

**Here's your carbon offset report:**

Dear CEO,  
52,000 equivalent trees planted  
31,000 tons CO<sub>2</sub> emissions saved


**Power sustainably sourced**

# Powering your Business in a Sustainable Way

The AC Energy group is in the business of sustainable development committed to protect the communities and environment in which we operate for the benefit of present and future generations.

12% savings from  
energy efficiency





Consumers are provided with near real-time energy data to offer them the opportunity to improve their operational consumption and environmental footprint.

AC Energy provides its customers the opportunity to offset carbon footprint based on their electricity consumption. AC Energy secures verified carbon offsets from renewable assets to essentially “neutralize” the carbon footprint generated from the electricity consumption of our clients who have signed up under our Carbon Zero product. By offsetting up to 100% of these clients’ electricity consumption\*, the net amount of carbon in the environment is considered “neutral.”

\* Computation is based on Gold Standard-Verified Emission Reductions

# Leading the Future **The AC Energy Way**







# Content

05	About this Report
07	A Journey of Transformation
13	2019 Highlights
15	Message from the Chairman and the President
17	At a Glance
19	Our Leadership
31	Our Business
33	Our Value Creation
35	Stakeholder Engagement
41	Sustainability
51	Corporate Governance
71	Annexes

# ABOUT THIS INTEGRATED REPORT

AC Energy Philippines (ACEPH) adheres to the International Integrated Reporting Framework <IR> set by the International Integrated Reporting Council (IIRC) as a means to present its business model, risk and opportunities, strategy, performance, and outlook. This report emphasizes value creation, particularly on ACEPH's business strategy and its impact on the economy, society and environment.

To augment its economic, environmental, social and governance disclosures, ACEPH also referenced the Global Reporting Initiative (GRI) Standards.

## Note on Forward-Looking Statements

Certain statements and illustrations contained in this report may describe the company's objectives, projects, estimates and expectations in a "forward-looking" manner within the scope of securities laws and regulations.

Such statements are based on current expectations of future events, estimates and certain assumptions of our management. These are subject to certain risk factors and uncertainties, some of which may be beyond ACEPH's control and may differ materially from those implied.

## External Assurance

To establish quality and materiality of the information contained herein, ACEPH has engaged DNV- GL as an independent third-party external verifier. The conducted assessment used VeriSustain Protocol, which is aligned with the ISAE3000 and AA1000AS standards and the GRI Standards framework. This covered procedures and supporting documents governing materiality, stakeholder engagement as well as performance and management approach for economic, environmental and social aspects of the business. Results and recommendations made in the external verification will be tackled by both senior management and board members of ACEPH for continuous improvement of our data collection, control and reporting practices.

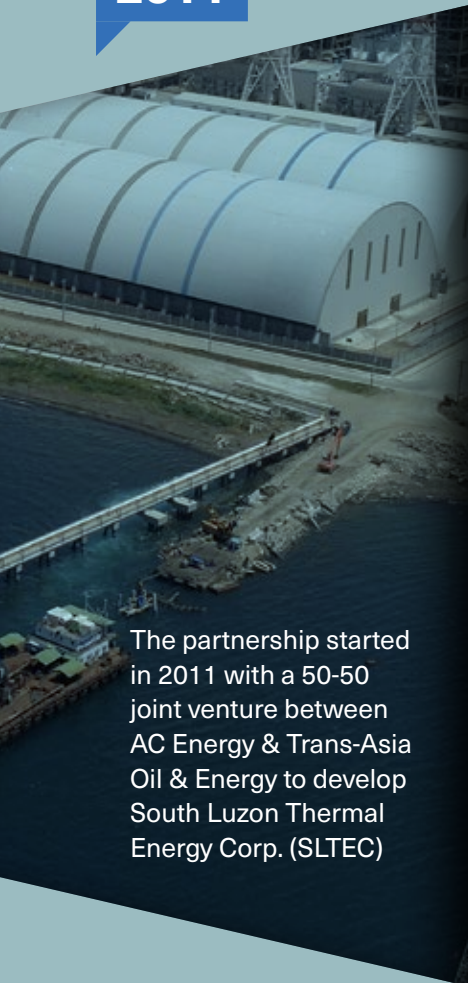
## Feedback

AC Energy Philippines welcomes inquiries and feedback on this report. Please email [investorrelations@acenergy.com.ph](mailto:investorrelations@acenergy.com.ph).



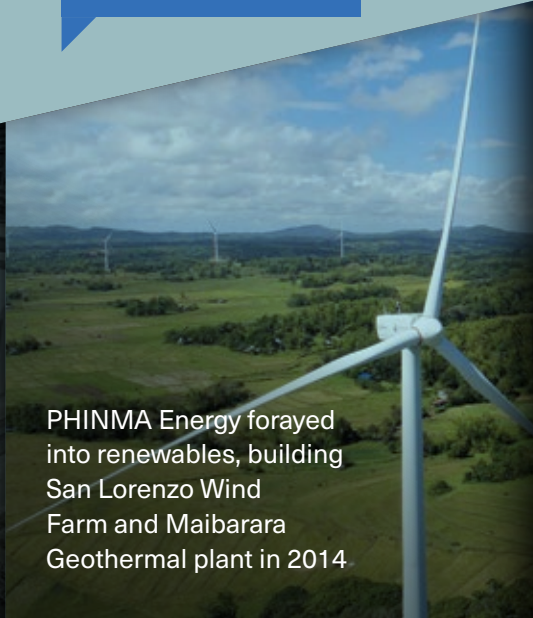
# AC Energy Philippines: A Journey of Transformation

**2011**

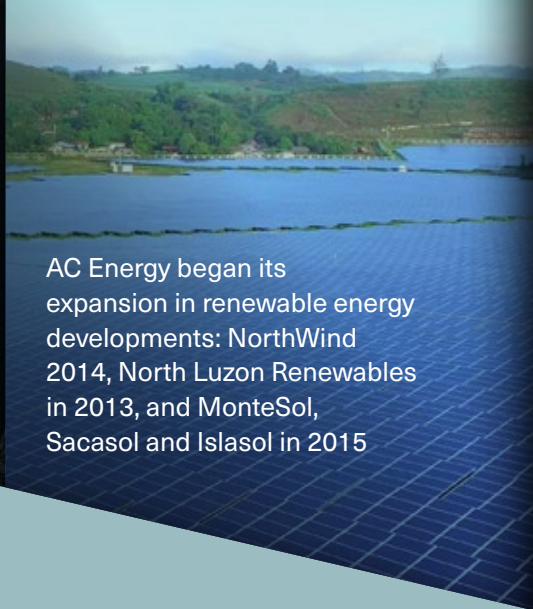


The partnership started in 2011 with a 50-50 joint venture between AC Energy & Trans-Asia Oil & Energy to develop South Luzon Thermal Energy Corp. (SLTEC)

**2013 - 2016**



PHINMA Energy forayed into renewables, building San Lorenzo Wind Farm and Maibarara Geothermal plant in 2014



AC Energy began its expansion in renewable energy developments: NorthWind 2014, North Luzon Renewables in 2013, and MonteSol, Sacasol and Islasol in 2015

**2019**



**JANUARY**

A Memorandum of Agreement was signed for AC Energy to acquire 66% equity in PHINMA Energy



**MAY**

Appointment of new management





## JUNE

AC Energy completed the acquisition of a controlling stake in PHINMA Energy



## HANDOVER CEREMONY

## SEPTEMBER

Stockholders' approval of increase in authorized capital stock

Annual Stockholders' Meeting and Handover Ceremony of PHINMA Energy to AC Energy



## OCTOBER

AC Energy infused its Philippine assets into ACEPH



 **AC Energy**

**MARCH 2020** - AC Energy Philippines announced that its parent, AC Energy, Inc., will be infusing its international platform into the company. The Board of Directors also approved the change of company name to AC Energy Corporation.

## A Journey of Transformation

As the Philippine economy started to take off about a decade ago, so did the urgent need for reliable and affordable energy. It was also an opportune time as the power sector was undergoing structural shifts. Ayala Corporation, known for building businesses aligned with national interests, seized the opportunity to help reshape yet another industry. In a climate that encouraged private enterprise-led growth in a sector crucial to the country's progress, AC Energy was established.

Then a new player in the energy space, Ayala partnered with PHINMA to build and operate the South Luzon Thermal Energy Corp. (SLTEC) in 2011. The partners' shared passion for and commitment to nation building further strengthened the two companies' ties.

With a modest 80 MW attributable capacity in 2011, AC Energy grew its portfolio twenty-fold within a short seven-year period due largely to its focus on forging strong partnerships and execution excellence. By 2018, the Company reached 1,600 MW of attributable capacity in operations and under construction, including 600 MW of renewables.

Having reached a meaningful scale, AC Energy decided to embark on a transformation journey. Just in the last three years, the Company shifted from being an investment holding company to becoming a full-fledged energy platform with development, operations, and retail capabilities.

While the Company initially invested heavily in thermal investments due to their affordability, reliability, and scalability, AC Energy soon scaled up its investments in renewables, given the significant improvements in cost and efficiency of renewable technology. This facilitated the pivot to a low carbon portfolio, while AC Energy continued to address the energy needs of the markets where it operates.

To rapidly scale up its renewables investments, AC Energy decided to expand beyond the Philippines. AC Energy forged strong partnerships and has made investments in Indonesia, Vietnam, Myanmar, India and Australia.

**"The Company shifted from being an investment holding company to becoming a full-fledged energy platform with development, operations, and retail capabilities."**







## The Year in Transition

AC Energy's rapid growth was underpinned by both aggressive greenfield developments, as well as strategic acquisitions.

Eight years into the SLTEC partnership, PHINMA Energy (PHEN) integrated into the AC Energy group. Their combined operating capability, talent, innovative thinking, and corporate infrastructure built a stronger platform that grew its presence in the power generation sector.

In June 2019, AC Energy acquired a controlling stake in PHEN. Today, AC Energy's total ownership stands at 66.34 percent inclusive of fresh equity infused after the acquisition.

In less than a year since the integration, AC Energy Philippines (the Company) had aggressively grown its generation capacity from 416 MW to over 1,100 MW, making it a stronger platform and poised to be among the top players in the energy sector in the Philippines.

The Company executed its turnaround plan effectively and established a clear growth path. Significant progress came as a result of focusing on strengthening the Company's balance sheet, expanding capacity, and taking strides to achieve long term customer relationships.

With a highly driven organization of 700, the Company is committed to improve lives through reliable, affordable, and sustainable power.

**"With a highly driven organization of 700, the Company is committed to improve lives through reliable, affordable, and sustainable power. "**

# AC Energy Philippines Generation Assets

**OVER**  
**1,100**  
**Megawatts (MW)**  
ATTRIBUTABLE CAPACITY\*

**81 MW**  
North Luzon Renewables  
**52 MW**  
NorthWind

**20 MW**  
CIP II Peaking Plant

**48 MW**  
Bulacan Power Peaking Plant

**60 MW**  
Palauig Solar Plant

**108 MW**  
One Subic Peaking Plant

**32 MW**  
Maibarara Geothermal Plant

**244 MW**  
SLTEC

**120 MW**  
Alaminos Solar Plant

**150 MW**  
Ingrid Power Plant

**~650 MW**  
THERMAL

**480 MW**  
RENEWABLES

**48 MW**  
Power Barges

**54 MW**  
Guimaras Wind Farm

**45 MW**  
SacaSol

**80 MW**  
IslaSol

**18 MW**  
MonteSol

\* International assets not included



## Growing Beyond the Boundaries

In the beginning of 2020, the Company's board approved the infusion of AC Energy's international platform into the Company. The latest in a series of transactions, the restructuring will conclude with AC Energy, Inc. owning approximately 85 percent of the Company, along with an increase in its authorized capital stock by PHP24 billion. The decision aims to firmly establish the Company, which will be renamed AC Energy Corporation, as Ayala's energy platform both in the Philippines and around the region.

Upon the completion of this latest combination, the platform is expected to have over 1,500 MW of attributable capacity in operation and under construction, including 900 MW from renewable sources.

With its strong balance sheet and robust pipeline, the Company is in an excellent position to reach 5,000 MW of renewables capacity by 2025. As we work towards this ambitious goal, AC Energy Corporation will strive to become one of the **Largest Listed Renewables Platforms in Southeast Asia.**

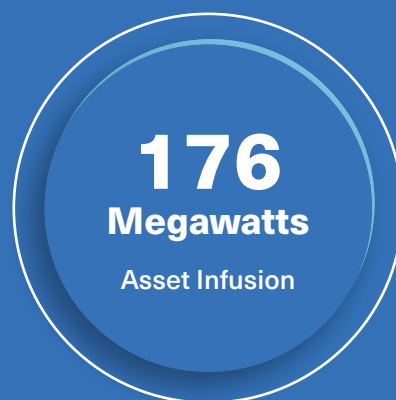
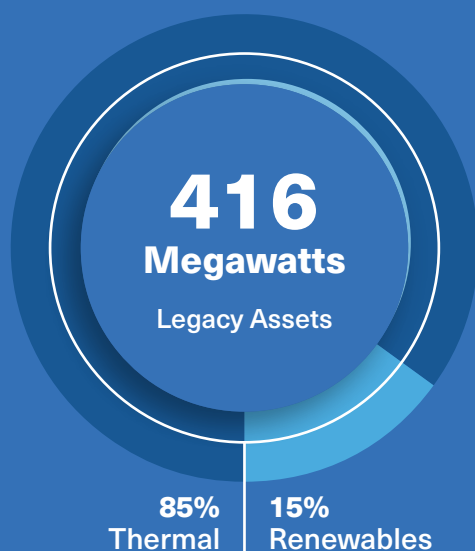
**"The Company is in an excellent position to reach 5,000 MW of renewables capacity by 2025."**



# 2019 Highlights

AC Energy Philippines' rapid growth was underpinned by aggressive greenfield developments and strategic acquisitions. The Company had aggressively grown its generation capacity to over 1,100 MW, making it a stronger platform and poised to be among the top players in the energy sector in the Philippines.

In September 2019, the Company was awarded with a 310 MW power supply agreement by Meralco.



AC Energy onshore  
asset infusion into  
ACEPH\*

2018

\* Subject to relevant regulatory approvals  
\*\* International assets not included





**ADDITIONAL**

**20%** stake in **SLTEC**

**31%** stake in **NLR**

**98%** stake in **IslaSol**

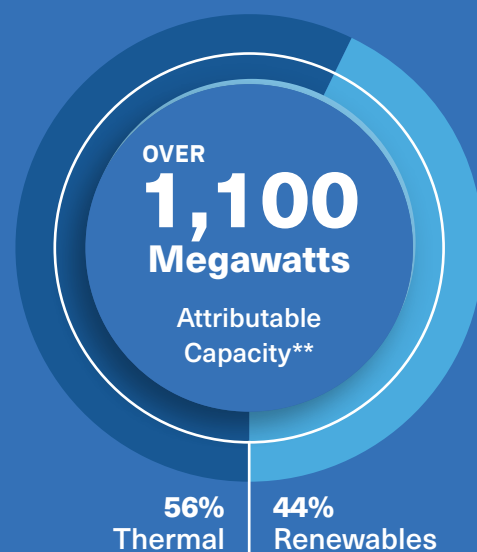
**96%** stake in **SacaSol**



**120 MW**  
Alaminos Solar Plant

**60 MW**  
Palauig Solar Plant

**150 MW**  
Ingrid Plant



**2020**  
**Q1**

# A Cleaner Power for You

To sustain the country's energy need, we will continue to grow our portfolio which is expected to reach 1,500 MW by 2020. We remain committed to increasing operating efficiencies, especially in our thermal power plants.



