

Corporate governance

In leading the charge towards a sustainable future, we pursue continuous improvement of our corporate governance system. We ensure that evolving stakeholder interests, including the growing emphasis on sustainability, are fundamental considerations in our corporate oversight, strategy setting, risk management and decision processes, on top of compliance with laws, standards, and leading practices.

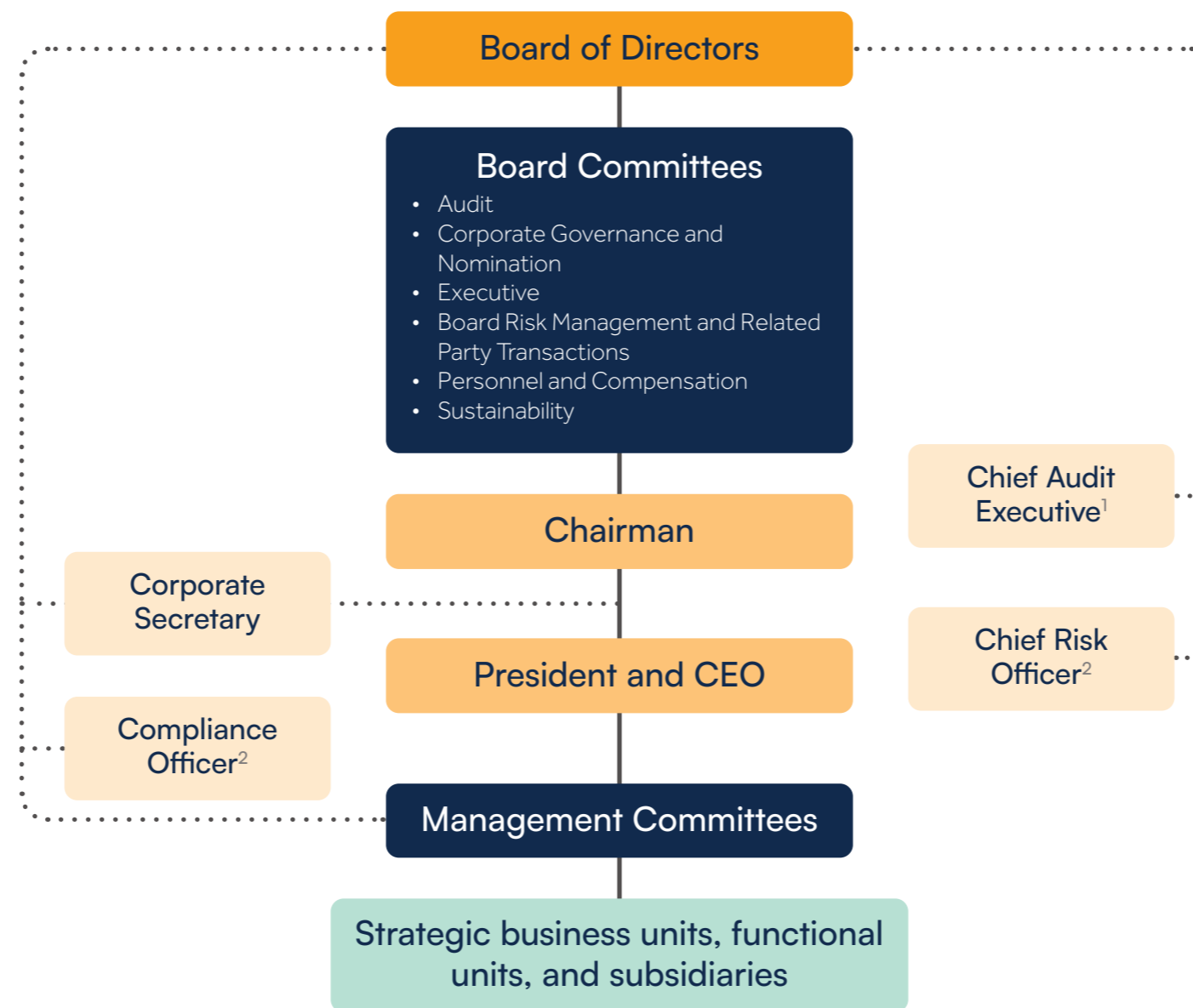
Governance provides the structure and processes through which the objectives of the organization are set, progress against performance is monitored, and results are evaluated. ACEN affirms that adherence to good corporate governance principles is essential to the achievement of its strategic goals.

The Company's Corporate Governance System builds on a clear organizational structure, guided by an active board and its Committees, visionary management, strong core values and adequate policies and controls.

The Company's governance framework constantly evolves to align with leading practices, address evolving stakeholder needs and expectations, and mitigate emerging risk areas, as ACEN grows into a truly regional energy player. Through continuously evaluating and improving our governance structures, systems, and procedures, we can ensure that proper and adequate controls are in place to guide the business.

ACEN complies with the Code of Corporate Governance for Publicly Listed Companies set forth by the Securities and Exchange Commission (SEC), supported by an attestation from the Company's Chief Executive Officer (CEO) and Chief Audit Executive (CAE) in 2022.

Corporate governance structure



1. Reports functionally to the Audit Committee of the Board
2. Reports functionally to the CEO

Board structure and process key roles and responsibilities

The board's roles and responsibilities as stated in its Charter include establishing the vision, strategies, and policies of the Company, and a system to monitor, evaluate and improve management's performance. Also, in exercising its powers and duties, the board always considers the best interest of the Company, its shareholders, and other stakeholders.

The board consistently reviews and ensures the adequacy of the Company's internal control mechanisms and risk management process for good governance, and the proper implementation of the Code of Conduct and Ethics. The board reviews and affirms the true and fair representation of the annual financial statements, as it did for the financial statements for fiscal year 2022.

Board composition

The board is comprised of qualified and dedicated directors with a diverse mix of expertise, experience, skills, and backgrounds to guide management in carrying out its responsibilities. The structure, size, and composition of the Board are reviewed and monitored by the Corporate Governance and Nomination (CGN) Committee.

