Office furniture, fixtures and equipment	Leasehold improvements	Electrical equipment	Meters and laboratory equipment	Tools and others	Construction in progress	ROU assets (Note 34)	Total
Cost:													
Balances at beginning of year	₱1,785,250	₱37,218,328	₱141,948,261	₱21,295,812	₱1,626,721	₱1,174,643	₱2,793,542	₱7,788,861	₱2,265,372	₱1,228,993	₱6,311,485	₱37,864,618	₱263,301,886
Additions (see Notes 14 and 18)	7,623	347,179	416,501	—	73,029	64,357	63,377	141,066	—	30,782	4,284,816	152,491	5,581,221
Disposals	—	—	(98,178)	—	(99,989)	(9,283)	(11,966)	(15,663)	—	(10,173)	—	—	(245,252)
Reclassifications and others	(41,683)	1,165,829	(3,941,317)	1,706,296	3,711,786	115,429	105,292	262,657	117,646	3,437,650	(5,131,649)	(4,922)	1,503,014
Balances at end of year	1,751,190	38,731,336	138,325,267	23,002,108	5,311,547	1,345,146	2,950,245	8,176,921	2,383,018	4,687,252	5,464,652	38,012,187	270,140,869
Accumulated Depreciation and Amortization:													
Balances at beginning of year	—	4,977,159	32,089,849	5,738,598	996,744	870,505	681,804	3,281,314	177,562	620,939	—	1,211,506	50,645,980
Depreciation and amortization	—	1,362,949	5,923,510	672,817	146,320	117,016	127,317	382,866	104,033	342,349	—	1,319,059	10,498,236
Disposals	—	—	(24,237)	(23)	(88,045)	(7,968)	(11,966)	(13,869)	—	(2,066)	—	—	(148,174)
Reclassifications and others	—	18,286	2,648,308	—	662	12,963	20,530	3,106	—	(259,378)	—	984	2,445,461
Balances at end of year	—	6,358,394	40,637,430	6,411,392	1,055,681	992,516	817,685	3,653,417	281,595	701,844	—	2,531,549	63,441,503
Accumulated Impairment:													
Balances at beginning of year	—	—	486,280	—	2,088	792	251	—	—	—	2,645,029	—	3,134,440
Impairment (see Note 27)	—	—	113,683	—	—	—	—	—	—	—	—	—	113,683
Balances at end of year	—	—	599,963	—	2,088	792	251	—	—	—	2,645,029	—	3,248,123
Net book values	₱1,751,190	₱32,372,942	₱97,087,874	₱16,590,716	₱4,253,778	₱351,838	₱2,132,309	₱4,523,504	₱2,101,423	₱3,985,408	₱2,819,623	₱35,480,638	₱203,451,243

In 2021 and 2020, the Group determined that an impairment test has to be performed on certain segments of its property, plant and equipment amounting to ₱8.4 billion and ₱41.6 billion, respectively. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through value in use (VIU). VIU is derived based on financial budgets prepared by senior management covering the project's entire life. Pre-tax discount rate of 7.51% to 10.88% in 2021 and 7.12% to 8.79% in 2020 was used.

The calculation of value in use of these property, plant and equipment are most sensitive to the following assumptions:

- Discount rate - Discount rate reflects the management's estimate of risks applicable to these projects. The benchmark used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, consideration has been given to various market information, including, but not limited to, government bond yield, bank lending rates and market risk premium.

- Material price inflation - Estimates are obtained from published indices from which the materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movement.

- Growth rate - The long-term rate used to extrapolate future cash flows excludes expansions and potential improvements in the future. Management also recognized the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management, however, believes that new entrants will not have a significant adverse impact on the forecasts included in the financial budget.

Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the projects, taking into account the impact of COVID-19.

In addition, the Group also performed an assessment whether there are specific equipment that should have been impaired.

These assessments resulted to the recognition of impairment losses in 2021 and 2020 amounting to ₱340.6 million and ₱113.7 million, respectively.

In 2021 and 2020, power plant equipment and steam field assets increased by ₱459.2 million and ₱1.2 billion, respectively, due to the change in accounting estimate and because of an additional obligation originating in 2020 (see Note 18).

In 2021 and 2020, additions to "Construction in progress" include capitalized borrowing costs, net of interest income earned from short-term deposits amounted to ₱35.8 million and nil, respectively (see Note 16). The rate used to determine the amount of borrowing costs eligible for capitalization ranged from 4.54% to 5.86% which are the effective interest rate of the specific borrowings in 2021.

Property, plant and equipment with carrying amounts of ₱68.08 billion and ₱111 billion as of December 31, 2021 and 2020, respectively, are used to secure the Group's long-term debts (see Note 16).

Fully depreciated property and equipment with gross carrying amount of ₱2.19 billion and ₱6.57 billion as of December 31, 2021 and 2020, respectively, are still in use.

In 2019, the Group completed the sale of its transmission assets. These assets have been previously recognized as property held for sale carried at its recoverable amount of ₱675.8 million (see Note 27).

12. **Intangible Assets**

	2021	2020
Goodwill	**₱41,163,608**	₱38,812,852
Franchise	**2,417,850**	2,494,811
Service concession rights	**1,754,392**	2,007,375
Project development costs	**448,995**	702,671
Software and licenses	**230,651**	261,677
	₱46,015,496	₱44,279,386

The table below shows the rollforward of intangible assets:

December 31, 2021

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	**₱38,812,852**	**₱5,411,326**	**₱3,078,431**	**₱702,671**	**₱60,068**	**₱538,776**	**₱48,604,124**
Additions during the year	**—**	**27,673**	**—**	**44,355**	**—**	**33,021**	**105,049**
Write-off (see Note 27)	**—**	**—**	**—**	**(298,031)**	**—**	**—**	**(298,031)**
Exchange differences	**2,350,756**	**54,583**	**—**	**—**	**—**	**—**	**2,405,339**
Balances at end of year	**41,163,608**	**5,493,582**	**3,078,431**	**448,995**	**60,068**	**571,797**	**50,816,481**
Accumulated amortization:							
Balances at beginning of year	**—**	**3,403,951**	**583,620**	**—**	**60,068**	**277,099**	**4,324,738**
Amortization	**—**	**335,239**	**76,961**	**—**	**—**	**64,047**	**476,247**
Balances at end of year	**—**	**3,739,190**	**660,581**	**—**	**60,068**	**341,146**	**4,800,985**
Net book values	**₱41,163,608**	**₱1,754,392**	**₱2,417,850**	**₱448,995**	**₱—**	**₱230,651**	**₱46,015,496**

December 31, 2020

	Goodwill	Service concession rights	Franchise	Project development costs	Customer contracts	Software and licenses	Total
Cost:							
Balances at beginning of year	₱40,876,082	₱5,456,916	₱3,078,431	₱622,491	₱60,068	₱468,123	₱50,562,111
Additions during the year	—	39,957	—	87,420	—	70,653	198,030
Write-off (see Note 27)	—	—	—	(7,240)	—	—	(7,240)
Exchange differences	(2,063,230)	(85,547)	—	—	—	—	(2,148,777)
Balances at end of year	38,812,852	5,411,326	3,078,431	702,671	60,068	538,776	48,604,124
Accumulated amortization:							
Balances at beginning of year	—	3,050,596	506,659	—	60,068	232,287	3,849,610
Amortization	—	353,355	76,961	—	—	44,812	475,128
Balances at end of year	—	3,403,951	583,620	—	60,068	277,099	4,324,738
Net book values	₱38,812,852	₱2,007,375	₱2,494,811	₱702,671	₱—	₱261,677	₱44,279,386

Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to individual CGUs.

The carrying amount of goodwill follows:

	2021	2020
GMEC	**₱40,284,323**	₱37,933,567
LEZ	**467,586**	467,586
HI	**220,228**	220,228
BEZ	**191,471**	191,471
	₱41,163,608	₱38,812,852

The recoverable amounts of the investments have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value-in-use calculation for December 31, 2021 and 2020

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates

The discount rates applied to cash flow projections are from 7.51% to 10.88% in 2021 and 7.12% to 8.79% in 2020, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions

Revenue assumptions are based on the expected electricity to be sold. Revenue growth used for the next five (5) years are as follows:

	2021				2020			
	LEZ	**BEZ**	**GMEC**	**HI**	LEZ	BEZ	GMEC	HI
Year 1	**6%**	**6%**	**30%**	**-2%**	4%	6%	8%	17%
Year 2	**9%**	**1%**	**5%**	**3%**	10%	2%	0%	-2%
Year 3	**6%**	**10%**	**-3%**	**0%**	7%	1%	10%	3%
Year 4	**4%**	**0%**	**1%**	**20%**	11%	2%	4%	0%
Year 5	**9%**	**-3%**	**-2%**	**0%**	10%	3%	0%	20%

Materials price inflation

In 2021, the assumption used to determine the value assigned to the materials price inflation is 2.98% in 2022, 2.51% in 2023 and settles at 2.31% for the next 3 years until 2026. The starting point of 2022 is consistent with external information sources.

In 2020, the assumption used to determine the value assigned to the materials price inflation is 2.50% in 2021, and settles at 3.00% for the next 4 years until 2025. The starting point of 2021 is consistent with external information sources.

Foreign exchange rates
In 2021, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱50.92 to a dollar in 2022 and depreciates annually at an average of 1.00% until 2026. In 2020, the assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱50.00 to a dollar in 2021 and depreciates annually at an average of 0.88% until 2025.

Management has reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the Group taking into consideration the impact of COVID-19. To reflect ongoing uncertainty, the likelihood that actual performance will differ from these assumptions has been estimated at a CGU level with reference to external market forecasts and the CGU's current performance.

Based on the impairment testing, no impairment of goodwill was recognized in 2021 and 2020.

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

<u>Service Concession Rights</u>
Service concession arrangements entered into by the Group are as follows:

1. On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

   On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

   Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

   The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period, in accordance with Philippine Interpretation IFRIC 12. The intangible asset with a carrying value of ₱1.09 billion and ₱1.27 billion as of December 31, 2021 and 2020, respectively, was used as collateral to secure LHC's long-term debt (see Note 16).

2. On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA for the privatization of the SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures and machineries in the Subic Bay Freeport Zone (SBFZ).

Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for 25-year period commencing on the turnover date.

For and in consideration of the services and expenditures of SEZ for it to undertake the rehabilitation, operation, management and maintenance of the Project, it shall be paid by the SBMA the service fees in such amount equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period regardless of the total amount of all earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱594.9 million and ₱655.8 million as of December 31, 2021 and 2020, respectively.

3. The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

   The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱71.4 million and ₱77.6 million as of December 31, 2021 and 2020, respectively.

13. **Other Noncurrent Assets**

	2021	2020
Input VAT and tax credit receivable, net of impairment loss of ₱72.9 million and ₱44.1 million in 2021 and 2020 (see Note 23)	**₱2,307,517**	₱2,993,466
Prepaid taxes	**2,076,500**	2,321,582
Advances to NGCP - net of current portion	**1,044,846**	920,682
Advances to contractors and projects	**619,188**	893,827
Refundable deposits	**353,064**	313,751
Prepaid expenses	**311,912**	251,576
Investment properties	**237,701**	248,129
PSALM deferred adjustment - net of current portion (see Notes 6 and 39k)	**54,505**	1,097,365
Financial assets at FVTPL	**3,906**	3,906
Others	**173,862**	227,272
	₱7,183,001	₱9,271,556

14. **Trade and Other Payables**

	2021	2020
Trade payables (see Note 32)	**₱11,963,685**	₱8,610,228
Output VAT	**3,388,646**	3,370,163
Accrued expenses:		
Interest	**2,122,020**	2,134,625
Taxes and fees	**1,016,249**	896,429
Claims conversion costs	**68,180**	105,627
Materials and supplies cost	**66,087**	66,087
Insurance	**25,713**	21,464
Nontrade	**1,077,356**	986,066
PSALM deferred adjustment (see Note 39k)	**1,042,861**	1,042,861
Amounts due to contractors and other third parties	**949,951**	397,707
Dividends payable	**252,003**	235,538
Customers' deposit	**129,992**	23,378
Unearned revenues	**36,461**	37,337
Others	**605,118**	444,288
	₱22,744,322	₱18,371,798

Trade payables are noninterest-bearing and generally on 30-day terms.

Accrued taxes and fees represent accrual of real property tax, transfer tax and other fees.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 11).

Others include withholding taxes and other liabilities and are generally payable within 12 months from the balance sheet date.

15. **Short-term Loans**

	Interest Rate	**2021**	2020
Peso loans - financial institutions - unsecured	1.9% - 4.92% in 2021 2% - 4.92% in 2020	**₱14,003,000**	₱11,717,000
Dollar loans - financial institutions - unsecured (see Note 16)	2.07% - 3.75% in 2021 2.90% in 2020	**4,581,237**	1,440,690
Temporary advances (see Note 31)	Noninterest-bearing	**41,309**	26,413
		₱18,625,546	₱13,184,103

The Peso loans are unsecured short-term notes payable obtained from local banks. These loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Interest expense on short-term loans amounted to ₱741.8 million in 2021, ₱827.7 million in 2020, and ₱797.6 million in 2019 (see Note 32).

16. **Long-term Debts**

	2021 Interest Rate	2020 Interest Rate	**2021**	2020
Company:				
Bonds due 2021	—%	5.21%	**₱—**	₱6,600,000
Bonds due 2022	3.13%	3.13%	**9,000,000**	9,000,000
Bonds due 2024	7.51%	7.51%	**7,700,000**	7,700,000
Bonds due 2025	3.94%	3.94%	**550,000**	550,000
Bonds due 2025	4.00%	—%	**4,800,000**	—
Bonds due 2026	5.28%	5.28%	**7,250,000**	7,250,000
Bonds due 2026	—%	6.10%	**—**	3,400,000
Bonds due 2026	3.82%	—%	**8,000,000**	—
Bonds due 2027	5.34%	5.34%	**3,000,000**	3,000,000
Bonds due 2028	8.51%	8.51%	**2,500,000**	2,500,000
Bonds due 2028	5.03%	—%	**7,200,000**	—
Financial institutions- unsecured	4.00% - 4.33%	5.28%	**10,900,000**	4,950,000
Financial institutions- unsecured	LIBOR + 1.20%	LIBOR + 1.20%	**2,804,945**	14,406,900
Subsidiaries:				
GMEC				
Financial institutions - unsecured	LIBOR + 1.7% - 4.85%	LIBOR + 1.7% - 4.00%	**32,260,286**	32,271,113
TMI				
Financial institutions - secured	4.54%	—%	**1,790,000**	—
HSAB				
Financial institutions - secured	4.92%	—%	**1,145,000**	—
TVI				
Financial institutions - secured	5.56% to 9.00%	5.56% to 9.00%	**26,947,493**	29,418,667
AESI				
Financial institutions - unsecured	4.87%	4.87%	**594,000**	600,000
TSI				
Financial institutions - secured	4.27%	5.26%	**18,314,624**	18,729,025
APRI				
Financial institutions - secured	4.48% - 5.20%	4.48% - 5.20%	**10,600,000**	6,873,920
Hedcor Bukidnon				
Financial institutions - secured	4.00% - 5.34%	4.00% - 5.34%	**8,714,717**	9,315,000
TPVI				
Financial institutions - secured	3.32%-5.06%	3.32%-5.06%	**1,500,000**	1,500,000
Hedcor Sibulan				
Fixed rate corporate notes - unsecured	4.63% - 5.42%	4.63% - 5.42%	**3,403,401**	3,702,401
HI				
Financial institution - secured	7.41%	7.41%	**423,000**	423,000
Financial institution - secured	7.87%	7.87%	**1,077,000**	1,207,000
VECO				
Financial institution - unsecured	4.73% - 4.92%	4.73% - 4.81%	**384,000**	579,000
HTI				
Financial institutions - secured	4.92%	—%	**752,000**	—
LHC				
Financial institutions - secured	LIBOR + 2.00%	LIBOR + 2.00%	**7,650**	271,330
DLP				
Financial institution - unsecured	4.73% to 4.92%	4.73% to 4.92%	**288,000**	434,250
AI				
AEV - unsecured	3.50%	3.50%	**300,000**	300,000
SEZ				
Financial institution - unsecured	—%	5.00%	**—**	56,500
CLP				
Financial institution - unsecured	4.73% to 4.92%	4.73% to 4.92%	**57,600**	86,850
Joint operation (see Note 9)				
Financial institutions - secured	5.77% - 6.27%	5.50% - 8.31%	**11,146,343**	12,251,259
			183,410,059	177,376,215
Less deferred financing costs			**1,372,085**	1,495,573
			182,037,974	175,880,642
Less current portion - net of deferred financing costs			**18,419,227**	15,813,523
			₱163,618,747	₱160,067,119

** London Interbank Offered Rate (LIBOR)*

Interest expense and other financing costs on long-term debt amounted to ₱9.84 billion in 2021, ₱9.98 billion in 2020, and ₱8.65 billion in 2019 (see Note 32).

Company

In September 2014, the Company issued a total of ₱10.00 billion bonds, broken down into a ₱6.60 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.40 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, the Company issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2018, the Company issued a total of ₱10.20 billion bonds, broken down into a ₱7.70 billion 5.25-year bond due 2024 at an annual fixed rate equivalent to 7.51% and a ₱2.50 billion 10-year bond due 2028 at an annual fixed rate equivalent to 8.51%. The bonds have been rated PRS Aaa by PhilRatings.

In October 2019, the Company issued ₱7.25 billion 7-year bond due 2026 at a fixed rate of 5.28%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2020, the Company issued the fourth and last tranche of its ₱30.00 billion debt securities program, equivalent to ₱9.55 billion (the "Series E and F Bonds"). The Fixed Rate "Series E and F Bonds" has an interest rate of 3.13% and 3.94% per annum maturing in 2022 and 2025 respectively. The bonds have been rated PRS Aaa by PhilRatings.

In March 2021, the Company issued the first tranche of its ₱30.00 billion debt securities program equivalent to ₱8.00 billion (the "Series A Bonds") with an annual fixed rate of 3.82% due in 2026.

In July 2021, the Company availed ₱6.00 billion 5-year fixed-rate notes due 2026 at an annual fixed rate equivalent to 4%.

In December 2021, the Company issued the second tranche of its ₱30.00 billion debt securities program equivalent to ₱12.00 billion (the "Series B and Bonds") with an annual fixed rates of 4.00% and 5.03% due in 2025 and 2028, respectively.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

In April 2019, the Company executed and availed a US$300.0 million syndicated bridge loan facility loan agreement with DBS Bank Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., and Standard Chartered Bank as lead arrangers and bookrunners to finance the AA Thermal, Inc. acquisition. The loan bears a floating interest based on credit spread over applicable LIBOR plus 1.2% margin. The loan will mature on the 5th anniversary of the first utilization date.

In April and July 2021, the Company prepaid a total of $245.0 million of the $300.0 million syndicated bridge loan facility availed in 2019 to finance the AA Thermal, Inc. acquisition.

In September 2021, the Company settled its 2014 Series ‘B’ bonds by prepaying ₱3.40 billion twelve-year bond maturing in 2026 and paying as scheduled its ₱6.60 billion ten-year bond.

Loss on extinguishment of the above loans amounted to ₱447.5 million included as part of the “Interest expense and other financing costs” account in the consolidated statement of income for the year ended December 31, 2021 (see Note 32).

In November 2019, the Company obtain a ₱5.00 billion 7-year long term loan from the BDO Unibank, Inc. at a fixed rate of 5.28% p.a.