**FERNANDO ZOBEL DE AYALA**  
Chairman



**JOHN ERIC FRANCIA**  
President and CEO

## Dear Fellow Shareholders,

2019 was a pivotal year for AC Energy Philippines (ACEPH), where the Company executed its turnaround plan and established a clear growth path. We made significant progress across three important areas:

First, we strengthened the Company's balance sheet starting with the infusion of PHP2.6 billion through the subscription of primary shares by the Company's new parent AC Energy Inc. This was followed by the infusion of power generation assets valued at more than PHP14 billion through an asset for share swap, which is currently awaiting regulatory approval. The Company is also planning to raise over PHP5 billion in cash from a planned stock rights offering in 2020. These initiatives will result in the tripling of the Company's balance sheet.

Second, we have aggressively grown the Company's generation capacity. In less than a year since the integration into the AC Energy group, the Company



reached over 1,100 MW of attributable capacity, from a starting point of 416 MW. Over 600 MW of capacity was added through a combination of asset infusion, acquisitions, and new greenfield projects. Around 55 percent of the additional capacity was from renewable sources.

Third, we continue to build long term customer relationships by providing compelling offers from our diversified portfolio and generation capacity. Last September, the Company successfully bid for 310 MW worth of contracts with Meralco. This offer guaranteed 100 percent availability at a fixed price, making it a highly customer-centric offering. The long term contracts provide steady cash flows for the Company.

AC Energy Philippines is making good progress with its turnaround plan. The Company made a profit in the second-half of 2019, thereby reducing the first-half loss of PHP550 million to a full-year loss of PHP417 million. The significant capacity growth and new long term customer contracts put the Company in a strong position to generate positive income in 2020. These positive developments contributed to a strong share price performance, which doubled in 2019 and delivered significant value to its shareholders.

While 2019 ended on a high note, the following year was met with severe challenges—first with the Taal eruption, followed closely by the Covid-19 crisis.

The Company has responded aggressively to help its employees and the community at large, as the

country faces severe challenges and difficulties. Notwithstanding these uncertainties, the Company remains committed to invest in much-needed energy investments in the Philippines. To sustain the country's energy need, we will continue to grow our portfolio which is expected to reach 1,500 MW by 2020. We remain committed to increasing operating efficiencies, especially in our thermal power plants. We shall also leverage advancement in digital technologies and integrate this into our business strategy to enhance operating efficiency and energy solution services.

Finally, sustainability underlies many of our efforts and following the lead of its parent, the Company has adopted an Environment and Social Policy that is aligned with the United Nations Sustainable Development Goals. The policy will be integrated into the Company's business strategies, performance management and governance highlighting our determination to be sensitive to the environment and our host communities as we provide reliable, affordable and sustainable energy and transition to a lower carbon portfolio.

In closing, on behalf of the Board of Directors, we would like to thank the entire AC Energy Philippines team for the full dedication, hard work, and significant results delivered in such a short period; and our shareholders for the continuing trust and support.

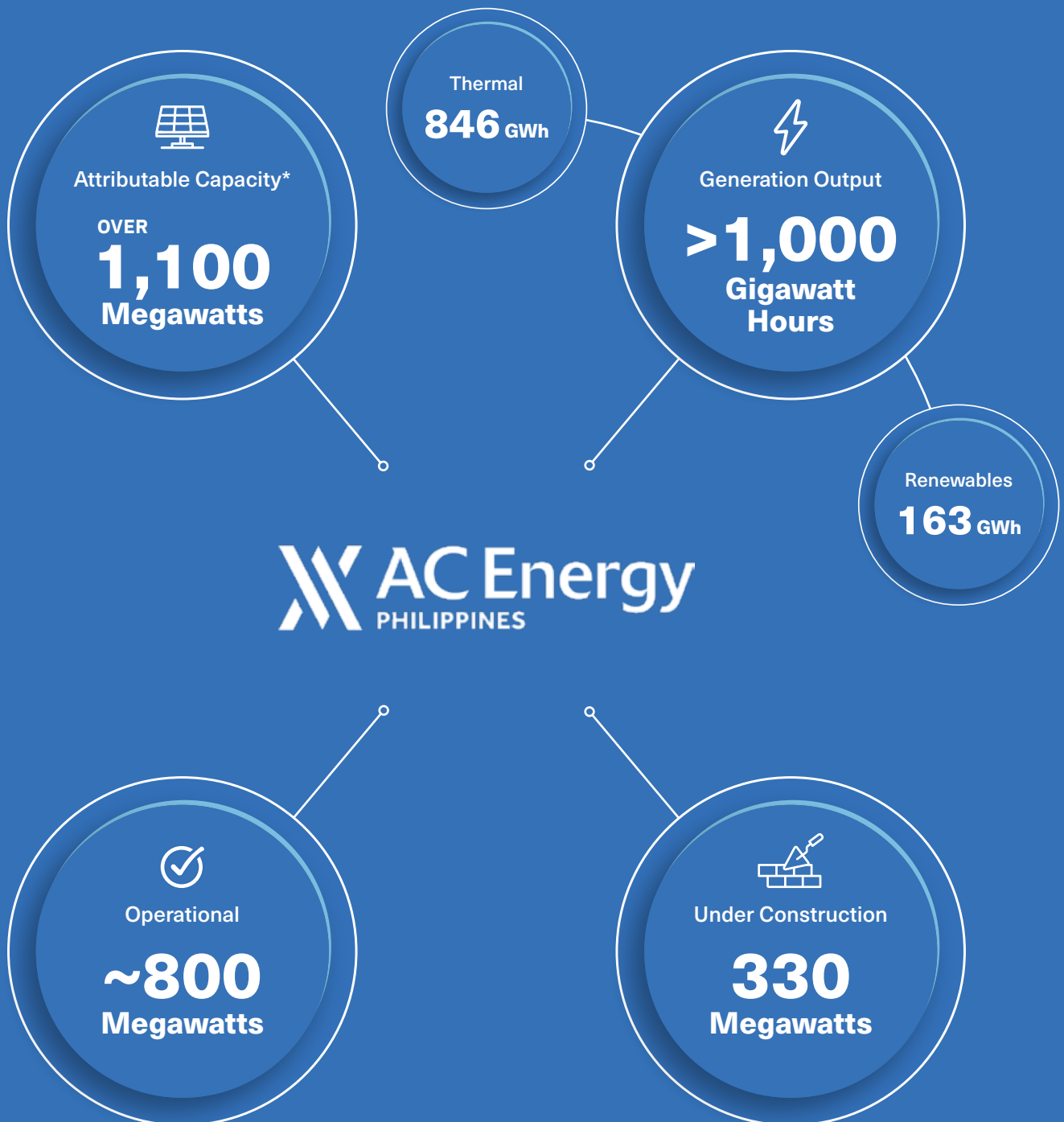
We are all very excited to continue this journey, as we all work towards our aspiration to become one of the leading renewable energy companies in the country.



**“In less than a year since the integration into the AC Energy group, the Company reached over 1,100 MW of attributable capacity, from a starting point of 416 MW.”**

# AC Energy Philippines

## At a Glance



\* International assets not included





**15,306,663**

REVENUE

**(416,903,000)**

NET LOSS

**94%**

SHARE PRICE INCREASE



**2,543,234**

SAFE MAN-HOURS



**50%**

RENEWABLE  
ENERGY OUTPUT  
TARGET BY 2025



**650**

JOBS CREATED

## Strong community relations



**15** EDUCATION  
PROGRAMS



**9** ENVIRONMENT  
PROGRAMS



**4** LIVELIHOOD  
PROGRAMS

# Board of Directors

John Philip  
Orbeta

Jaime Augusto  
Zobel de Ayala

Fernando  
Zobel de Ayala

John Eric  
Francia

Jose Rene  
Gregory Almendras



Sherisa  
Nuesa

Gerardo  
Ablaza, Jr.

Consuelo Garcia

Ma. Aurora  
Geotina-Garcia

Melinda  
Ocampo





## Fernando Zobel de Ayala

---

Mr. Zobel de Ayala is President and Chief Operating Officer of Ayala Corporation since April 2006. He has been a Director of Ayala Corporation since May 1994. He holds the following positions in publicly listed companies: Chairman of Ayala Land, Inc., Manila Water Company, Inc., and AC Energy Philippines, Inc.; and Director of Bank of the Philippine Islands, Globe Telecom, Inc. and Integrated Micro- Electronics, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., ALI Eton Property Development Corporation, Liontide Holdings, Inc., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc.,

Berkshires Holdings, Inc., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of Livelt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula; Member of the Board of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; Vice Chairman of the Philippine-Singapore Business Council, member of the World Presidents' Organization and Chief Executives Organization; Chairman of Habitat for Humanity International's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum.

He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

## Jaime Augusto Zobel de Ayala

---

Jaime Augusto Zobel de Ayala  
Mr. Zobel de Ayala is Chairman and CEO of Ayala Corporation since April 2006. He has been a Director of Ayala Corporation since May 1987. He holds the following positions in publicly listed companies: Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy

Philippines, Inc. He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy Inc., Ayala Healthcare Holdings, Inc., Light Rail Manila

Holdings, Inc. and AG Holdings Ltd. Outside the Ayala group, he is a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He sits on the board of the Singapore Management University and various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, a member of the Global Board of Adviser of the Council on Foreign Relations, and Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships. He was awarded the

Presidential Medal of Merit in 2009, the Philippine Legion of Honor with a rank of Grand Commander in 2010, and the Order of Mabini with a rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business.

He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

## John Eric Francia

---

Mr. Francia is Managing Director and member of the Management Committee of Ayala Corporation since 2009. He is President and Chief Executive Officer of AC Energy, Inc.

In his previous role as Head of Ayala's Corporate Strategy and Development group, Mr. Francia led Ayala's entry into the energy and transport infrastructure sectors. Under his leadership, Ayala established its energy platform from a standing start in 2011, growing to 1,800 MW of attributable capacity by 2019. Mr. Francia also helped establish Ayala's infrastructure business, securing over US\$1 billion worth of PPP projects in the transport infrastructure space between 2011 and 2014.

Mr. Francia is a Director of various Ayala group companies including AC Infrastructure, AC Health and AC Ventures. In 2019, he was elected by the board of two listed companies: AC Energy Philippines as President and CEO and ACE Enexor, as Chairman and CEO.

Mr. Francia received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Master's Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors.

## Gerardo Ablaza, Jr.

---

Mr. Ablaza is currently a management consultant at Ayala Corporation and a member of the Board of Directors of AC Energy, Inc. He served as President and CEO of Manila Water Company from June 2010 to April 2017 and remains involved with the company as a Director and member of various board committees. From 1998 to April 2009, he was President and CEO of

Globe Telecom, Inc. In June 2015, he became a member of the International Advisory Panel of the Institute for Water Policy under the Lee Kuan Yew School of Public Policy in Singapore. He obtained his degree in Liberal Arts (Honors Accelerated Program), Major in Mathematics from De La Salle University, graduating as Summa Cum Laude.

## Jose Rene Gregory Almendras

---

Mr. Almendras concurrently serves as Senior Managing Director and Group Head of Public Affairs of Ayala Corporation, President & Chief Executive Officer of Manila Water Company, Inc. (MWCI) and President & Chief Executive Officer of AC Infrastructure Holdings Corporation. He is also a member of the AC Management Committee, a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since August 2016. Rene is the Chairman of the Executive Committee of MWCI and a Board of Director of the following companies within the Ayala Group: AF Payments Inc.; Light Rail Manila Holdings, Inc.; MCX Tollway Inc.; and AC Energy Philippines, Inc. He spent 13 years with the Citibank group where he started as a management trainee and landed his first CEO position as President of City Savings Bank of the Aboitiz Group at the age of 37. In 2011, he was recognized by the World Economic

Forum as a Sustainability Champion for his efforts as President of MWCI. During his stint as MWCI President and Chief Operating Officer, the company received multiple awards and was recognized as one of the Best Managed Companies in Asia, Best in Corporate Governance, one of the Greenest Companies in the Philippines and hailed as the world's Most Efficient Water Company.

Under the Administration of President Benigno S. Aquino III, Mr. Almendras served as a member of the Cabinet holding the position of Secretary of the Department of Energy, Office of the Cabinet Secretary and the Department of Foreign Affairs. In June 2016, he was acknowledged by the Administration for his remarkable performance in addressing the country's urgent issues and was awarded the highest Presidential Award given to a civilian—Order of Lakandula, Rank of Gold Cross Bayani.

## John Philip Orbeta

---

Mr. Orbeta is currently the Managing Director, Chief Human Resources Officer and Group Head for Corporate Resources at Ayala Corporation, covering Strategic Human Resources, Information & Communications Technology, AC Synergy, Knowledge

Management, and Corporate Support Services. He has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is currently the



Chairman of Ayala Aviation Corporation, Ayala Group HR Council, Ayala Group Corporate Security Council and Ayala Business Clubs; Chairman and President of HCX Technology Partners, Inc., and Vice Chairman of Ayala Group Club, Inc.

Mr. Orbeta also serves as a Board Director of AG Counselors Corporation, AC Industrial Technology Holdings, Inc., Ayala Foundation Inc., Ayala Healthcare Holdings, Inc., Ayala Retirement Fund Holdings, Inc., ZapFam Inc., Generika Group of Companies, BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc., ALFM Global Multi-Asset Income Fund, Inc., ALFM Retail Corporate Fixed Income Fund, Inc. and the Philippine Stock Index Fund Corporation. Mr. Orbeta previously

served as the President and CEO of Ayala Automotive Holdings Corporation and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen) and the Chairman and CEO of Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc. and Iconic Dealership, Inc., and Director of Honda Cars Cebu, Inc. and Isuzu Cebu Inc.

Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Willis Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from Ateneo de Manila University in 1982.

## Consuelo Garcia

Ms. Garcia is an independent director of the Company. She is presently the Senior Consultant for Challengers and Growth Markets, Asia for ING Bank. Currently, she is a member of the board of the Financial Executives Institute of the Philippines (FINEX) and the Finex Academy. She is the liaison director to the Finex Capital Markets Development Committee and is a member of the Ethics and Sustainable Development Working Group of the International Association of Financial Executives Institute (IAFEI). She is also a director of a family-owned business - Saje Wellness Corporation. She was formerly the Country Manager and Head of Clients of ING Bank N.V. Manila, Philippines from September 2008- November 15, 2017.

She joined ING in February 1991 as Head of Financial Markets. She previously worked with SyCip, Gorres, Velayo & Co. and Bank of Boston. She served as Director of the Board and concurrently Chairman of the Capital Markets Committee of the Bankers Association of the Philippines (BAP) and Finex for many years. She was a former Board of Director and Treasurer of the European Chamber of Commerce of the Philippines (ECCP) from 2011-2015. In 2010, she was a National Member of ASEAN Bond Market Forum.

She received a Bachelor of Science degree in Business Administration, major in Accounting (Magna Cum Laude) from the University of the East and is a Certified Public Accountant.

## Sherisa Nuesa

---

Ms. Nuesa is an independent director of the Company. She is a former Managing Director of the Ayala Corporation until her retirement in 2011. Currently, she is a member of the boards of directors of Manila Water Company, Inc. (MWC), Integrated Micro-Electronics, Inc. (IMI), Far Eastern University, Inc., FERN Realty Corp, and the ALFM Mutual Funds Group. She is also a member of the boards of trustees of the Institute of Corporate Directors, the Judicial Reform Initiative, and the Financial Executives Foundation. As a former Managing Director of the Ayala Corporation, she served in various senior management positions, namely: Chief Finance Officer and Chief Administrative Officer of Integrated Micro-Electronics, Inc. (January 2009

to July 2010); Chief Finance Officer of Manila Water Company Inc. (January 2000 to December 2008); 3) Group Controller and later Vice President for Commercial Centers of Ayala Land, Inc (ALI) (January 1989 to March 1999); and as a member of the boards of various subsidiaries of ALI, MWC, and IMI. She graduated (Summa cum laude) from the Far Eastern University with a Bachelor of Science Degree in Commerce. She is a Certified Public Accountant. She completed the Financial Management Program of the Stanford University in 1991 and the Advanced Management Program of the Harvard Business School in June 1999. She then obtained her Master in Business Administration degree from the Ateneo-Regis Graduate School of Business in 2011.