There is also an appropriate mix of non-executive, independent, and executive directors from a wide variety of backgrounds:

2022 Board of Directors	Designation	Year appointed (no. of years in the Board)	Expertise
Delfin L. Lazaro	Non-Executive, Chairman	2022 (0.5)	General management and energy
Cezar P. Consing	Non-Executive, Vice-Chairman	2021 (2)	Banking and capital markets
John Eric T. Francia	Executive, President & CEO	2019 (4)	General management, strategy, energy, capital markets, and M&As
Jose Rene Gregory D. Almendras	Non-Executive	2019 (4)	General management, energy, banking, sustainability and regulatory
Jaime Alfonso E. Zobel de Ayala	Non-Executive	2022 (0.5)	Strategy, innovation and business development
Nicole Goh Phaik Khim	Non-Executive	2021 (2)	Finance, infrastructure and capital markets
Dean L. Travers	Non-Executive	2022 (0.75)	Energy, project development and corporate governance
Sherisa P. Nuesa	Non-Executive, Lead Independent	2019 (3.25)	General management, finance and accounting, utilities and real estate
Ma. Aurora Geotina-Garcia	Non-Executive, Independent	2019 (3.25)	Finance and accounting, and capital markets
Consuelo D. Garcia	Non-Executive, Independent	2019 (3.25)	Finance and accounting, banking and capital markets
Melinda L. Ocampo	Non-Executive, Independent	2019 (3.25)	Energy systems and regulatory

- Each director is elected by the shareholders annually and serves a term of one year.
- More than 90% of the Board (10 out of 11) is composed of non-executive and independent directors.
- None of the independent directors own more than 2% of the Company's outstanding capital stock.
- The profile of each director can be found in the board of directors section of this report on [pages 50-53](#).

We ensure independent minority representation in the board and the exercise by minority shareholders of their rights, including the right to cumulative voting in the election of directors and appraisal right.

Chairman and vice chairman

Delfin L. Lazaro, the Company's chairman, and Cezar P. Consing, vice chairman, assumed their respective positions on September 28, 2022. The positions of chairman of the Board and CEO are held by different persons. This enables the board to maintain independent reviews and quality discussions at meetings.

Role of the chairman and vice chairman

The chairman leads the board by promoting active engagement and open discussion among the directors. The chairman presides at all meetings of the board and of the stockholders, exercises the powers given to him in the By-Laws, and performs the duties enumerated under the Corporate Governance Code as well as such other responsibilities as the board may impose upon him. The chairman also guides senior management on its strategic actions on the business. In the absence of the chairman, the vice chairman succeeds the duties of the chairman.

Lead independent director

To promote good relationships and functions of the board, the Company re-appointed Sherisa P. Nuesa as its lead independent director at its organizational meeting on April 25, 2022.

Role of the lead independent director

When needed, the lead independent director acts as an intermediary between the chairman of the board and the other directors, convenes and leads the periodic meetings of the non-executive directors with the external auditor and heads of internal audit, compliance, and risk management, and contributes to the performance evaluation of the chairman of the board.

Non-executive and independent directors

As of December 31, 2022, more than 90% of the board membership is composed of non-executive and independent directors of which ten (10) are non-executive directors and of those, four (4) are independent. The independent directors do not have any interest or relationship with the Company that may hinder their independence, or which could reasonably be perceived to interfere with the exercise of their independent judgment while carrying out their responsibilities as directors.

A term limit of nine (9) years has been set by the Company for its independent directors (ID) in accordance with the rules laid out by the SEC. As of 2022, none of the Independent Directors have served the Company for more than nine (9) years, reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011. Furthermore, none of the directors have worked for ACEN's external auditing firm within the three (3) years immediately preceding the date of their election or appointment.

Role of the non-executive and independent directors (NEID)

The role of the NEID is, through an unbiased view of the business, to provide oversight, exercise independent judgment, ensure the continuing soundness, effectiveness and adequacy of the Company's control environment, and act in the best interest of the Company, the shareholders, and the stakeholders considering transparency, accountability, and fairness in all activities.

Board diversity policy

As mentioned in its Corporate Governance Manual, the Company is committed to having our board comprised of qualified and dedicated directors with a diverse mix of expertise, experience, skills, and backgrounds. Diversity includes business experience, age, gender, and ethnicity. Nominees shall be selected based on merit. With respect to gender, the board ensures appropriate representation of women in the board to the greatest extent possible.

Board performance

The board is devoted to carry out its duties and responsibilities and commits enough time for their meetings. The presence of at least two-thirds of the number of directors, as fixed in the Articles of Incorporation, constitutes a quorum for the transaction of business. The board held four (4) regular meetings, four (4) special meetings, and one (1) organizational meeting in 2022.

The annual calendar of activities for the board and committees is established and approved at the start of the year. The board is supported by the corporate secretary who monitors the board activities and ensures materials are available at least five (5) business days in advance of the scheduled meeting, allowing the board to make informed decisions.

Performance assessment

The board commits to a formal assessment process to review and evaluate the performance of the board committees, its individual members and the CEO. The purpose of the assessment is to measure the effectiveness of the Company's governance practices and identify areas for

improvement; and to adopt new methodologies towards further strengthening the Company's corporate governance standards. Once every three (3) years, the annual board performance assessment is conducted under the auspices of an independent consultant.

In 2020, Aon was appointed as the independent consultant to assist in the board assessment exercise. For the years 2021 and 2022, the board performance assessment was conducted internally.

Each of the directors was requested to complete a self-assessment form which includes board evaluation categories such as: (1) board composition, (2) roles and functions, (3) information management, (3) representation of shareholders and environment, social and governance (ESG) factors, (4) management of the Company's performance, (5) senior executive's performance management and succession planning, (6) director development and management, (7) risk management and internal control, and (8) overall perception.

The results of the self-assessment survey, including the comments of the directors, were compiled by the corporate secretary, and reported during the board meeting immediately following the completion of the survey.

Corporate secretary

In the discharge of his duties as the corporate secretary, Atty. Solomon M. Hermosura plays a significant role in supporting the board to fulfill its responsibilities. Among his responsibilities include assisting the chairman in preparing the board meeting agenda, maintaining board minutes and records, facilitating director trainings, and updating

directors with relevant statutory and regulatory changes. He is a well-regarded expert in the legal profession and is well-informed on relevant developments in the legal field through years of practicing corporate law in-house, teaching in law schools, and appearing as resource speaker in various public fora.

Training of directors

ACEN requires all its directors to attend at least a four (4)-hour annual continuing training program on corporate governance. All new directors must take at the minimum an eight (8)-hour orientation program on the company's strategy, business and structure, vision and mission, governance codes and policies, Articles, By-Laws, Corporate Governance Manual, Board and Committee Charters, SEC-mandated topics on governance and other subjects needed in the performance of their duties and responsibilities. In 2022, all directors complied with this policy.

To remain relevant in a global environment with increasing competitiveness, Ayala facilitates an annual group-wide Corporate Governance and Risk Management Summit which has been held since 2014. Counted as an SEC-accredited training in coordination with the Institute of Corporate Directors, the summit serves as a continuing education program for the board, CEOs, and senior management, and at the same time promotes the importance of strengthening our corporate governance structures. On October 18, 2022, the group held its virtual Integrated Corporate Governance, Risk Management and Sustainability Summit with the theme, "Mindset Shifts Through a Sustainable Future," wherein thought leaders and experts shared insights on the mindset shifts necessary for the board and Company leaders of

the group. The Summit focused on climate governance, steward leadership, social inequity, and emerging corporate reporting standards.