In 2020, the Company amend the "Mode of Payment" for the Principal from bullet payment to partial payments equal to 1% of total principal amount payable annually starting November 2020 and the remaining 94% upon maturity.

On July 13, 2021, the Company reached a rate reduction agreement to amend the interest rates of the loan from fixed rate loan of 5.28% to the sum of a benchmark rate and a spread of 0.90%, divided by an applicable factor and 4.125% per annum, whichever is higher.

GMEC

On August 29, 2017, GMEC entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of $800.0 million, the proceeds of which will be used to refinance GMEC’s existing loan obligation and for other general corporate purposes.

On September 29, 2017, $600.0 million was drawn from the NFA, out of which $462.4 million was used to prepay the outstanding loans. In February 2018, the remaining principal amount of $200.0 million was drawn from the NFA.

GMEC also has an existing facility agreement with certain banks to finance the GMEC’s working capital requirements presented as part of short-term loans in the balance sheets (see Note 15).

Loans payable consist of the following dollar denominated loans:

	2021	2020	Interest Rate Per Annum	Payment Schedule
NFA				
Fixed Rate Loan	**$396,118**	$420,818	(i) Fixed rates of 2.5514% and 3.4049% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	**236,475**	251,175	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
(Forward)				

	2021	2020	Interest Rate Per Annum	Payment Schedule
Working Capital				
BDO	**30,000**	15,000	LIBOR plus 2.75% applicable margin	30,60, or 90 days
SCB	**—**	15,000	LIBOR plus 2.55% to 2.80% applicable margin	Payable within six months
ICBC Manila	**5,000**	—	LIBOR plus 1.95% applicable margin	Payable within 90 days
ICBC Dubai	**25,000**	—	LIBOR plus 1.95% applicable margin	Payable within 90 days
PBCOM	**9,830**	—	Fixed Rate 3.75%	Payable within 360 days
Chinabank	**20,000**	—	LIBOR plus 2.75% applicable margin	Payable within 90 days
	89,830	30,000		
Total borrowings	**722,423**	701,993		
Less unamortized portion of deferred financing costs	**1,438**	4,151		
	720,985	697,842		
Less current portion	**135,189**	67,984		
Loans payable - net of current portion	**$585,796**	$629,858		

TMI
On February 23, 2021, TMI entered into a Loan Agreement with China Banking Corporation (CBC) for an aggregate principal amount of ₱2.60 billion. The loan proceeds will be utilized, among others, to finance capital expenditures for the development and integration of a Battery Energy Storage System, working capital requirements, and for other financing and corporate purposes of TMI. Total amount drawn as of December 31, 2021 is ₱1.79 billion.

Interest is payable semiannually and is fixed at 4.54% for the first five years, with an adjustment for inflation on the five-year period thereafter. The principal amount is payable in 20 equal semi-annual installments after the 30 months grace period. The total interest expense capitalized to construction in progress in 2021 amounted to ₱34.9 million.

HSAB
On December 16, 2021, HSAB entered into an Omnibus Notes Facility and Security Agreement (Agreement) with Bank of the Philippine Islands (Lender) for a loan facility in the principal amount of ₱1.15 billion for capital expenditures and other general purposes.

Based on the loan agreement, borrowing shall be for a term of ten (10) years reckoned from initial borrowing date. HSAB shall pay the first principal amount in six months from the initial borrowing date and shall continue on every six months interval. HSAB may not re-borrow any part of the loan that has already been paid.

This loan is subject to an annual interest fixed at 4.92% for the first 5 years. For the remaining five years, interest rate will be repriced. HSAB shall pay interest on the unpaid principal amount of the loan on each interest payment date. The interest rate shall be set on an interest rate setting date, and on the interest rate resetting date, as applicable.

TVI
On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2021 and 2020, ₱31.52 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.60 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱5.90 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 20 equal semi-annual installments, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱42.47 billion as of December 31, 2021, and a pledge of TVI's shares of stock held by its shareholders.

AESI
On April 16, 2020, AESI entered into a loan agreement with BPI with a principal amount of ₱600.0 million, which was fully drawn in 2020. The term of the loan is 10 years and interest is fixed at 4.87% for 5 years subject to reset 2 days prior to the 5th anniversary. The loan is payable in equal, semi-annual amortizations of at least one percent (1.00%) of the loan amount per annum, with balloon payment at maturity date.

TSI
On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.00 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱28.60 billion as of December 31, 2021, and a pledge of TSI's shares of stock held by the shareholders and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. In 2018, upon release of AP guarantee, interest was increased by 0.5%.

Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a prepayment penalty of 2% on the amount prepaid.

In 2021, TSI prepaid a portion of its loan amounting to ₱2.26 billion which resulted to a prepayment penalty of ₱48.4 million, including gross receipts tax.

In 2021, TSI also entered into amendments of its existing loan agreements with local banks to obtain additional financing intended to finance the prepayment of its loan, to pay costs, expenses and fees in relation to the loan prepayment and amendments and to re-leverage and optimize the capital structure of TSI. Moreover, the parties have agreed to amend certain financial terms of the existing loan agreements, including but not limited to the interest rate and final maturity date, and shall take effect after the prepayment.

The amendments resulted to the following:

- TSI has drawn additional loan principal in the amount of ₱2.5 billion;
- Interest rate for the initial 5-year period from the effective date of amendment until the 5th anniversary of the effective date will be the 3-day average of the 5-year BVAL rate plus a spread of 130 basis points (the original spread), divided by the applicable premium factor, subject to a floor rate of 4.25% per annum. For the subsequent 7-year period commencing on the date following the 5th anniversary of the effective date, interest rate will be the 3-day average of the 7-year BVAL rate plus a spread equivalent to the original spread, divided by the applicable premium factor, subject to a floor rate equivalent to the initial 5-year rate divided by the applicable premium factor; and,
- 58.5% of the outstanding principal amount is payable in 18 equal semi-annual installments, 16.5% of the remaining principal amount is payable in another 5 equal semi-annual installments, with the remaining 25% payable in the final maturity date of the loan in 2033.

These amendments were considered as extinguishment of the old loan, accordingly, TSI recognized a loss amounting to ₱90.5 million for the year ended December 31, 2021.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

- The Notes Facility Agreement, in the amount of ₱10.70 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments
- The ADB Facility Agreement, in the amount of ₱1.80 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

On December 23, 2021, APRI entered into a ₱12.00 billion loan facility agreement with Bank of the Philippine Islands (BPI) to refinance its existing term loan under the Omnibus Agreement; finance the design, development, construction, and operation of the 16 MW Binary Cycle Geothermal Plant to be developed in Tiwi, Albay (Project); and other general corporate purposes.

The loan is available in three tranches, as follows:

- A portion of the Facility in the amount equivalent to the total amount outstanding under the Omnibus Agreement, duly supported by a Statement of Account to be provided by the Intercreditor Agent, and to be used to finance the its payment of all outstanding obligations under the Omnibus Agreement.
- A portion of the Facility to be used by APRI for other general corporate purposes, in the amount equivalent to the resulting difference after deducting Tranche A and Tranche C from the maximum amount of the Facility.
- A portion of the Facility to be used by APRI to finance the Project up to the total amount of ₱1.40 billion.

Tranche A and B were already drawn from the initial borrowing date with the interest rate already fixed for 5 years. Maturity of all tranches shall be up to ten (10) years from initial drawdown date. 40% of the principal amount is payable in ten equal semi-annual installments, 20% is payable in succeeding four equal semi-annual installments, 30% is payable in succeeding five equal semi-annual installments, and the 10% balance is payable in the last installment.

The loan is secured by mortgage of its assets with carrying amount of ₱28.99 billion as of December 31, 2021, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

This loan refinancing is considered as an extinguishment of the old loan, accordingly, APRI recognized a loss amounting to ₱62.1 million for the year ended December 31, 2021.

Hedcor Bukidnon
On April 3, 2020, Hedcor Bukidnon entered into a loan agreement with BPI, up to the maximum principal amount of ₱225.0 million which was fully drawn in 2020, for the construction of the Transformer Facility and other general corporate purposes.

The term of the loan is 8 years and the loan shall be paid as follows: (i) payment of an aggregate amount equivalent to 70% of the total principal amount of the loans, by equal semi-annual amortizations beginning on the seventh interest payment date up to and including the maturity date; and (ii) payment of the amount equivalent to 30% of the total principal amount of the loans, on the maturity date.

On September 29, 2020, Hedcor Bukidnon entered into an omnibus agreement for a loan facility in the principal amount of ₱9.09 billion which was fully drawn in 2020 to refinance the project loan availed in 2015.

The term of the loan is 10 years and the loan shall be paid as follows: (i) payment of an aggregate amount equivalent to 70% of the total original amount of the Loan, by equal semi-annual amortizations beginning on the first interest payment date up to and including the Maturity Date; and (ii) payment of the amount equivalent to 30% of the total original amount of the loan, on the maturity date.

TPVI
On December 23, 2019, TPVI entered into a Loan Agreement with the Philippine National Bank (PNB) for an aggregate amount of ₱1.50 billion available in two drawdowns. The loan proceeds will be utilized, among others, in funding necessary operating and capital expenditures. Drawdowns were made on December 26, 2019 and April 27, 2020 for ₱1.30 billion and ₱200.0 million respectively. The loan is payable for 15 years, with a grace period of 3 years. The mode of repayment is sculpted with balloon payment of 70%. TPVI will pay PNB an interest of 5.0593% for the first 8 years, with the rate being expected to go up to 5.25% for the rest of the term due to: (1) continued inflation, and; (2) liquidity tightness due to funds held and additional borrowings by the Bureau of Treasury. The interest is payable semi-annually, every 30th of June and 31st of December.

Hedcor Sibulan
On November 17, 2016, Hedcor Sibulan entered into a NFA with various institutions with Metrobank Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, Hedcor Sibulan may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

<u>HI</u>

On August 6, 2013, HI availed of a ten-year ₱900.0 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

On December 14, 2018, HI entered into a Notes Facility Agreement with a local bank to borrow ₱1.39 billion, which will mature on August 31, 2033, to finance the rehabilitation and/or expansion of the Bineng hydropower plant, refinance its short-term loans and for other general corporate purposes. This loan is subject to a semi-annual principal payment with annual interest fixed at 7.87% for the first 5 years. For the next five years, interest rate will be repriced and fixed one banking day prior to August 31, 2023. For the remaining five years, interest rate will be repriced and fixed one banking day prior to August 31, 2028. The debt is secured by a continuing suretyship from ARI.

<u>VECO</u>

On December 20, 2013, VECO availed of a ₱2.00 billion loan from the NFA it signed on December 17, 2013 with Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.92% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; 198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; 197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; 196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; 195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; 194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; 193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; 192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; 191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HTI

On December 16, 2021, HTI entered into an Omnibus Notes Facility and Security Agreement (Agreement) with Bank of the Philippine Islands (Lender) for a loan facility in the principal amount of ₱752.0 million for capital expenditures and other general purposes.

Based on the loan agreement, borrowing shall be for a term of ten (10) years reckoned from initial borrowing date. HTI shall pay the first principal amount in six months from the initial borrowing date and shall continue on every six months interval. HTI may not re-borrow any part of the loan that has already been paid.

This loan is subject to an annual interest fixed at 4.92% for the first 5 years. For the remaining five years, interest rate will be repriced. HTI shall pay interest on the unpaid principal amount of the loan on each interest payment date. The interest rate shall be set on an interest rate setting date, and on the interest rate resetting date, as applicable.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.25% to 4.81% in 2020 and range from 3.94% to 4.81% in 2019.

Intangible asset arising from service concession arrangement with carrying value of ₱1.09 billion as of December 31, 2021, was used as collateral to secure LHC's long-term debt (see Note 12).

DLP

On December 20, 2013, DLP availed of a ₱1.50 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% to 4.92% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; 148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; 147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; 147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; 146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; 145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; 144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; 144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; 143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

AI

In April 2017, AI entered into a loan agreement with AEV for the principal sum of ₱300.0 million. The loan will mature in April 2022 and shall be interest bearing payable on a per annum basis. The interest rate is at 3.5% per annum.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed rate notes to Metropolitan Bank and Trust Company. Interest on the notes is subject to quarterly payment at 5.00% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million. The loan was settled in 2021.

CLP

On December 20, 2013, CLP availed of a ₱300.0 million loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.92% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; 148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; 147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; 147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; 146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; 145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; 144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; 144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; 143.2M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

Long-term debt of Joint Operation (see Note 10)

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an omnibus agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years.

The loan facility is subject to a semi-annual interest payment with annual fixed interest ranging from 5.50% - 8.31%. The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of substantially all its assets with carrying amount of ₱36.68 billion as of December 31, 2021, and a pledge of the shares of stock held by the joint operators.

Loan covenants
The loan agreements on long-term debt of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2021 and 2020.

17. **Customers' Deposits**

	2021	2020
Lines and poles	**₱1,275,934**	₱1,187,053
Transformers	**1,372,632**	1,085,294
Bill and load	**4,551,775**	4,526,498
	₱7,200,341	₱6,798,845

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility.

Effective April 1, 2010, the Amended Distribution Services and Open Access Rules (Amended DSOAR), increased the refund rate from 25% to 75% of the gross distribution revenue generated from the extension lines and facilities until such amounts are fully refunded.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of the service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to \

Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱4.2 million in 2021, ₱4.0 million in 2020, ₱4.4 million in 2019 (see Note 32).

The Group classified customers' deposit under noncurrent liabilities due to the expected long-term nature of these deposits. The portion of customers' deposit to be refunded amounted to ₱130.0 million and ₱23.4 million as of December 31, 2021 and 2020, respectively, and are presented as part of "Trade and other payables" (see Note 14).

18. **Decommissioning Liability**

Decommissioning liability includes the estimated costs to decommission, abandon and perform surface rehabilitation on the steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 11).

	2021	2020
Balances at beginning of year	**₱5,008,033**	₱3,567,492
Change in accounting estimate (see Note 11)	**459,228**	1,158,166
Additions	**—**	158,184
Accretion of decommissioning liability (see Note 32)	**218,963**	124,191
	₱5,686,224	₱5,008,033

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

19. **Equity**

a. Paid-in Capital (number of shares not rounded)

	2021	2020
Capital Stock		
Authorized - ₱1 par value		
Common shares - 16,000,000,000 shares		
Preferred shares - 1,000,000,000 shares		
Issued		
Common shares - 7,358,604,307 shares	**₱7,358,604**	₱7,358,604
Additional Paid-in Capital	**12,588,894**	12,588,894
	₱19,947,498	₱19,947,498

On May 25, 2007, the Company listed with the PSE its 7,187,664,000 common shares with a par value of ₱1.00 to cover the initial public offering (IPO) of 1,787,664,000 common shares at an issue price of ₱5.80 per share. On March 17, 2008, the Company listed an additional 170,940,307 common shares, which it issued pursuant to a share swap agreement at the IPO price of ₱5.80 per share. The total proceeds from the issuance of new shares amounted to ₱10.37 billion. The Company incurred transaction costs incidental to the initial public offering amounting to ₱412.4 million, which is charged against "Additional paid-in capital" in the consolidated balance sheet.

As of December 31, 2021, 2020 and 2019, the Company has 594, 598 and 631 shareholders, respectively.

Preferred shares are non-voting, non-participating, non-convertible, redeemable, cumulative, and may be issued from time to time by the BOD in one or more series. The BOD is authorized to issue from time to time before issuance thereof, the number of shares in each series, and all the designations, relative rights, preferences, privileges and limitations of the shares of each series. Preferred shares redeemed by the Company may be reissued. Holders thereof are entitled to receive dividends payable out of the unrestricted retained earnings of the Company at a rate based on the offer price that is either fixed or floating from the date of the issuance to final redemption. In either case, the rate of dividend, whether fixed or floating, shall be referenced, or be a discount or premium, to market-determined benchmark as the BOD may determine at the time of issuance with due notice to the SEC.

In the event of any liquidation or dissolution or winding up of the Company, the holders of the preferred shares shall be entitled to be paid in full the offer price of their shares before any payment in liquidation is made upon the common shares.

There are no preferred shares issued and outstanding as of December 31, 2021 and 2020.

b. Retained Earnings

As of December 31, 2020, the Company has appropriated retained earnings amounting to ₱33.66 billion. This appropriation pertains to the project development and construction of power plants that was approved on March 7, 2019, November 24, 2016 and November 27, 2014, amounting ₱11.90 billion, ₱13.16 billion and ₱8.60 billion, respectively.

On March 5, 2021, the BOD approved the reversal of a total of ₱13.60 billion retained earnings appropriation for the following:

- set up in 2014 for the ₱2.6 billion equity requirements of the 68 MW Manolo Fortich Hydropower and for the ₱6.0 billion of the 400 MW Pagbilao Coal Power Plant; and
- set up in 2016 for the ₱5.0 billion equity requirements of RP Energy.

As of December 31, 2021, total appropriated retained earnings amounted to ₱20.06 billion.

On March 7, 2019, the BOD approved the declaration of regular cash dividends of ₱1.47 per share (₱10.82 billion) to all stockholders of record as of March 21, 2019. These dividends were paid on April 5, 2019.

On March 6, 2020, the BOD approved the declaration of regular cash dividends of ₱1.18 per share (₱8.68 billion) to all stockholders of record as of March 20, 2020. These dividends were paid on April 3, 2020.

On March 5, 2021, the BOD approved the declaration of regular cash dividends of ₱0.85 per share (₱6.25 billion) to all stockholders of record as of March 19, 2021. The cash dividends were paid on March 31, 2021.

To comply with the requirements of Section 43 of the Corporation Code, on March 4, 2022, the BOD approved the declaration of regular cash dividends of ₱1.45 per share (₱10.67 billion) to all stockholders of record as of March 18, 2022. The cash dividends are payable on March 30, 2022.

c. The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangement amounting to ₱77.58 billion and ₱65.96 billion as of December 31, 2021 and 2020, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangement (see Note 9).

20. Sale of Power

Sale from Distribution of Power

- The Uniform Rate Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001, specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

- Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

  Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

The reset process for the Third Regulatory Period to adjust the previously approved distribution supply and metering charges were deferred due to the changes on PBR rules.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. Based on this Resolution, the Fourth Regulatory Period shall be as follows:

- CLP: April 1, 2017 to March 31, 2021
- DLP and VECO: July 1, 2018 to June 30, 2022
- SEZ: October 1, 2019 to September 30, 2023

The reset process for the Fourth Regulatory Period has not started for all private DUs as the above-mentioned ERC rules have not been published, which is a condition for their effectivity.

Total sale from distribution of power amounted to ₱44.38 billion, ₱41.87 billion, and ₱46.12 billion in 2021, 2020 and 2019, respectively.

Sale from Generation of Power and Retail Electricity

- Energy Trading through the Philippine Wholesale Electricity Spot Market (WESM)

  Certain subsidiaries are trading participants and direct members under the generator sector of the WESM. These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

  Total sale of power to WESM amounted to ₱14.72 billion in 2021, and ₱6.37 billion in 2020 and 2019.

- Power Supply Agreements

  - `*Administration Agreement*

    Revenue recognition for customers under the power supply contracts assumed under the APA and IPP Administration Agreements are billed based on the contract price which is calculated based on the pricing structure approved by the ERC. Rates are calculated based on the time-of-use pricing schedule with corresponding adjustments using the GRAM and the ICERA.