## Melinda Ocampo

---

Ms. Ocampo is an independent director of the Company. She served as President of the Philippine Electricity Market Corporation ("PEMC") from 27 March 2009 until 31 July 2017. PEMC is a nonstock, non-profit organization that governs the country's first and only wholesale electricity spot market. Her experiences include developing policies and programs during her stint as Undersecretary of the Department of Energy from May 2005 to December 2007. She was also involved in electric utility system regulation, planning and technical feasibility of electric power generation, transmission and distribution systems including granting of electric franchises to both electric cooperatives and private distribution utilities. She has extensive knowledge when it comes to energy regulation including petroleum, pricing and competition rules and has provided consulting services to legislative leaders on electricity pricing, particularly on the power purchased

adjustments. She was also a consultant in the World Bank's project regarding the Electric Cooperatives system loss reduction program and to the USAID under the Asia Foundation in its project to introduce the open access and competition in the coverage of Philippine Economic Zone (PEZA). She was a board member (February 1996 to June 1998) and Chairman (August 1998 to August 2001) of the Energy Regulatory Board (now Energy Regulatory Commission). She served as a division chief (October 1979 to November 1988) and a director (December 1988 to February 1996) of the National Electrification Administration. In 1977, she obtained her Bachelor of Science degree in Commerce, Major in Accounting, from the Republic Central Colleges, in Angeles City, Pampanga.

She received her Master's Degree in Business Administration from the University of the Philippines, Diliman, Quezon City. She is a certified public accountant.

## Ma. Aurora Geotina-Garcia

---

Ms. Geotina-Garcia is currently the President of Mageo Consulting, Inc. and CIBA Capital Philippines, Inc. She is also currently an independent director of Queen City Development Bank and Cebu Landmasters, Inc. She was a director in the following companies and organizations: Bases Conversion and Development Authority (2011–2016), BCDA Management Holdings, Inc. (2011–2016), Fort Bonifacio Development Corporation (2011–2016), Heritage Park Management Corporation (2015–2016), Bonifacio Global City Estates Association, Inc. (2012–2016), Bonifacio Estates Services Corporation (2012–2016), and HBC, Inc. (2012–2016). She started her professional career at SyCip, Gorres, Velayo & Co. (SGV & Co.), where she joined the Management Services Division

in 1974. She joined SGV & Co.'s Economic and Financial Consulting Division in 1986 and was promoted to Partner in 1990. She headed SGV & Co.'s Global Corporate Finance Division from 1992 until she retired from the partnership in 2001, after which she remained as Senior Adviser to SGV & Co. up to September 2006. In 2019, she was elected as Independent Director of AC Energy Philippines and ACE Enexor, Inc.

She received a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines in 1973. She completed her Master of Business Administration from the same university in 1978.



# Our Management Team

**John Eric Francia**  
President & Chief Executive Officer

**Dodjie Lagazo**  
Executive Director & Head,  
Legal and Regulatory Group  
Assistant Corporate Secretary

**Maria Corazon Dizon**  
Chief Finance Officer & Treasurer;  
Compliance Officer  
Chief Risk Officer

**Roman Miguel  
De Jesus**  
Senior Vice President & Head,  
Commercial Operations

**Mariejo Bautista**  
Senior Vice President -  
Finance and Controller

**Alan Ascalon**  
Assistant Corporate Secretary  
Vice President-Legal and  
Data Privacy Officer



# Our Management Team

**Andree  
Kintanar**

Vice President & Head,  
Human Resources &  
Corporate Services

**Gabino Ramon Mejia**

Senior Vice President & Head,  
Plant Operations

**Irene Maranan**

Vice President & Head,  
Corporate Communications  
& Sustainability





**Solomon Hermosura**  
Corporate Secretary

**Danilo Panes**  
Vice President,  
Wind Operations

**Sebastian Lacson**  
Senior Vice President



# Our Business

AC Energy Philippines has a strong local base of portfolio comprising of wind and geothermal assets, as well as thermal plants to complement its renewable assets and ensure power reliability.

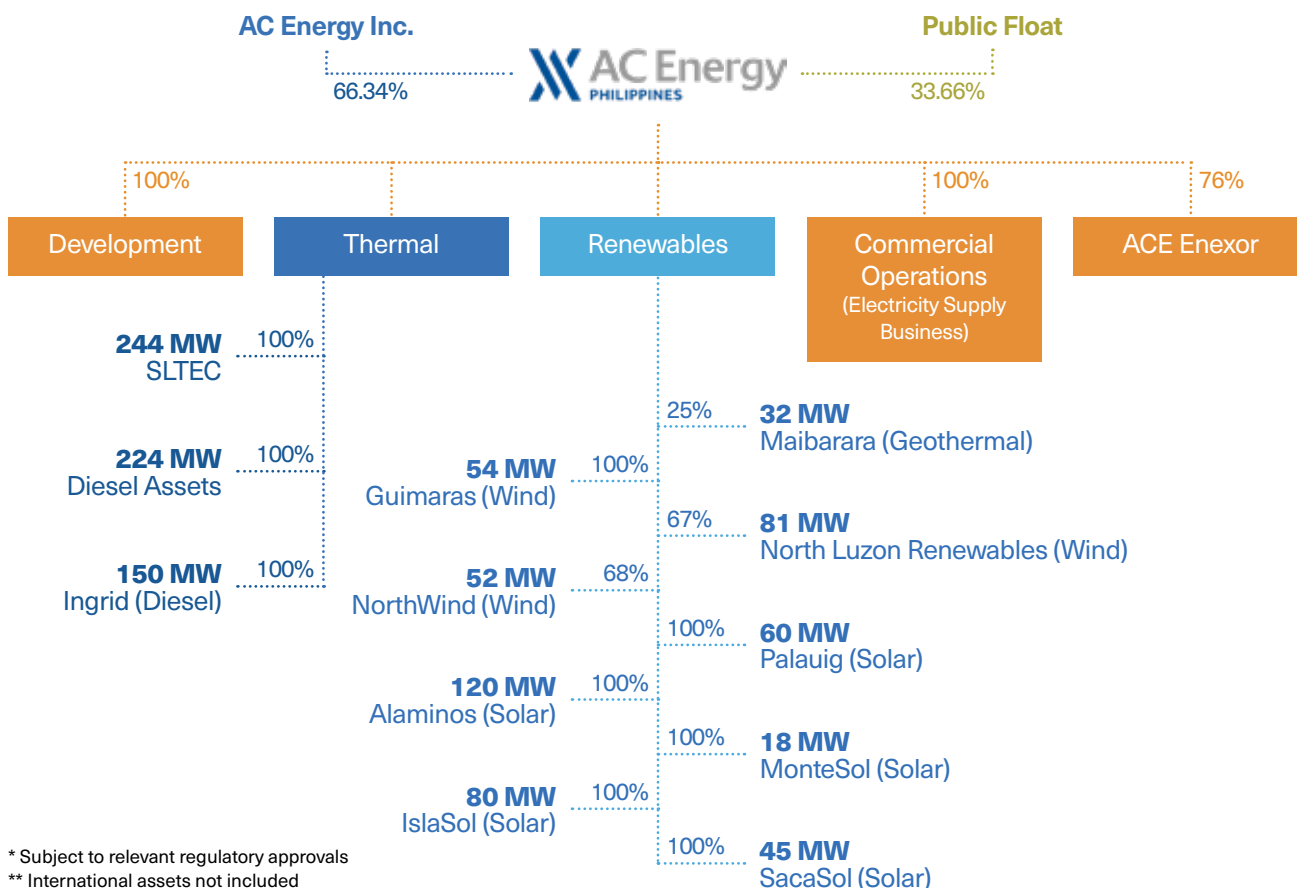
AC Energy Philippines (ACEPH) is the main growth platform of AC Energy in the country. With its strong focus on renewable energy, the Company has core interests in power project development, renewable and thermal power generation and wholesale and retail electricity supply. The Company also has an interest in oil and gas exploration.

Following AC Energy's onshore asset infusion into ACEPH in October 2019\*, the Company currently has a portfolio of over 1,100 MW of attributable capacity\*\* from renewable and thermal plants across the country. It has a strong local base of portfolio comprising of wind and geothermal assets, as well as thermal plants to complement its renewable assets and ensure power reliability.

ACEPH aspires to develop 1,500 MW of renewable energy capacity by 2020.

## Structure

ACEPH's core processes which constitutes our business model is reflective in the way the Company is organized:





## Development

ACEPH continues to expand and diversify its generation capacity, strengthening its energy platform to establish a formidable market presence.

Expansion is driven by ACEPH's development arm which undertakes the project development phase of its pipeline projects. Pre-development studies, land acquisition, and identification of potential business partners are key activities conducted to prepare for new energy assets. Guided by its Environmental and Social Management System, ACEPH's development team implements best practice guidelines for the development process. ACEPH's development pipeline comprises equity interests in approximately 550 MW of large-scale wind and solar projects in the Philippines.

## Operating Assets

ACEPH generates renewable energy from its own 54 MW wind farm in Guimaras, Western Visayas and 32 MW geothermal plant in Maibarara, Batangas. With a strong growth momentum, ACEPH accelerated the expansion of its power generation portfolio in the Philippines. The Company operates and maintains thermal plants to complement its renewable assets and ensure power reliability. ACEPH currently operates a 244 MW baseload power plant in Calaca, Batangas. It also operates six peaking plants, with a total capacity of 244 MW in La Union, Subic, Bulacan, and Iloilo.

## Commercial Operations

The offtake of the Company's operating plants is managed by the Commercial Operations Group, which facilitates the sale of power to consumers through distribution utilities. As a licensed retail electricity supplier, they also provide energy solutions to customers, ensuring products that are tailor-fitted according to the customer's needs.

Energy solution products such as Energy Efficiency Data to improve operational consumption and environmental footprint and Carbon Zero provides customers the opportunity to offset carbon footprint based on their electricity consumption while maintaining affordability and reliability.

## Oil and Gas Exploration

The Luzon grid heavily relies on the natural gas extracted from the Malampaya field in offshore Northwest Palawan. With its sources nearing depletion and its service contract expiring in 2024, ACEPH's subsidiary, ACE Enexor is developing new upstream capabilities. This supplements ACEPH's continued development of its downstream energy business.

ACE Enexor's subsidiary Palawan55 is currently operating service contract SC 55, a deep-water block in the Southeast Palawan basin. Upon completion of studies on resource assessment and re-examination of seismic data, ACE Enexor will conduct the final appraisal. Planning and budgeting shall follow suit and then well-drilling.

**"ACEPH's development team implements best practice guidelines of the development process."**



# Our Value Creation

## Capitals

## Management Approach

### Financial

Strong balance sheet and capital allocation

We are disciplined and strategic in allocating our financial capital to ensure sustainable growth.

### Manufactured

Renewable plants and thermal facilities

We derive our energy from our thermal and renewable assets. We aim to maximize our plant output throughout the year and ensure reliability through regular maintenance measures.

### Natural

Natural environment and resource

We are committed to protecting and conserving biodiversity, maintaining ecosystem services, and adequately managing living natural resources throughout the lifecycle of our power plants

### Human

Diverse and competent workforce

Driven by a new leadership team, we established a dynamic culture to engage and empower our employees. We also have strong collaborations across the AC Energy Group which results in a reinvigorated group.

### Social

Stakeholder relationships and reputable brand

We exercise an inclusive approach in engaging our stakeholders across our business activities. We also leverage on our strong brand and reputation under the Ayala Group.

### Intellectual

Internal policies and procedures

We continuously strive to improve our internal systems by facilitating knowledge and technology transfer.

## Highlights

- Much stronger balance sheet at the end of 2019
- Increased Total Shareholder's Equity by 33%

- More than 700 MW growth in attributable capacity with the increase in stake in SLTEC, and the start of construction of the Alaminos solar and Ingrid peaking projects
- 17% increase in energy output
- With 16% Percent RE Share in 2019, this is expected to increase in the coming years.

- Roll-out and implementation of the AC Energy Environmental and Social (E & S) Policy and Environment and Social Management System (ESMS)
- Biodiversity and Agroforestry activities aligned with Conservation Estate program

- Successful integration of PHEN employees with the AC Energy group
- Implementation of various Employee engagement activities (Refer to page 38 for "Employee Engagement")
- Sustained safe and healthy workplace (Refer to page 39 for "Occupational Health and Safety")

- Implementation of a Social Management System aligned with Environment and Social Management System (Refer to page 49 for "Environmental and Social Responsibility")
- Implementation of various CSR Programs and stakeholder engagement activities in 2019 (Refer to page 37 for "Local Communities")
- Implementation of various stakeholder engagement activities and livelihood programs

- Roll-out and implementation of the AC Energy Environmental and Social (E & S) Policy and Environment and Social Management System (ESMS)

# Stakeholder Engagement





**CUSTOMERS**

We maintain good relationships with our customers in both retail and wholesale by providing reliable energy services.

**GOVERNMENT AND REGULATIONS**

We ensure that our business is compliant to all applicable regulatory requirements.

**INVESTORS AND SHAREHOLDERS**

We regularly inform our investors and shareholders on our business operations and performance.

**BUSINESS PARTNERS AND SUPPLIERS**

We value and maintain long-term partnerships with our suppliers and contractors.

**EMPLOYEES**

We hold biennial employee engagement surveys. We also establish channels of communication through consultation sessions and regular townhall meetings. Furthermore, we emphasize employee engagement and empowerment in our HR programs.

**LOCAL COMMUNITIES**

We maintain transparent and inclusive relationships with its local communities. It actively responds to stakeholder concerns and helps through community engagement programs.

**Investors and shareholders**

Investors and shareholders are regularly updated on business operations and performance. Besides, company disclosures for material events and decisions are also made. ACEPH conducts investor and analyst briefings to share the company's latest plans and updates. Website and social media platforms are updated regularly to share information about company initiatives. The Company has an active Investors Relation Team that conducts inbound inquiries involving our various channels. ACEPH also holds an Annual Stockholders' Meeting to inform the public of its performance and strategic direction.

**Business Partners and Suppliers**

ACEPH cultivates lasting partnerships with its suppliers and contractors. Through the Vendor Accreditation System, The Company ensures that suppliers meet quality and integrity requirements and are compliant with government regulations.

**Customers**

ACEPH maintains good relationships with its retail and wholesale customers, regardless of size and energy consumption. It supports small customers in making sure they get reliable energy by seeing to it that services are properly delivered.

**Government and Regulators**

ACEPH attends consultative sessions with legislators and regulatory bodies to help create relevant local and industry laws. The Company ensures that its business is compliant with applicable regulatory requirements. It regularly engages with the local governments and communities to develop programs based on the identified needs of the stakeholders. Several of these programs include the promotion of eco-tourism programs, rehabilitation of local health centers, and community resilience programs.

## Local Communities

ACEPH maintains transparent and inclusive relationships with its local communities. It actively responds to stakeholder concerns and helps through community engagement programs.

ACEPH has set in motion new sustainability initiatives aligned with its parent company, AC Energy. Programs that are focused on education, environment, and livelihood continue to be pursued with adjacent communities as partners to advance social progress and nurture relationships.

### Commitment to Communities

ACEPH ensures that local communities are heavily involved in the Company's project assessments and that community concerns are addressed through stakeholder engagement mechanisms. The Company, through its Environmental and Social Management System, has established guidelines to protect its communities, including indigenous and vulnerable populations throughout the lifecycle of its projects.

More information on the Company's Environmental and Social Management System can be found on page 49.