On August 12, 2022, ACEN facilitated a Net Zero and ESG capability building workshop for the Company's senior management team and select board members. This workshop helped establish ACEN's sustainability principles to be cascaded by ACEN's leadership to the rest of the organization.

Director compensation

Total director remuneration and any changes thereto are recommended by the Personnel and Compensation Committee to the board and are approved by the stockholders during the annual stockholders' meeting to ensure these are consistent with the Company's culture, strategy, and control environment, and are aligned with the long-term interests of the Company and its stakeholders.

Directors' remuneration

The power to fix directors' fees was delegated by the shareholders to the board as provided for in the Amended By-Laws.

On April 25, 2022, in compliance with Section 29 of the Revised Corporation Code, the shareholders approved the proposed remuneration for non-executive and non-independent directors, as endorsed by the CGN Committee, at ₱200,000 per board meeting attended, and ₱100,000 per committee meeting attended, and an annual retainer fee of ₱1,000,000 for each director, ₱1,500,000 for the Chair of the Audit Committee, and ₱2,000,000 for the Chairman of the Board. Executive directors do not receive attendance fees.

In 2022, the non-executive directors received gross remuneration as follows:

Director	Total Net Amount (in ₱)
Delfin L. Lazaro	360,000
Cezar P. Consing	2,674,000
Jose Rene Gregory D. Almendras	1,980,000
Jaime Alfonso E. Zobel de Ayala	340,000
Nicole Goh Phaik Khim	3,132,000
Dean L. Travers	2,160,000
Consuelo D. Garcia	3,798,000
Ma. Aurora D. Geotina-Garcia	3,276,000
Sherisa P. Nuesa	3,816,000
Melinda L. Ocampo	3,438,000
Fernando M. Zobel de Ayala ¹	1,667,397
Jaime Augusto M. Zobel de Ayala ²	2,160,000

1. Resigned as director of the Company effective September 12, 2022
 2. Resigned as director of the Company effective September 28, 2022

None of the IDs receive compensation from ACEN for services other than those provided as a director. They are not entitled to stock options and performance bonuses from the Company. Executive directors do not receive attendance fees.

Board committees

The board committees assist the board in the discharge of its functions, aid in good governance, and are governed by their Charters as duly approved by the board in terms of their rights and responsibilities.

Executive Committee

The Executive Committee acts on such specific matters within the competence of the board as may from time to time be delegated to it in accordance with the By-Laws. The committee is composed of not less than three (3) but not more than five (5) members and designates among the members of the committee a chairman and a vice chairman.

The committee deliberated, reviewed, and approved the following in 2022:

1. Purchase by the Company of 500 million shares in Solar Philippines Nueva Ecija Corporation from Solar Philippines Power Project Holdings, Inc.;
2. The Company's vision and strategy of achieving 20 GW renewable energy capacity by 2030;
3. The Company's establishment of an up to ₱30 billion debt securities program and related engagements; and

The Company's use of the PDS Group's e-Securities Issue Portal in the Company's capacity as Issuer with respect to the up to ₱10 billion ASEAN Green fixed rate 5-year bonds.

The Executive Committee had three (3) meetings in 2022.

Corporate Governance and Nomination Committee

The CGN Committee has three (3) independent directors, including the chairperson. The committee ensures that good corporate governance principles and practices are complied with by the Company. This includes the adoption of a board process in the nomination, election, or replacement of board members and the review of the succession plans for members of the board and senior executives. The board composition is reviewed regularly to allow the board to exercise effective decision-making powers and meet the needs of the Company.

The committee's accomplishments in 2022 include:

1. Received the nominees for directors of the Company, evaluated their qualifications, and endorsed qualified nominees for nomination to the board for the year 2022;
2. Received the nominees for various officers of the Company, evaluated their qualifications, and endorsed qualified nominees for nomination to the board throughout the year 2022;
3. Reviewed the Integrated Annual Corporate Governance Report for submission to the SEC;
4. Reviewed and approved the Company's Succession Policy; and
5. Reviewed and approved amendments to the Company's Insider Trading Policy, for endorsement to the board.

The committee had nine (9) meetings in 2022, during which the chairperson and members were all present.

The attendance of the members at the meetings of the committee held in 2022 is as follows:

	19 Jan 2022	4 Mar 2022	19 Apr 2022	3 May 2022	24 May 2022	2 Aug 2022	26 Sep 2022	3 Nov 2022	15 Dec 2022
Consuelo D. Garcia (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Melinda L. Ocampo	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sherisa P. Nuesa	✓	✓	✓	✓	✓	✓	✓	✓	✓

Board and Board Committee membership stockholders, Board, Board Committee meetings, and Directors' attendance

For the year ended December 31, 2022

As of December 31, 2022, the board committees and their members were as follows:

	Audit Committee	Board Risk Management and Related Party Transactions Committee	Corporate Governance and Nomination Committee	Executive Committee	Personnel and Compensation Committee	Sustainability Committee
1. Delfin L. Lazaro				C		
2. John Eric T. Francia				M		
3. Jaime Alfonso E. Zobel de Ayala				M		
4. Cezar P. Consing				M	M	C
5. Nicole Goh Phaik Khim	M	M				
6. Ma. Aurora Geotina-Garcia (Independent)	C					
7. Consuelo D. Garcia (Independent)	M		C		C	
8. Sherisa P. Nuesa (Independent)		C	M	M	M	
9. Melinda L. Ocampo (Independent)		M	M			M

C - Committee Chairperson
M - Committee Member

The attendance of the directors at the meetings of the board and of stockholders held in 2022 is as follows

Directors	21 Jan 2022 Special	8 Mar 2022 Regular	25 Apr 2022 ASM	25 Apr 2022 Organizational	12 May 2022 Regular	3 Jun 2022 Special	25 Jul 2022 Regular	5 Aug 2022 Regular	28 Sep 2022 Special	10 Nov 2022 Regular	No. of Meetings Present	Percent Present
Fernando M. Zobel de Ayala ¹	✓	✓	✓	✓	✓	✓	✓	✓			8/8	100%
Jaime Augusto M. Zobel de Ayala ²	✓	✓	✓	✓	✓	✓	✓	✓			8/8	100%
John Eric T. Francia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%
Delfin L. Lazaro ³									✓	✓	2/2	100%
Jose Rene Gregory G. Almendras	✓	✓	✓	✓	✓	x	✓	x	✓	✓	8/10	80%
Cezar P. Consing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%
Jaime Alfonso E. Zobel de Ayala ⁴									✓	✓	2/2	100%
John Philip S. Orbeta ⁵	✓	✓	✓								3/3	100%
Nicole Goh Phaik Khim	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%
Dean L. Travers ⁶				✓	✓	✓	✓	✓	✓	✓	7/7	100%
Ma. Aurora Geotina-Garcia (Independent)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%
Consuelo D. Garcia (Independent)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%
Sherisa P. Nuesa (Independent)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%
Melinda L. Ocampo (Independent)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10	100%