  - *Power Purchase/Supply Agreement and Energy Supply Agreement (PPA/PSA and ESA)*

    Certain subsidiaries have negotiated contracts with NPC, Private Distribution Utilities, Electric Cooperatives and Commercial and Industrial Consumers referred to as PPA/PSA or ESA. These contracts provide a tariff that allows these companies to charge for capacity fees, fixed operating fees and energy fees.

- Feed-in-Tariff (FIT)

  Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱52.58 billion in 2021, ₱42.64 billion in 2020, and ₱46.78 billion in 2019.

- Ancillary Services Procurement Agreement (ASPA)

  Certain subsidiaries have ASPA with the National Grid Corporation of the Philippines. Ancillary services are support services such as frequency regulating, contingency and dispatchable reserves, reactive power support, and black start capability which are necessary to support the transmission capacity and energy that are essential in maintaining power quality and security of the grid. Total sale of power under ASPA amounted to ₱2.71 billion in 2021, ₱2.74 billion in 2020, and ₱2.75 billion in 2019.

- Retail Electricity Supply Agreements (see Note 39i)

  Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

  Total sale of power under retail electricity supply agreements amounted to ₱19.87 billion, ₱16.48 billion, and ₱22.81 billion in 2021, 2020 and 2019, respectively.

---

21. **Purchased Power**

Distribution
The Group's distribution utilities entered into contracts with NPC/PSALM and generation companies for the purchase of electricity, and into Transmission Service Agreements with NGCP for the transmission of electricity.

To avail of opportunities in the competitive electricity market, some of the Group's distribution utilities registered as direct participants of the WESM.

Total power purchases amounted to ₱19.81 billion, ₱19.98 billion, and ₱21.81 billion in 2021, 2020, 2019, respectively.

Generation
Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts.

The Group entered into Replacement Power Contracts with certain related parties (see Note 32). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Total purchased power amounted to ₱16.32 billion, ₱7.71 billion, ₱7.60 billion in 2021, 2020 and 2019, respectively.

Retail Electricity Supply
AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. In October 2019, a compromise agreement with PSALM was effected, which includes the termination of supply and ₱125.0 million payment of AESI as termination fee.

The Group also purchases from WESM in order to supply its contestable customers.

Total purchased power amounted to ₱5.37 billion, ₱3.72 billion, ₱6.43 billion in 2021, 2020 and 2019, respectively.

22. **Cost of Generated Power**

	2021	2020	2019
Fuel costs (see Note 7)	**₱27,484,810**	₱19,650,746	₱29,394,773
Steam supply costs (see Note 35a)	**4,950,813**	2,974,611	5,008,607
Energy fees	**746,182**	565,676	694,696
Ancillary charges	**169,467**	225,916	360,095
Wheeling expenses	**148,436**	44,909	68,535
	₱33,499,708	₱23,461,858	₱35,526,706

23. **General and Administrative**

	2021	2020	2019
Personnel costs (see Note 25)	**₱3,014,555**	₱3,078,045	₱2,641,365
Taxes and licenses	**1,576,077**	1,270,078	1,680,928
Outside services (see Note 31)	**1,247,373**	1,110,416	1,031,326
Provision for expected credit losses of trade receivables (see Note 6)	**1,089,566**	719,193	87,086
Professional fees (see Note 31)	**730,973**	832,866	814,149
Repairs and maintenance	**323,320**	282,432	306,316
Insurance	**296,221**	215,833	205,998
Information technology and communication	**233,912**	189,720	181,746

(Forward)

	2021	2020	2019
Transportation and travel (see Note 31)	**₱206,416**	₱141,427	₱206,861
Corporate social responsibility (CSR) (see Note 39)	**190,305**	231,208	299,595
Rent (see Notes 31 and 34)	**54,027**	72,463	44,916
Entertainment, amusement and recreation	**51,026**	34,143	40,916
Advertisements	**36,147**	42,294	33,798
Training	**29,204**	36,292	156,027
Guard services	**20,293**	18,577	25,570
Market service and administrative fees	**8,741**	3,397	—
Freight and handling	**5,366**	3,130	4,264
Gasoline and oil	**510**	452	1,020
Supervision and regulatory fees	**—**	—	584
Others	**426,743**	381,407	392,901
	₱9,540,775	₱8,663,373	₱8,155,366

"Others" include host community-related expenses, provision for probable losses, claims conversion costs and utilities expenses.

24. **Operations and Maintenance**

	2021	2020	2019
Repairs and maintenance	**₱2,842,287**	₱2,208,522	₱2,076,988
Insurance	**1,862,403**	1,439,804	787,983
Outside services	**1,801,650**	1,479,641	1,276,255
Personnel costs (see Note 25)	**1,788,373**	1,633,451	1,586,624
Taxes and licenses	**1,700,188**	1,818,853	1,167,990
Materials and supplies (see Note 7)	**270,543**	287,717	275,814
Transportation and travel	**113,716**	73,479	104,858
Rent (see Note 34)	**29,424**	29,338	11,980
Fuel and lube oil (see Note 7)	**1,586**	18,111	77,880
	₱10,410,170	₱8,988,916	₱7,366,372

25. **Personnel Costs**

	2021	2020	2019
Salaries and wages	**₱4,027,014**	₱3,969,607	₱3,105,859
Employee benefits (see Note 26)	**775,914**	741,889	1,122,130
	₱4,802,928	₱4,711,496	₱4,227,989

26. **Pension Benefit Plans**

Under the existing regulatory framework, RA 7641, otherwise known as *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. It further states that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company and its subsidiaries have funded, non-contributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations and maintenance and general and administrative expenses):

	2021	2020	2019
Current service cost	**₱244,801**	₱194,202	₱179,269
Net interest cost	**10,345**	18,731	5,012
Past service cost	**22,138**	18,026	(1,975)
	₱277,284	₱230,959	₱182,306

Remeasurement effects to be recognized in other comprehensive income:

	2021	2020	2019
Actuarial gains (losses) due to:			
Changes in financial assumptions	**₱295,714**	(₱235,343)	(₱145,431)
Changes in demographic assumptions	**(40,067)**	99,079	31,693
Return on assets excluding amount included in net interest cost	**98,407**	(278,058)	(18,050)
Experience adjustments	**(79,692)**	(50,244)	(82,122)
	₱274,362	(₱464,566)	(₱213,910)

Net pension assets

	2021	2020
Fair value of plan assets	**₱509,924**	₱128,558
Present value of the defined benefit obligation	**(422,778)**	(78,148)
	₱87,146	₱50,410

Net pension liabilities

	2021	2020
Present value of the defined benefit obligation	**₱2,124,351**	₱2,550,134
Fair value of plan assets	**(1,821,539)**	(2,256,048)
	₱302,812	₱294,086

Changes in the present value of the defined benefit obligation are as follows:

	2021	2020
At January 1	**₱2,628,282**	₱2,412,098
Net benefit expense:		
Current service cost	**244,801**	194,202
Net interest cost	**98,486**	118,744
Past service cost	**22,138**	18,026
	365,425	330,972
Benefits paid from retirement fund	**(274,708)**	(204,157)
Benefits paid from operating funds	**(6,176)**	(95,233)
Foreign exchange translation differences	**3,145**	(2,028)
Transfers and others	**7,116**	122
Remeasurements in other comprehensive income:		
Actuarial losses (gains) due to:		
Experience adjustments	**79,692**	50,244
Changes in demographic assumptions	**40,067**	(99,079)
Changes in financial assumptions	**(295,714)**	235,343
	(175,955)	186,508
At December 31	**₱2,547,129**	₱2,628,282

Changes in the fair value of plan assets are as follows:

	2021	2020
At January 1	**₱2,384,606**	₱2,054,260
Contribution by employer	**27,903**	712,423
Interest income included in net interest cost	**88,141**	100,013
Fund transfer from affiliates	**7,116**	122
Foreign exchange translation differences	**(2)**	3
Return on assets excluding amount included in net interest cost	**98,407**	(278,058)
Benefits paid	**(274,708)**	(204,157)
At December 31	**₱2,331,463**	₱2,384,606

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2021	2020
At January 1	**₱243,676**	₱357,838
Retirement expense during the year	**277,284**	230,959
Benefits paid from operating funds	**(6,176)**	(95,233)
Contribution to retirement fund	**(27,903)**	(712,423)
Actuarial loss (gain) recognized during the year	**(274,362)**	464,566
Foreign exchange translation differences	**3,147**	(2,031)
At December 31	**₱215,666**	₱243,676

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2021	2020
Financial assets at FVOCI	**₱978,421**	₱1,096,076
Financial assets at amortized cost	**931,607**	1,116,973
Equity instruments:		
Financial Institution	**45,912**	28,268
Power	**105,980**	97,085
Holding	**125,560**	140,144
Others	**143,983**	(152,282)
Financial assets at FVTPL	**—**	58,342
Fair value of plan assets	**₱2,331,463**	₱2,384,606

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets are diverse and do not have any concentration risk.

The BOT reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Retirement plan in the subsequent year.

The Company's retirement benefit fund for its employees has investments in the equity of the Company. The carrying value of these investments as of December 31, 2021 and the losses of Fund arising from such investments for the year then ended amounted to ₱112.4 million and ₱26.5 million, respectively.

The principal assumptions used as of December 31, 2021, 2020 and 2019 in determining pension benefit obligations for the Group's plans are shown below:

	2021	2020	2019
Discount rates	**3.51%-6.07%**	2.75%-4.87%	4.36%-6.00%
Salary increase rates	**6.00%**	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming if all other assumptions were held constant:

	Increase (decrease) in basis points	**2021**	2020
		Effect on defined benefit obligation	
Discount rates	100	**(₱112,655)**	(₱124,887)
	(100)	**130,170**	144,856
Future salary increases	100	**₱135,632**	₱148,583
	(100)	**(119,783)**	(130,835)

The Group's defined benefit pension plans are funded by the Company and its subsidiaries. The Group expects to contribute ₱179.6 million to the defined benefit plans in 2022. The average durations of the defined benefit obligation as of December 31, 2021 and 2020 are 4.90 to 21.67 years and 7.16 to 22.90 years, respectively.

27. Other Income

	2021	2020	2019
Net foreign exchange gain (loss)	**(₱1,062,547)**	₱754,108	₱1,130,743
Surcharges	**561,367**	447,703	536,856
Recovery (provision for) impairment losses on property, plant and equipment	**(340,597)**	(113,683)	245,489
Write off of project development costs (see Note 12)	**(298,031)**	(7,240)	(31,431)
Losses on disposal of property, plant and equipment	**(214,032)**	(88,227)	(304,631)
Non-utility operating income	**138,922**	142,013	170,640
Rental income	**131,492**	31,586	67,854
Unrealized fair valuation gains on investment property	**—**	115,829	126,842
Others – net	**1,296,991**	3,646,474	1,541,025
	₱213,565	₱4,928,563	₱3,483,387

Included in "Net foreign exchange gain (loss)" are the net gains and losses relating to currency forward transactions (see Note 33).

Provision and recovery of impairment losses pertain to the following:

- The net book value of VECO's damaged assets due to typhoon Odette amounting to ₱143.1 million was recognized as impairment loss in 2021.
- The income from the 2019 recovery of a certain Aseagas asset previously impaired in 2017 amounting to ₱245.5 million.

"Others" include insurance claims from plant outages of TSI amounting to ₱1.8 billion and liquidating damages from contractor due to the delay in the completion of TVI's power plant amounting to ₱611.0 million in 2020, reversal of APRI and TLI's liability to PSALM pertaining to GRAM/ICERA collection amounting to ₱924.0 million in 2019. "Others" also include non-recurring items like sale of scrap and sludge oil, other insurance claims and reversal of provisions.

28. **Income Tax**

The provision for income tax account consists of:

	2021	2020	2019
Current:			
Corporate income tax	**₱2,637,181**	₱4,622,913	₱3,460,636
Final tax	**53,706**	101,856	221,149
	2,690,887	4,724,769	3,681,785
Deferred	**(580,177)**	1,337,143	(466,287)
	₱2,110,710	₱6,061,912	₱3,215,498

Reconciliation between the statutory income tax rate and the Group's effective income tax rates follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable share in net earnings of associates and joint ventures	**(9.61%)**	(3.84%)	(4.89%)
Deductible lease payments	**(9.50%)**	(23.85%)	(11.53%)
Income under income tax holiday (ITH)	**(3.30%)**	(1.98%)	(7.41%)
Unrecognized deferred income tax assets	**3.24%**	16.03%	3.53%
Nondeductible interest expense	**2.88%**	11.53%	6.43%
Nondeductible depreciation expense	**1.15%**	3.12%	1.42%
Interest income subjected to final tax at lower rates – net	**(0.28%)**	(0.73%)	(1.57%)
Others	**(1.02%)**	(1.25%)	(2.24%)
	8.56%	29.03%	13.74%

Deferred income taxes of the companies in the Group that are in deferred income tax assets and liabilities position consist of the following at December 31:

	2021	2020
Net deferred income tax assets:		
Allowances for impairment and probable losses	**₱423,176**	₱378,315
Net income from commissioning	**1,191,899**	1,483,220
Difference between the carrying amount of nonmonetary assets and related tax base	**(1,053,314)**	(724,052)
Unrealized foreign exchange gains	**(665,994)**	(383,227)
Net operating loss carryover (NOLCO)	**1,388,619**	197,296
Pension asset (liability):		
Unamortized contributions for past service	**62,196**	70,685
Recognized in other comprehensive income	**16,423**	47,182
Recognized in statements of income	**41,969**	29,319
Unamortized customs duties and taxes capitalized	**(31,787)**	(53,161)
Net provision for rehabilitation and restoration costs	**190,888**	624,875
Others	**(122,307)**	(131,432)
Net deferred income tax assets	**₱1,441,768**	₱1,539,020

	2021	2020
Net deferred income tax liabilities:		
Unamortized franchise	**₱604,463**	₱744,193
Fair value adjustments of property, plant and equipment	**106,304**	135,615
Unrealized foreign exchange gains	**2,165**	24,739
Unamortized customs duties and taxes capitalized	**4,197**	5,348
Pension asset (liability):		
Recognized in other comprehensive income	**(70,944)**	(98,311)
Recognized in statements of income	**47,068**	68,400
Unamortized past service cost	**(24,584)**	(31,039)
Allowances for impairment and probable losses	**(107,628)**	(71,006)
Others	**24,399**	(32,725)
Net deferred income tax liabilities	**₱585,440**	₱745,214

In computing for deferred income tax assets and liabilities, the rates used were 25% and 10% as of December 31, 2021 and 30% and 10% as of December 31, 2020, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy (RE) developers as allowed by the Renewable Energy Act of 2008 (see Note 39j).

No deferred income tax assets were recognized on the Group's NOLCO and MCIT amounting to ₱10.30 billion and ₱38.0 million, respectively, as of December 31, 2021 and ₱18.50 billion and ₱61.5 million, respectively, as of December 31, 2020, since management expects that it will not generate sufficient taxable income in the future that will be available to allow all of the deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

29. Earnings Per Common Share

Basic and diluted earnings per common share amounts were computed as follows:

	2021	2020	2019
a. Net income attributable to equity holders of the parent	**₱20,837,182**	₱12,577,676	₱17,322,677
b. Weighted average number of common shares issued and outstanding	**7,358,604,307**	7,358,604,307	7,358,604,307
Basic and diluted earnings per common share (a/b)	**₱2.83**	₱1.71	₱2.35

There are no dilutive potential common shares for the years ended December 31, 2021, 2020 and 2019.

30. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's CODM, are as follows:

- "Power Generation" segment, which is engaged in the generation and supply of power to various customers under power supply contracts, ancillary service procurement agreements and for trading in WESM;

- "Power Distribution" segment, which is engaged in the distribution and sale of electricity to the end-users; and
- "Parent Company and Others", which includes the operations of the Company, retail electricity sales to various off takers that are considered to be eligible contestable customers (see Note 39i) and electricity related services of the Group such as installation of electrical equipment.

The power generation segment's revenue from contracts with customers is mainly from power supply contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers:

2021

	Power Generation	**Power Distribution**	**Parent and Others**	**Total**
Revenue from power supply contracts	**₱52,577,596**	**₱—**	**₱—**	**₱52,577,596**
Revenue from distribution services	**—**	**44,375,529**	**—**	**44,375,529**
Revenue from retail electricity sales	**—**	**—**	**19,874,964**	**19,874,964**
Revenue from non-power supply contracts	**17,430,539**	**—**	**—**	**17,430,539**
Revenue from technical and management services	**—**	**—**	**100,593**	**100,593**
	₱70,008,135	**₱44,375,529**	**₱19,975,557**	**₱134,359,221**

2020

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱42,639,028	₱—	₱—	₱42,639,028
Revenue from distribution services	—	41,872,331	—	41,872,331
Revenue from retail electricity sales	—	—	16,476,713	16,476,713
Revenue from non-power supply contracts	9,111,632	—	—	9,111,632
Revenue from technical and management services	—	—	276,945	276,945
	₱51,750,660	₱41,872,331	₱16,753,658	₱110,376,649

2019

	Power Generation	Power Distribution	Parent and Others	Total
Revenue from power supply contracts	₱46,783,955	₱—	₱—	₱46,783,955
Revenue from distribution services	—	46,120,403	—	46,120,403
Revenue from retail electricity sales	—	—	22,805,450	22,805,450
Revenue from non-power supply contracts	9,111,632	—	—	9,111,632
Revenue from technical and management services	—	—	813,717	813,717
	₱55,895,587	₱46,120,403	₱23,619,167	₱125,635,157

The revenue from contracts with customers is consistent with the revenue with external customers presented in Segment information.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statements of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length transaction basis.

Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Sale of power to Manila Electric Company (MERALCO) accounted for 8%, 10%, and 22% of the power generation revenues of the Group in 2021, 2020, and 2019, respectively.