### Education and Environment Programs

ACEPH supports the education programs of its local communities through school rehabilitation efforts, training workshops, and work immersion programs. In 2019, ACEPH mobilized volunteers and raised support towards 18 schools with 9,000 beneficiaries under the Brigada Eskwela Program. In partnership with local government units (LGUs) and public schools, The Company was also able to facilitate training programs

for 119 science teachers and work immersion programs for 60 high school students.

ACEPH partners with its local communities to support reforestation programs in various areas. The Company currently monitors and protects a total of 127 hectares of reforestation areas in BPGC, San Lorenzo Wind and OSPGC.

### Conservation Estate in Ilocos Norte

ACEPH's momentum towards community engagement will be modeled after the Conservation Estate concept established by parent Company AC Energy. The conservation estate program lines up with Ayala's thrust in creating value that improves lives, the environment, and the community where it operates. All initiatives towards sustainability thus support the development and prosperity of host communities, leading to self-actualization and national progress. This practice is designed to protect ecological wealth while providing cultural, social, and economic benefits. The Conservation Estate program is long-term and aims to empower host communities to support themselves while ensuring the conservation of natural resources.

**"It actively responds to stakeholder concerns and helps through community engagement programs."**





## Employees

As part of the AC Energy group, ACEPH owes its achievements for 2019 to its perceptive and innovative personnel. Constantly encouraged to think outside the box, open lines of communication between top management and staff have enabled ACEPH to seize opportunities and take calculated risks as they come. ACEPH also leverages its agility in tackling challenges, optimizing resources, and improving operational efficiency.

### Employee Engagement

ACEPH keeps communication lines open through consultation sessions and regular town hall meetings. Furthermore, ACEPH emphasizes employee engagement, which includes rewards and promotions, while its Human Resources Department takes charge of activities and approaches to empower employees. Managers and officers from various departments volunteered to take an active role in planning and running activities that foster camaraderie, collaboration and creativity. They form the Employee Engagement Committee and, together with the HR, they continuously strive to keep employee morale and productivity up.

### Employee Remuneration and Rewards

ACEPH's total remuneration is at par with the market with benefits extended not only to employees but also to immediate family members who are as important as its stakeholders. ACEPH recognizes the importance of work-life integration in an industry that is fast pace and growing. Thus, it provides appropriate and creative benefit plans that encourage employees to prioritize self-care by sponsoring various physical, educational, and mental health wellness programs.

As a policy, The Company conducts an annual performance evaluation directly linked to an employee's total rewards program and career development plan. The Company is determined to attract and retain high caliber talents through competitive incentive plans. It also mobilizes employees by assigning them to various projects, onshore and offshore, that produce a highly capable workforce ahead of others in the Asia-Pacific market.

**"ACEPH also leverages its agility in tackling challenges, optimizing resources, and improving operational efficiency."**



## Employees

### Training and Development

Recognizing its people as one of its most valuable assets and a fundamental contributor to its success, ACEPH makes sure that its employees' knowledge and skills meet the needs of the ever-evolving market. ACEPH employees clocked a total of 6,061 training hours, which consists of in-house seminars and workshops. The Company expects that these numbers will increase in the following years as managers are holding discussions regarding their staff's professional development needs.

### Occupational Health and Safety

In each of its sites, the Company strives to create a workplace free from recognized hazards that may cause physical harm to employees and any third parties on site. Employees are provided with proper training, adequate safety equipment, and accessible emergency tools. Workplace assessments and audits are regularly conducted to safeguard employees from workplace hazards. Safety officers assigned to every plant ensure that safety procedures are strictly observed. By year-end, ACEPH recorded 2,543,233 safe man-hours without loss time incident.

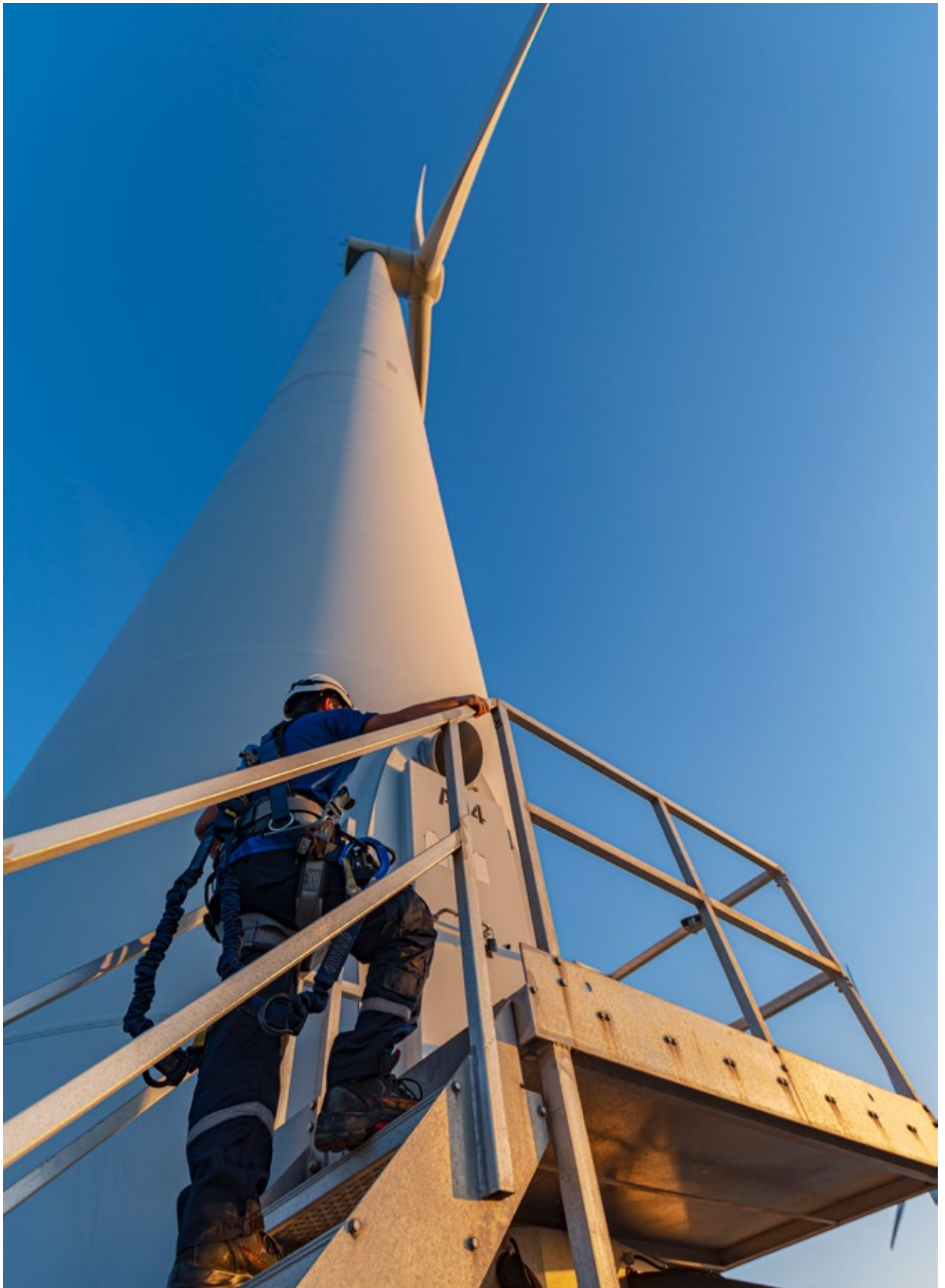
### Employee Turnover

At ACEPH company level, the overall attrition rate is at 12 percent which includes involuntary turnover. It is inevitable to see an increase in the number of leavers considering the rapid growth of the business while it undergoes organizational integration.

However, attrition at the plant level is at 8 percent significantly driven by the high demand for technical competency in the talent market. As a mitigating measure, The Company remains keen on recognizing and retaining critical key talents who have shown remarkable performance and contributions to The Company over the years through competitive total rewards and employee programs.



2,543,234  
SAFE MAN-HOURS









An aerial photograph of a wind farm in a hilly, forested landscape during sunset. The sun is low on the horizon, casting a warm orange glow over the scene. Several white wind turbines are visible, spaced out across the hills. The foreground shows a steep, grassy slope. The sky is filled with soft, wispy clouds.

# **Sustainability** in AC Energy Philippines

AC Energy Philippines leads through commitment, ambition, and innovation to ensure sustainability, create meaningful impacts on the country's economic and social landscape, and contribute to regional growth.

## Our Outlook

ACEPH's business aspires to continuously deliver reliable, affordable and sustainable energy to the Filipino people. Understanding the critical role of equitable access to power in uplifting lives and supporting economic development, the Company is committed to delivering responsible transition towards low-carbon operations, encouraged by the government's push for more renewable energy generation and reduction in dependence on traditional energy sources. The Philippines is targeting 35 percent of the country's energy to be generated from renewable sources by 2030.

Renewable energy (RE) technologies are gaining efficiency with time while the installed costs for solar and wind power are becoming more favorable. ACEPH envisions to significantly scale up its renewable assets given such advantageous conditions. With the variable nature of the output for renewables, the Company will complement its RE generation with other low carbon technologies such as gas-fired generation and energy storage.

Alongside the forecasted growth of Southeast Asia in the next two decades, energy consumption in the region is projected to increase by 50 percent. The same trend is expected in the Philippines as the country's strong macroeconomic fundamentals are expected to drive developmental reforms, which will require a robust and stable energy industry. To seize such opportunities, ACEPH relies on the agility of its talent, its reputable brand, and a strong balance sheet.

ACEPH strongly believes that its corporate agenda exists alongside that of society. The Company vows to provide reliable energy while progressively reducing its carbon footprint and keeping community welfare and environmental conservation top of mind. To do so, it has adopted its parent company's Environmental and Social Policy and its accompanying management system. The Environmental and Social Management System (ESMS) details its protocols and is customized to its business operations. The ESMS guidelines cover baselining, consulting with stakeholders, setting up mitigating measures, and conserving the environment where ACEPH operates and interacts.

**"To deliver reliable, affordable and sustainable energy for the Filipino People."**







## Our Purpose

Anchored on its mandate to uplift Filipino lives by delivering reliable, affordable, and sustainable energy, the Company has a bold vision to reach 1,500 MW of renewables by 2020. This aspiration reflects ACEPH's long-term commitment to achieving a low-carbon portfolio. Taking into account relevant economic and industry trends, the Company has developed a strategy to ensure a clear path towards its vision.

## The Road Ahead

Ahead of 2020, ACEPH has solidified its position to achieve its goal of 1,500 MW of renewables by 2020 by making considerable strides in strengthening its renewables portfolio.

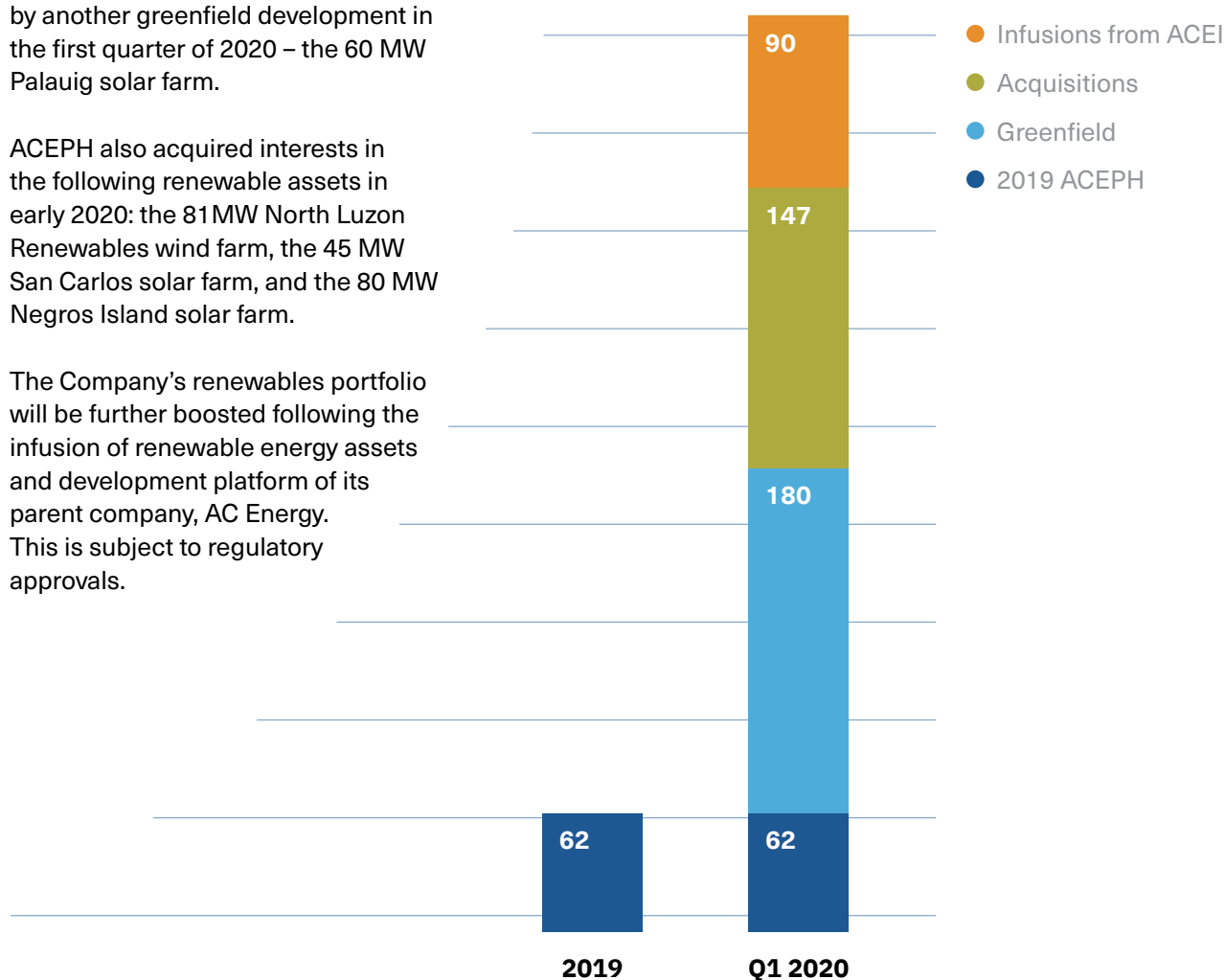
In 2019, the Company started the construction of a 120 MW solar farm in Alaminos, Laguna. This was followed by another greenfield development in the first quarter of 2020 – the 60 MW Palauig solar farm.

ACEPH also acquired interests in the following renewable assets in early 2020: the 81MW North Luzon Renewables wind farm, the 45 MW San Carlos solar farm, and the 80 MW Negros Island solar farm.

The Company's renewables portfolio will be further boosted following the infusion of renewable energy assets and development platform of its parent company, AC Energy. This is subject to regulatory approvals.

ACEPH's growth in RE investments is expected to make a significant contribution to the government target of achieving a 35 percent share in renewable energy output by 2030.

### ACEPH Renewable Portfolio as of Q1 2020





## Enabling Regulatory Environment

ACEPH is poised to further scale its renewable energy portfolio in an increasingly enabling regulatory and market environment.

As the country boosts its energy capability, coal will continue to support its economic growth as the primary power source. However, recent policies start to veer towards an increasing appreciation for the growth of renewable energy.

The Electric Power Industry Reform Act, otherwise known as the EPIRA law, effectively opened the market to private sector participation. The Renewable Energy Act (REA), enacted in 2008, has similarly hastened exploration and

development of renewables. REA's fiscal and non-fiscal incentives work to increase the utilization of renewable energy in the country. In line with this, ACEPH is preparing for growth opportunities.

Furthermore, the Department of Energy's (DOE) long-term plan sees an installed capacity of 20,000 MW for renewable energy in the future. By 2030, the country is looking into 35 percent of its energy output derived from renewable sources. As such, the Company has established a strong alignment between its vision and the country's roadmap for sustainable growth.