1. Mr. Fernando Zobel de Ayala resigned as director of the Company effective September 12, 2022.
2. Mr. Jaime Augusto Zobel de Ayala resigned as director of the Company effective September 28, 2022.
3. Mr. Lazaro was elected as director and Chairman of the Company to replace Mr. Fernando Zobel de Ayala effective September 28, 2022.
4. Mr. Jaime Alfonso Zobel de Ayala was elected as director of the Company to replace Mr. Jaime Augusto Zobel de Ayala effective September 28, 2022.
5. Mr. Orbeta's term as director expired on April 25, 2022.
6. Mr. Travers was elected as director of the Company to replace Mr. Orbeta on April 25, 2022.

Audit Committee

The Audit Committee is composed of three (3) directors, two (2) of whom are independent, including the chairperson. All of its members have extensive background and expertise in accounting, and one member is an expert in the power industry. The committee assists the board by overseeing matters relating to the financial statements and financial reporting process, external and internal auditors, internal control, and compliance with applicable legal and regulatory requirements.

During the year, the committee reviewed the Company's parent and consolidated financial statements, and the work performed by both

internal and external auditors through reports provided. Based on the assurance provided by the auditors from their reviews, the committee assessed the Company's systems of internal controls, compliance, and governance processes as adequate. Please refer to the annual report of the committee to the board on the discharge of their duties and responsibilities on [pages 55-56](#).

The committee had four (4) regular meetings, one (1) executive session and one (1) joint meeting with the Board Risk Management and Related Party Transactions Committee in 2022, during which the chairperson and members were all present.

The attendance of the members at the meetings of the committee held in 2022 is as follows:

	24 Feb 2022	5 May 2022	4 Aug 2022	3 Nov 2022	4 Nov 2022	29 Nov 2022
Ma. Aurora Geotina-Garcia (Chairperson)	✓	✓	✓	✓	✓	✓
Consuelo D. Garcia	✓	✓	✓	✓	✓	✓
Nicole Goh Phaik Khim	✓	✓	✓	✓	✓	✓

Board Risk Management and Related Party Transactions Committee

The Board Risk Management and RPT (BRMRPT) Committee is a board-level committee with two (2) of its three (3) members being independent directors, including the chairperson, and the remaining member a non-executive director nominated by a significant minority shareholder. The committee is responsible for the oversight of the Company's enterprise risk management system and for the review of all material related party transactions of the Company.

The committee's accomplishments in 2022 are as follows:

1. Reviewed and approved the Energy Transition Financing Plan for South Luzon Thermal Energy Corporation ("SLTEC"), for endorsement to the board;
2. Reviewed and approved the amendments to the Administration and Management Agreement between the Company and SLTEC, for endorsement to the board;
3. Reviewed and approved the Company's extension of a corporate guarantee in favor of ENEX Energy Corp. ("ENEX"), for endorsement to the board;
4. Reviewed and approved the engagement of BPI Capital Corporation as one (1) of the Issue Managers and Joint Lead Underwriters and Bookrunners for the Company's proposed peso bond offering, for endorsement to the board;
5. Reviewed and approved the sale of the Company's shares in SLTEC to ETM Philippines Holdings, Inc. ("EPHI"), for endorsement to the board;
6. Reviewed and approved the Company's extension of a bridge loan to EPHI of up to ₱2.6 billion to fund EPHI's subscription to redeemable preferred shares in SLTEC, for endorsement to the board;
7. Reviewed and approved the short-term loan to be extended by ACE Endeavor, Inc. ("Endeavor") of ₱100 million in favor of Ingrid Power Holdings, Inc. ("Ingrid Power"), for endorsement to the board of Endeavor;
8. Reviewed and approved the Company's Enterprise Risk Management Policy, for endorsement to the board;
9. Reviewed and approved the Company's renewal of its up to ₱150 million loan in favor of ENEX, for endorsement to the board; and
10. Reviewed and approved the Company's extension of an up to ₱1.25 billion loan to Ingrid Power, for endorsement to the board.

The committee had seven (7) meetings in 2022, during which the chairperson and members were all present.

The attendance of the members at the meetings of the Committee held in 2022 is as follows:

	18 Jan 2022	14 Mar 2022	18 Apr 2022	29 Jun 2022	22 Jul 2022	1 Aug 2022	4 Nov 2022
Sherisa P. Nuesa (Chairperson)	✓	✓	✓	✓	✓	✓	✓
Nicole Goh Phaik Khim	✓	✓	✓	✓	✓	✓	✓
Melinda L. Ocampo	✓	✓	✓	✓	✓	✓	✓

Personnel and Compensation Committee

The Personnel and Compensation Committee has three (3) members, two (2) of whom are independent directors, including the committee chairperson, and the remaining member, a non-executive director. The committee's role is to establish a transparent policy and procedure for the fixing of the remuneration packages of corporate officers and directors. The committee ascertains that compensation is aligned with the Company's culture, strategy, and control environment and competitive against the market, and ensures that it is reasonable for the work required, the Company's size, and scope.

The committee had six (6) meetings in 2022, during which the chairperson and all members were present.

	7 Mar 2022	31 Mar 2022	20 May 2022	31 Aug 2022	7 Nov 2022	19 Dec 2022
Consuelo D. Garcia (Chairperson)	✓	✓	✓	✓	✓	✓
Sherisa P. Nuesa	✓	✓	✓	✓	✓	✓
Cezar P. Consing	✓	✓	✓	✓	✓	✓

Sustainability Committee

As a testament to its commitment to the environment and the communities it serves, ACEN established the Sustainability Committee in November 2021.

The Sustainability Committee has three (3) members, two (2) of whom must be members of the board including the chairperson and one (1) of whom must be an independent director. The committee's role is to ensure the Company's compliance with sustainable development. The committee is responsible for monitoring the Company's progress towards meeting the Company's sustainability objectives and determines strategic sustainability objectives and performance indicators as part of the Company's overall corporate strategy.