Financial information on the operations of the various business segments is summarized as follows:

2021

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and adjustments	Consolidated
REVENUE					
External	**₱70,008,135**	**₱44,375,529**	**₱19,975,557**	**₱—**	**₱134,359,221**
Inter-segment	**27,329,151**	**1,252,529**	**932,611**	**(29,514,291)**	**—**
Total Revenue	**₱97,337,286**	**₱45,628,058**	**₱20,908,168**	**(₱29,514,291)**	**₱134,359,221**
(Forward)					
Segment Results	**₱22,949,164**	**₱5,057,139**	**₱203,492**	**₱1**	**₱28,209,796**
Unallocated corporate income - net	**(519,603)**	**1,014,963**	**(281,795)**	**—**	**213,565**
INCOME FROM OPERATIONS	**22,429,561**	**6,072,102**	**(78,303)**	**1**	**28,423,361**
Interest expense and other financing costs	**(9,472,367)**	**(591,189)**	**(3,526,809)**	**—**	**(13,590,365)**
Interest income	**127,868**	**6,701**	**208,664**	**—**	**343,233**
Share in net earnings of associates and joint ventures	**9,236,653**	**242,882**	**25,210,136**	**(25,209,975)**	**9,479,696**
Provision for income tax	**(806,745)**	**(1,067,836)**	**(236,129)**	**—**	**(2,110,710)**
NET INCOME	**₱21,514,970**	**₱4,662,660**	**₱21,577,559**	**(₱25,209,974)**	**₱22,545,215**
OTHER INFORMATION					
Investments	**₱63,562,307**	**₱1,034,881**	**₱188,071,199**	**(₱187,726,581)**	**₱64,941,806**
Capital Expenditures	**₱5,918,316**	**₱3,228,363**	**₱30,858**	**₱—**	**₱8,281,980**
Segment Assets	**₱301,389,460**	**₱36,094,279**	**₱238,366,874**	**(₱148,434,994)**	**₱427,415,619**
Segment Liabilities	**₱177,496,067**	**₱28,554,581**	**₱78,702,587**	**(₱12,918,319)**	**₱271,834,916**
Depreciation and Amortization	**₱9,879,617**	**₱1,128,298**	**₱49,340**	**₱145,018**	**₱11,202,273**

2020

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱51,750,660	₱41,872,331	₱16,753,658	₱—	₱110,376,649
Inter-segment	22,896,433	1,118,499	1,031,354	(25,046,286)	—
Total Revenue	₱74,647,093	₱42,990,830	₱17,785,012	(₱25,046,286)	₱110,376,649
(Forward)					
Segment Results	₱21,444,970	₱4,946,100	₱488,817	₱—	₱26,879,887

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
Unallocated corporate income - net	3,486,054	841,667	600,842	—	4,928,563
INCOME FROM OPERATIONS	24,931,024	5,787,767	1,089,659	—	31,808,450
Interest expense and other financing costs	(10,536,420)	(693,525)	(3,023,583)	—	(14,253,528)
Interest income	397,880	48,408	206,788	—	653,076
Share in net earnings of associates and joint ventures	2,454,530	198,142	15,066,479	(15,044,015)	2,675,136
Provision for income tax	(4,413,334)	(1,397,825)	(250,753)	—	(6,061,912)
NET INCOME	₱12,833,680	₱3,942,967	₱13,088,590	(₱15,044,015)	₱14,821,222
OTHER INFORMATION					
Investments	₱60,520,910	₱928,495	₱170,100,955	(₱169,742,086)	₱61,808,274
Capital Expenditures	₱2,821,303	₱2,628,493	₱20,706	₱—	₱5,468,687
Segment Assets	₱287,225,921	₱33,915,449	₱207,799,057	(₱131,015,309)	₱397,925,118
Segment Liabilities	₱173,334,124	₱27,599,412	₱75,498,129	(₱13,091,620)	₱263,340,045
Depreciation and Amortization	₱9,684,189	₱1,098,103	₱46,054	₱145,018	₱10,973,364

2019

	Power Generation	Power Distribution	Parent Company/ Others	Eliminations and Adjustments	Consolidated
REVENUE					
External	₱55,895,587	₱46,120,403	₱23,619,167	₱—	₱125,635,157
Inter-segment	28,483,698	1,327,759	2,911,436	(32,722,893)	—
Total Revenue	₱84,379,285	₱47,448,162	₱26,530,603	(₱32,722,893)	₱125,635,157
Segment Results	₱21,830,533	₱5,885,145	₱1,140,196	₱—	₱28,855,874
Unallocated corporate income - net	2,406,999	956,784	119,604	—	3,483,387
INCOME FROM OPERATIONS	24,237,532	6,841,929	1,259,800	—	32,339,261
Interest expense and other financing costs	(10,957,821)	(507,019)	(2,582,806)	—	(14,047,646)
Interest income	943,542	41,972	306,189	—	1,291,703
Share in net earnings of associates and joint ventures	3,648,999	164,080	19,003,726	(19,002,843)	3,813,962
Provision for income tax	(1,230,697)	(1,742,500)	(242,301)	—	(3,215,498)
NET INCOME	₱16,641,555	₱4,798,462	₱17,744,608	(₱19,002,843)	₱20,181,782
OTHER INFORMATION					
Investments	₱59,646,763	₱881,812	₱161,528,818	(₱161,201,414)	₱60,855,979
Capital Expenditures	₱6,237,592	₱3,319,554	₱31,393	₱—	₱9,736,441
Segment Assets	₱298,890,572	₱33,688,098	₱191,993,277	(₱114,102,590)	₱410,469,357
Segment Liabilities	₱190,276,375	₱27,267,433	₱71,179,680	(₱12,433,142)	₱276,290,346
Depreciation and Amortization	₱8,694,303	₱1,010,396	₱37,397	₱153,599	₱9,895,695

31. Related Party Disclosures

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

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Group enters into transactions with its parent, associates, joint ventures and other related parties, principally consisting of the following:

- The Company provides services to certain associates and joint ventures such as technical and legal assistance for various projects and other services.

- Energy fees are billed by the Group to related parties and the Group also purchased power from associates and joint ventures, arising from the following:

    - PPA/PSA or ESA (Note 20)
    - Replacement power contracts (Note 21)

- AEV provides human resources, internal audit, legal, treasury and corporate finance services, among others, to the Group and shares with the member companies the business expertise of its highly qualified professionals. Transactions are priced based on agreed rates, and billed costs are always benchmarked to third party rates. Service level agreements are in place to ensure quality of service. This arrangement enables the Group to maximize efficiencies and realize cost synergies. These transactions result to professional and technical fees paid by the Group to AEV (see Note 23).

- Aviation services are rendered by AAI, an associate, to the Group.

- Lease of commercial office units by the Group from Cebu Praedia Development Corporation (CPDC) and Aboitizland, Inc. and subsidiaries. CPDC and Aboitizland, Inc. are subsidiaries of AEV.

- Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, rendered its services to the Group for various construction projects.

- LEZ entered into a Concession Agreement with Lima Land, Inc. (LLI) for which it is entitled to the exclusive right to distribute and supply electricity to LLI's locators.

- Interest-bearing advances from AEV and subsidiaries availed by the Group. The annual interest rates are determined on arm's length basis.

- Cash deposits with Union Bank of the Philippines (UBP) earn interest at prevailing market rates (see Note 5). UBP is an associate of AEV.

- The Company obtained Standby Letter of Credit (SBLC) and is acting as surety for the benefit of certain associates and joint ventures in connection with loans and credit accommodations. The Company provided SBLC for STEAG, CEDC, and SNAP B in the amount of ₱103.5 million in 2021, ₱900 million in 2020 and ₱958.3 million in 2019.

The above transactions are settled in cash.

The consolidated balance sheets and consolidated statements of income include the following significant account balances resulting from the above transactions with related parties:

a. Revenue - Technical, management and other fees

	Revenue			Receivable			
	2021	2020	2019	**2021**	2020	Terms	Conditions
AEV and subsidiaries							
APO Agua Infrastractura, Inc.	**₱14,948**	₱13,587	₱24,545	**₱—**	₱—	30-day; interest-free	No impairment; unsecured
Aboitiz InfraCapital, Inc.	**—**	777	1,055	**—**	—	30-day; interest-free	No impairment; unsecured
Associates and joint ventures							
GNPD	**39,502**	39,884	41,768	**7,575**	3,112	30-day; interest-free	No impairment; unsecured
SFELAPCO	**19,000**	108,838	106,760	**—**	—	30-day; interest-free	No impairment; unsecured
SNAP M	**6,696**	6,696	—	**—**	—	30-day; interest-free	No impairment; unsecured
SNAP B	**6,696**	6,696	—	**—**	—	30-day; interest-free	No impairment; unsecured
SNAP G	**239**	—	—	**—**	—	30-day; interest-free	No impairment; unsecured
CEDC	**—**	88,445	74,074	**—**	5,861	30-day; interest-free	No impairment; unsecured
	₱87,081	₱264,923	₱248,202	**₱7,575**	₱8,973		

b. Revenue Sale of power

	Revenue			Receivable			
	2021	2020	2019	**2021**	2020	Terms	Conditions
AEV and subsidiaries							
Pilmico Foods Corporation	**₱54,363**	₱140,741	₱203,398	**₱6,413**	₱10,637	30-day; interest-free	No impairment; unsecured
Lima Land, Inc.	**36,755**	22,488	9,842	**8,982**	4,242	30-day; interest-free	No impairment; unsecured
Lima Water Corporation	**19,425**	18,772	—	**—**	1,664	30-day; interest-free	No impairment; unsecured
Aboitizland, Inc. and subsidiaries	**20,263**	14,202	—	**10,949**	1,335	30-day; interest-free	No impairment; unsecured
Cebu Industrial Park Developer's, Inc.	**1,568**	2,640	2,540	**—**	—	30-day; interest-free	No impairment; unsecured
Associates and joint ventures							
SFELAPCO	**2,710,153**	2,351,358	2,655,153	**234,517**	171,663	30-day; interest-free	No impairment; unsecured
GNPD	**9,452,701**	1,882,942	37,212	**—**	150,872	30-day; interest-free	No impairment; unsecured
MEC	**13,867**	764,862	312,055	**36,038**	128,612	30-day; interest-free	No impairment; unsecured
SNAP M	**2,912**	7,355	22,802	**2,901**	—	30-day; interest-free	No impairment; unsecured
SNAP RES	**—**	—	28,983	—	—	30-day; interest-free	No impairment; unsecured
Other related parties							
Republic Cement & Building Materials, Inc. (an associate of AEV)	**2,464,158**	1,509,512	1,295,957	**180,143**	33,028	30-day; interest-free	No impairment; unsecured
Tsuneishi Heavy Industries Cebu, Inc. (a joint venture of ACO and Tsuneishi Group)	**—**	30,662	165,254	**—**	—	30-day; interest-free	No impairment; unsecured
Aboitiz Construction International, Inc.	**1,319,651**	—	—	**—**	—	30-day; interest-free	No impairment; unsecured
	₱16,095,816	₱ 6,745,534	₱4,733,196	**₱479,943**	₱502,053		

c. Cost of purchased power

	Purchases			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Associates and Joint Ventures							
CEDC	**₱4,522,422**	₱3,955,490	₱3,619,999	**₱341,528**	₱330,478	30-day; interest-free	Unsecured
SNAP M	**73,350**	94,730	109,142	**103,516**	7,745	30-day; interest-free	Unsecured
SFELAPCO	**—**	30,002	—	**—**	—	30-day; interest-free	Unsecured
	₱4,595,772	₱4,080,222	₱3,729,141	**₱445,044**	₱338,223		

d. Expenses

		Purchases/Expenses			Payable			
	Nature	**2021**	2020	2019	**2021**	2020	Terms	Condition
Ultimate Parent								
ACO	Professional fees	**₱4,500**	₱1,415	₱1,663	**₱—**	₱723	30-day; interest-free	Unsecured
AEV and subsidiaries								
AEV	Professional and Technical fees	**622,983**	526,488	591,310	**12,972**	6,228	30-day; interest-free	Unsecured
Lima Land, Inc.	Concession fees	**88,820**	77,365	78,516	**6,823**	815	30-day; interest-free	Unsecured
AAI	Aviation Services	**54,814**	49,416	55,537	**579**	—	30-day; interest-free	Unsecured
RCBM	Generation fees	**38,070**	—	—	**43,384**	—	30-day; interest-free	Unsecured
CPDC	Rental	**27,201**	35,927	34,862	**100**	—	30-day; interest-free	Unsecured
AEV	Rental	**—**	411	2,213	**—**	—	30-day; interest-free	Unsecured
Aboitizland, Inc. and subsidiaries	Rental	**351**	306	280	**—**	—	30-day; interest-free	Unsecured
CPDC	Professional and Technical fees	**—**	—	64	—	—	30-day; interest-free	Unsecured
		₱836,739	₱691,328	₱764,445	**₱63,858**	₱7,766		

e. Capitalized construction and rehabilitation costs

	Purchases			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Other related parties							
ACI	**₱340,286**	₱271,383	₱458,564	**₱—**	2,137	30-day; interest-free	Unsecured

f. Temporary advances

	Interest Expense			Payable			
	2021	2020	2019	**2021**	2020	Terms	Condition
Parent							
AEVI	**₱342**	₱301	₱17,919	**₱41,309**	₱26,413	Promissory note; interest-bearing	Unsecured

g. Loans payable

	Interest Expense			Payable			
	2021	2020	2019	**2021**	2020	Terms	Conditions
Parent							
AEV	**₱7,965**	₱14,775	₱—	**₱300,000**	₱300,000	Loan agreement; interest-bearing	Unsecured

h. Cash deposits and placements with UBP

	Interest Income			Outstanding Balance			
	2021	2020	2019	**2021**	2020	Terms	Conditions
TPI and subsidiaries	**₱10,407**	₱41,833	₱67,184	**₱4,480,783**	₱3,070,469	90 days or less; interest-bearing	No impairment; unsecured
Company	**11,553**	38,983	106,743	**1,432,328**	5,820,099	90 days or less; interest-bearing	No impairment; unsecured
ARI and subsidiaries	**9,985**	24,991	40,802	**3,197,538**	2,168,146	90 days or less; interest-bearing	No impairment; unsecured
VECO	**2,535**	17,630	10,144	**431,492**	338,969	90 days or less; interest-bearing	No impairment; unsecured
DLP	**2,994**	15,401	3,025	**438,578**	327,256	90 days or less; interest-bearing	No impairment; unsecured
CPPC	**1,737**	5,365	11,710	**392,260**	355,354	90 days or less; interest-bearing	No impairment; unsecured
AESI	**2,964**	4,569	15,026	**1,720,564**	1,200,315	90 days or less; interest-bearing	No impairment; unsecured
AI	**1,473**	3,042	15,332	**928,057**	785,066	90 days or less; interest-bearing	No impairment; unsecured
SEZ	**261**	1,305	262	**140,124**	79,167	90 days or less; interest-bearing	No impairment; unsecured
EAUC	**961**	1,294	5,740	**352,824**	167,267	90 days or less; interest-bearing	No impairment; unsecured
CLP	**158**	1,212	402	**33,034**	35,889	90 days or less; interest-bearing	No impairment; unsecured
LEZ	**56**	1,049	41	**69,536**	44,185	90 days or less; interest-bearing	No impairment; unsecured
PEI	**90**	811	888	**85,113**	69,666	90 days or less; interest-bearing	No impairment; unsecured
MEZ	**134**	581	311	**24,975**	29,020	90 days or less; interest-bearing	No impairment; unsecured
BEZ	**82**	575	205	**29,041**	14,514	90 days or less; interest-bearing	No impairment; unsecured
MVEZ	44	416	35	**37,982**	56,026	90 days or less; interest-bearing	No impairment; unsecured
MHSCI	**—**	—	—	**826**	—	90 days or less; interest-bearing	No impairment; unsecured
SACASUN	359	1	—	**32,229**	885	90 days or less; interest-bearing	No impairment; unsecured
	₱45,793	₱159,058	₱277,850	**₱13,827,284**	₱14,562,293		

The Company's Fund is in the form of a trust being maintained and managed by AEV. In 2021 and 2020, other than contributions to the Fund, no transactions occurred between the Company or any of its direct subsidiaries and the Fund.

Compensation of BOD and key management personnel of the Group follows:

	2021	2020	2019
Short-term benefits	**₱346,730**	₱385,431	₱456,844
Post-employment benefits	**14,608**	18,392	30,616
	₱361,338	₱403,823	₱487,460

32. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents and long-term debts. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as trade and other receivables, investments in equity securities, short-term loans, trade and other payables, lease liabilities, long-term obligation on power distribution system and customers' deposits, which generally arise directly from its operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases (see Note 33).

Risk Management Structure
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee
The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, commodity price risk and foreign exchange risk.

Liquidity risk
Liquidity risk is the risk of not meeting obligations as they become due because of the inability to liquidate assets or obtain adequate funding. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay any dividend declarations.

In managing its long-term financial requirements, the Group's policy is that not more than 25% of long-term borrowings should mature in any twelve-month period. 13.67% and 10.90% of the Group's debt will mature in less than one year as of December 31, 2021 and 2020 respectively. For its short-term funding, the Group's policy is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

The financial assets that will be principally used to settle the financial liabilities presented in the following table are from cash and cash equivalents amounting to ₱57.13 billion and ₱38.70 billion as of December 31, 2021 and 2020, respectively, and trade and other receivables amounting to ₱26.87 billion and ₱23.11 billion as of December 31, 2021 and 2020, respectively. Cash and cash equivalents can be withdrawn anytime while trade and other receivables are expected to be collected/realized within one year.

The following tables summarize the maturity profile of the Group's financial liabilities as of December 31, 2021 and 2020 based on contractual undiscounted payments:

December 31, 2021

	Total carrying value	**Contractual undiscounted principal payments**				
		Total	**On demand**	**<1 year**	**1 to 5 years**	**> 5 years**
Short-term loans	**₱18,625,546**	**₱18,658,596**	**₱—**	**₱18,658,596**	**₱—**	**₱—**
Trade and other payables*	**18,356,838**	**18,356,839**	**3,111,065**	**15,191,269**	**54,505**	**—**
Long-term debts	**182,037,974**	**225,360,904**	**—**	**23,340,047**	**105,567,654**	**96,453,203**
Customers' deposits	**7,200,341**	**7,200,341**	**—**	**—**	**457,618**	**6,742,723**
Lease liabilities	**33,773,879**	**44,123,449**	**—**	**10,929,330**	**27,901,130**	**5,292,989**
Long-term obligation on PDS	**165,532**	**240,000**	**—**	**40,000**	**200,000**	**—**
Derivative liabilities	**393,694**	**393,694**	**—**	**219,030**	**174,664**	**—**
	₱260,553,804	**₱314,333,823**	**₱3,111,065**	**₱68,378,272**	**₱134,355,571**	**₱108,488,915**

**Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent liabilities in the consolidated balance sheet.*

December 31, 2020

	Total Carrying Value	Contractual undiscounted payments				
		Total	On demand	<1 year	1 to 5 years	> 5 years
Short-term loans	₱13,184,103	₱13,220,578	₱—	₱13,220,578	₱—	₱—
Trade and other payables*	15,166,856	15,166,856	1,662,192	12,405,270	1,099,394	—
Long-term debts	175,880,642	209,636,083	—	21,822,630	122,135,563	65,677,890
Customers' deposits	6,798,845	6,798,845	—	171	400,461	6,398,213
Lease liabilities	39,262,977	53,155,319	—	10,548,371	37,462,775	5,144,173
Long-term obligation on PDS	183,436	320,000	—	40,000	200,000	80,000
Derivative liabilities	1,788,802	1,788,802	—	787,273	1,001,529	—
	₱252,265,661	₱300,086,483	₱1,662,192	₱58,824,293	₱162,299,722	₱77,300,276

**Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent liabilities in the consolidated balance sheet.*

Market risk

The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2021, 10% of the Group's long-term debt had annual floating interest rates ranging from 1.32% to 2.27%, and 90% have annual fixed interest rates ranging from 4.00% to 9.00%. As of December 31, 2020, 16% of the Group's long-term debt had annual floating interest rates ranging from 1.45% to 3.60%, and 84% have annual fixed interest rates ranging from 4.00% to 8.50%.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

As of December 31, 2021

	<1 year	**1-5 years**	**>5 years**	**Total**
Floating rate - long-term debt	**₱810,596**	**₱6,504,968**	**₱7,573,479**	**₱14,889,043**

As of December 31, 2020

	<1 year	1-5 years	>5 years	Total
Floating rate - long-term debt	₱2,361,434	₱17,531,930	₱8,007,950	₱27,901,314

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk. The Group's derivative assets and liabilities are subject to fair value interest rate risk (see Note 33).