**“ACEPH has also developed a 3-year rehabilitation plan for SLTEC to ensure plant reliability and efficient contribution to the grid.”**

## Technology Driven and Bullish

Recent developments in renewable technologies have led to a steep decline in cost among solar PV and onshore wind technologies in the region. The rapid evolution of technologies is expected to further bring down the cost of solar and wind technologies in the region, particularly in the development of PV modules and wind turbines.

Although these advancements are projected to drive the costs of developing renewables further down, the current rate of affordability of these technologies has yet to be at par with conventional power plants. Based on Bloomberg NEF's latest New Energy Outlook 2019, new solar PV levelized cost of energy will be cost-competitive

with new coal between 2021-2022, and that of new onshore wind from the second half of the 2020s and before 2030.

Given this scenario, ACEPH strongly pushes for the adoption of new technologies and best practices for better and more cost-effective ways of growing its assets in renewables. The Company is always seeking opportunities to improve its current systems and upskill its talent to stay competitive within the rapidly evolving industry. With continuous support from the top management to pursue innovation, the Company is confident that it will be at the forefront of the renewable energy shift in the Philippines.

## Delivering Reliable Power

ACEPH is keen on ensuring a stable supply of energy generation to sustain its long-term strategy of shifting its energy mix towards renewable energy. Thus, the Company will continue to allocate capital towards peaking plants to complement its growth in renewables.

The role of diesel plants in the Company's business strategy is to be able to provide ancillary power to minimize risk exposure to instability in energy supply. Thus, increasing plant availability is the primary focus in its operating diesel plants. Starting in 2020, the average weighted availability of all diesel plants is targeted to be at

least 90 percent. New technologies are also currently being explored to further improve plant availability and overall performance.

ACEPH has also developed a 3-year rehabilitation plan for SLTEC to ensure plant reliability and efficient contribution to the grid. SLTEC equips its engineers by utilizing in-house knowledge in making functional modifications to ensure that the plant is readily available to operate at full load. The plant is currently developing a performance monitoring system to provide real-time visibility on performance and financial parameters.

**"ACEPH is keen on ensuring a stable supply of energy generation to sustain its long-term strategy of shifting its energy mix towards renewable energy. "**



## Managing Operational Risks

The Company also recognizes the inherent risks involved with operating its power plants. Thus, the Company manages such risks according to identified issues and scenarios that are specific to each plant.

Preventive maintenance and pre-emptive action are the activities involved in dealing with any potential risk or any threat to operations. Regular operational meetings are conducted to ensure that potential and existing risks are anticipated and addressed to become “top-of-mind”. Operational risks include health and safety risks, natural or man-made calamities, machinery breakdown, oil spills, and other environmental disasters.

Plant employees are trained to manage any threats to stoppage of operations. This ensures that operational

standards are maintained throughout the year. Aside from complying with standard procedures, operations and maintenance personnel must also at all times wear the appropriate Personal Protective Equipment (PPE) when handling equipment and supplies.

The health and safety risks of operating plants are managed by respective safety officers per plant. SLTEC adheres to an emergency preparedness and response plan to minimize the impacts of emergencies and other health and safety incidents. Management ensures that its plants are doing necessary compliance with the Department of Labor and Employment (DOLE), the Department of Environment and Natural Resources (DENR), and the Department of Energy (DOE).





## Environmental and Social Responsibility

Sustainability is central to ACEPH's operations. A comprehensive blueprint, known as its Environmental and Social Management System (ESMS), outlines ACEPH's commitment to protecting the communities and environment in tandem with its focus on developing renewables to support the government's energy roadmap.

ACEPH's team and project developers, as well as its potential and incoming investees, work under the same principles and practices outlined by the ESMS. As much as possible, the same blueprint will be applied in joint ventures and projects where it holds minority shares.

In a nutshell, the ESMS holds the key to ACEPH's contribution to the Sustainable Development Goals, ensuring effective environmental management and social development practices; compliance with government regulations, and environmental and social standards.

## Environmental and Social Risk Assessment

Before qualifying a project, ACEPH follows a risk assessment process to identify and prioritize Environmental and Social Risks. E&S assessments include environmental, operational, health and safety (OHS), labor and community risks. The process begins with a rigorous desk study of potential sites. Potential alignment with globally recognized environmental & social standards such as the E&S Performance Standards set by the International Finance Corporation

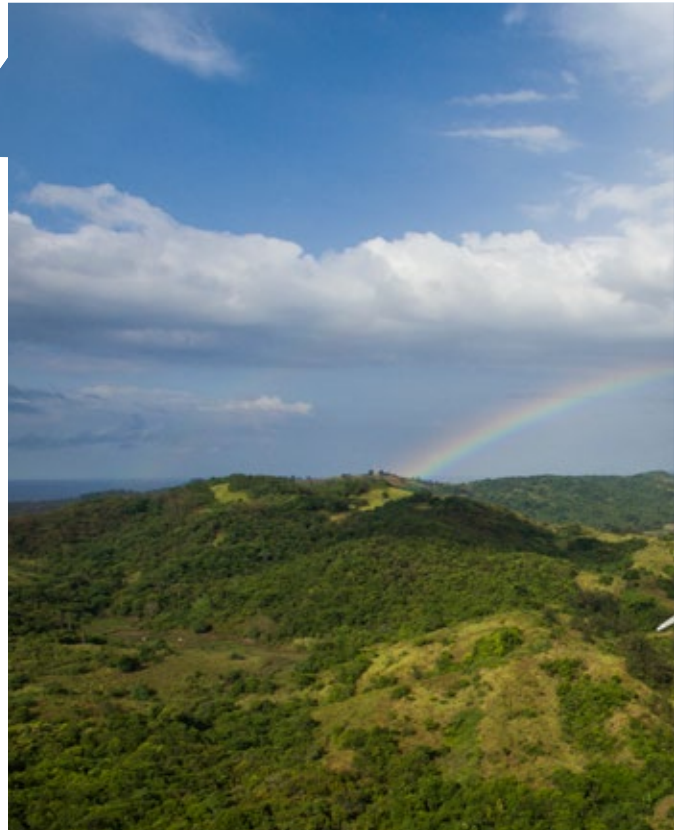
(IFC) and the ADB Safeguard Policy Statement (SPS) is taken into account at this stage. This is followed by site visits intended to identify key environmental resources and social attributes of the potential site. We include discussions with local government and community leaders as needed, especially in gathering additional information on critical environmental & social considerations for the site.



## Environmental Management

Before undertaking a project in any given area, ACEPH first determines the biodiversity value of the area, following the guidelines set by the International Finance Corporation (IFC) Performance Standards.

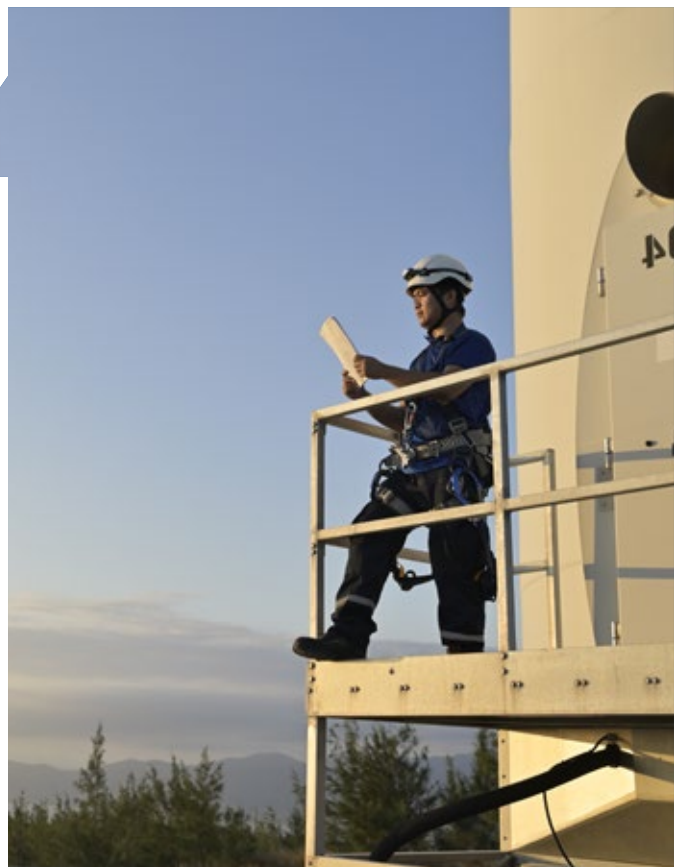
Any land conversion or modification is done in consultation with stakeholders. AC Energy adopts a sensitive stance when dealing with environmental factors and caring for natural resources. The Company has also lined up a comprehensive set of parameters that will ensure protection and conservation.



## Social Safeguards

ESMS has a comprehensive set of protocols to safeguard the well-being of concerned stakeholders. The Company accords due respect to affected communities and engages them and local government units to arrive at mutually agreed arrangements. Any displacements, whether this is physical or economic, are appropriately provided due compensation.

Business ethics and fair labor practices are part and parcel of the important ingredients for AC Energy's environmental and social management system.





# Corporate Governance

AC Energy Philippines ensures compliance with Philippine corporate governance requirements and standards and strives to further strengthen its governance system also by leveraging regional (ASEAN) best practices and standards. Cognizant that stakeholder needs are evolving, the Company has also adopted a flexible approach to ensure that it will be able to adapt effectively and satisfy stakeholder expectations.

**AC Energy Philippines believes that adherence to good corporate governance principles is essential for the achievement of its strategic goals. We believe in doing business with integrity and in full compliance with laws and regulations. At the core of our Company are four corporate values: integrity, long-term vision, empowering leadership, and commitment to national development.**

**The Company's Corporate Governance System is a combination of its 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 is constantly evolving in line with Ayala's best practices and to satisfy the changing expectations of regulators, investors, and other stakeholders brought about by the move towards greater ASEAN integration. Through continuously evaluating and improving our governance structures, systems, and procedures, we can ensure proper and adequate controls are in place to sustain the business.**

**AC Energy Philippines, Inc. 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 2019.**

## 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 takes into account the best interest of the Company, its shareholders and other stakeholders.

The Board 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 the fiscal year 2019.

### 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 Committee.

There is also an appropriate mix of non-executive, independent and executive directors.

- AC Energy Philippines Inc.'s Board of Directors is composed of eleven directors from a wide variety of backgrounds, all of whom possess expertise in a range of disciplines:

energy industry, finance, accounting, business, banking, capital markets, and treasury.

- Each director is elected by the shareholders annually and serves a term of one year.
- More than 70 percent of the Board is composed of nonexecutive and independent directors.
- None of the independent directors own more than two percent 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 21 to 26.

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

Fernando Zobel de Ayala, Chairman, and Jaime Augusto Zobel de Ayala, Vice-Chairman, assumed their respective positions on July 23, 2019. 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, exercise the powers given to him in the By-Laws, and perform 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 appointed Sherisa P. Nuesa as its Lead Independent Director during its organizational meeting on September 17, 2019.

#### Role of the Lead Independent Director

When needed, the Lead Independent Director acts as an intermediate 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, 2019, more than 70% of the Board membership is composed of non-executive and independent directors of which five are independent and five are non-executive directors.

The independent directors do not have 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 limit of nine years has been set by the company for its independent directors following the rules laid out

by the SEC. As of 2019, none of the independent directors have served the Company for more than nine years, reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011. Furthermore, none of the directors or senior management have worked for AC Energy Philippines Inc.'s external auditing firm within the three 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 to 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 stockholders and the stakeholders considering transparency, accountability and fairness in all activities.

### Board Performance

The Board is devoted to carrying 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 two (2) regular, six (6) special, and one (1) organizational meetings in 2019.

The annual calendar of activities for the Board and Committees are 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 three 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, its Committees, and its individual members. 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 years, an independent consultant will be appointed to assist in the evaluation process of the Board.

### 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 training, and updating directors with relevant statutory and regulatory changes. He is knowledgeable on legal and regulatory requirements and is well-informed on relevant developments through part-time teaching of graduating law students and appearing as a speaker in various public fora.

### Training Of Directors

It is AC Energy Philippines, Inc.'s policy that all its directors attend at least a four-hour annual continuing training program on corporate governance. While all new directors must take at the minimum an eight-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.

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. 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 August 9, 2019, the group held its first-ever Integrated Corporate Governance, Risk Management and Sustainability Summit with the theme "The Board's Agenda: Sustainability Shapes Corporate Governance and Risk Management" to convey the interconnectedness of the three disciplines for responsible business growth, value creation and improve governance practices within the organization.

### Director Compensation

Total director remuneration or 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, control environment, aligned with the long-term interests of the company and its stakeholders.

### Independent Directors' Remuneration

On July 23, 2019, upon the recommendation of the Committee, the Board approved a resolution fixing the current remuneration of IDs.

The power of fixing the fees was delegated by the stockholders to the Board as provided for in the Amended By-laws.

The existing remuneration framework for the IDs adopted by the company consists of attendance fees. Executive directors and other directors who are not independent directors do not receive attendance fees.

In 2019, the following IDs received gross remuneration as follows:

IDs before September 17, 2019, date of Annual Stockholders' Meeting:

Independent Directors	Meetings' Attendance Fees
Corazon S. Dela Paz Bernardo	205,000
Ricardo V. Camua	195,000
Guillermo D. Luchangco	175,000
Edward S. Go	145,000
David L. Balangue	20,000
<b>TOTAL</b>	<b>740,000</b>

IDs after September 17, 2019, date of Annual Stockholders' Meeting:

Independent Directors	Meetings' Attendance Fees
Melinda L. Ocampo	360,000
Ma. Aurora D. Geotina-Garcia	360,000
Consuelo D. Garcia	340,000
Jesus P. Francisco	340,000
Sherisa P. Nuesa	340,000
<b>TOTAL</b>	<b>1,740,000</b>

None of the IDs receive compensation from AC Energy Philippines, Inc. for services other than those provided as a director. They are not entitled to stock options and performance bonuses from the company.

## Board Committees

The Board Committees are assisting the Board in the discharge of its functions, to aid in good governance, and are governed by their rights and responsibilities as defined in their Charters duly approved by the Board.

### 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 transactions in 2019:

- 1 The final price, terms and conditions of the sale of the Assets of the Company that were excluded from the sale of shares to AC Energy.
- 2 The terms of the Company's supply contracts with Maibarara Geothermal Inc. and South Luzon Thermal Energy Corp.
- 3 The terms of the sale of the Company's club share in Ayala Alabang Country Club.
- 4 The terms of the Administration and Management Agreement with ISLASOL, a related party, for the management of the entire output of ISLASOL's 48 MW solar farm in Manapla, Negros Occidental.
- 5 Engagement of FTI Consulting as an independent third-party valuator.
- 6 The issuance of letter of support of Palawan55's financial commitments under Service Contract 55.
- 7 The acquisition of up to 100% of the Philippine Investment Alliance

for Infrastructure's ("PINAI") ownership interest in North Luzon Renewables ("NLR").

- 8 The sale of the building which used to house the Company's diesel assets in Guimaras Province.

The Executive Committee had six (6) meetings in 2019.

### **Corporate Governance and Nomination Committee**

The Corporate Governance and Nomination Committee has three independent directors, including the Chairman. The Committee makes sure 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 2019 (including its actions as the previous Corporate Governance and Related Party Transactions Committee) are as follows:

- 1 Approved the Board Charter and the Board Succession Policy of the Company for endorsement to the Board.
- 2 Approved the waiver by the Corporation of pre-emptive rights to new shares in PHINMA Solar Energy Corporation in favor of Union Galvasteel Corporation.
- 3 Approved and endorsed the assignment of lease of offices in 22nd Floor, 6750 Office Tower from AC Energy Inc.
- 4 Approved amendments to the Corporate Governance Manual (alignment of committees)

- 5 Approved the Administration and Management Agreement with ISLASOL, a related party, for the management of the entire output of ISLASOL's 48 MW solar farm in Manapla, Negros Occidental
- 6 Received the nominees for director of the Company, evaluated their qualifications and endorsed qualified nominees for nomination to the Board for the year 2019.
- 7 Approved the remuneration for independent directors.
- 8 Endorsed to the Board the appointment of the Chief Risk Officer and the Chief Audit Executive

The Committee had five (5) meetings in 2019, during which the Chairman and members were all present.