The committee's accomplishments in 2022 are as follows:

1. Reviewed and approved the increase in the non-executive directors' compensation for endorsement to the board;
2. Reviewed and approved Company salary adjustments for 2022 for endorsement to the board;
3. Reviewed and approved the Company's succession policy for endorsement to the board;
4. Reviewed and approved the Company's long-term incentive plan (LTIP) for endorsement to the board; and
5. Reviewed and approved the Company's multi-employer plan for endorsement to the board.

The committee held one (1) meeting in 2022, during which the chairperson and all members were present.

The committee's accomplishments in 2022 include the approval of the committee's Charter and the review of the Company's ESG accomplishments versus its internal targets.

	11 Mar 2022
Cezar P. Consing (Chairperson)	✓
Melinda L. Ocampo	✓
Jaime Z. Urquijo	✓

Management roles and responsibilities

Management is primarily responsible for the execution of the board-approved strategies and monitoring of performance. Management also designs and implements adequate and effective system of internal controls and risk management processes to ensure achievement of objectives while maintaining compliance with laws, rules, and regulations.

To facilitate the flow of strategic and operational information among the internal decision-makers, the Company has created specific management committees for operations management, investments, finance, organizational development, and compensation and benefits. These committees are composed of key executives who meet regularly to discuss significant matters relevant to the achievement of targets and continuous growth of the Company. Initiatives which are reviewed and endorsed by the management committees are discussed with the corresponding board committees for approval and endorsement to the board of directors for ratification.

Performance assessment and compensation

The performance management system drives the compensation and incentive plans of senior executives, and is meant to align employees' individual goals with the organization's goals and strategies.

Management compensation is typically broken down into three components: (1) Base compensation; (2) Variable compensation based on annual targets or key result areas (KRAs); and (3) a Long-term Incentive Plan, which is typically vested over a three-year period and is linked to long-term objectives.

The performance of the Company's senior executives, including the CEO, are rated based on their respective KRAs. These KRAs cover various aspects of the business, covering a wide array of performance areas, including Financial, Operations, Development and Pipeline, Organization, and Risk Management and ESG.

Executives receive annual bonuses based on company results, business unit or team performance and individual achievements of performance goals/ KRAs. Performance ratings are similarly taken into consideration in determining any salary adjustments.

ACEN's Employee Stock Ownership (ESOWN) program serves as a long-term incentive program for qualified executives and managerial employees. The award range is a percentage of the grantee's annual gross compensation, by the Personnel and Compensation Committee and the board. Potential awards are based on employee performance, company performance, and share price.

Strategy planning and execution

ACEN utilizes an inclusive and iterative approach in crafting and executing a long-term strategic plan. It ensures that risks are managed appropriately using a risk management process as these plans are finalized.

Strategy formulation generally involves establishing the purpose and scope of the organization's activities, defining its business model, and setting long term goals, considering the risks and opportunities it faces and the environment in which it operates. To [read more](#) about how ACEN identifies and manages risk, go to [page 44](#).

Building a climate resilient strategy

ACEN aligns itself with the United Nations Framework Convention on Climate Change and the Paris Agreement on reducing global carbon emissions to limit global temperature increase to well below 2°C. Consistent with the Ayala group's commitment to the UN Sustainable Development Goals, ACEN is additionally focused on protecting the wider environment and creating value for the communities it serves. In Q1 2021, ACEN signed up as a supporter of the Task Force for Climate-related Financial Disclosures (TCFD). To [read more](#) about our TCFD Report, go to [page 45](#).

Risk management

Risk management is core to ACEN's strategy setting process. Key risks that could affect the achievement of the Company's goals are considered in strategy setting, and mitigation plans for key risk areas are included in the key result areas for the relevant business units.

The past few years have been very volatile, because of the pandemic, the global thrust towards energy transition, supply chain challenges, and recently the Ukraine crisis. As such, ACEN conducts semi-annual planning sessions to review company performance, revisit targets, and recalibrate strategies as needed, depending on new and emerging risks and opportunities identified.

The risk management process is driven by the chief risk officer, who leads the implementation of the Enterprise Risk Management process. ACEN is also represented at the ERM council led by Ayala's Risk Management unit. ACEN seeks to continuously improve its risk management process by adopting processes and strategies in line with Ayala's best practices.

ACEN is strengthening its approach to risk management through research and by consulting with risk management experts, including on improved disclosures over management of material climate risks. The recent adoption of the TCFD framework also initiated management discussions on the identification of key climate risks and opportunities affecting ACEN's projects and the organization as a whole.

Learn more about how we indentify and manage risk on [page 44](#).

Internal governance mechanisms

Accountability and audit

External auditors

On April 25, 2022, the stockholders, upon recommendation of the Audit Committee and endorsement by the board of directors, approved the re-appointment of Sycip Gorres Velayo and Co. (SGV & Co.) as the independent external auditor of ACEN. The lead engagement partner of SGV & Co. is Mr. Benjamin N. Villacorte, an SEC-accredited audit partner.

The responsibilities of SGV & Co. include providing an opinion on the conformity of the Company's parent and consolidated financial statements with Philippine Financial Reporting Standards and assessing the quality of the Company's financial reporting process.

SGV & Co.'s overall plan, which includes the objectives, scope and timing of the audit, was reviewed and approved by the Audit Committee on its August 4, 2022 meeting. To ensure that the external auditor maintains the highest level of independence from the Company, both in fact

and appearance, the Audit Committee had pre-approved all audit, audit-related, and permitted non-audit services rendered by the external auditor.

The total external auditors' fees of SGV & Co. in 2022 and 2021 amounted to ₱9.89 million and ₱13.65 million respectively, exclusive of VAT and out-of-pocket expenses. The Audit Committee reviewed the nature of these non-audit services and concluded that these are not in conflict with SGV & Co.'s function as the Company's external auditor, both in relation to their significance to the audit and the Company's total expenditure on consultancy.

External Auditor fees	Amount in million pesos	
	2022	2021
Audit and audit-related fees	9.65	13.60
Non-audit fees	0.24	0.058
Grand total	9.89	13.65

The audit and audit-related fees include the audit of ACEN's annual financial statements, quarterly reviews and other assurance services related to performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements. Non-audit fees pertains to the transfer pricing study and the validation of results of the annual and stockholders' meetings in 2022.

The audit results were presented to the Audit Committee during its February 27, 2023 meeting. There were no disagreements between the management and SGV & Co. on any matters of accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

Internal auditors

Internal Audit, headed by the chief audit executive (CAE), Michael E. Limbo¹, maintains organizational

independence by functionally reporting to the Audit Committee and administratively to the Group Chief Financial Officer. The Audit Committee is responsible for advising the board of directors regarding the qualifications and recruitment, appointment, and removal of the CAE and evaluating Internal Audit's performance at least annually.