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings):

	Increase (decrease) in basis points	Effect on income before tax
December 2021	**200**	**(₱297,781)**
	(100)	**148,890**
December 2020	200	(₱558,026)
	(100)	279,013

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

The interest expense and other finance charges recognized according to source are as follows:

	2021	2020	2019
Short-term loans and long-term debt (see Notes 15 and 16)	**₱10,138,558**	₱10,812,088	₱9,443,882
Lease liabilities (see Note 34)	**2,750,328**	3,255,809	4,350,043
Loss on loan extinguishment (see Note 16)	**447,502**	—	—
Customers' deposits (see Note 17)	**4,180**	4,027	4,353
Other long-term obligations (see Notes 12 and 18)	**249,797**	181,604	249,368
	₱13,590,365	₱14,253,528	₱14,047,646

Commodity Price Risk
Commodity price risk of the Group arises from transactions on the world commodity markets to secure the supply of fuel, particularly coal, which is necessary for the generation of electricity.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's commodity price risk management strategy.

Based on a 36-month forecast of the required coal supply, the Group hedges the purchase price of coal using commodity swap contracts. The commodity swap contracts do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal.

Currently, the management is monitoring the development of the situation in Ukraine which could indirectly impact the Group because of higher prices of fuel.

Foreign exchange risk
The foreign exchange risk of the Group pertains significantly to its foreign currency denominated obligations. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency forward contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows. Foreign currency denominated borrowings account for 23.89% and 29.32% of total consolidated borrowings as of December 31, 2021 and 2020, respectively.

Presented below are the Group's foreign currency denominated financial assets and liabilities translated to Philippine Peso:

	December 31, 2021		December 31, 2020	
	US Dollar	**Philippine Peso equivalent[1]**	US Dollar	Philippine Peso equivalent[2]
Financial assets:				
Cash and cash equivalents	**$65,645**	**₱3,347,829**	$156,869	₱7,533,320
Trade and other receivables	**3,414**	**174,111**	4	192
Advances to associates	**—**	**—**	457	21,947
Total financial assets	**69,059**	**3,521,940**	157,330	7,555,459
Financial liabilities:				
Short-term loans	**810**	**41,309**	550	26,413
Trade and other payables	**29,589**	**1,509,010**	39,054	1,875,490
Long-term debt	**55,000**	**2,804,945**	300,000	14,406,900
Lease liabilities	**321,601**	**16,401,329**	394,341	18,937,438
Total financial liabilities	**407,000**	**20,756,593**	733,945	35,246,241
Total net financial liabilities	**($337,941)**	**(₱17,234,653)**	($576,615)	(₱27,690,782)

[1]US$1 = ₱51.00
[2]US$1 = ₱48.02

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before tax as of December 31:

	Increase (decrease) in US Dollar	Effect on income before tax
2021		
US Dollar denominated accounts	**US Dollar strengthens by 5%**	**(₱861,733)**
US Dollar denominated accounts	**US Dollar weakens by 5%**	**861,733**
2020		
US Dollar denominated accounts	US Dollar strengthens by 5%	(₱1,384,539)
US Dollar denominated accounts	US Dollar weakens by 5%	1,384,539

The increase in US Dollar rate represents the depreciation of the Philippine Peso while the decrease in US Dollar rate represents appreciation of the Philippine Peso.

The following table presents LHC's and GMEC's foreign currency denominated assets and liabilities:

	2021		2020	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Financial assets:				
Cash and cash equivalents	**₱2,400,523**	**$47,070**	₱1,160,417	$24,163
Trade and other receivables	**4,378,060**	**85,846**	773,437	16,105
	6,778,583	**132,916**	1,933,854	40,268
Financial liabilities:				
Trade and other payables	**2,797,091**	**54,846**	824,791	17,175
Net foreign currency denominated assets	**₱3,981,492**	**$78,070**	₱1,109,063	$23,093

[1]US$1 = ₱51.00
[2]US$1 = ₱48.02

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax	
	2021	2020
US dollar appreciates against Philippine peso by 5.0%	**($3,904)**	($1,155)
US dollar depreciates against Philippine peso by 5.0%	**3,904**	1,155

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Credit risk

For its cash investments (including restricted portion), financial assets at FVTPL and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these investments. With respect to cash investments and financial assets at FVTPL, the risk is mitigated by the short-term and/or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to only enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and it has internal mechanisms to monitor the granting of credit and management of credit exposures.

Concentration risk

Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2021 and 2020 is summarized in the following table:

	2021	2020
Power distribution:		
Industrial	**₱4,934,502**	₱4,005,713
Residential	**2,566,449**	1,922,998
Commercial	**778,568**	1,144,382
City street lighting	**109,700**	764,702
Power generation:		
Power supply contracts	**11,930,242**	8,066,769
Spot market	**2,318,412**	1,821,815
	₱22,637,873	₱17,726,379

The above receivables were provided with allowance for ECL amounting to ₱3.02 billion and ₱2.28 billion as of December 31, 2021 and 2020, respectively (see Note 6).

Credit quality

The credit quality per class of financial assets is as follows:

December 31, 2021

	Neither past due nor impaired			**Past due or individually impaired**	**Total**
	High Grade	**Standard**	**Sub-standard**		
Cash and cash equivalents:					
Cash on hand and in banks	**₱17,239,024**	**₱–**	**₱–**	**₱–**	**₱17,239,024**
Short-term deposits	**39,891,219**	**–**	**–**	**–**	**39,891,219**
	57,130,243	**–**	**–**	**–**	**57,130,243**
Trade receivables:					
Power supply contracts	**9,392,603**	**–**	**–**	**2,537,639**	**11,930,242**
Spot market	**516,969**	**–**	**–**	**1,801,443**	**2,318,412**

(Forward)

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	**Standard**	**Sub-standard**		
Industrial	**₱3,138,445**	**₱–**	**₱–**	**₱1,796,057**	**₱4,934,502**
Residential	**618,806**	**–**	**–**	**1,947,643**	**2,566,449**
Commercial	**312,444**	**–**	**–**	**466,124**	**778,568**
City street lighting	**20,991**	**–**	**–**	**88,709**	**109,700**
	14,000,258	**–**	**–**	**8,637,615**	**22,637,873**
Other receivables*	**7,238,330**	**–**	**–**	**17,355**	**7,255,685**
Financial assets at FVTPL	**3,906**	**–**	**–**	**–**	**3,906**
Restricted cash	**4,073,381**	**–**	**–**	**–**	**4,073,381**
Derivative assets	**1,459,621**	**–**	**–**	**–**	**1,459,621**
Total	**₱83,905,739**	**₱–**	**₱–**	**₱8,654,970**	**₱92,560,709**

**Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.*

December 31, 2020

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard	Sub-standard		
Cash and cash equivalents:					
Cash on hand and in banks	₱14,790,197	₱–	₱–	₱–	₱14,790,197
Short-term deposits	23,909,348	–	–	–	23,909,348
	38,699,545	–	–	–	38,699,545
Trade receivables:					
Power supply contracts	5,978,326	–	–	2,088,443	8,066,769
Spot market	302,649	–	–	1,519,166	1,821,815
Industrial	3,235,760	–	–	769,953	4,005,713
Residential	667,936	–	–	1,255,062	1,922,998
Commercial	569,713	–	–	574,669	1,144,382
City street lighting	365,511	–	–	399,191	764,702
	11,119,895	–	–	6,606,484	17,726,379
Other receivables*	7,644,570	–	–	20,098	7,664,668
Financial assets at FVTPL	3,906	–	–	–	3,906
Restricted cash	5,324,213	–	–	–	5,324,213
Derivative assets	–	–	–	–	–
Total	₱62,792,129	₱–	₱–	₱6,626,582	₱69,418,711

**Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.*

	2021				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
High grade	**₱69,905,481**	**₱–**	**₱–**	**₱14,000,258**	**₱83,905,739**
Standard grade	**–**	**–**	**–**	**–**	**–**
Substandard grade	**–**	**–**	**–**	**–**	**–**
Default	**17,355**	**–**	**–**	**8,637,615**	**8,654,970**
Gross carrying amount	**69,922,836**	**–**	**–**	**22,637,873**	**92,560,709**
Loss allowance	**–**	**–**	**–**	**3,018,981**	**3,018,981**
Carrying amount	**₱69,922,836**	**₱–**	**₱–**	**₱19,618,892**	**₱89,541,728**

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
High grade	₱51,672,233	–	₱–	₱11,119,896	₱62,792,129
Standard grade	–	–	–	—	–
Substandard grade	–	–	–	—	–
Default	20,098	--	–	6,606,484	6,626,582
Gross carrying amount	51,692,311	–	–	17,726,380	69,418,711
Loss allowance	–	–	–	2,276,373	2,276,373
Carrying amount	₱51,692,311	₱–	₱–	₱15,450,007	₱67,142,338

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

The Group evaluated its cash and cash equivalents and restricted cash as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to other receivables, investments in equity securities and derivative assets, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The tables below show the Group's aging analysis of financial assets:

December 31, 2021

	Total	**Current**	**Less than 30 days**	**31 days to 60 days**	**Over 60 days**	**Individually impaired**
Cash and cash equivalents:						
Cash on hand and in banks	**₱17,239,024**	**₱17,239,024**	**₱–**	**₱–**	**₱–**	**₱–**
Short-term deposits	**39,891,219**	**39,891,219**	**–**	**–**	**–**	**–**
	57,130,243	**57,130,243**	**–**	**–**	**–**	**–**
Trade receivables:						
Power supply contracts	**11,930,242**	**9,392,603**	**273,594**	**219,308**	**1,334,487**	**710,250**
Spot market	**2,318,412**	**516,969**	**83,213**	**26,850**	**95,718**	**1,595,662**
Industrial	**4,934,502**	**3,138,445**	**246,465**	**95,342**	**1,174,176**	**280,074**
Residential	**2,566,449**	**618,806**	**612,325**	**142,472**	**859,455**	**333,391**
Commercial	**778,568**	**312,444**	**154,468**	**30,902**	**195,177**	**85,577**
City street lighting	**109,700**	**20,991**	**5,733**	**7,418**	**61,531**	**14,027**
	22,637,873	**14,000,258**	**1,375,798**	**522,292**	**3,720,544**	**3,018,981**
Other receivables*	**7,255,685**	**7,238,330**	**724**	**464**	**16,167**	**–**
Financial assets at FVTPL	**3,906**	**3,906**	**–**	**–**	**–**	**–**
Restricted cash	**4,073,381**	**4,073,381**	**–**	**–**	**–**	**–**
Derivative assets	**1,459,621**	**1,459,621**	**–**	**–**	**–**	**–**
Total	**₱92,560,709**	**₱83,905,739**	**₱1,376,522**	**₱522,756**	**₱3,736,711**	**₱3,018,981**

**Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.*

December 31, 2020

	Total	Current	Less than 30 days	31 days to 60 days	Over 60 days	Individually impaired
Cash and cash equivalents:						
Cash on hand and in banks	₱14,790,197	₱14,790,197	₱–	₱–	₱–	₱–
Short-term deposits	23,909,348	23,909,348	–	–	–	–
	38,699,545	38,699,545	–	–	–	–
Trade receivables:						
Power supply contracts	8,066,769	5,978,326	232,668	159,520	1,182,518	513,737
Spot market	1,821,815	302,649	11,604	25,176	199,048	1,283,338
Industrial	4,005,713	3,235,760	339,146	78,585	243,461	108,761
Residential	1,922,998	667,936	551,843	181,743	246,802	274,674
Commercial	1,144,382	569,713	295,445	93,458	111,918	73,848
City street lighting	764,702	365,511	207,039	102,755	₱67,382	22,015
	17,726,379	11,119,895	1,637,745	641,237	2,051,129	2,276,373
Other receivables*	7,664,668	7,644,570	5,306	608	14,184	–
Financial assets at FVTPL	3,906	3,906	–	–	–	–
Restricted cash	5,324,213	5,324,213	–	–	–	–
Total	₱69,418,711	₱62,792,129	₱1,643,051	₱641,845	₱2,065,313	₱2,276,373

**Includes the noncurrent portion of the PSALM deferred adjustment presented under other noncurrent assets in the consolidated balance sheets.*

Capital Management
Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below. The Group determines net debt as the sum of interest-bearing short-term loans, long-term loans, and lease liabilities less cash and short-term deposits (including restricted cash).

Gearing ratios of the Group as of December 31, 2021 and 2020 are as follows:

	2021	2020
Short-term loans	**₱18,625,546**	₱13,184,103
Long-term debt	**182,037,974**	175,880,642
Lease liabilities	**33,773,879**	39,262,977
Cash and cash equivalents	**(57,130,243)**	(38,699,545)
Restricted cash	**(4,073,381)**	(5,324,213)
Net debt (a)	**173,233,775**	184,303,964
Equity	**155,580,703**	134,585,072
Equity and net debt (b)	**328,814,478**	318,889,036
Gearing ratio (a/b)	**52.68%**	57.80%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2021 and 2020 (see Note 16).

Certain entities within the Group that are registered with the BOI are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2021 and 2020, these entities have complied with the requirement as applicable (see Note 36).

No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

33. **Financial Instruments**

Fair Value of Financial Instruments
Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	December 31, 2021		December 31, 2020	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Asset				
PSALM deferred adjustment	**₱1,097,366**	**₱1,032,511**	₱2,140,226	₱1,939,398
Financial Liabilities				
Lease liabilities	**₱33,773,879**	**₱31,893,831**	₱39,262,977	₱37,907,883
Long-term debt - fixed rate	**167,148,931**	**171,255,721**	149,420,018	164,336,417
PSALM deferred adjustment	**1,097,366**	**1,032,511**	2,140,226	1,939,398
Long-term obligation on power distribution system	**165,532**	**151,878**	183,436	162,164
	₱202,185,708	**₱204,333,941**	₱191,006,657	₱204,345,862

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables. The carrying amounts of cash and cash equivalents, trade and other receivables, short-term loans and trade and other payables approximate fair value due to the relatively short-term maturity of these financial instruments.

Fixed-rate borrowings. The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 1.00% to 6.44% in 2021 and 3.03% to 6.22% in 2020.

Floating-rate borrowings. Since repricing of the variable-rate interest bearing loan is done on a quarterly basis, the carrying value approximates the fair value.

Lease liabilities. The fair value of lease liabilities was calculated by discounting future cash flows using discount rates of 9.11% for dollar payments and 2.86% to 9.75% for peso payments in 2021 and 1.38% to 2.44% for dollar payments and 1.38% to 3.56% for peso payments in 2020.

Long-term obligation on PDS and PSALM deferred adjustment. The fair value of the long-term obligations on power distribution system and PSALM deferred adjustment is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 1.66% to 4.63% in 2021 and 3.15% to 4.45% in 2020.

Customers' deposits. The fair value of bill deposits approximates the carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

Financial assets at FVTPL. These equity securities are carried at fair value.

Derivative financial instruments. The fair value of forward contracts is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The fair value of the IRS and interest rate cap are determined by generally accepted valuation techniques with reference to observable market data such as interest rates.

The Group entered into an IRS agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign-currency denominated payments.

The Group also entered into deliverable and non-deliverable short-term forward contracts with counterparty banks to manage its foreign currency risks associated with foreign currency-denominated liabilities, purchases and highly probable forecasted purchases.

The Group also entered into commodity swap contracts to hedge the price volatility of its forecasted coal purchases.

<u>IRS</u>
In August 2012, LHC entered into an IRS agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US Dollar-denominated loan. Under the IRS agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2021, the outstanding notional amount and derivative liability as a result of the swap amounted to $0.15 million and ₱0.1 million, respectively. As of December 31, 2020, the outstanding notional amount and derivative asset as a result of the swap amounted to $5.7 million and ₱2.8 million, respectively.

On September 29, 2017, GMEC entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 16), which bears interest based on six-month US LIBOR. Under the swap agreement, GMEC pays a fixed rate of 2.18% and receives six-month US LIBOR, semi-annually from March 29, 2018 until September 27, 2024. The IRS settlement dates coincide with the semi-annual interest payment dates of the NFA. GMEC designated the swap as a cash flow hedge.

As of December 31, 2021, the outstanding notional amount and derivative liability as a result of the swap amounted to US$236.5 million and ₱393.7 million, respectively. As of December 31, 2020, the outstanding notional amount and derivative asset as a result of the swap amounted to US$267.5 million and ₱252.3 million, respectively.

In September 2019, the Company entered into an interest rate swap agreement effective September 30, 2019 to hedge $150 million of its floating rate exposure on its loan (see Note 16). Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.4493% per annum and received variable interest at 3-month LIBOR, subject to a floor of 0%. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to April 30, 2024. The Company designated the swap as a cash flow hedge.

As of December 31, 2021, the outstanding notional amount and fair value of the swap amounted to ₱2.8 billion and ₱34.0 million, respectively. As of December 31, 2020, the outstanding notional amount and fair value of the swap amounted to ₱9.6 billion and ₱389.4 million, respectively.

Foreign currency forward contracts
In 2020, the Company entered into foreign currency forward contracts, namely Principal-only Swap (POS) and Call Spread (CS), with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. The notional amount of the forward contract is $25.0 million (₱1.2 billion) and $10.0 million (₱480.8 million) for POS and CS, respectively. In 2021, the Company entered into additional POS contract with a notional amount of $10.0 million (₱485.8 million). The Company designated these forward contracts as a cash flow hedge.

TLI entered into forward contracts to hedge the foreign currency risk arising from forecasted US dollar denominated coal purchases. These forecasted transactions are highly probable, and they comprise about 20% of the TLI's total expected coal purchases. The forward contracts were designated as cash flow hedges.

On January 1, 2020, TLI re-designated its foreign currency forwards with notional amount of $22.5 million and average forward rate of ₱48.00 as cash flow hedges of the monthly fees due to PSALM under its IPP Administration Agreement, the settlement of which is in USD. The cash flow hedges of PSALM fees were all matured as of December 31, 2020.

As of December 31, 2021 and 2020, the aggregate notional amount of the forward contracts is ₱15.36 billion and ₱5.25 billion, respectively.