**C:** Chairman | **M:** Member

## Board and Board Committee Membership Stockholders, Board, Board Committee Meetings, and Directors' Attendance for the Year Ended December 31, 2019

For 1 January 2019 until 30 June 2019, the Board committees and their members were as follows:

	Audit Committee	Risk Oversight Committee	Corporate Governance and RPT Committee	Executive Committee	Compensation Committee
Ramon R. del Rosario				<b>C</b>	<b>M</b>
Oscar J. Hilado				<b>M</b>	<b>C</b>
Magdaleno B. Albarracin, Jr.				<b>M</b>	
Francisco L. Viray				<b>M</b>	
Victor J. del Rosario	<b>M</b>				
Roberto M. Laviña		<b>M</b>			
Pythagoras L. Brion, Jr.					
Ricardo V. Camua			<b>M</b>		<b>M</b>
David Balangue/Edward S. Go*	<b>M</b>	<b>M</b>	<b>M</b>		
Guillermo D. Luchangco			<b>C</b>	<b>M</b>	
Corazon S. dela Paz Bernardo**	<b>C</b>	<b>C</b>	<b>M</b>		

\* Mr. David Balangue resigned effective on February 15, 2019 and Mr. Edward S. Go was appointed effective March 1, 2019

\*\*Ms. Corazon S. dela Paz Bernardo assumed Chairmanship thereafter

From 1 July 2019 and until 22 July 2019, due to the change in the majority ownership of the Company, the Board committees and their members were as follows:

	Audit Committee	Risk Oversight Committee	Corporate Governance and RPT Committee	Executive Committee	Compensation Committee
Fernando M. Zobel de Ayala				<b>C</b>	
Jaime Augusto M. Zobel de Ayala				<b>M</b>	
John Eric T. Francia				<b>M</b>	
Gerardo C. Ablaza, Jr.					<b>M</b>
Jose Rene Gregory D. Almendras	<b>M</b>	<b>M</b>			
John Philip S. Orbeta					<b>C</b>
Ricardo V. Camua			<b>M</b>		<b>M</b>
Edward S. Go	<b>M</b>	<b>C</b>			
Guillermo D. Luchangco			<b>C</b>	<b>M</b>	
Corazon dela Paz Bernardo	<b>C</b>	<b>M</b>	<b>M</b>		

Effective 17 September 2019, the date of the annual stockholders' meeting of the Company, the board committees and their members are as follows:

	Audit Committee	Board Risk Management and RPT Committee	Corporate Governance and Nomination Committee	Executive Committee	Personnel and Compensation Committee
Fernando M. Zobel de Ayala				C	
Jaime Augusto M. Zobel de Ayala				M	
John Eric T. Francia				M	
Gerardo C. Ablaza, Jr.					M
Jose Rene Gregory D. Almendras					
John Philip S. Orbeta					C
Sherisa P. Nuesa		C			M
Ma. Aurora Geotina-Garcia	C	M			
Jesus P. Francisco <sup>1</sup>	M		M	M	
Consuelo D. Garcia	M		C		
Melinda L. Ocampo		M	M		

<sup>1</sup> Mr. Francisco passed away on 14 December 2019.



The attendance of the directors at the meetings of the Board and of stockholders held in 2019 is as follows:

	7 JAN	1 MAR	26 APR	9 MAY	1 JUL	23 JUL	5 SEP	17 SEP	17 SEP	9 OCT	11 NOV	No. of meetings attended	Percent present
	S	R	S	S	S	S	R	ASM	O	S	R		
John Eric T. Francia <sup>2</sup>					●	●	● <sup>8</sup>	●	●	●	●	7/7	100%
Gerardo C. Ablaza, Jr. <sup>3</sup>					●	●	● <sup>8</sup>	●	●	●	●	7/7	100%
Jose Rene Gregory D. Almendras <sup>4</sup>					●	●	● <sup>8</sup>	●	●	●	●	5/7	86%
John Philip S. Orbeta <sup>5</sup>					●	●	● <sup>8</sup>	●	●	●	●	7/7	100%
Jesus P. Francisco								●	●	●	●	4/4	100%
Consuelo D. Garcia								●	●	●	●	4/4	100%
Ma. Aurora Geotina-Garcia								●	●	●	●	4/4	100%
Sherisa P. Nuesa								●	●	●	●	4/4	100%
Melinda L. Ocampo								●	●	●	●	4/4	100%
Fernando M. Zobel de Ayala <sup>6</sup>						●	●	●	●	●	●	5/6	83%
Jaime Augusto M. Zobel de Ayala <sup>7</sup>							●	●	●	●	●	4/5	80%
Ramon R. del Rosario	●	●	●	●								4/4	100%
Oscar J. Hilado	●	●	●	●								4/4	100%
Magdaleno B. Albarracin, Jr.	●	●	●	●								4/4	100%
Francisco L. Viray	●	●	●	●								4/4	100%
Victor J. del Rosario	●	●	●	●								3/4	75%
Roberto M. Laviña	●	●	●	●	●							4/5	80%
Ricardo V. Camua	●	●	●	●	●	●	●	●				8/8	100%
Corazon dela Paz Bernardo	●	●	●	●	● <sup>8</sup>	●	● <sup>8</sup>	●				8/8	100%
Guillermo D. Luchangco	●	●	●	●	●	●	● <sup>8</sup>	●				5/8	63%
Pythagoras L. Brion, Jr.	●	●	●	●	● <sup>8</sup>							4/5	80%
David Balangue	●											1/1	100%
Edward S. Go <sup>1</sup>			●	●	●	●	●	●				5/6	83%

S: Special | R: Regular | O: Organizational

● Present | ● Absent

have not yet been elected/day of election to serve the unexpired term of the Director who resigned

resigned from position

<sup>1</sup> Mr. Go was elected on 01 March 2019 to serve the unexpired term of Mr. Balangue

<sup>2</sup> Mr. Francia was elected on 09 May 2019 to serve the unexpired term of Dr. Viray, effective 15 May 2019

<sup>3</sup> Mr. Ablaza, Jr. was elected on 01 July 2019 to serve the unexpired term of Mr. del Rosario, Jr.

<sup>4</sup> Mr. Almendras was elected on 01 July 2019 to serve the unexpired term of Mr. Hilado

<sup>5</sup> Mr. Orbeta was elected on 01 July 2019 to serve the unexpired term of Mr. del Rosario

<sup>6</sup> Mr. Fernando M. Zobel de Ayala was elected on 23 July 2019 to serve the unexpired term of Dr. Albarracin, Jr.

<sup>7</sup> Mr. Jaime Augusto M. Zobel de Ayala was elected on 23 July 2019 to serve the unexpired term of Mr. Laviña

<sup>8</sup> via teleconference



### **Audit Committee**

The Audit Committee has three (3) independent members, including the chairman with at least one of its members having background and expertise in accounting. The Committee assists the Board through 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 consolidated financial statement, and the work performed and reports provided by both internal and external auditors. Based on the assurance provided from the auditors as a result of their reviews, the Committee assessed the company's systems of internal controls, risk management, and governance processes as adequate. Please refer to the Annual Audit Committee Report to the Board on the discharge of their duties and responsibilities on pages 84 to 85.

The Committee had five (5) meetings in 2019, three (3) of which the Chairman and members were all present.

### **Board Risk Management and Related Party**

#### **Transactions Committee**

The Board Risk Management and RPT Committee is a board-level Committee with three (3) members who are independent directors, including the chairman.

The Committee is responsible for the oversight of the Company's enterprise risk management system and the review of all material related party transactions of the Company.

The Committee had three (3) meetings in 2019, during which the Chairman and members were all present.

### **Personnel and Compensation Committee**

The Personnel and Compensation Committee has three (3) members including an independent 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 also reviews to ensure that compensation is aligned with the Company's culture, strategy, and control environment and competitive against the market, while ensuring the compensation is reasonable for the work required, the Company's size and scope.

The Committee did not have any meetings in 2019.

## **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 an adequate and effective system of internal controls and risk management processes to ensure the 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 strategic management, investment, finance, procurement, 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 Corporation. Initiatives that 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.

## Internal Governance Mechanisms

### Strategy Formulation and Execution

AC Energy Philippines, Inc. utilizes an inclusive and iterative approach in crafting and executing a long-term strategic plan. As these plans are finalized, it also ensures that risks are managed appropriately using a risk management process.

### Accountability and Audit

#### External Auditors

On September 17, 2019, 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 AC Energy Philippines, Inc. the lead engagement partner of SGV & Co. is Mr. Benjamin N. Villacorte, a Securities and Exchange Commission (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 Corporation'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 July 22, 2019, 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 audit-related fees of SGV & Co. for 2019 amounted to PHP1.552 million, inclusive of Value-Added Tax (VAT) and Out-Of-Pocket Expenses (OPE). In addition to the audit of the financial statements, SGV & Co. also rendered non-audit services amounting to PHP0.075 million to validate the votes during the annual stockholders' meeting. 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 concerning their significance to the audit and the Company's total expenditure on consultancy.

The audit results were presented to the Audit Committee on its February 21, 2020, meeting. There were no disagreements between the Management and SGV & Co. on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

#### Internal Auditors

Internal Audit, headed by the Chief Audit Executive (CAE), Henry T. Gomez, Jr., 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, and ISO 14000. 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 2019, the Internal Audit attests, that AC Energy Philippines, Inc.'s system of internal controls, risk management, compliance, and governance processes are designed adequately and continue to operate effectively.

## Chief Compliance Officer

As AC Energy Philippines Inc.'s Chief 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 Chief 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 Securities and Exchange Commission (SEC), 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, among others, key results of operations, execution of contracts, declaration of dividends and investment.

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 also disclosed.

In dealing with Related Party Transactions (RPTs), the Board of Directors, with the assistance of the Board Risk Management and Related Party Transactions Committee composed of independent Directors, reviews and approves the material RPTs of the Company per the RPT policy to ensure that the transactions are at arm's length, fair, and will 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 Board Risk Management and RPT Committee for review and approval prior to entering into the transaction, unless it is covered under any of the exceptions under the policy.

There were also no cases of noncompliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years. The 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, 2019, AC Energy Philippines, Inc.'s outstanding common shares were held as follows:

## 2019 Disclosures

In 2019, the company filed, among others, unstructured disclosures involving the following:

### Unstructured Disclosures

- Resignation and appointment of officers
- Notice and Agenda of the 2019 Annual Stockholders' Meeting
- Results of 2019 Annual Stockholders' Meeting and Organizational Board of Directors' Meeting
- Acquisition and sale of Company shares by the directors, officers, and 10% owners
- Public Ownership Reports
- Top 100 Stockholders Reports
- Report by Owner of More Than Five Percent
- Postponement and Setting of 2019 Annual Stockholders' Meeting
- Change in Corporate Contact Details and/or website
- Change in Corporate Name and/or Stock Symbol
- Change in Stock Transfer Agent
- Voluntary Trading Suspension
- Replies to Exchange's Query
- Press Release
- Attendance of the Board of Directors in 2018
- Approval by the Board of the Revised Related Party Transactions (RPT) Policy
- Approval by the Board of the Manual for Corporate Governance
- Philippine Competition Commission ("PCC") Approval of sale of shares in the Company's

### Outstanding Common Shares and % Ownership

AC Energy, Inc.	4.990 billion	66.34%
PCD Nominee Corporation (Filipino)	2.006 million	26.67%
PCD Nominee Corporation (Non-Filipino)	0.111 million	1.47%
Others	0.413 billion	5.51%

parent, AC Energy Philippines, Inc. (then PHINMA Energy Corporation) to AC Energy, Inc.

- Amendments to the Articles of Incorporation and By-laws
- Comprehensive Corporate Disclosure on Backdoor Listing
- Comprehensive Corporate Disclosure on Issuance of Shares
- Tender Offer Report
- Execution of an Amended and Restated Deed of Assignment amending the Deed of Assignment dated 9 October 2019 covering the issuance of 6,185,182,288 shares of stock in the Company in favor of the parent company, AC Energy, Inc.
- Approval of share swap between the Company and AC Energy, Inc.
- Approval of undertaking of stock rights offering for up to 2.27 billion shares
- Signing of a Deed of Assignment between the Company and AC Energy, Inc. where the latter transferred its right to purchase the 20% ownership stake of Axia Power Holdings Philippines, Inc. in South Luzon Thermal Energy Corporation in favor of the Company
- Purchase of Interest in, and Signing of a Share Purchase Agreement with, Philippine Wind Holdings Corporation
- Subscription by the Company of shares in Ingrid Power Holdings, Inc.
- Purchase of controlling interest in San Carlos Solar Energy, Inc.
- Purchase of controlling interest in Negros Island Solar Power Inc.
- Notice that Parent Company Successfully Launches First-Ever Perpetual Fixed-for-life Green Bond
- Advisory on the Philippine Competition Commission Approval of Sale of shares in the Company to AC Energy, Inc.
- Approval of the investment into and construction of a solar power plant project in Palauig, Zambales through AC Energy Development, Inc.
- Assignment to the Company of AC Energy, Inc.'s rights to purchase 80 MW of capacity from GN Power Dinginin Ltd. Co.
- Signing of the Heads of Agreement and Investment Agreement among PHINMA Corporation (PHN), Philippine Investment Management (PHINMA), Inc. (PHI), and AC Energy, Inc. on the sale of PHN and PHI's interests in the Company, the parent company of ACE Enexor, Inc.
- Approval of authority to negotiate, signing of the Agreement and Deeds of Absolute Sale including the completion of the block sale among PHN, PHI and the Company on the sale of PHN and PHI's interests in ACE Enexor, Inc.
- Approval of the Consent to the Assignment and signing of Deed of Assignment between PHINMA, PHI and AC Energy, Inc. on PHI's rights, title and interests in the Management Contract with the Company
- Signing of the Agreement and Deeds of Absolute Sale including the completion of the special block sale relative to the sale among AC Energy, Inc., PHINMA and PHI of PHN and PHI's interests in the Company
- Approval by the Executive Committee meeting of the Audited Financial Statements for the year ended December 31, 2018
- Approval of the Company's budget for calendar year 2020
- Availment by the Company of term loan facilities for up to PHP15 billion
- Results of Meralco bid for the 500 MW (net) and 1200 MW (net) competitive bidding for the supply of electricity

- Approval of issuance of 2,632,000,000 primary shares to AC Energy, Inc. at P 1.00 per share
- Authority to undertake a Voluntary Tender Offer (VTO) for the remaining common shares of ACE Enexor, Inc.
- Update from ACE Enexor, Inc. on Service Contract No. 6B.

#### Clarification of News Articles

- AC Energy Development setting up a new solar plant in Zambales
- Ayala unit seeks to beef up power capacity
- PHINMA Energy to spend USD2 billion for RE projects

#### 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. The non-financial performance was prepared using the guiding principles and content elements of the Integrated Reporting framework. The report was prepared under the supervision of ACEPH's Corporate Communications and Sustainability Vice-President, Irene Maranan.

To help stakeholders gain a better understanding of the Company's business and its process of value creation, a thorough discussion of both financial and non-financial performance indicators is provided in the Integrated Report. Please refer to pages 17 to 18 for the financial and non-financial performance indicators, respectively.

