

Identifying and managing risk

ACEN's enterprise risk management framework

Our governance framework is constantly evolving to align with global best practices of transparency, integrity, and accountability. We continue to improve our internal governance infrastructure to satisfy the changing business environment and expectations of our regulators, shareholders, business partners, customers, suppliers, employees and other stakeholders.

As we embark on an aggressive growth strategy, we must ensure that we have the proper internal control environment to keep up with the rapid pace of our business expansion. With this, in 2022, ACEN appointed a Chief Risk Officer, decoupling the role from the Chief Finance Officer, who then set up the Risk and Insurance Management unit. Since then, ACEN has institutionalized the group's **Enterprise Risk Management Policy Statement**, which formalizes our commitment to incorporate the ERM processes into our core business and practices, not only to mitigate potential risks but also to identify viable opportunities. In addition, we formalized ACEN's **Risk Appetite Statement**, which provides guidance for management on how risks are identified, assessed, evaluated, and addressed. Both policy statements are approved by the Board of Directors.

The Board has established clear ownership of managing enterprise-wide risks with three different management levels, with delineation around three categories: strategic, operational and project or transaction risks. This is itemized in ACEN's **Risk Ownership Structure**.

In terms of risk management process, ACEN follows ISO31000:2019 Risk Management – Guidelines, which is conducted across its subsidiaries on an annual basis. To aid risk owners in the identification of enterprise-wide risks, ACEN created a Risk Universe that covers external risks, internal risks, and natural hazards.

ACEN conducts risk assessment exercises wherein risk owners assess risks under four categories: health and safety, environmental impact, financial impact, and reputational impact. In 2022, the Board's Risk Management and Related-Party Transaction Committee and senior management have reviewed the top five risks for ACEN. This aided management in prioritizing the monitoring of the risk factors and formulation and implementation of mitigation plans.



Regular workshops and dialogues with different internal teams ensure we mitigate the risks in our plant operations as we aggressively grow our renewables portfolio.

ACEN's top 5 risks in 2022

1. Organizational risks

Risk category: Internal

Description: As ACEN continues to grow its power generation portfolio in pursuit of its ACEN2030 Vision, the need to recruit and develop its employee base is critical.

Risk mitigation: For 2022, learning and development as well as recruitment, were major thrusts for ACEN's business units and HR team. In addition, initiatives to boost employee engagement were also given priority.

2. Scalability of processes and systems

Risk category: Internal

Description: ACEN management recognizes the need to upscale its business processes and systems to support the growing portfolio of operational assets, a global workforce, and an aggressive pipeline of development projects.

Risk mitigation: Mitigation actions for this risk include improving and streamlining business processes, deploying the appropriate technologies, and leveraging outsourced services.

3. Growth and market risks

Risk category: Internal and External

Description: Renewable energy is a growth sector and further accelerated by the energy transition movements due to the Ukraine crisis. While this is an opportunity for ACEN, this also presents challenges such as availability of supply, global logistics, commodity prices, and government regulations.

Risk mitigation: ACEN expanded its pipeline of development projects through strategic partnerships with global developers and strong local players.

4. Operational risks

Risk category: Internal

Description: As more and more development projects become operational, ACEN's ability to efficiently operate power generation assets will be put to the test.

Risk mitigation: Each project site deploys standard operating procedures that ensure asset availability, including the enhancement of the group's Business Continuity Management.

5. Regulatory and political risks

Risk category: External

Description: The global power industry is transitioning towards more carbon-friendly power generation options. While this generally presents opportunities, it also presents challenges as ACEN must align with the regulatory changes.

Risk mitigation: ACEN participates in consultative dialogues conducted by regulators to share our perspectives and stay informed of regulatory developments.