Commodity swap contracts
In 2018, TLI entered into commodity swap contracts to hedge the price volatility of forecasted coal purchases. The commodity swaps do not result in physical delivery of coal, but are designated as cash flow hedges to offset the effect of price changes in coal. TLI hedges approximately 30% of its expected coal purchases considered to be highly probable. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward and commodity swap contracts match the terms of the expected highly probable forecasted transactions.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign currency forward, IRS and commodity swap contracts match the terms of the expected highly probable foreign currency denominated forecasted purchases and floating rate loans. The Group has established a hedge ration of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward, IRS and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative technique and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Different reference prices linked to the hedged risk of the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group is holding the following hedging instruments designated as cash flow hedges:

December 31, 2021

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
IRS - Derivative Assets						
Notional amount (in PHP)	428,392	–	481,941	1,820,664	9,328,992	12,059,989
Average fixed interest rate (%)	2.18%	–	2.18%	2.18%	2.18%	
IRS -Derivative Liability						
Notional amount (in PHP)	–	(7,650)	–	–	(2,805)	(10,455)
Average fixed interest rate (%)	–	1.51%	–	–	1.45%-1.51%	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	1,745,437	2,844,785	4,972,328	3,960,874	3,257,050	16,780,474
Average forward rate (in PHP)	50	51	51	52	55	
Commodity swaps - Derivative Asset						
Notional amount (in metric)	273,000	191,000	304,000	105,000	–	873,000
(Forward)						
Notional amount (in PHP)	1,410,758	946,281	1,353,512	476,921	–	4,187,472
Average hedged rate (in PHP per metric tonnes)	5,168	4,954	4,452	4,542	–	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	283,276	252,063	377,561	–	504,326	1,417,226
Average forward rate (in PHP)	54	55	54	–	56	

(Forward)

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
Commodity Swaps - Derivative Liability						
Notional amount (in metric tonnes)	**76,000**	**103,000**	**164,000**	**59,000**	**–**	**402,000**
Notional amount (in PHP)	**617,606**	**753,062**	**1,105,646**	**390,880**	**–**	**2,867,194**
Average hedged rate (in PHP per metric tonne)	**8,126**	**7,311**	**6,742**	**6,625**	**–**	

December 31, 2020

	Maturity					
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	Total
IRS - Derivative Assets						
Notional amount (in PHP)	–	–	–	–	9,604,600	9,604,600
Average fixed interest rate (%)	–	–	–	–	1.45%-1.51%	
IRS -Derivative Liability						
Notional amount (in PHP)	517,352	105,561	579,349	1,084,455	10,848,156	13,134,873
Average fixed interest rate (%)	–	–	–	–	–	
Foreign Currency Forward Contracts - Derivative Assets						
Notional amount (in PHP)	48,106	54,559	49,247	–	–	151,912
Average forward rate (in PHP)	48	48	49	–	–	
Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	1,187,189	1,016,015	1,825,623	1,343,132	34,057	5,406,016
Average forward rate (in PHP)	54	53	53	53	51	
Principal Only Swap Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	–	–	–	–	1,214,775	1,214,775
Call Spread Foreign Currency Forward Contracts - Derivative Liability						
Notional amount (in PHP)	–	–	–	–	480,360	480,360
Commodity swaps - Derivative						
Notional amount (in metric)	105,000	72,000	140,000	52,000	–	369,000
Notional amount (in PHP)	363,956	243,215	477,051	177,783	–	1,262,005
Average hedged rate (in PHP per metric tonne)	3,466	3,466	3,408	3,419	–	
Commodity swaps - Derivative Liability						
Notional amount (in metric tonnes)	177,000	174,000	291,000	260,000	8,000	910,000
Notional amount (in PHP)	748,246	725,808	1,211,904	1,040,778	31,782	3,758,518
Average hedged rate (in PHP per metric tonne)	4,227	4,171	4,165	4,411	3,973	

The impact of the hedged items and hedging instruments in the consolidated balance sheets as of December 31, 2021 and 2020, and consolidated statements of income and comprehensive income for the years ended December 31, 2021 and 2020, is as follows:

	As at 31 December 2021			
	Carrying amount	**Change in fair value used for measuring ineffectiveness**	**Total hedging gain (loss) recognized in OCI**	**Ineffectiveness recognized in other comprehensive income (charges)**
IRS				
Derivative asset	**₱–**	**₱–**	**₱–**	**₱–**
Derivative liability	**(427,652)**	**(491,479)**	**(494,431)**	**–**
Forward exchange currency forwards				
Derivative asset	**263,254**	**263,255**	**263,254**	**–**
Derivative liability	**(42,124)**	**(42,124)**	**-42124**	**–**
Principal Only Swap foreign currency forward				
Derivative Asset	**64,789**	**64,789**	**64,789**	
Derivative Liability	**–**	**–**	**–**	
Call Spread currency foreign currency forward				
Derivative Asset	**44,887**	**44,887**	**44,887**	**–**
Derivative liability	**–**	**–**	**–**	**–**
Commodity swaps				
Derivative asset	**1,460,544**	**1,460,315**	**1,460,315**	**229**
Derivative liability	**(297,771)**	**(250,930)**	**(250,930)**	**(46,841)**

	As at 31 December 2020			
	Carrying amount	Change in fair value used for measuring ineffectiveness	Total hedging gain (loss) recognized in OCI	Ineffectiveness recognized in other comprehensive income (charges)
IRS				
Derivative asset	₱–	₱–	₱–	₱–
Derivative liability	(1,193,701)	(389,377)	(956,447)	–
Forward exchange currency forwards				
Derivative asset	735	735	735	–
Derivative liability	(461,531)	(461,531)	(461,531)	–
Principal only swap foreign currency forwards				
Derivative liability	(39,350)	(39,350)	(39,350)	–
Call spread currency foreign currency forwards				
Derivative liability	(771)	(771)	(771)	–
Commodity swaps				
Derivative asset	164,361	161,703	161,703	2,658
Derivative liability	(258,545)	(251,251)	(251,251)	(7,294)

The movements in fair value changes of all derivative instruments for the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
At beginning of year	**(₱1,788,802)**	(₱2,385,997)
Net changes in fair value of derivatives designated as cash flow hedges	**2,422,452**	1,107,316
Net changes in fair value of derivatives not designated as accounting hedges	**18,333**	(4,848)
Fair value of settled instruments	**413,944**	(505,273)
At end of year	**₱1,065,927**	(₱1,788,802)

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included under "Net foreign exchange gain (losses)" in Note 27.

The changes in the fair value of derivatives designated as cash flow hedges were deferred in equity under "Cash flow reserve."

The net movement of changes to cash flow hedge reserve is as follows:

	2021	2020
Balance at beginning of year (net of tax)	**(₱1,492,830)**	(₱2,257,289)
Changes in fair value recorded in equity	**4,882,566**	(1,482,795)
	3,389,736	(3,740,084)
Changes in fair value transferred to profit or loss	**(2,872,739)**	2,245,088
Balance at end of year before deferred tax effect	**516,997**	(1,494,996)
Deferred tax effect	**345,976**	2,166
Balance at end of year (net of tax)	**₱862,973**	(₱1,492,830)

As of December 31, 2021 and 2020, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2021

	Total	**Level 1**	**Level 2**	**Level 3**
Carried at fair value:				
Derivative assets	**₱1,459,621**	**₱–**	**₱1,459,621**	**₱–**
Derivative liabilities	**393,694**	**–**	**393,694**	**–**
Disclosed at fair value:				
Lease liabilities	**31,893,831**	**–**	**–**	**31,893,831**
Long-term debt - fixed rate	**171,255,721**	**–**	**–**	**171,255,721**
Long-term obligation on PDS	**151,878**	**–**	**–**	**151,878**
PSALM deferred adjustment	**1,032,511**	**–**	**–**	**1,032,511**

December 31, 2020

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
Derivative liabilities	₱1,788,802	₱–	₱1,788,802	₱–
Disclosed at fair value:				
Lease liabilities	37,907,883	–	–	37,907,883
Long-term debt - fixed rate	164,336,417	–	–	164,336,417
Long-term obligation on PDS	162,164	–	–	162,164
PSALM deferred adjustment	1,939,398	–	–	1,939,398

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.
- The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Fair value investment properties are estimated under Level 3 inputs.

During the years ended December 31, 2021 and 2020, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

34. Lease agreements

TLI

In 2009, TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been considered as a lease. Accordingly, TLI recognized the right-of-use asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the consolidated financial statements as "Power plant" and "Lease liabilities" accounts, respectively.

<u>APRI</u>
On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the APA is situated. The lease term is for a period of 25 years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease (see Notes 8 and 13).

<u>GMEC</u>
In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMEC, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMEC entered into another lease agreement with PGRPI for land to be used for staff house.

On January 16, 2015, GMEC and Worth Properties, Inc. executed a Lease Agreement for the lease of 276.13 square meters office space and two parking lots. The contract of lease is effective for a period of five years commencing on February 17, 2015 and was terminated effective on December 31, 2021.

<u>HI, HTI, HBI, HSAB, LHC and HSI</u>
HI, HTI, HBI, HSAB, LHC and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

<u>Sacasun</u>
Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties.
<u>Therma Mobile</u>
On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

<u>EAUC</u>
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities for a period of 25 years.

<u>TPVI</u>
TPVI entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties.

Set out below, are the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements during the years:

December 31, 2021

	Right-of-use assets					
	Land	**Building**	**Power Plant**	**Equipment and Others**	**Total**	**Lease Liability**
Balances at the beginning of the year	**₱2,822,342**	**₱71,638**	**₱32,504,564**	**₱82,094**	**₱35,480,638**	**₱39,262,977**
Additions	**278,178**	**9,646**	**7,486**	**84,730**	**380,040**	**372,554**
Amortization expense	**(180,709)**	**(28,224)**	**(1,106,996)**	**(10,465)**	**(1,326,394)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**–**	**2,750,328**
Payments	**–**	**–**	**–**	**–**	**–**	**(9,401,915)**
Others	**3,618**	**–**	**–**	**(3,618)**	**–**	**789,935**
Balances at the end of the year	**₱2,923,429**	**₱53,060**	**₱31,405,054**	**₱152,741**	**₱34,534,284**	**₱33,773,879**

December 31, 2020

	Right-of-use assets					
	Land	Building	Power Plant	Equipment and Others	Total	Lease Liability
Balances at the beginning of the year	₱2,730,076	₱230,234	₱33,575,200	₱117,602	₱36,653,112	₱44,789,644
Additions	122,456	19,121	–	10,914	152,491	152,491
Amortization expense	(180,225)	(24,950)	(1,105,125)	(8,759)	(1,319,059)	–
Interest expense	–	–	–	–	–	3,255,809
Payments	–	–	–	–	–	(7,504,954)
Others	150,035	(152,767)	34,489	(37,663)	(5,906)	(1,430,013)
As at December 31	₱2,822,342	₱71,638	₱32,504,564	₱82,094	₱35,480,638	₱39,262,977

The carrying amount of the Group's right-of-use assets as of December 31, 2021 and 2020 is presented as part of "Property, plant and equipment".

The Group also has certain leases of equipment, meeting rooms and event sites with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption of these leases.

Set out below, are the amounts recognized in the consolidated statements of income:

	2021	2020	2019
Amortization expense of right-of-use assets	**₱1,326,394**	₱1,319,059	₱1,223,073
Interest expense on lease liabilities	**2,750,328**	3,255,809	4,350,043
Rent expense - short-term leases	**83,451**	123,329	56,896
	₱4,160,173	₱4,698,197	₱5,630,012

35. **Agreements**

Pagbilao IPP Administration Agreement
TLI and PSALM executed the IPP Administration Agreement wherein PSALM appointed TLI to manage the 700MW contracted capacity (the "Capacity") of NPC in the coal-fired power plant in Pagbilao, Quezon.

The IPP Administration Agreement includes the following obligations TLI would have to perform until the transfer date of the power plant (or the earlier termination of the IPP Administration Agreement):

k. Supply and deliver all fuel for the power plant in accordance with the specifications of the original Energy Conservation Agreement (ECA); and
b. Pay to PSALM the monthly payments (based on the bid) and energy fees (equivalent to the amount paid by NPC to the IPP).

TLI has the following rights, among others, under the IPP Administration Agreement:

a. The right to receive, manage and control the Capacity of the power plant for its own account and at its own cost and risk;
b. The right to trade, sell or otherwise deal with the Capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and its own risk and cost. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;
c. The right to receive the transfer of the power plant at the end of the IPP Administration Agreement (which is technically the end of the ECA) for no consideration; and
d. The right to receive an assignment of NPC's interest to existing short-term bilateral Power Supply Contract from the effective date of the IPP Administration Agreement the last of which were scheduled to end in November 2011.

Agreements with Contractors and Suppliers

a. APRI total steam supply cost reported as part of "Cost of generated power" amounted to ₱4.95 billion in 2021, ₱2.97 billion in 2020, and ₱5.01 billion in 2019 (see Note 22).

   On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to PGPC will be a premium to coal.

   To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 14, 2013 and extended until August 25, 2018. On August 24, 2018, a new contract was signed by the Company and Philippine Geothermal Production Company, Inc. which aims to ensure long-term operations of both parties. The Geothermal Resources Supply and Services Agreement took effect August 26, 2018 and shall continue in effect until October 22, 2034, unless earlier terminated or extended by mutual agreement of the Parties.

b. TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2021 have aggregate supply amounts of 1,840,000 MT (equivalent dollar value is estimated to be at $131 million), which are due for delivery from January 2021 to December 2022. Outstanding coal supply agreements as of December 31, 2020 have aggregate supply amounts of 560,000 MT (equivalent dollar value is estimated to be at $29 million), which are due for delivery from January 2020 to April 2020. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

c. GMEC entered into Coal Supply Agreements (CSAs) with Avra Commodities Pte. Ltd. (Avra) and PT Arutmin Indonesia (Arutmin) dated December 20, 2019 and December 23, 2019, respectively, for coal deliveries commencing on January 1, 2020. Avra shall annually deliver between a minimum of 500,000 metric tonnes to a maximum of 1,200,000 metric tonnes of coal until the CSA expires on December 31, 2024, while Arutmin shall annually deliver 1,650,000 metric tonnes of coal with an additional quantity of 160,000 metric tonnes at GMEC's option until the CSA expires on December 31, 2029. In addition, GMEC entered into a CSA with PT. Bayan Resources TBK (Bayan) on April 8, 2020. Bayan shall annually deliver between a minimum of 500,000 metric tonnes to a maximum of 1,000,000 until the CSA expires on April 30, 2030.

d. PEC entered into EPC with suppliers relating to the construction of the 400MW coal fired power plant on April 25, 2014. The Supply Contract with Mitsubishi Hitachi Power Systems, Ltd. and Daelim Industrial Co. Ltd. prescribes the design and engineering of the Project as well as the supply of certain material, property and equipment for the project. The Construction Contract with Desco Incorporated and Daelim Philippines Inc. prescribes the general requirements for the design, engineering, procurement, permitting, fabrication, construction, installation, commissioning, start-up, testing and safe and timely completion of the coal-fired power plant. Total EPC contract price for the complete performance of these contracts amount to US$398.0 million and ₱7.00 billion. As of December 31, 2021 and 2020, the joint operation has a retention payable amounting to ₱286.0 million and ₱287.2 million, respectively, which is presented as part of "Trade and other payables" in the consolidated balance sheets.

e. TMI entered into Heavy Fuel Oil (HFO) Supply Agreement with Pilipinas Shell Petroleum Corporation (PSPC) On September 1, 2014. The said agreement provides for the supply and delivery of HFO by PSPC to TMI, subject to terms and conditions of the agreement. The actual quantities may vary from month to month and are contingent to the actual generation of the TMI's power plant. The actual aggregate HFO delivered to the TMI from PSPC as of December 31, 2021 and 2020 is 572.7 million liters and 564.3 million liters, respectively. Moreover, on December 1, 2016, TMI entered into a Lube Oil Supply Agreement with PSPC for the supply and delivery of lube oil products with an agreed aggregate volume of 3.8 million liters. The actual aggregate of lube oil products delivered to TMI from PSPC as of December 31, 2021 and 2020 is 1,502,796 liters and 1,462,886 liters, respectively.

f. EAUC entered with Supply Agreement with suppliers. On December 1, 2016, the Lube Oil Supply Agreement with PSPC undertakes to supply and deliver an agreed aggregate volume of 220,000 liters. On March 20, 2018, Heavy Fuel Oil Supply Agreement with Phoenix Petroleum Philippines Inc. (PPPI) is to supply and deliver HFO on a consignment basis with an agreed aggregate volume of 38.2 million liters. The actual quantities may vary from month to month and are contingent on the actual generation of the EAUC's power plant. As of December 31, 2021 and 2020, the actual HFO consumed from the supply agreement is 38.6 million liters and 27.5 million liters, respectively.

36. Registration with the Board of Investments (BOI)

Certain power generation subsidiaries in the Group have been registered with the BOI. The following are the incentives granted by the BOI:

a. ITH for a period of four (4) to seven (7) years, as follows:

Subsidiary/Joint operation	BOI Approval Date	Start of ITH Period	ITH Period
APRI	July 25, 2016	Start of commercial operations	7 years
GMEC	January 29, 2010	July 1, 2013	6 years
TSI	July 15, 2011	February 1, 2016 [1]	4 years
TVI	August 28, 2012	January 1, 2017 [1]	4 years
Hedcor Tudaya	January 31, 2013	August 1, 2014 [1]	7 years
Hedcor, Inc. [3]	February 20, 2013	February 1, 2013	7 years
Hedcor Sibulan[2]	April 23, 2013	September 1, 2014 [1]	7 years
Hedcor Sabangan	October 23, 2013	February 1, 2015 [1]	7 years
Hedcor Bukidnon[4]	January 7, 2015	July 2, 2018	7 years
PEC	June 26, 2014	March 7, 2018	6 years
Sacasun	October 26, 2015	Start of commercial operations	7 years

[1] Or actual start of commercial operations, whichever is earlier.
[2] For Tudaya-1 hydroelectric plant.
[3] For Irisan-1 hydroelectric plant.
[4] For Manolo-1 hydroelectric plant.

The ITH shall be limited only to sales/revenue generated from the sales of electricity of the power plant and revenues generated from the sales of carbon emission reduction credits.

a. For the first five (5) years from date of registration, the registrant shall be allowed an additional deduction from taxable income of fifty percent (50) of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by BOI of US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH.

b. Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration.

c. Importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond.

d. Special realty tax rates on equipment and machinery and tax credit on domestic capital equipment and services

e. For APRI, it may qualify to import capital requirement, spare parts and accessories at zero (0%) duty rate from the date of registration to June 16, 2011 pursuant to Executive Order No. 528 and its Implementing Rules and Regulations.

As a requirement for availment of the incentives, the registrant has to maintain a minimum equity requirement.

As of December 31, 2021 and 2020, the power generation subsidiaries referred to above, which are currently availing the incentives, have complied with the requirements.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities:

December 31, 2021

			Non-cash Changes						
	January 1, 2021	Net cash flows	Dividend Declaration	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2021
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱28,997,626	(₱14,953,317)	₱–	₱–	₱–	₱–	₱–	₱23,000,464	₱37,044,773
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	160,067,119	22,863,367	–	426,046	1,197,092	–	–	(20,934,877)	163,618,747
Current obligations under lease liabilities	7,104,181	(9,401,915)	–	–	–	–	–	10,404,515	8,106,781
Non-current obligations under lease liabilities	32,158,796	–	–	–	1,007,764	–	2,750,328	(10,249,790)	25,667,098
Dividends payable	407	(6,254,588)	6,254,814	–	–	–	–	–	633
Interest payable	2,134,624	(9,770,209)						9,757,605	2,122,020
Derivatives	1,788,802	–	–	–	–	(1,395,108)	–	–	393,694
Total liabilities from financing activities	₱232,251,555	(₱17,516,662)	₱6,254,814	₱426,046	₱2,204,856	(₱1,395,108)	₱2,750,328	₱11,977,917	₱236,953,746

December 31, 2020

			Non-cash Changes						
	January 1, 2020	Net cash flows	Dividend Declaration	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2020
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱20,721,731	(₱8,978,318)	₱–	₱–	₱–	₱–	₱–	₱17,254,213	₱28,997,626
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	167,585,311	11,928,320	–	321,520	(1,915,843)	–	–	(17,852,189)	160,067,119
Current obligations under lease liabilities	5,486,745	(7,632,923)	–	–	–	–	–	9,250,359	7,104,181
Non-current obligations under lease liabilities	39,302,899	—	–	–	(1,038,942)	–	3,255,808	(9,360,969)	32,158,796
Dividends payable	—	(8,682,746)	8,683,153	–	–	–	–		407
Interest payable	2,350,811	(10,032,413)						9,816,226	2,134,624
Derivatives	2,468,324	–	–	–	–	(679,522)	–	–	1,788,802
Total liabilities from financing activities	₱237,915,821	(₱23,398,080)	₱8,683,153	₱321,520	(₱2,954,785)	(₱679,522)	₱3,255,808	₱9,107,640	₱232,251,555

Others includes the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings.