## Changes In Shareholdings

Reported trades of directors and officers of AC Energy Philippines Inc.'s Securities in 2019:

	Balance as of December 30, 2018	Acquired	Disposed Of	Balance as of December 31, 2019
<b>DIRECTORS</b>				
Fernando M. Zobel de Ayala	-	237,258,001	-	237,258,001
Jaime Augusto M. Zobel de Ayala	-	1	-	1
Gerardo C. Ablaza, Jr.	-	1,000,001	-	1,000,001
Jose Rene Gregory D. Almendras	-	1	-	1
John Eric T. Francia	-	98,981,271	20,000,000	78,981,271
John Philip S. Orbeta	-	2,000,001	-	2,000,001
Melinda L. Ocampo	-	1	-	1
Ma. Aurora D. Geotina-Garcia	-	1	-	1
Consuelo D. Garcia	-	1,000	-	1,000
Jesus P. Francisco	-	29,500	-	29,500
Sherisa P. Nuesa	-	240,000	-	240,000
<b>OFFICERS</b>				
Solomon M. Hermosura	-	16,712,000	-	16,712,000
Dodjie D. Lagazo	-	6,526,166	-	6,526,166
Maria Corazon G. Dizon	-	20,432,383	-	20,432,383
Gabino Ramon G. Mejia	-	5,221,428	-	5,221,428
Roman Miguel G. de Jesus	-	10,994,049	-	10,994,049
Danilo L. Panes	385,737	144,000	-	529,737
Alan T. Ascalon	534,173	89,000	-	623,173
Mariejo P. Bautista	2,008,677	244,000	-	2,252,677
Irene S. Maranan	-	4,402,718	-	4,402,718
Andree Lou C. Kintanar	-	1,584,660	-	1,584,660
Ma. Teresa P. Posadas	257,898	43,000	-	300,898
Henry T. Gomez, Jr.	-	74,000	74,000	-

## Stakeholder Relations

As a stronger, bolder, and faster energy company, AC Energy Philippines, Inc.'s ultimate goal is to uplift the lives of its stakeholders and help build a more sustainable future for Filipinos. 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

Notice of regular or special meetings is sent to shareholders at least 15 days before the scheduled date. It contains the agenda and sets the date, time, and place for validating proxies, which must be done at least five business days before the annual stockholders' meeting. Each outstanding common share of stock entitles the registered holder to one 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 absentia. The Company established a secure Electronic Voting in Absentia 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, remove and candidates for the 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 the Philippine Stock Exchange. The Investor Relations Team who directly reports to the Group Chief Finance Officer provides for an avenue to receive feedback, complaints, and queries from shareholders other than through the annual stockholder's meeting.

## Code Of Business Conduct

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 policy 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 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 AC Energy Philippines, Inc. to ensure compliance with Corporate Disclosures Manual and prevent the unlawful practice of using to one's advantage confidential information one has access to.



### **Reporting of Transactions**

AC Energy Philippines, Inc. has established and implemented guidelines for all directors, officers, employees and consultants on when to declare trades. All directors and officers from Managing Directors and above, the Comptroller, Chief Audit Executive, Chief Risk Officer, Treasurer, Chief 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 a price sensitive information has been disclosed to the Exchange.

The Policy on Insider Trading provides that all directors, officers, consultants, and employees of the company who may know material information that have not been disclosed to the public, including members of covered persons' immediate families, are prohibited from trading in AC Energy Philippines Inc.'s shares during the trading blackout period lasts from the time the information is obtained until a minimum of two trading days from 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.

### **Policy On Related-Party Transactions**

AC Energy Philippines, Inc. recognizes the fiduciary responsibility of its board of directors to ensure the

fairness, transparency, and integrity of the Corporation's related party transactions (RPTs) for the protection of all shareholders' interest.

To support in the implementation of this duty, the Company has adopted a Related Party Transactions Policy that:

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

The Board Risk Management and Related Party Transactions 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 AC Energy Philippines, Inc. 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

AC Energy Philippines, Inc. has adopted a zero-tolerance policy towards fraudulent reporting, misappropriation of assets, corruption, bribery in any form, and all unethical practices, and is committed to 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. This guides 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 the 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.

## Conflict of Interest Policy

No officer or employee may be involved in any business or undertaking that is directly or indirectly in competition to the Company. Any potential conflict

of interest, actual or apparent, must be brought to the attention of management. In case of such occurrence, the officer or employee is required to disclose such information.

## Whistleblower Policy

AC Energy Philippines, Inc. 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. The policy 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@ayala.com.ph](mailto:whistleblower@ayala.com.ph), or through a face-to-face meeting with any of the Disclosure Committee composed of one representative each from the Office of the General Counsel, Strategic Human Resources, Internal Audit, and Group Risk Management and Sustainability.

There is an established Investigation Committee process to look into reported violations of company policies, rules, and regulations. All reports are treated in confidence and discussed with the Audit Committee who monitors the resolution and closure of all reports.

## Data Privacy Policy

In keeping its utmost commitment to safeguard and respect the right to personal data privacy of stakeholders, AC Energy Philippines, Inc. appointed a Data Protection Officer, Atty. Alan T. Ascalon. With the support of the different business units, AC Energy Philippines' 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 ([acephdataprivacy@acenergy.com.ph](mailto:acephdataprivacy@acenergy.com.ph)) 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.acenergy.com.ph](https://www.acenergy.com.ph).

As part of our stakeholder engagement, AC Energy also maintains social media accounts on Facebook (<https://www.facebook.com/acenergyinc>) and LinkedIn (<https://ph.linkedin.com/company/acenergyinc>).

## Risk Management

Risk management discipline is embedded in the Company's management practices and business operations. The Company ensures that risk management continues to play an integral part in informing its business strategy and value creation.

## Risk Architecture

ACEPH's Risk Management and Related Party Transactions Committee provides the board with an oversight role in the Company's risk management activities. The Company's risk management is driven by the Chief Risk Officer, who designs and implements the Enterprise Risk Management process. ACEPH has a dedicated Audit and Risk Committee assigned for each subsidiary to provide visibility at the operational level. The Company is represented at the ERM council led by Ayala's Risk Management unit. ACEPH Risk Management and Related Party Transactions Committee meet at least twice a year. Ayala Risk Committee (ARC) meets each of the subsidiaries every quarter.

## Risk Management Strategy

The Company's risk management process is anchored to the ISO 31000 standard on risk management. The Company looks to continuously improve its risk management process by adopting processes and strategies in line with Ayala's best practices. The Company is strengthening its approach to risk management by aligning its risks with current and emerging trends through research and by consulting with risk management experts.

## Risks and Mitigating Measures

Risks	Impacts to the Company	Mitigating Measures
<b>Financial risks</b>	Global and local financial, currency, and credit markets may continue to experience, significant dislocations and liquidity disruptions, which may adversely affect the Company's financial condition.	Constant monitoring of the Company's exposure to financial market risks including the maintenance of a reasonable level of liquidity buffer to continuously support the Company's requirements. The Company follows a currency exposure allocation scheme that optimizes the currency of funding requirements with the expected currency of cash flows to be received. The Company mitigates credit risk by restricting investments to duly accredited domestic and foreign banks and mutual funds.
<b>Operational Risks</b>	Unforeseen disruptions in the form of breakdowns or accidents in the Company's power plant facilities may affect the Company's ability to operate and generate power.	The Company implements asset management plans and procures insurance coverages to mitigate operational risks at the plant level. Safety officers are deployed to each plant and are supervised by a safety committee.
<b>Regulatory Risks</b>	The Company is subject to extensive national and local laws and regulations. Any material adverse government action including changes to existing laws may negatively affect the Company's business continuity.	The Company regularly monitors regulatory and market laws as interpreted by its Legal and Regulatory unit. The Company maintains good relationships with industry partners and the government while ensuring strict compliance of all reportorial requirements is being delegated to each operating plant.
<b>Reputational Risks</b>	The Company is subject to environmental and social challenges posed by the nature and location of its operations. Mismanagement of these issues may adversely affect the Company's reputation and stakeholder relationships.	The Company acknowledges these risks and has established an Environmental and Social Management System to ensure that impacts are responsibly managed. The Company meets environmental regulations and conducts stakeholder engagements with local government units and communities.
<b>Market Risks</b>	Price fluctuations in a volatile spot market may yield unfavorable prices for the Company.	The Company proactively manages the market exposure of its commercial business by optimizing its various supply and demand contracts across the volume of energy and tenor of contracts among others. The Company also operates several renewable energy power plants that benefit from a feed-in-tariff program that insulates these plants from market fluctuations.
<b>Supply Risks</b>	Disruptions to the supply of fuel may harm the Company's operations and financial performance.	The Company cultivates strong relationships with its suppliers and has secured long-term supply agreements for its key supplies. The Company also maintains safe allocation of its fuel inventory and can obtain fuel from alternative sources. The Company also proactively manages its exposure to commodity prices by hedging its exposure and locking in prices when it is economically attractive and only to the extent of its projected requirements.









# Annexes



# Materiality

A materiality assessment was conducted in order to identify the Company's material issues with regards to its business strategy, capitals, and stakeholder concerns. The Company references the GRI Standards and SASB Standards in identifying its material topics.

## ECONOMIC

Material Factors and the relevant <IR> Capitals	Specific Topics	Why it is Material	Management Approach
<b>Economic Performance</b> Financial Capital	Economic value generated, distributed and retained	This is our direct contribution to the Philippine economy and to our stakeholders.	See pages 15-16
<b>Power Generation</b> Financial Capital Manufactured Capital	Power generated	Our core business is to be able to provide reliable, affordable, and sustainable power to meet the country's energy demand.	See pages 15-16, 43-48
	Installed capacity		See pages 15-16, 43-48
	Plant operational efficiency		See page 48
<b>Anti-Corruption</b> Financial Capital	Anti-Corruption	Our Company commits to ensuring all our business activities are conducted in an ethical and legal manner.	See page 68

Footnote for infographics: Economic material topics cover all operating plants listed under ACEPH and are reported on an equity share approach.

## SOCIAL

Material Factors and the relevant <IR> Capitals	Specific Topics	Why it is Material	Management Approach
<b>Employee Engagement</b> Human Capital	Total employee headcount New hires and turnover	The Company considers its human capital as one of its most important assets to its value creation.	See pages 38-39
<b>Diversity, Equal Opportunity &amp; Anti-Discrimination</b> Human Capital Social and Relationship Capital	Breakdown of employees by age, gender and rank	A diverse and healthy workplace environment enables the Company to expand.	The Company practices its policy on equal opportunity employment and diversity
	Non-discrimination		
<b>Community Relationship</b> Social and Relationship Capital	Sustainable livelihood programs	Our operations are located within the proximity of local communities and may directly affect their livelihood and way of living.	See pages 37, 49-50
<b>Training and Development</b> Human Capital Intellectual Capital	Training hours and training programs	Upskilling of talent is material to our Company given the fast-evolving nature of our industry.	See page 39
<b>Occupational Health and Safety</b> Human Capital	Types of injuries	A safe working environment is of paramount importance in our business.	See page 39

Footnote: Social material topics cover all operating plants listed under ACEPH excluding the Maibarara Geothermal Plant due to insignificant economic stake by the Company. The Company has no operational control over the excluded plant.

The materiality assessment started with the identification of initial topics through industry benchmarking and extensive desk-research based on global ESG standards.

Initial material topics were then prioritized according to the results of consultation sessions, taking into account stakeholder concerns and accounts from stakeholder-facing units.

The findings were further validated through questionnaires disseminated across senior management.

The results will be the Company's baseline material topics and will be subjected to annual review to ensure accuracy and relevance.

Performance Scorecard Indicator		ESG Indicators	Reporting Boundary
<ul style="list-style-type: none"> <li>Economic value generated, distributed and retained</li> </ul>		GRI: 201-1 SASB: IF-EU-110a.1	
<ul style="list-style-type: none"> <li>Power generated</li> <li>Attributable installed capacity</li> </ul>	See Annex: Economic Performance Indices		
<ul style="list-style-type: none"> <li>Confirmed incidents of corruption and actions taken</li> </ul>	No incidents reported, no aspect of operations within our organization was identified to have existence of corruption	GRI: 205-3	

Performance Scorecard Indicator		ESG Indicators	Reporting Boundary
<ul style="list-style-type: none"> <li>Employee headcount</li> <li>Total new hires</li> <li>Employee turnover</li> </ul>	See Annex: Human Capital Performance Indices	GRI: 102-8 GRI: 401-1	Reporting scope covers the Company's direct employees
<ul style="list-style-type: none"> <li>Employee count by age, gender, and rank</li> </ul>		GRI: 405-1 GRI: 406-1	Reporting scope covers the Company's direct employees
		GRI: 413-1	
<ul style="list-style-type: none"> <li>Total and average training hours</li> <li>Training hours by gender and rank</li> </ul>	See Annex: Human Capital Performance Indices	GRI: 404-1, 404-2	Reporting scope covers the Company's direct employees
<ul style="list-style-type: none"> <li>Number of safety-related incidents</li> <li>Total safe manhours</li> </ul>		GRI 403-2 SASB: IF-EU-320a.1	Reporting scope covers both direct and indirect employees within the Company's plants



## ENVIRONMENTAL

Material Factors and the relevant <IR> Capitals	Specific Topics	Why it is Material	Management Approach
<b>Energy Consumption</b> Natural Capital	Electricity consumption within the organization Fuel consumption within the organization	Energy, in the form of fuel and electricity is a significant input to our operations.	We conduct continuous monitoring of our energy consumption across all plants and are implementing structural retrofits to improve plant efficiency in identified thermal plants.
<b>Water Consumption</b> Natural Capital	Water consumption	Water is used in our business operations, especially in our thermal plants.	We conduct continuous monitoring of our water consumption and comply with relevant environmental laws across our plants.
<b>Effluents and Waste</b> Natural Capital	Hazardous wastes Flyash Management	The Company's plant operations regularly generate hazardous waste and coal ash as by-products.	We implement a strict policy ensuring that the hazardous wastes that we generate are turned over to DENR-accredited haulers for proper disposal. Coal residual is sold to cement processing companies for co-processing purposes. Excess waste is disposed through DENR-approved disposal pits.
<b>Biodiversity Impacts</b> Natural Capital	Biodiversity Tree planting	The Company commits to ensuring environmental responsibility is practiced across the different stages of operations.	See pages 37, 49-50
<b>Greenhouse gas emissions</b> Natural Capital	Scope 1 GHG emissions Scope 2 GHG emissions	GHG emissions are a by-product of our operations, especially our thermal plants.	The Company regularly monitors its GHG emissions across all its plants.
<b>Climate Strategy</b> Natural Capital Manufactured Capital	Installed RE Capacity RE projects within the pipeline	Embedded in our business strategy is building towards a low-carbon portfolio.	See pages 43-48

Footnote: Environmental material topics cover all operating plants listed under ACEPH excluding the Maibarara Geothermal Plant due to insignificant economic stake by the Company. The Company has no operational control over the excluded plant.