The audit team is composed of professionals, certified as follows: certified public accountants, certified internal auditors, and certified lead auditors in ISO 9001, ISO 45001, ISO 14000, and ISO 27001. All the internal auditors are members of The Institute of Internal Auditors-Philippines and adopt the International Professional Practices Framework promulgated by The Institute of Internal Auditors, Inc.

The activities of Internal Audit are governed by a separate Internal Audit Charter approved by the Audit Committee. Internal Audit adopts a risk-based approach in developing its annual work plan, subject to the review and approval of the committee. The committee likewise ensures that audit resources are appropriate, sufficient, and effectively allocated to accomplish the approved plan.

Quarterly, Internal Audit presents to the Audit Committee the results of its reviews as well as the status of management's corrective action plans to address control or compliance issues.

For the year 2022, the Internal Audit attests that ACEN's system of internal controls, risk management, compliance, and governance processes are designed adequately and continue to operate effectively.

1. Note that Mr. Michael E. Limbo has tendered his resignation as Chief Audit Executive of the Company effective 30 March 2023 for personal reasons. The Board of Directors will elect his replacement as Chief Audit Executive in due course.

Compliance officer

As ACEN's compliance officer, Ms. Maria Corazon G. Dizon:

- ensures proper onboarding of new directors (i.e., orientation on the Corporation's business, Charter, Articles of Incorporation and By-Laws, among others);
- monitors, reviews, evaluates and ensures the compliance by the Company as well as its officers and directors with the relevant laws, the Corporate Governance Code for PLCs rules and regulations, and all governance issuances of regulatory agencies;
- ensures the integrity and accuracy of all documentary submissions to regulators, among others;
- identifies and manages compliance risks;
- ensures that the Company adheres to sound corporate governance and best practices;
- issues an Integrated Annual Corporate Governance Report that is duly signed under oath by the chairman, chief executive officer or president, all independent directors, the compliance officer, and the corporate secretary;
- strives to conduct a yearly performance assessment of the board, board committees, and individual members of the board using a formal self-rating system; and
- performs such other duties and responsibilities as may be provided by the SEC.

Disclosure and transparency

In line with the Company's policies on disclosure and transparency and the disclosure requirements of the SEC and The Philippine Stock Exchange ("PSE"), all material and market-sensitive information about the Company as well as other relevant information were publicly and timely disclosed to the investing public, stakeholders, and other interested users through media and analysts' briefings or other means. Such information includes key results of operations, execution of contracts, declaration of dividends and investment, among others.

The board of directors has a responsibility to the shareholders to ensure the integrity of the Company's consolidated financial statements and non-financial information disclosed in the Integrated Report. The financial statements comply with the Philippine Financial Reporting Standards, with significant accounting judgments and estimates disclosed.

In dealing with RPTs, the board of directors, with the assistance of the BRMRPT Committee composed of majority independent directors, reviews and approves the material RPTs of the Company in accordance with the RPT policy, ensuring that the transactions are at arm's length, fair, and inure to the best interest of the Company and its subsidiaries or affiliates and the shareholders. Based on the policy, the related party or any of its subsidiaries or affiliates, shall disclose any material RPT to the BRMRPT Committee for review and approval prior to entering the transaction, unless covered under any of the exceptions under the policy.

Furthermore, there were no cases of non-compliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three (3) years. A summary of the material RPTs of the Company is presented in the Notes to the Consolidated Financial Statements under Related Party Transactions.

Ownership structure

As of December 31, 2022, 37.0987% of ACEN's outstanding common shares were held by PCD Nominee Corporation (PCD). AC Energy and Infrastructure Corporation's indirect ownership of 1,861,000,000 shares (as of December 31, 2022) are lodged with the PCD.

2022 disclosures

In 2022, the Company filed, among others, unstructured disclosures involving the following:

Unstructured disclosures

- Appointment of directors and officers
- Notice and agenda of the 2022 Annual Stockholders' Meeting
- Results of 2022 Annual Stockholders' Meeting and Organizational Board of Directors' Meeting
- Acquisition and sale of Company shares by the directors, officers, and 10% owners
- Press releases
- Notice of analyst and investor briefings
- Matters taken up at board meetings
- Signing of subscription agreements with subsidiaries that are special purpose vehicles for development projects used by the AC Energy group
- Declaration of cash dividends of six centavos (₱0.06) per share on the 38,315,838,177 issued and outstanding shares of the Company
- Signing of Asset Purchase Agreement in connection with the sale of Power Barge 101 to MORE Power Barge, Inc.
- Change in the Company's business address
- Acquisition by the Company of the effective ownership interest of UPC Renewables Asia Pacific Holdings Pte. Ltd. and Mr. Rohner in UPC-AC Renewables Australia.
- Acquisition by the Company of the ownership interest of UPC Philippines Wind Investment Co. BV and Stella Marie L. Sutton in their Philippine renewable energy companies and businesses
- Acquisition by the Company of shares in Nature Renewable Energy Dev't Corporation (NAREDCO)
- Approval of joint venture with Clean Tech Global Renewables, Inc.
- The Company's signing of Amended and Restated Omnibus Loan and Security Agreement, Administration and Management Agreement, and Operations and Maintenance Agreement with SLTEC
- Acquisition of shares through Employee Stock Ownership Plan (ESOWN)
- The Company's partnership with the Puri Usaha group to invest in Suryagen, a renewable energy developer in Indonesia
- New South Wales' support of battery energy storage development for ACEN Australia's New England Solar Farm
- Executive Committee approval of the Company's peso-denominated ASEAN Green Fixed Rate 5-year Bond
- Amendments to the Company's Articles of Incorporation approved by the SEC on July 20, 2022
- Amendments to the Company's By-Laws approved by the SEC on July 20, 2022
- Change in corporate name of the Company from AC Energy Corporation to ACEN CORPORATION
- Approval of the final tranche of the Company's energy transition financing
- 2030 vision to achieve 20 GW of attributable renewables capacity
- Partial redemption by SLTEC of SLTEC Preferred Shares owned by the Company
- Execution of the Option Agreements between the Company, The Insular Life Assurance Company Ltd., and ETM Philippines Holdings Inc. ("EPHI") to implement the energy transition mechanism for SLTEC
- Board approval of Power Purchase and Supply Agreement with GNPower Dinginin Ltd. Co.
- Execution of Option Agreements between the Company and Government Service Insurance System and between the Company and EPHI to implement the energy transition mechanism for SLTEC
- Sale of SLTEC Common Shares owned by ACEN CORPORATION
- Change in stock transfer agent to Stock Transfer Services, Inc. effective February 1, 2023
- Execution of a Share Purchase Agreement among the Company, Sungrow Power Renewables Corp., and Havilah AAA Holdings Corp.
- Acquisition of shares in Sinocalan Solar Power Corp.