38. **Contingencies**

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

39. **Other Matters**

a. Temporary Restraining Order (TRO) affecting power generation companies trading in WESM

On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and MERALCO with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and Department of Energy (DOE). These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the failure of the ERC to protect consumers from high energy prices and perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The SC set the consolidated cases for oral arguments last January 21, 2014, February 4 and 11, 2014. After hearing, all parties were directed to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2021, the SC has not lifted the TRO.

b. Imposition of financial penalties on Therma Mobile by PEMC

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply periods. As a result of the MERALCO price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule for the period covered, as it was physically impossible for Therma Mobile to transmit more than 100MW to MERALCO. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

On February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. On February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. PEMC filed a Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

On June 6, 2016, PEMC filed a petition before the SC questioning the CA's Decision. TMO also filed its Comment on the Petition on November 14, 2016. On June 1, 2017, TMO received the SC Notice dated March 29, 2017. In the Resolution, the SC noted TMO's Comment and PEMC's Reply. As of December 31, 2021, the petition is still pending resolution with the SC.

c. Therma Marine Cases

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers. In

2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. As of December 31, 2021, there is no resolution yet on the MRs on the Final Approvals.

d. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI, among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The SGCs and Meralco have filed their respective comments, reply, rejoinder and sur-rejoinder after the filing of the Joint Motion to Dismiss. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. As of December 31, 2021, the ERC has yet to render its decision on the Joint Motion to Dismiss.

e. Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) & Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the SC a Petition for Certiorari and Prohibition with prayer for issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement (“NPPC-APA”), Land Lease Agreement (“NPPC-LLA”) and other documents to implement TPVI’s acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI’s Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC’s second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated.

September 28, 2015 be clarified, and if necessary, be amended to include in its “fallo” that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC’s right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI’s Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC’s October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC’s and PSALM’s motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

In May 2018, TPVI received the Certificate of Effectivity (COE) from PSALM initiating the purchase of the facility. The COE implements the September 28, 2015 decision of the SC, which upheld the April 30, 2014 award of the facility to TPVI. Pursuant to the NPPC-APA, on July 16, 2018 (“Closing date”), the Joint Certificate of Turn-Over was signed and issued and the facility was formally turned-over to TPVI.

In 2018, TPVI paid a total amount 1.03 billion for the NPPC-APA and NPPC-LLA and ₱495.97 million for the inventories upon implementation of the acquisition of the Naga Power Plant.

f. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2021.

g. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. The case remains pending as of December 31, 2021.

h. EPIRA of 2001

R.A. No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The IRR were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

i. Retail Competition and Open Access

The EPIRA mandates the implementation of Retail Competition and Open Access (RCOA) subject to the fulfilment of the conditions as provided in the EPIRA. The ERC was tasked under the EPIRA Implementing Rules and Regulations to declare, after due notice and public hearing, the initial implementation of RCOA. Through the RCOA, eligible customers will have the option to source their electricity from eligible suppliers that have secured Retail Electricity Supplier (RES) licenses from the ERC. End users with a monthly average peak demand of at least 1 Megawatt (MW) for the preceding 12 months are eligible to be contestable customers. The 1 MW qualification would gradually be reduced upon evaluation of the ERC.

In June 2011, after due notice and public hearings, the ERC declared December 26, 2011 as the date to mark the commencement of the full operation of RCOA in Luzon and Visayas. However, due to deficiencies in the rules and guidelines governing the RCOA at that time, the December 26, 2011 commencement date was deferred several times until an interim system commenced on July 26, 2013.

The DOE and ERC have issued and revised several circulars, rules and resolutions on the implementation of the RCOA and the issuance of RES licences, including a Code of Conduct, Rules on Contestability, and Rules on RES Licencing.

On February 21, 2017, the SC issued a TRO enjoining the DOE and ERC from implementing the following issuances:

1. DOE Circular No. DC-2015-06-0010 or the DOE Circular Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry;
2. ERC Resolution No. 5, Series of 2016 or the Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor;
3. ERC Resolution No. 10, Series of 2016 or a Resolution adopting the Revised Rules for Contestability;
4. ERC Resolution No. 11, Series of 2016 or a Resolution Imposing Restrictions on the Operations of DUs and RES in the Competitive Retail Electricity Market; and
5. ERC Resolution No. 28, Series of 2016 or the Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016, entitled Revised Rules of Contestability.

The TRO effectively enjoined the DOE and the ERC from imposing the mandatory migration of end-users with average monthly peak demand of at least 1MW and 750 kW on 26 February 2017 and 26 June 2017, respectively, and barring Local RESs and DUs from supplying electricity to the Contestable Market.

Due to the TRO, no new or renewed RES licenses were issued by the ERC due to the perceived risk of being declared in contempt by the SC. The renewal of PEI, AEI and AESI's RES licenses remain pending before the ERC. The application for RES licenses of TLI and APRI are likewise pending.

On November 29, 2017, DOE issued Department Circular No. 2017-12-0013, which provides, among other things, for voluntary participation of Contestable Customers in the Retail Market. On the same date, DOE issued Department Circular No. 2017-12-0014, which provides, among other things, the guidelines on the licensing of RES. Both DOE Circulars enjoin the ERC to promote the supporting guidelines to the DOE Circulars. Once the ERC promulgates these rules, approval of RES license applications and renewals can be expected.

j. Renewable Energy Act of 2008

On January 30, 2009, R.A. No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, income tax holiday, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

k. PSALM deferred adjustment

Deferred Accounting Adjustments (DAA)
The ERC issued a Decision dated March 26, 2012 which granted PSALM DAA pertaining to GRAM and ICERA and in its Order dated June 20, 2017, the ERC authorized PSALM to implement the methodology for the recovery/refund of the approved DAA.

Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

In its Order dated December 19, 2017, the ERC clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM)
On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and on 19 December 2017, the Commission issued an Order directing PSALM and the DUS to abide with the clarifications issued by the Commission.

l. CSR Projects

The Group has several CSR projects in 2021, 2020 and 2019 which are presented as part of "General and administrative expenses" (see Note 23).

m. COVID 19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the National Capital Region. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Group is operating normally but at a lower energy dispatch level because of the decreased demand during the community quarantines. In addition, because of the decrease in energy demand, market prices are down.

The Group has an in-placed and extensive business continuity plan on similar risk, including the lay out of the necessary steps that will help address or minimize the Group's business exposures. However, considering the evolving nature of this outbreak, the Group will continue to monitor the situation and adjust the steps it is currently implementing in subsequent periods.

n. Bond Issuance

On January 5, 2022, the Company filed the application with the Securities and Exchange Commission (SEC) for the issuance of the third tranche of its Php30 billion fixed-rate retail bonds registered on March 1, 2021 under the shelf registration program of SEC (the "Third Tranche Bonds"). The Third Tranche Bonds, with an aggregate principal amount of up to ₱10 billion, including oversubscription, is expected to be issued in March 2022. Interest rate setting was completed on February 28, 2022.

o. Application of the Provisions of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the consolidated financial statements of the Group as of and for the year ended December 31, 2020 because of their retroactive effect:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to

July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the consolidated financial statements of the Group as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The Group reflected the changes in the current and deferred income taxes in its consolidated financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and deferred income tax by ₱333.0 million.

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
Tax Identification No. 164-533-282
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0662-AR-4 (Group A)
November 21, 2019, valid until November 20, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-071-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854348, January 3, 2022, Makati City

March 4, 2022

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Aboitiz Power Corporation
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Power Corporation and Subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
Tax Identification No. 164-533-282
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0662-AR-4 (Group A)
November 21, 2019, valid until November 20, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-071-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854348, January 3, 2022, Makati City

March 4, 2022

Aboitiz Power Corporation
and Subsidiaries

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2021

and

Independent Auditors' Report

Philippine
Pesos

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2021

			Page
A	-	Financial Assets	1
B	-	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	NA
C	-	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D	-	Intangible Assets - Other Assets	3
E	-	Long-Term Debt	4
F	-	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	5
G	-	Guarantees of Securities of Other Issuers	NA
H	-	Capital Stock	6
I	-	Trade and Other Receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements	7
J	-	Trade and Other Payables from Related Parties which are Eliminated during the Consolidation of Financial Statements	8
		Reconciliation of Retained Earnings Available for Dividend Declaration	9
		Conglomerate Mapping	10
		Financial Soundness Indicator	16
		Use of Proceeds	17

NA: NOT APPLICABLE

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2021
(Amounts in Thousands except number of shares)

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Income received and accrued
CASH ON HAND AND IN BANK, INCLUDING RESTRICTED CASH			
ANZ		P808,405	P-
Banco de Oro		1,822,336	67,318
BDO Network Bank		8,132	-
Bank of Commerce		844	1
Bank of the Philippine Islands		658,773	1,016
Bank of Tokyo - Mitsubishi UFJ		91	-
China Banking Corporation		1,302	6
Citibank		43,757	33
Development Bank of the Philippines		1,093	9
Hongkong Shanghai Banking Corporation		571,629	442
ING Bank N.V.		3,491	-
Industrial and Commercial Bank of China		1,531	1
Land Bank of the Philippines		40,167	34
Metropolitan Bank and Trust Company		1,870,861	743
Philippine National Bank		156,321	39
Rizal Commercial Banking Corporation		15,517	107
Security Bank Corporation		328,520	138
Standard Chartered Bank		31,883	25
Union Bank of the Philippines		10,648,519	35,755
Cash on Hand, Cash in Vault and Revolving Fund		225,852	-
T O T A L		**P17,239,024**	**P105,667**
SHORT-TERM DEPOSITS			
Banco de Oro		P1,329,036	P5,466
Bank of the Philippine Islands		6,001,553	6,617
City Savings Bank		21,081,866	206,334
Development Bank of the Philippines		7,300,000	8,307
Philippine National Bank		-	22
Rizal Commercial Banking Corporation		1,000,000	778
Union Bank of the Philippines		3,178,764	10,038
T O T A L		**P39,891,219**	**P237,562**
TRADE AND OTHER RECEIVABLES			
Trade Receivables (net of allowance):			
Residential		P2,233,058	P-
Commercial		4,849,178	-
Industrial		537,630	-
City street lighting		95,673	-
Non-power supply contracts		722,750	-
Power supply contracts		11,180,603	-
Dividends receivable		1,192,000	-
Advances to contractors		191,904	-
Non-trade receivables		4,726,071	-
Interest receivable		48,343	-
PSALM deferred adjustment (including noncurrent portion)		1,042,861	
T O T A L		**P26,820,071**	**P-**
FINANCIAL ASSET AT FVTPL			
Apo Golf & Country Club	3	P2	P-
Banco De Oro	8,050	793	-
Philippine Long Distance Telephone Co.	36,463	458	-
PICOP Resources, Inc.	164	8	-
Alta Vista Golf & Country Club	1	2,265	-
Philex Mining Corp	2,168	5	-
Others	375,000	375	-
T O T A L		**P3,906**	**P-**

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written-Off	Current	Non-Current	Ending Balance
Parent Company	P-	P31,911	(P31,911)	P-	P-	P-	P-
Davao Light & Power Co., Inc.	503,929	8,578,529	(7,996,882)	-	1,085,576	-	1,085,576
Therma Power, Inc. and Subsidiaries	579,762	210,299	(789,481)	-	580	-	580
Cotabato Light & Power Company	25,963	337,785	(318,532)	-	45,216	-	45,216
Aboitiz Renewables, Inc. and Subsidiaries	75	79,443	(79,344)	-	174	-	174
Subic Enerzone Corporation	165,603	317,139	(254,135)	-	228,607	-	228,607
Visayan Electric Co., Inc.	453,848	6,243,240	(6,144,483)		552,605	-	552,605
Aboitiz Energy Solutions, Inc.	1,100,011	6,945,546	(7,000,149)	-	1,045,408	-	1,045,408
Mactan Enerzone Corporation	-	2,896	(2,896)	-	-	-	-
Balamban Enerzone Corporation	-	2,896	(2,896)	-	-	-	-
Cebu Private Power Corporation	-	31,476	(26,886)	-	4,590	-	4,590
Lima Enerzone Corporation	77,001	322,762	(305,047)	-	94,716	-	94,716
East Asia Utilities Corporation	-	20,518	(18,933)	-	1,585	-	1,585
Prism Energy, Inc.	112,813	999,547	(1,010,800)	-	101,560	-	101,560
Adventenergy, Inc.	569,070	5,520,076	(5,204,553)	-	884,593	-	884,593
T O T A L	**P3,588,075**	**P29,644,063**	**(P29,186,928)**	**P-**	**P4,045,210**	**P-**	**P4,045,210**

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2021
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	DEDUCTIONS Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
A. Intangibles						
Goodwill	P38,812,852	P-	P-	P-	P2,350,756	P41,163,608
Service concession rights	2,007,375	27,673	(360,875)	-	80,219	1,754,392
Project development costs	702,671	44,355		-	(298,031)	448,995
Franchise	2,494,811	-	(76,961)	-	-	2,417,850
Software and licenses	261,677	33,021	(64,047)	-	-	230,651
Total	P44,279,386	P105,049	(P501,883)	P-	P2,132,944	P46,015,496
B. Other Noncurrent Assets						
Restricted cash	P-	P-	P-	P-		P-
Input VAT and tax credit receivable	2,993,466		-	-	(685,949)	2,307,517
PSALM deferred adjustment - net of current portion	1,097,365	-	-	-	(1,042,860)	54,505
Advances to NGCP - net of current portion	920,682	-	-	-	124,164	1,044,846
Advances to contractors and projects	893,827	-	-	-	(274,639)	619,188
Refundable deposits	313,751	-	-	-	39,313	353,064
Investment properties	248,129		-	-	(10,428)	237,701
Prepaid expenses	251,576				60,336	311,912
Prepaid taxes	2,321,582	-	-	-	(245,082)	2,076,500
Others	231,178				(53,410)	177,768
Total	P9,271,556	P-	P-	P-	(P2,088,555)	P7,183,001
Total	**P53,550,942**	**P105,049**	**(P501,883)**	**P-**	**P44,389**	**P53,198,497**

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2021
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent:				
Aboitiz Power Corporation	P63,189,157	P9,012,855	P54,176,302	
Subsidiaries:				
Hedcor, Inc.	1,491,600	128,959	1,362,641	
Luzon Hydro Corporation	7,646	7,646	-	
Davao Light & Power Co., Inc.	288,000	144,750	143,250	
Cotabato Light & Power Company	57,600	28,650	28,950	
Therma South, Inc.	18,104,113	1,165,380	16,938,733	
Pagbilao Energy Corp. (Joint Operation)	10,993,112	1,166,231	9,826,881	
Visayan Electric Co., Inc.	383,635	192,755	190,880	
GNPower Mariveles Coal Plant Ltd. Co.	32,186,946	2,311,945	29,875,001	
Therma Visayas, Inc.	26,730,748	2,040,350	24,690,398	
Therma Power - Visayas, Inc.	1,489,717	-	1,489,717	
Therma Marine, Inc.	1,777,437	-	1,777,437	
AP Renewables, Inc.	10,520,765	836,116	9,684,649	
Hedcor Sibulan, Inc.	3,384,328	393,764	2,990,564	
Hedcor Bukidnon, Inc.	8,656,313	591,650	8,064,663	
Aboitiz Energy Solutions, Inc.	594,000	-	594,000	
Hedcor Sabangan, Inc.	1,136,464	40,490	1,095,974	
Hedcor Tudaya, Inc.	746,393	57,686	688,707	
Total	**P181,737,974**	**P18,119,227**	**P163,618,747**	

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO AFFILIATES
(LONG-TERM LOANS FROM AFFILIATED COMPANIES)

AS OF DECEMBER 31, 2021
(Amounts in Thousands)

Name of Affiliate	Beginning Balance	Ending Balance
Aboitiz Equity Ventures, Inc.	P300,000	P300,000
	-	-
	-	-
Total	**P300,000**	**P300,000**

ABOITIZ POWER CORPORATION

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2021
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	16,000,000	7,358,604	-	3,833,726	71,463	3,453,415
PREFERRED SHARES	1,000,000	-	-	-	-	-

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021
(Amounts in Thousands)

	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Sales**	**Rental**	**Advances**	**Terms**
Parent Company	P-	P-	P-	P31,911	P-	P-	30 days
Davao Light & Power Co., Inc.	P1,085,576	P-	P1,085,576	P8,578,529	P-	P-	30 days
Therma Power, Inc. and Subsidiaries	-	580	580	216,555	-	-	30 days
Cotabato Light & Power Company	45,216	-	45,216	337,785	-	-	30 days
Aboitiz Renewables, Inc. and Subsidiaries	-	174	174	73,187	-	-	30 days
Subic Enerzone Corporation	228,607	-	228,607	317,139	-	-	30 days
Visayan Electric Co., Inc.	552,605	-	552,605	6,243,240	-	-	30 days
Aboitiz Energy Solutions, Inc.	1,045,193	215	1,045,408	6,945,546	-	-	30 days
Mactan Enerzone Corporation	-	-	-	2,896	-	-	30 days
Balamban Enerzone Corporation	-	-	-	2,896	-	-	30 days
Cebu Private Power Corporation	343	4,247	4,590	31,476	-	-	30 days
Lima Enerzone Corporation	94,716	-	94,716	322,762	-	-	30 days
East Asia Utilities Corporation	-	1,585	1,585	20,518	-	-	30 days
Prism Energy, Inc.	101,439	121	101,560	999,547	-	-	30 days
Adventenergy, Inc.	884,477	116	884,593	5,520,076	-	-	30 days
T O T A L	**P4,038,172**	**P7,038**	**P4,045,210**	**P29,644,063**	**P-**	**P-**	

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

SCHEDULE J - TRADE AND OTHER PAYABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021
(Amounts in Thousands)