Performance Scorecard Indicator		ESG Indicators	Reporting Boundary
<ul style="list-style-type: none"> <li>• Energy consumed</li> <li>• Energy intensity</li> </ul>	See Annex: Environmental Performance Indices	GRI: 302-1	
<ul style="list-style-type: none"> <li>• Water consumed</li> </ul>		GRI: 303-3 SASB: IF-EU-140a.1	Aggregated consumption from surface water and third-party water is disclosed in cubic meters
<ul style="list-style-type: none"> <li>• Hazardous waste generated</li> </ul>		GRI: 306-2	There is currently no data on total weight of hazardous waste disposed. However, all hazardous waste is contracted to DENR-accredited haulers for proper disposal.
<ul style="list-style-type: none"> <li>• Flyash generated</li> <li>• Percentage of flyash recycled</li> </ul>		SASB: IF-EU-150a.1	
		GRI: 304-1	
		GRI: 304-3	
<ul style="list-style-type: none"> <li>• GHG Emissions</li> <li>• GHG Intensity</li> </ul>		GRI: 305-2 SASB: IF-EU-110a.1	
		GRI: 305-2 SASB: IF-EU-110a.1	

# Economic

## Performance Indices

Economic Performance	Unit	2019 Performance
Direct economic value generated	PHP	<b>15,998,254.00</b>
Direct economic value distributed	PHP	<b>18,480,902.00</b>
a. Operating cost (Payments to suppliers)	PHP	<b>14,982,848.45</b>
b. Employee wages and benefits	PHP	<b>382,675.00</b>
c. Dividends given to stockholders and interest payments to loan providers	PHP	<b>2,530,658.00</b>
d. Taxes given to government	PHP	<b>580,199.00</b>
e. Investments to community (CSR, sponsorships, donations, contributions)	PHP	<b>4,521.55</b>

Procurement Practice	Unit	2019 Performance
Procurement budget spent on local suppliers	%	<b>96%</b>



# Environmental

## Performance Indices

Electricity and Fuel Consumption	Unit	2019 Performance
Electricity Consumption	kWh	159,674,945.42
Diesel Consumption	liters	40,904,680.85
Gasoline Consumption	liters	1,832,223.45

Energy Consumption	Unit	2019 Performance
Energy consumption from diesel	GJ	1,566,383.66
Energy consumption from gasoline	GJ	63,503.36
Electricity/indirect energy	GJ	574,829.80
Energy consumed within the organization	GJ	2,204,716.82

Emissions	Unit	2019 Performance
Scope 1 Emissions	Tons CO <sub>2</sub> e	1,006,202.70
Scope 2 Emissions	Tons CO <sub>2</sub> e	14,394.02
Scope 1 Emissions (attributable)	Tons CO <sub>2</sub> e	513,628.37
Scope 2 Emissions (attributable)	Tons CO <sub>2</sub> e	11,576.31

Our Scope 1 emissions include the direct combustion of various diesel and gasoline among our Company's plant equipment, generator sets, and company-owned vehicles, as well as, the combustion of coal in SLTEC. Standards used for the computations are based on the GHG Protocol Corporate Accounting and Reporting Standard. The gases reported include carbon dioxide, methane, and nitrous oxide.

Our Scope 2 emissions include the indirect energy emissions from the purchase of electricity from the national grid. Location-based grid emission factors used for local facilities are based on the Department of Energy (Philippines).

Water	Unit	2019 Performance
Water consumption	cu.m	248,328,292.84

This table refers to water consumed by ACEPH plants from local water supply lines, as well as surface water sourced by SLTEC from Balayan Bay

Hazardous Waste Generated by Type	Unit	2019 Performance
Batteries	kg	1,300.00
Electronic waste	kg	465.00
Used oil	kg	975,792.98
Busted fluorescent lamps	kg	267.60
Oil contaminated containers	kg	935.00
Oil contaminated materials	kg	62,066.70
Chemical contaminated materials	kg	50.00
Other hazardous wastes	kg	1,782.00

Other hazardous wastes include plant-specific wastes such as acid waste, resinous material

Flyash Management	Unit	2019 Performance
Flyash generated	tons	44,277.15
Percentage of flyash recycled	%	92.35

# Human Capital

## Indices

Employee Headcount	
Total Permanent Employees	428

Hires and Turnover	
New Employee Hires	Total Employee Turnover
67	53

Permanent Employees by Age		
Under 30 years old	30-50 years old	Over 50 years old
153	188	87

Training Hours by Gender		
Employee Position	Total Training Hours	Average Training Hours
Rank-and-file	584	10.81
Middle Management	5,371	15.35
Senior Management	106	4.42

Permanent Employees by Gender	
Male	Female
328	100

Training Hours by Position		
Gender	Total Training Hours	Average Training Hours
Male	4,592	14
Female	1,469	14.69

Permanent Employees by Position		
Rank-and-file	Middle Management	Senior Management
54	350	24

Total Training Hours	
Total Employee Training Hours	6,061
Company-wide Average Training Hours	14.16

Occupational Health and Safety			
Total number of non-disabling injuries for employees	Total number of disabling injuries for employees	Total number of fatalities	Safe manhours
15	0	0	2,543,233.86

This table includes Occupational Health and Safety data for both direct and indirect workers at the plant level.

## INDEPENDENT ASSURANCE STATEMENT

### Introduction

DNV GL AS Philippines Branch ("DNV GL") has been commissioned by the management of AC Energy Philippines Inc. ("AC Energy" or the "Company", SEC Identification Number: 069-039274) to undertake an independent assurance of the sustainability/non-financial disclosures in AC Energy's 2019 Integrated Report (the "Report") in its printed format for the year ended 31st December 2019. This Report is prepared by the Company based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework") for presenting its performance related to identified material topics. The intended users of this Assurance Statement are the management of the Company.

We performed this assurance engagement using DNV GL's assurance methodology VeriSustain™<sup>1</sup>, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised\*, along with the Global Reporting Initiative's ("GRI's") Principles for Defining Report Content and Report Quality. Our engagement was carried out from December 2019 to April 2020.

We understand that the reported financial data and related information are based on statutory disclosures and Audited Financial Statements, which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion related to non-financial sustainability disclosures in this Report. We are providing a 'limited level' of assurance based on DNV GL VeriSustain and no external stakeholders were interviewed as part of this assurance engagement.

The engagement excludes the review of sustainability management, performance, and reporting practices of AC Energy's suppliers, contractors, and any third parties mentioned in the Report and the Company's position statements, the statements for the management approach, and case studies and examples if any included in this Report.

### Responsibilities of the Management of AC Energy Philippines Inc. and of the Assurance Provider

The Board of AC Energy has sole responsibility for the preparation of the Report and is responsible for all information provided as well as the processes for collecting, analysing and reporting the information presented in the Report. The Company has stated that this Report was based on the <IR> framework and has adopted general disclosures and selected performance indicators for disclosures related to identified material topics from the GRI Standards 2016.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith, true, and free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. DNV GL was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Our engagement included limited level of verification of sustainability performance disclosures for the material topics identified by AC Energy and presented in the Report in the section "Materiality". Our verification applies a ±5% uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

<sup>1</sup> The VeriSustain protocol is available on [dnvgl.com](http://dnvgl.com).

\* Assurance Engagements other than Audits or Reviews of Historical Financial Information.



## Basis of our Opinion and Limitations

A multi-disciplinary team of sustainability and assurance specialists performed assurance at the Head Office at Makati and selected site of AC Energy ie. South Luzon Thermal Energy Corporation (SLTEC) in Calaca, Batangas. We undertook the following activities:

- Review of the non-financial sustainability disclosures in this Report;
- Review of approaches to materiality determination and stakeholder engagement; DNV GL did not have any direct engagement with external stakeholders;
- Review of information provided to us by the Company on its reporting and management processes related to sustainability performance for the reporting year based on the reporting framework adopted by AC Energy;
- Interviews with selected members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and discussed findings with Corporate Sustainability Team;
- Conducted site visit at SLTEC to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites we visited;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritised based on our risk-based approach, i.e. relevance of identified material topics and sustainability context of the business;
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

The procedures performed in a limited assurance engagement vary in nature and timing and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

## Opinion and Observations

On the basis of the assurance engagement undertaken, nothing has come to our attention to suggest that AC Energy's 2019 Integrated Report does not properly describe the non-financial performance of identified material topics based on the International <IR> Framework.

Without affecting our assurance opinion, we also provide the following observations:

### Stakeholder Inclusiveness

*The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.*

### **Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.**

The Company identifies customers, government and regulators, investors and shareholders, business partners and suppliers, and local communities and customers to be its key stakeholders. The Report has brought out the different modes of engagement that the Company has in place to identify specific areas of concerns raised by these stakeholders that could influence the business, and the Company's responses to these concerns.

**Materiality**

*The process of determining the issues that are most relevant to an organization and its stakeholders.*

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.**

The Report presents the process through which the Company has identified its material issues considering its business strategy, capitals and stakeholder concerns. This process included identification and prioritization of topics related to its industry and global environmental, social and governance (ESG) standards, and considered stakeholder concerns and inputs from stakeholder-facing units. These findings were further validated by the senior management to arrive at the Company's baseline list of material topics.

**Responsiveness**

*The extent to which an organization responds to stakeholder issues.*

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.**

The Report brings out the Company's responses to identified material topics and significant issues which have arisen during the reporting period through disclosures on governance, the Company's strategies and management approaches for identified material topics. Further the Report also brings out its non-financial performance related to its material topics through selected GRI Topic Specific Standards, including organizations ability to create value on the six capitals of <IR> framework, however the Report could further bring out the long and medium term targets and strategies towards value creation related to its identified material topics, its linkages to Capitals, risks and key changes in identified Capitals based on the <IR> framework.

**Reliability**

*The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.*

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.**

The majority of the performance disclosures verified through onsite and offsite verification, i.e. at the Head Office and sampled sites, and through desk reviews, were found to be fairly accurate, reliable, identifiable and traceable to the source. Considering the limited sampling, we did not detect any major errors related to data collection or aggregation. We also reviewed the calculations and related assumptions used for its suitability, taking into account the principle of Reliability. Some of the data inaccuracies identified during the verification process were found to be attributable to interpretation and aggregation errors. These identified errors were communicated, and the responses and corrections made to the reported data and information were reviewed.

**Completeness**

*How much of all the information that has been identified as material to the organization and its stakeholders is reported.*

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.**

The Report brings out the Company's non-financial disclosures in line with the Content Elements of the <IR> framework and performance related to its material topics during the reporting period using appropriate GRI Topic Specific Standards. The Company ensures no major material issues or key stakeholder concerns have been missed out in its reporting through benchmarking with industry peers. The reported non-financial performance is representative of the identified boundary of operations and covering the Company's approaches to value creation and responses to stakeholder concerns and key challenges.

**Neutrality**

*The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.*

**Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.**

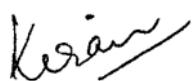
The Report brings out the disclosures related to the Company's performance during the reporting period on its identified material topics and key challenges and concerns in a neutral, consistent and balanced manner, applying adequate consideration to not unduly influence stakeholders' opinions made based on the reported data and information.

**Statement of Competence and Independence**

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2</sup> during the assurance engagement and maintain independence wherever required by relevant ethical requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

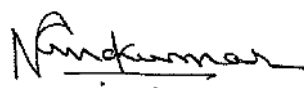
DNV GL has provided assurance to Ayala Corporation, Ayala Land Inc., Globe Telecom, Inc and the Bank of Philippine Islands. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV GL did not provide any services to AC Energy in 2019 that could compromise the independence or impartiality of our work.

**For and on behalf of DNV GL AS Philippines Branch**


Kiran Radhakrishnan  
Lead Verifier,  
DNV GL – Business Assurance  
India Private Limited.



Heng Chwin Mak  
Operations Manager –  
South East Asia  
DNV GL Technology Centre.  
Singapore 118227



Vadakepatth Nandkumar,  
Assurance Reviewer,  
DNV GL – Business Assurance  
India Private Limited.

8<sup>th</sup> April 2020, Manila, Philippines

DNV GL AS Philippines Branch is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. [www.dnvgl.com](http://www.dnvgl.com)

<sup>2</sup> The DNV GL Code of Conduct is available from the DNV GL website ([www.dnvgl.com](http://www.dnvgl.com))

# Report of the Audit Committee to the Board of Directors For the Year Ended 31 December 2019

The Board-approved Audit Committee (“the Committee”) Charter defines the duties and responsibilities of the Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to the:

- Integrity of the Company’s financial statements and the financial reporting process;
- Appointment, remuneration, qualification, independence and performance of the external auditors and the integrity of the audit process as a whole;
- Effectiveness of the system of internal control;
- Performance and leadership of the internal audit function; and
- Company’s compliance with applicable legal and regulatory requirements.

In compliance with the Audit Committee Charter, we confirm that:

- An independent director chairs the Committee with two independent members;
- We had two (2) meetings in 2019 since the acquisition of AC Energy Philippines, Inc. The Company’s Chief Executive Officer, Chief Financial Officer and other members of management were requested to attend the Committee meeting. External subject matter experts, such as the appointed external auditors were also invited to the meeting;
- The previous Audit Committee members approved and we noted, the appointment of SGV & Co. as the Company’s 2019 external auditors and the related audit fee;
- We have reviewed and discussed the quarterly unaudited financial statements as of September 30, 2019 and the annual audited parent and consolidated financial statements as of December 31, 2019 of AC Energy Philippines, Inc. and subsidiaries, including the Management’s Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors and SGV & Co. The review and discussions were performed in the following context:
  - a) Management has the primary responsibility for the financial statements and the financial reporting process; and
  - b) SGV & Co. is responsible for expressing an opinion on the conformity of the relevant audited financial statements with Philippine Financial Reporting Standards.
- We have discussed and approved the proforma financial statements as of September 30, 2019 and December 31, 2019 for AC Energy Philippines, Inc.’ stock rights offering;



- We have approved the overall scope and the respective audit plans of the Company's internal auditors and SGV & Co. We have reviewed the adequacy of resources, the competencies of staff and the effectiveness of the internal auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. We have also discussed the results of the audits of internal auditors and SGV & Co. and their assessment of the Company's internal controls and the overall quality of the financial reporting process including their management letter comments. Based on the assurance provided by the internal audit as well as SGV & Co. as a result of their audit activities, the Committee assessed that the Company's systems of internal control and governance processes are adequate;
- We have reviewed and approved all audit, audit-related and permitted non-audit services provided by SGV & Co. to AC Energy Philippines, Inc. and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;
- We have conducted an assessment of our performance, in accordance with Securities and Exchange Commission guidelines, and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and
- We have reviewed the Audit Committee Charter to ensure that it is aligned with regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the approval of the parent and consolidated audited financial statements for the year ended December 31, 2019 and filing of relevant financial statements with the Securities and Exchange Commission. We are also recommending to the Board of Directors the re-appointment of SGV & Co, as AC Energy Philippines, Inc.'s external auditor and the related audit fee for 2020 based on the review of their performance and qualifications.

02 April 2020

Signed by:

  
**MA. AURORA D. GEOTINA-GARCIA**  
 Chairman

  
**CONSUELO D. GARCIA**  
 Member

† **JESUS P. FRANCISCO**  
 Member

# Corporate Information

## STAKEHOLDER INQUIRIES

AC Energy Philippines welcomes inquiries from analysts, the financial community, institutional and retail investors, customers, media, and the general public. Please contact:

### Investors

[investorrelations@acenergy.com.ph](mailto:investorrelations@acenergy.com.ph)

### Corporate Communications & Sustainability

[corpcomm@acenergy.com.ph](mailto:corpcomm@acenergy.com.ph)

### Governance

[corpsec.aceph@acenergy.com.ph](mailto:corpsec.aceph@acenergy.com.ph)

### Data Protection

[dataprivacyaceph@acenergy.com.ph](mailto:dataprivacyaceph@acenergy.com.ph)

### Human Resources

[careers@acenergy.com.ph](mailto:careers@acenergy.com.ph)

## FINANCIAL STATEMENTS

AC Energy Philippines' 2019 Audited Financial Statements and Definitive Information Statement may be accessed from [www.acenergy.ph](http://www.acenergy.ph)

## SHAREHOLDER SERVICES AND ASSISTANCE

For inquiries regarding dividend payments, change of address and account status, and lost or damaged stock certificates, please write or call:

BPI Stock Transfer Office  
3F BPI Buendia Center  
372 Sen. Gil Puyat Avenue  
Makati City, 1226 Philippines

**Tel + 632 85804693 to 95**  
[stocktransferoffice@bpi.com.ph](mailto:stocktransferoffice@bpi.com.ph)

---

Concept by Publicis JimenezBasic  
Execution by Ampersand Design Think Lab

Portraits by Tom Epperson  
Operational Photography by Erik Liongoren

