ACEN Environmental and Social Policy Statement

Responsibility: Head of Sustainability

ACEN, the Ayala group's energy platform, is an investor, developer, and operator of power generation assets in the Philippines and Asia Pacific region. The company provides reliable and affordable power across multiple markets and is in the process of expanding its renewable energy capacity in the region.

ACEN aligns itself with the United Nations Framework Convention on Climate Change and the Paris Agreement on reducing global carbon emissions to limit global temperature increase to well below 2 degrees Celsius. Consistent with the Ayala group's commitment to the UN Sustainable Development Goals, ACEN is additionally focused on protecting the wider environment and creating value for the communities it serves. This policy statement is board approved, serves to guide ACEN's priority environmental and social goals through 2030.

1. Achieving a Low Carbon Portfolio by 2030

ACEN will take measures to prevent, minimize and control its direct greenhouse gas (GHG) emissions and will transition to a low carbon portfolio by 2030. This will be made possible by scaling up renewable energy investments, leveraging new technologies such as energy storage, and limiting thermal energy production.

Long Term Portfolio Mix Roadmap

By 2020: Renewables will reach 1GW of capacity and account for at least 30% of energy output
- Active investments in renewables and partial divestment of coal assets.

By 2025: Renewables will reach 5GW of capacity and account for at least 50% of energy output
- Thermal capacity will be capped or limited to no more than 50% of output, estimated to be the equivalent of no more than 2000 MW of thermal installed capacity.

By 2030: Portfolio will be predominantly renewables and coal assets will be divested
- Divestment from existing coal generation assets shall be implemented, with the aim of achieving full divestment from coal generation assets by 2030, subject to review and finalization by 2025.
- New investments may be made in gas-fired generation, as the company deems it as a transition fuel and low carbon alternative to complement renewables.

2. Aspiring for excellence in environmental management

ACEN is committed to protecting and conserving biodiversity, maintaining ecosystem services, and adequately managing living natural resources throughout the lifecycle of its power plants.

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Ayala Triangle Gardens
Paseo de Roxas cor. Makati Ave.
Makati City, Philippines 1226

BIODIVERSITY ASSESSMENTS

- ACEN will conduct a rapid biodiversity assessment prior to engaging a project and at regular intervals after projects begin.
- The assessment will determine whether a habitat is modified, natural, or critical, as defined by IFC Performance Standard (PS) 6, to determine the biodiversity importance of an area.
- ACEN will only operate in a critical habitat if no other viable alternatives within the area exist (e.g., modified or non-critical natural habitats).

FORESTS / LAND CONVERSION

- Forest areas are categorized by IFC as natural habitats. ACEN will only convert natural habitats if no other viable alternatives within the area exist (e.g., modified or non-critical natural habitats) and external stakeholders have been consulted.
- Mitigation measures will be designed to achieve no net loss, including identifying and protection of set-asides, and/or restoring habitat during and/or after operations.

ENDANGERED SPECIES

- ACEN will not engage in projects in habitats of significant importance to Critically Endangered or Endangered Species, as listed on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species if the project would lead to a net reduction of the species over a reasonable period of time.
- If the species is listed nationally / regionally as critically endangered or endangered, in countries that have adhered to IUCN guidance, the critical habitat determination will be made on a project by project basis in consultation with competent professionals.

MIGRATORY SPECIES

- ACEN will not engage in projects in habitats with migratory species threatened with extinction or migratory species that need or would significantly benefit from international co-operation, as identified by the Convention on the Conservation of Migratory Species of Wild Animals.

WATER RESOURCES AND AQUATIC HABITATS

- ACEN will conserve water resources, particularly in areas with limited water resources, by using technology such as dry scrubbers and air-cooled systems.
- To manage aquatic habitats, ACEN will reduce intake flow for freshwater rivers and streams, lakes and reservoirs, and estuaries and tidal rivers, to a level sufficient to maintain resource use and biodiversity.

3. Fulfilling our commitment to the community

ACEN is committed to protecting communities, including indigenous populations and vulnerable populations, that are affected by its operations.

- ACEN seeks to build in areas with little or no population and will avoid involuntary resettlement wherever possible.
- The company will engage with affected communities and local government units when acquiring land for its projects and through the lifecycle of its projects.
- ACEN will establish grievance mechanisms as early as possible in project development phases.
- ACEN will conduct a rapid assessment to determine if involuntary resettlement or economic displacement will occur as a result of a project.
- In the case of physical displacement, ACEN will provide compensation, in either resettlement property or cash, at full replacement cost for land and other assets lost.
- In the case of economic displacement, ACEN will compensate for lost assets and access to assets at full replacement cost and provide opportunities to improve or at least restore their means of income-earning capacity production levels and standards of living.
- ACEN also adheres to high levels of standards on a broader range of material issues that impact power companies. These include business ethics, labor practices, employee health and safety, water and waste management, as well as materials sourcing and efficiency, and product design and lifecycle management.