Clarification of news articles

- **SEC approves ACEN's ₱30-billion green bond issue** (September 8, 2022, BusinessWorld Online Edition)
- **ACEN boosts RE portfolio with ₱17-B project** (July 8, 2022, Inquirer Online Edition)
- **ACEN sets ₱900-B capital for massive RE pipeline** (April 26, 2022, Manila Bulletin Online Edition)

Financial and non-financial reports

The board ensures the integrity of the Company's consolidated financial statements and non-financial information as disclosed in the Company's Integrated Report. The financial statements including significant judgments and estimates disclosed thereto comply with the requirements of the Philippine Financial Reporting Standards. Non-financial performance was prepared using the guiding principles and content elements of the Integrated Reporting framework.

To help stakeholders gain a better understanding of the Company's business and its process of value creation, a thorough discussion on both financial and non-financial performance indicators is provided in the Integrated Report. Please refer to **pages 6-7** for the financial and non-financial performance indicators, respectively.

Changes in shareholdings

Reported trades of directors and officers of ACEN's securities in 2022:

	Balance as of December 31, 2021	Balance as of appointment / election	Acquired	Disposed of	Balance as of end of term / resignation	Balance as of 31 December 2022
Directors						
Fernando M. Zobel de Ayala	532,505,449	N/A	0	0	532,505,449 ¹	N/A
Jaime Augusto M. Zobel de Ayala	416,218	N/A	0	292,119	124,099 ²	N/A
John Eric T. Francia	106,200,025	N/A	7,261,692	0	N/A	113,461,717
Jose Rene Gregory D. Almendras	950,451	N/A	0	0	N/A	950,451
Cezar P. Consing	1	N/A	0	0	N/A	1
John Philip S. Orbeta	7,162,162	N/A	4,946,468	0	12,108,620 ³	12,108,620
Nicole Goh Phaik Khim	1	N/A	0	0	N/A	1
Ma. Aurora D. Geotina-Garcia	1	N/A	0	0	N/A	1
Consuelo D. Garcia	1,900	N/A	0	0	N/A	1,900
Sherisa P. Nuesa	1,748,107	N/A	500,000	0	N/A	2,248,107
Melinda L. Ocampo	24,001	N/A	0	0	N/A	24,001
Dean L. Travers	N/A ⁴	1	0	0	N/A	1
Delfin L. Lazaro	N/A ⁵	1,001	0	0	N/A	1,001
Jaime Alfonso E. Zobel de Ayala	N/A ⁶	107,040	0	0	N/A	107,040
Officers						
Maria Corazon G. Dizon	42,521,444	N/A	2,611,835	0	N/A	45,133,279
John Philip S. Orbeta	7,162,162	N/A	4,946,468	0	N/A	12,108,620
Jose Maria Eduardo P. Zabaleta	0	N/A	5,175,177	0	N/A	5,175,177
Solomon M. Hermosura	0	N/A	400,000	0	N/A	400,000
Dodje D. Lagazo	7,553,779	N/A	1,327,169	0	N/A	8,880,948
Alan T. Ascalon	1,386,501	N/A	270,651	0	N/A	1,657,152
Gabino Ramon G. Mejia	7,993,953	N/A	976,425	2,000,000	N/A	6,970,378
Roman Miguel G. de Jesus	17,821,398	N/A	2,328,896	0	N/A	20,150,294
Irene S. Maranan	4,017,222	N/A	477,835	0	N/A	4,495,057
Ronald F. Cuadro	900,000	N/A	226,153	800,000	326,153 ⁷	N/A
Henry T. Gomez, Jr.	0	N/A	0	0	0	N/A
Patrice R. Clausse	29,814,701	N/A	3,846,153	0	N/A	33,660,854
Arnel A. Racelis	N/A ⁸	22,300	0	0	22,300 ⁹	N/A
Juan Martin L. Syquia	N/A ¹⁰	184,387	0	0	N/A	184,387
Kyla Kamille U. Samson	N/A ¹¹	101,000	98,900	0	N/A	199,800
Michael E. Limbo	N/A ¹²	0	0	0	N/A	0

1. Mr. Fernando Zobel de Ayala resigned as director of the Company effective September 12, 2022.

2. Mr. Jaime Augusto Zobel de Ayala resigned as director of the Company effective September 28, 2022.

3. Mr. Orbeta served as director of the Company until April 25, 2022.

4. Mr. Travers, as a nominee of Arran Investment Pte. Ltd., was elected as director of the Company on April 25, 2022.

5. Mr. Lazaro was elected as director and Chairman of the Company to replace Mr. Fernando Zobel de Ayala on and effective September 28, 2022.

6. Mr. Jaime Alfonso Zobel de Ayala was elected as director of the Company to replace Mr. Jaime Augusto Zobel de Ayala on and effective September 28, 2022.

7. Mr. Cuadro resigned from his position as Controller of the Company effective October 1, 2022.

8. Mr. Racelis was appointed OIC Chief Audit Executive of the Company on January 21, 2022, effective February 1, 2022.

9. Mr. Racelis' term as OIC Chief Audit Executive of the Company expired on November 10, 2022.

10. Mr. Syquia was appointed Deputy Chief Finance Officer of the Company on May 12, 2022, effective May 16, 2022.

11. Ms. Samson was appointed Controller of the Company on September 28, 2022, effective October 1, 2022.

12. Mr. Limbo was appointed Chief Audit Executive of the Company on and effective November 10, 2022.

Stakeholder relations

As a stronger, bolder, and faster energy company, ACEN's ultimate goal is to uplift the lives of its stakeholders and help build a more sustainable future. It aims to uphold the highest possible level of moral benchmarks and fairness in dealing with shareholders, customers, employees, and business partners to strengthen its foundation of long-term beneficial relationships.

Shareholder meeting and voting procedures

Notices of regular or special meetings are posted in the PSE and the Company's website and sent to shareholders at least 28 days before the scheduled date. It details the agenda and sets the date, time, and place for validating proxies, which must be done at least five (5) business days prior to the annual stockholders' meeting. Each outstanding common share of stock entitles the registered holder to one (1) vote.

For transparency and improved shareholder involvement, the Company provides multiple voting options such as appointing a proxy, voting in-person, or through electronic voting in absentia. The Company established a secure electronic Voting in Absentia Shareholder System that is accessible to all stockholders, easy to use, and allows stockholders to exercise their right if unable to attend the Annual Stockholders' Meeting. Equal effect is given to votes whether cast in person or in absentia. Non-controlling or minority shareholders are given the right to nominate, elect, and remove candidates for board of directors.