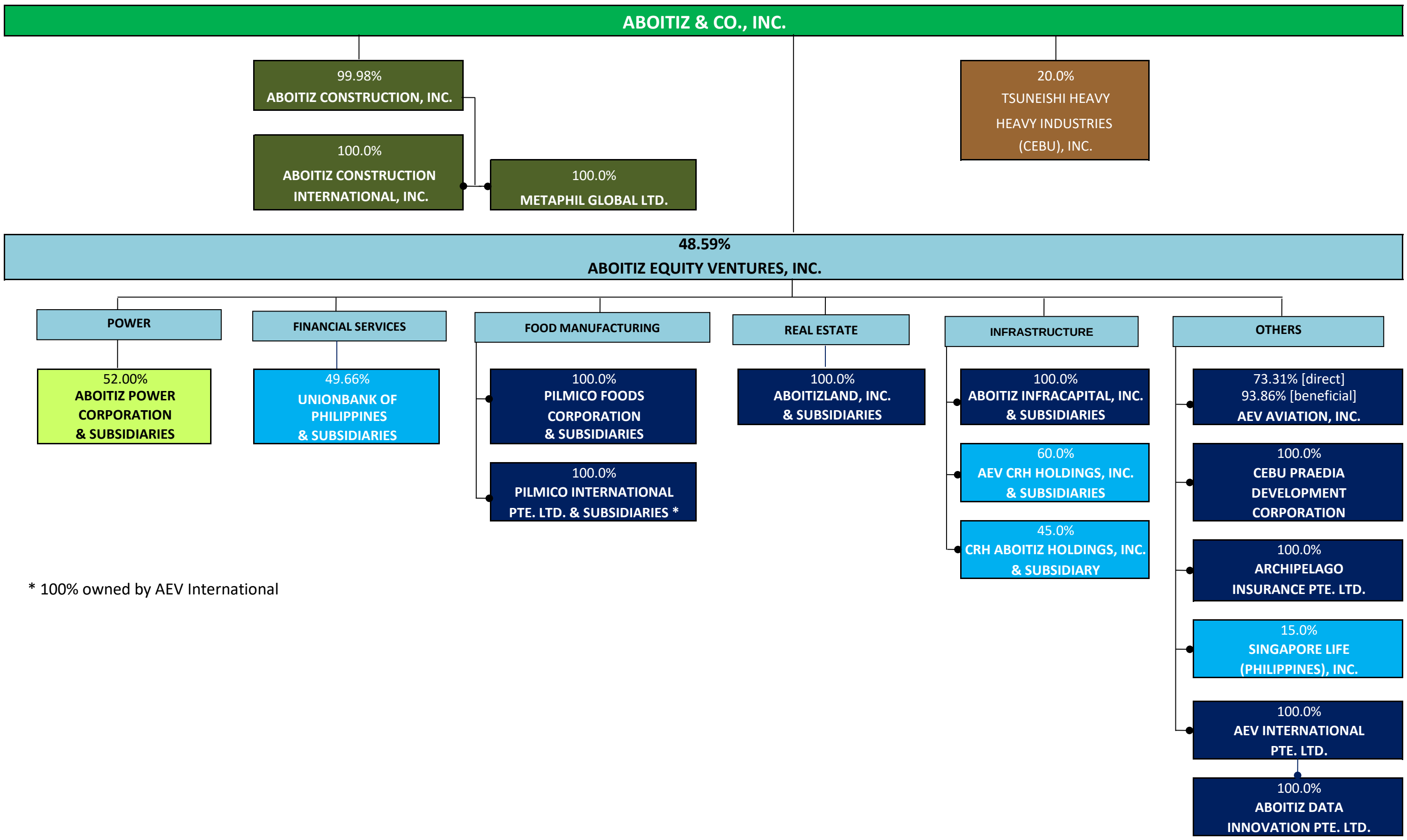
	Balances			Volume			
Related Party	**Trade**	**Non-trade**	**Total**	**Sales**	**Rental**	**Advances**	**Terms**
Parent Company	P-	P2,911	P2,911	P932,613	P-	P-	30 days
Aboitiz Renewables, Inc. and Subsidiaries	827,887	211	828,098	5,681,997	-	-	30 days
Cebu Private Power Corporation	24,741	-	24,741	850,818	-	-	30 days
Therma Power, Inc. and Subsidiaries	3,046,535	3,916	3,050,451	20,501,934	-	-	30 days
East Asia Utilities Corporation	23,775	-	23,775	380,377	-	-	30 days
Subic Enerzone Corporation	20,566	-	20,566	229,881	-	-	30 days
Mactan Enerzone Corporation	7,677	-	7,677	74,388	-	-	30 days
Lima Enerzone Corporation	45,759	-	45,759	544,021	-	-	30 days
Davao Light & Power Co., Inc.	-	-	-	9,051	-	-	30 days
Adventenergy, Inc.	-	-	-	34,693	-	-	30 days
Visayan Electric Co., Inc.	41,232	-	41,232	404,290	-	-	30 days
T O T A L	**P4,038,172**	**P7,038**	**P4,045,210**	**P29,644,063**	**P-**	**P-**	

Aboitiz Power Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2021
(Amount in Philippine Currency)

Unappropriated Retained Earnings, *beginning*		P19,033,264,586
Less:		
Reversal of appropriation for the year 2021		13,600,000,000
Net income based on face of audited financial statements	P9,213,076,110	
Less: Non-actual/unrealized income (net of tax)	-	
Add: Non-actual loss (net of tax)	-	
Net income actual/realized for the period		9,213,076,110
Less:		
Dividend declaration during the period		(6,254,813,661)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING		**P35,591,527,035**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2021

Legend:
- Reporting Company
- Parent Company
- Reporting Company
- Co-Subsidiary
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



* 100% owned by AEV International

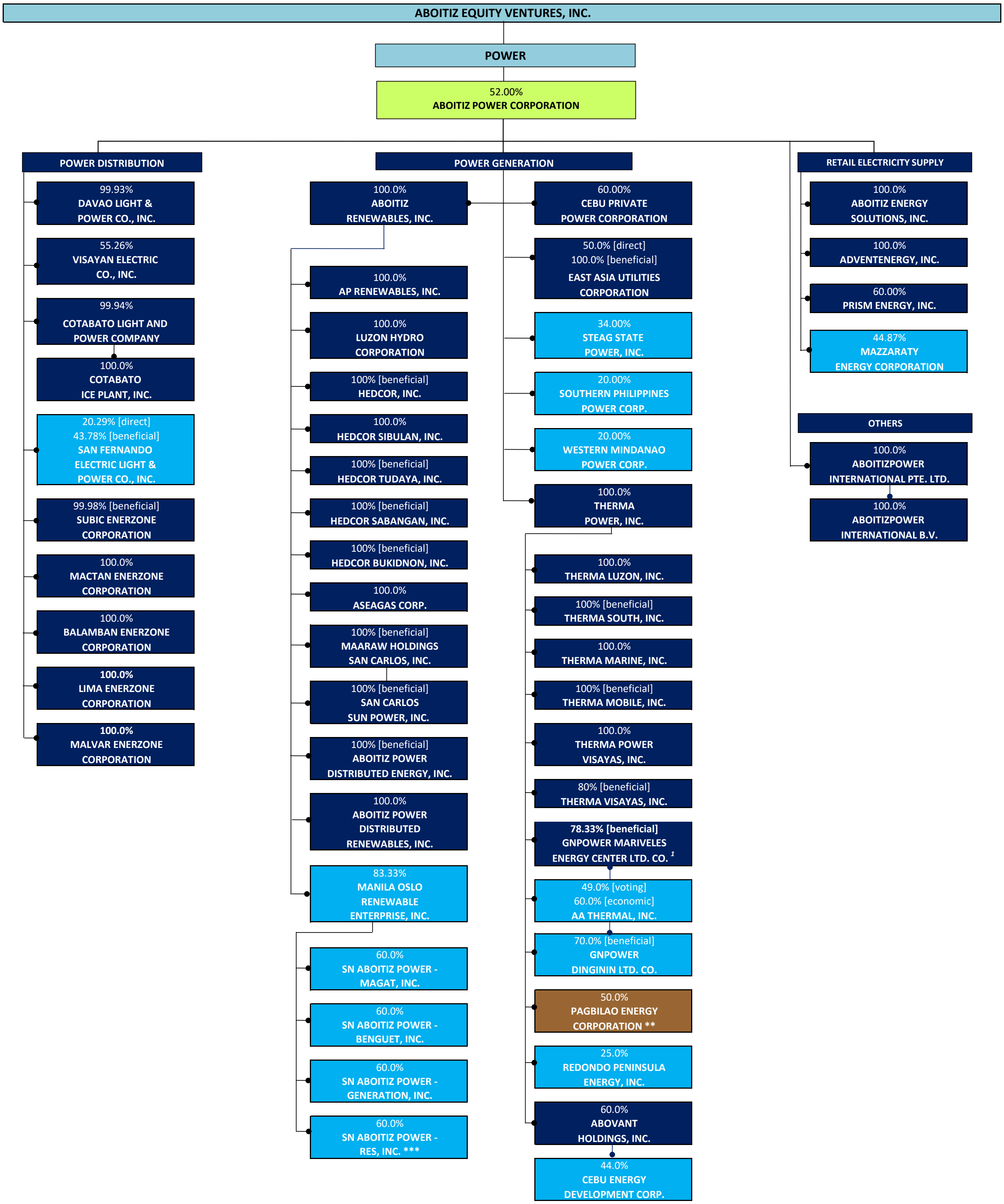
ABOITIZ EQUITY VENTURES, INC. - POWER

CONGLOMERATE MAPPING

As of December 31, 2021

Legend:

- Reporting Company
- Parent Company
- Subsidiary
- Associate or Joint Venture
- Other Related Parties



** Joint Operations

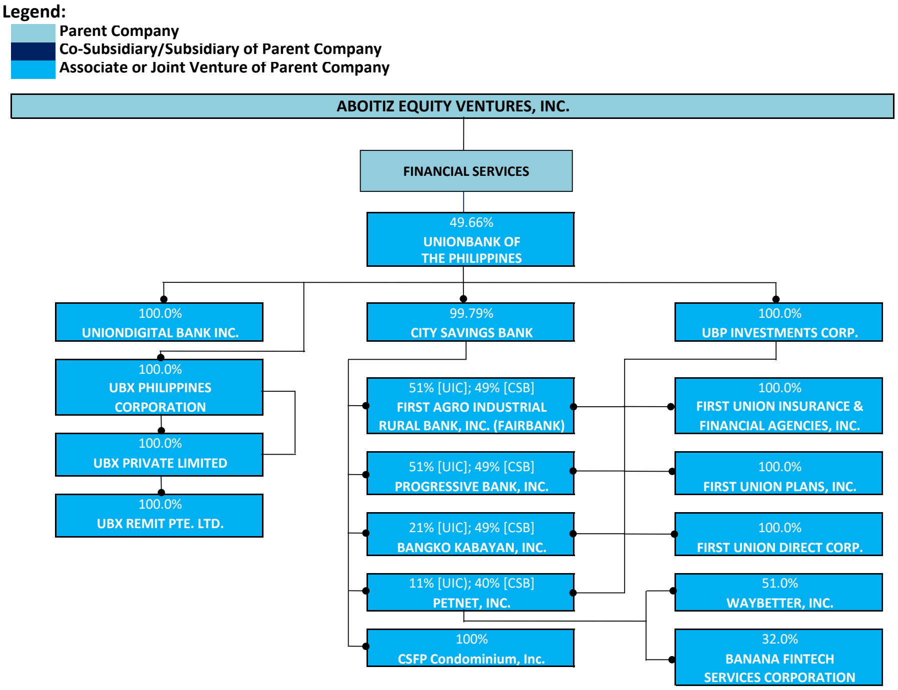
*** Engages in retail electricity supply business

1 Formerly, GNPower Mariveles Coal Plant Ltd. Co.

ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES

CONGLOMERATE MAPPING

As of December 31, 2021



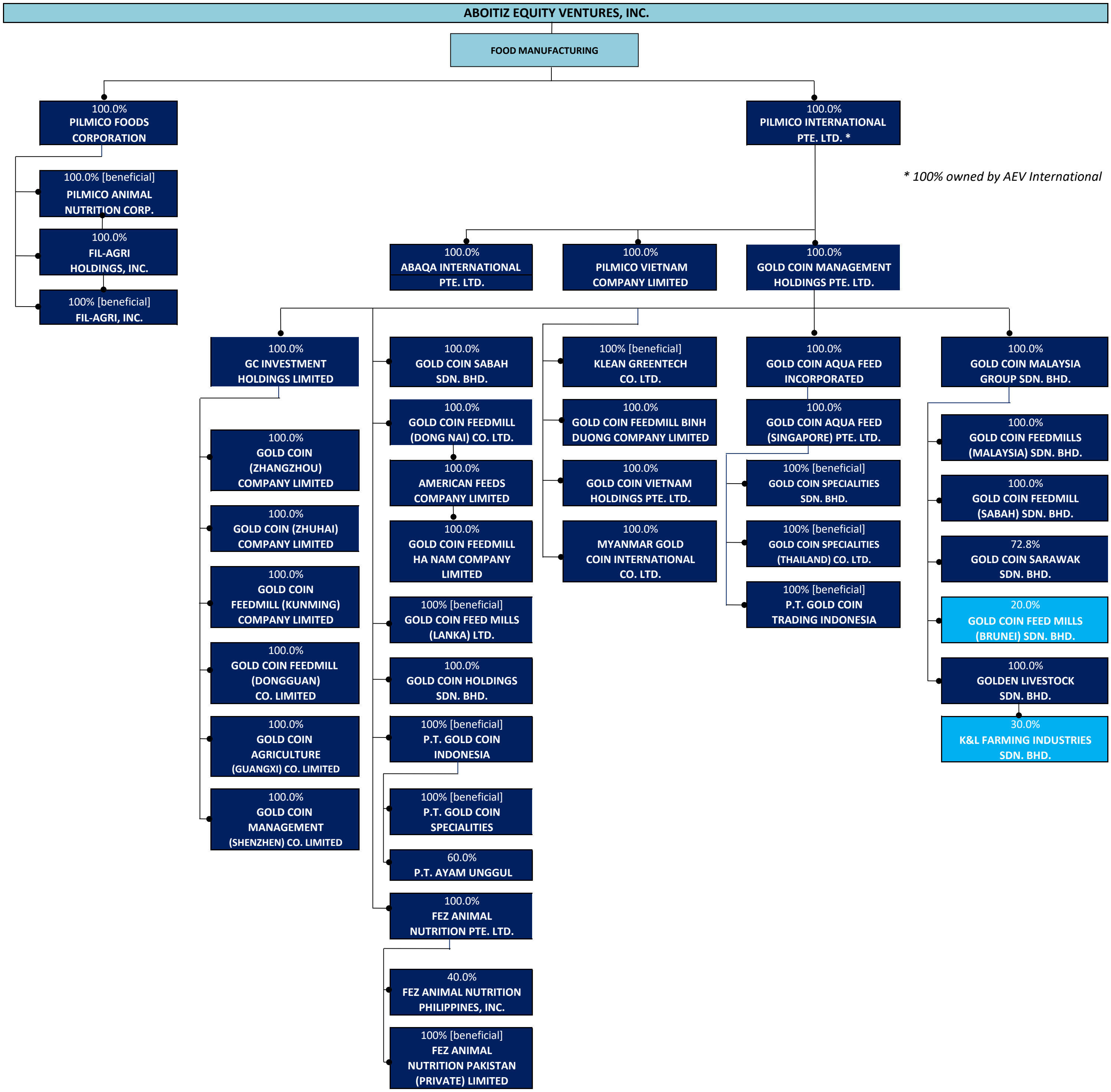
ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING

CONGLOMERATE MAPPING

As of December 31, 2021

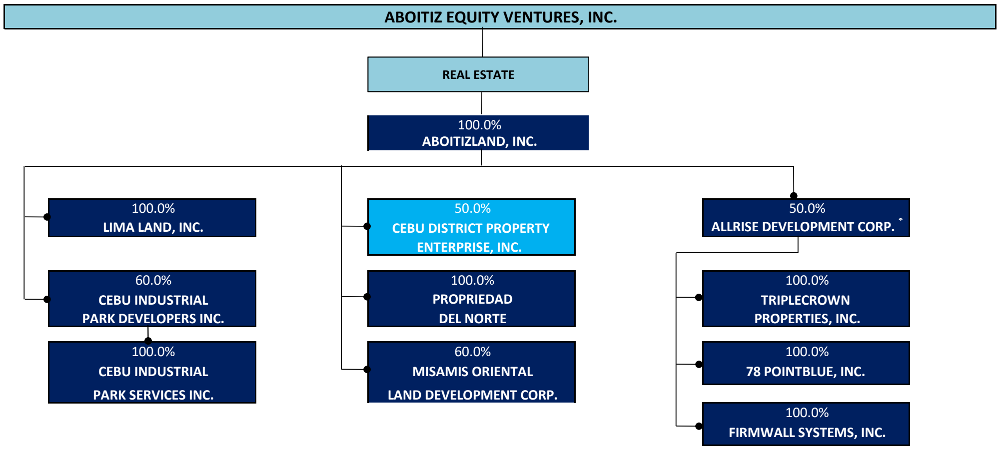
Legend:

- Parent Company
- Co-Subsidiary/Subsidiary of Parent Company
- Associate or Joint Venture of Parent Company



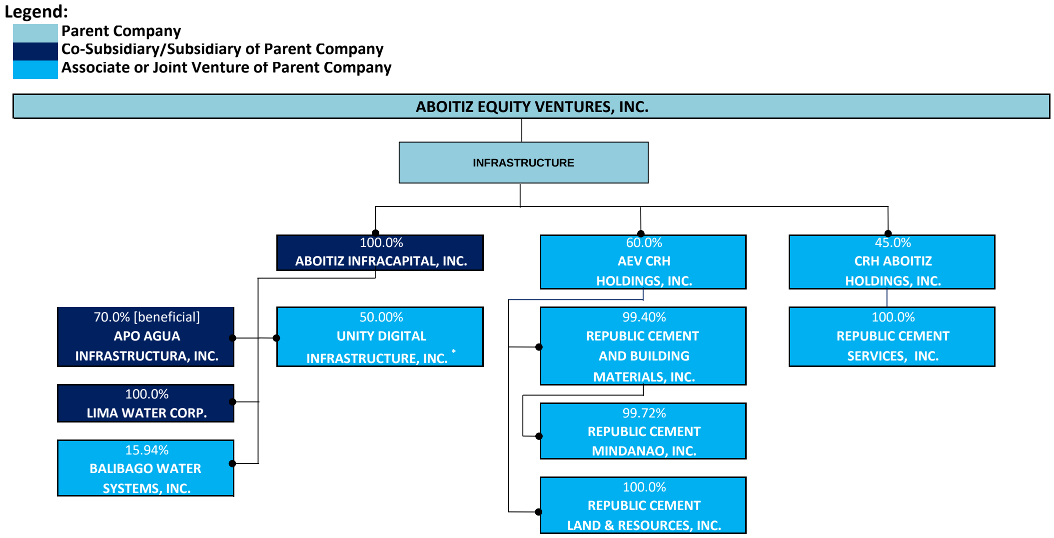
ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
As of December 31, 2021

Legend:
Parent Company
Co-Subsidiary/Subsidiary of Parent Company
Associate or Joint Venture of Parent Company



** Formerly, A2 Airport Partners, Inc.*

ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE
CONGLOMERATE MAPPING
As of December 31, 2021



** Formerly, Aboitiz Airports Advisory Services Corporation*

ABOITIZ POWER CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR

	FORMULA	2021	2020
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	**1.53**	1.38
Acid test ratio	Cash + Marketable securities + Accounts receivable + Other liquid assets / Current liabilities	**1.25**	1.08
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	**1.75**	1.96
Asset to equity ratio	Total assets / Total equity	**2.75**	2.96
Net debt to equity ratio	Debt - Cash & cash equivalents / Total equity	**1.11**	**1.37**
Gearing ratio	Debt - Cash & cash equivalents / Total equity + (Debt - Cash & cash equivalents)	**52.68%**	**57.80%**
Interest coverage ratio	EBIT / Interest expense	**2.86**	2.54
PROFITABILITY RATIOS			
Operating margin	Operating profit / Total revenues	**21.0%**	24.4%
Return on equity	Net income after tax / Total equity adjusted for cash dividends	**17.01%**	10.57%

ABOITIZ POWER CORPORATION AND SUBSIDIARIES

USE OF PROCEEDS

For the Year Ended December 31, 2021
(Amounts in Thousands)

Series “B" and "C" of the Thirty Billion Shelf Registration issued in 2021
As of December 31, 2021, the proceeds from the 2021 bonds were utilized for the following:

Name of Project	Projected Usage (Per Prospectus)	Actual Usage
Partially fund the equity contributions for the construction of the 74 MW Solar power plant in Pangasinan province	1,000,000	677,000
Refinancing of the 2020 Series E Bonds Maturing in 2022	9,000,000	-
Fund future renewable projects	1,839,849	-
Bond issuance costs	160,151	150,195
TOTAL	12,000,000	827,195

	Per Final Prospectus	Actual
Gross proceeds	12,000,000	12,000,000
Net proceeds	11,839,849	11,849,805

Balance of the proceeds as of December 31, 2021: ₱11,172,805