Shareholder and investor relations

The Company encourages active participation and regular dialogue with institutional and retail investors. Information requirements of the investing public and minority shareholders are fully disclosed to the securities' regulators on time and

are accessible both through the Company's website and through PSE EDGE. The Investor Relations Team, which directly reports to the CEO, provides for an avenue to receive feedback, complaints, and queries from shareholders other than through the annual stockholder's meeting.

Code of conduct and ethics

All directors, officers, and employees are required to always act in the best interest of the Company. They are directed to avoid any situation that could interfere or appear to interfere with his or her independent judgement in performing his or her duties. The code also prohibits employees from using their official position to secure a contract of employment for a related party, soliciting gifts or any property for personal gain from any individual or organization that deals with the Company, engaging in direct or indirect bribery and using Company information for personal gain. No employee may engage in any business or undertaking that is indirectly or directly in competition with or prejudicial to the interests of the Company.

Policy on Insider Trading

A policy on insider trading has been defined by ACEN to ensure compliance with Corporate Disclosures Manual and prevent the unlawful practice of using to one's own advantage confidential information one has access to.

Reporting of transactions

ACEN has established and implemented guidelines for all directors, officers, and employees on when to declare trades. All directors and key management officers, the controller, chief audit executive, chief risk officer, treasurer, compliance officer, corporate secretary, and

assistant corporate secretary must report all acquisitions or disposals, or any changes in their shareholdings in the Company within the period specified in the policy.

Trading Blackouts

To ensure compliance with PSE Insider Trading Rules, the Company issues a blackout notice to all concerned whenever price sensitive information has been disclosed to the Exchange.

The Policy on Insider Trading provides that all directors, key officers, employees, consultants, and advisers of the Company who may have knowledge of material information that have not been disclosed to the public, including their immediate families, are prohibited from trading in ACEN's shares during the trading blackout period lasting from the time the information is obtained until a minimum of two (2) trading days after the disclosure thereof with the PSE. In addition, they are also required to submit annually a certification of compliance with the prohibition against trading during the blackout periods. On 10 November 2022, upon the endorsement of the CGN Committee, the board approved revisions to the Insider Trading Policy in recognition of the volume of transactions entered into by the Company. Reporting obligations were further clarified among the different covered persons, and the short-swing profit rule was also explicitly incorporated in the policy.

Policy on Related Party Transactions

ACEN recognizes the fiduciary responsibility of its board of directors to ensure the fairness, transparency, and integrity of the Company's RPTs for the protection of all shareholders' interest.

To support the implementation of this duty, the Company has adopted a related party transactions policy that:

- Defines related party relationships and transactions;
- Provides guidance in the review, approval, maintenance of registry, and disclosure of material RPTs to ensure that the terms are fair, and inure to the best interest of the Company and all its shareholders;
- Mandates regular monitoring of the Company's business relationships;
- Promotes the objectives of the SEC Rules on Material Related Party Transactions for Publicly Listed Companies; and
- Prohibits, remedies, and penalizes material RPTs deemed non-compliant with policy.

The BRMRPT Committee is tasked with overseeing the implementation of this policy.

Policy Against Sexual Harassment

Increasing awareness of the value of respecting the dignity and rights of each employee is a commitment from ACEN. The Company is dedicated to keeping its work environment free from sexual harassment and all forms of sexual intimidation and exploitation. In keeping with this commitment, the Company will not tolerate harassment of its employees and will penalize any such actions with a permanent ban from the Company working environment.

Policy on Anti-Fraud

ACEN has adopted a zero-tolerance policy towards fraudulent reporting, misappropriation of assets, corruption, bribery in any form, and all unethical practices, and is committed in taking all appropriate measures in complying with relevant laws and standards. The Policy on Anti-Fraud prohibits directors, officers, and employees, from doing business with malicious intent. It provides guidance to everyone on how to conduct business in a fair, ethical, and legal manner. Seeking unwarranted monetary and substantial advantage from any transaction is strictly forbidden. The policy also applies even if business was made through another person.

Policy on Gift and Gratuities

The Company has established guidelines for managing gifts and gratuities to protect the integrity of its employees and its business interest. Any offers given to directors, officers, and employees, or their immediate family, with an intent to influence business decisions and recommendations are strictly prohibited and must be disclosed immediately to the appropriate reporting level. Directors, officers, and employees are likewise prohibited from accepting gifts or invitations of any form, except token gifts of small value that meet the criteria set by the Company, or offering or promising gifts to facilitate business.

Conflict of Interest Policy

No officer or employee may be involved in any business or undertaking that influences or could influence the ability to exercise objectivity and perform responsibilities in the best interest of the Company. Any potential conflict of interest, actual or apparent, must be brought to the attention of the appropriate levels of authority and all relevant facts are required to be disclosed.

Whistleblower Policy

ACEN conducts its business with the highest ethical standards. The Company and its directors, officers, and employees strive to uphold a culture of good corporate governance by heeding integrity in all its transactions internally, with its customers, suppliers, contractors, business partners, government, regulators, and the public.

The whistleblower policy provides a mechanism and an avenue to report any perceived wrongdoing, malpractice, and any irregularities that are contrary to the Company's core values and protects whistleblowers against possible retaliation.

The whistleblower may submit a written report directly to the Office of the Compliance Officer, or by email to whistleblower@acenrenewables.com or through a face-to-face meeting with any of the Whistleblower Committee composed of one representative each from the Legal and Regulatory Department, Human Resources and Corporate Services, Internal Audit, and Enterprise Risk Management.

There is an established investigation process on reported violation of Company policies, rules, and regulations. All reports are treated in confidence and monitored until resolution and closure.

Data Privacy Policy

In keeping its utmost commitment to safeguard and respect the right to personal data privacy of stakeholders, ACEN appointed a data protection officer, Atty. Alan T. Ascalon. With the support of the different business units, ACEN's data privacy team regularly reviews the security measures that the Company puts in place to maintain the integrity, confidentiality, and availability of the personal data that it collects and processes.

The policy aims to protect these data from accidental loss or destruction, unauthorized access, fraudulent misuse, and unlawful alteration.

The Office of the Data Protection Officer can be reached through writing or email dataprivacy@acenrenewables.com should there be any inquiries or concerns on data privacy or data subjects' rights.

Website

Information on the company's corporate governance initiatives, this Integrated Report, and all other relevant information is available on the company's website at <https://www.acenrenewables.com>

As part of our stakeholder engagement, ACEN also maintains social media accounts on:

Facebook

<https://www.facebook.com/officialACEN>

LinkedIn

<https://ph.linkedin.com/company/officialacen>