

Results of 2022 Board Performance Self-Assessment Survey



Summary

- For 2022 and 2021, the Company conducted the survey **in-house**. ACGS requires an external facilitator every three years.
- The 2022 results were generally lower than 2021. However, even the lowest scores are still within the range of “Meets Expectations”
- The Company scored the highest in the questions on ESG Factors (4.30) and lowest on Senior Executives Performance Management and Succession Planning (3.40) Risk Management and Internal Control (3.52)

General Topics

	Average Scores	2021	2020
Roles and Functions	3.84	4.57	4.45
Board Composition	4.10	4.40	4.44
Representation of Shareholders and Environment, Social and Governance (ESG) Factors	4.30	4.38	4.32
Managing the Company's Performance	3.90	4.33	4.55
Information Management	3.65	4.23	4.23
Risk Management and Internal Control	3.52	4.05	4.04
Director Development and Management	3.67	4.00	3.98
Senior Executives Performance Management and Succession Planning	3.40	3.50	3.60
Overall Perception	4.20	4.125	4.22

Highest Scores

	Average Score
The Board ensures that ethical behavior and proper compliance standards are implemented throughout the Company and sets the right “tone at the top” through its behavior.	4.6
The Board ensures the Company has in place appropriate corporate disclosure policies and procedures.	4.6
Directors declare conflicts of interest and abstain from voting or where necessary, recuse from discussions of transactions in which they have or may have a conflict of interest.	4.5
The Board defines the material stakeholders (including shareholders) for the Company’s long-term sustainable growth and takes into consideration their interests in the pursuit of the Company’s long-term goals.	4.4
Directors understand their fiduciary obligations.	4.4

Lowest Scores

	Average Score
Board meetings achieve a proper balance between reviews of past performance and discussions about the future.	3.0
The Board conducts periodic reviews of the development and succession plans for senior executives.	3.2
The Board ensures that the proper risk management systems are in place, and that timely and quality information on risks is provided to the Board.	3.2
The information on the subject matter provided, prior to and during Board presentations, sufficiently enable the Board to make good and timely decisions in the following areas: Operations (e.g., processes, productivity, and technology support);	3.2
The Board approves action plans with specific time lines for implementation of recommendations and monitors their progress accordingly using appropriate financial indicators and industry benchmarks.	3.4
The Board is able to effectively steer the growth of the Company while ensuring that the necessary compliance and risk management policies are in place.	3.4
The Board reviews annually the adequacy and effectiveness of the Company's risk management processes and measures, and its ability to respond to changes in the risk environment or business objectives	3.4

Board Strategy and Priorities

The Board devotes most time to . . .

- Execution
- Corporate Governance and Compliance
- Strategy

The Board devotes least time to . . .

- Building trust and confidence with shareholders
- Performance Management

Should increase time spend in . . .

- Performance Management
- Leadership and Talent Management

Board Strategy and Priorities – Suggested Topics to Concentrate on

- Strategy matters, financial risk management (not an immediate concern but worth watching given our merchant exposure and higher cost of debt), talent strategy. Good to update on execution progress but this can also be tracked through data / dashboard.
- Sustainability and risk management should be split. We are a renewables company already so I would only spend the time on sustainability for ESG credibility for financing and be mindful that ESG might be a house of cards. Our risk management capability is not at the level of our ambition as an energy company (hence increase). Growing the management team in the right way is critical (hence increase). For now, this is not discussed at the board level but is handled elsewhere.
- The Board can allocate more time evaluating risk/ reward of opportunities vs execution risks especially since the balance sheet of the Company will be tested in the next 2 to 3 years, amidst a still challenging global financial market.

Committee Effectiveness

	2022	2021	2020
Executive Committee	4.00	4.00	4.24
Corporate Governance and Nomination Committee	4.00	4.07	4.14
Audit Committee	4.20	4.57	4.62
Risk Management and Related Party Transactions Committee	5.00	4.54	4.29
Personnel and Compensation	4.07	4.28	3.76
Sustainability	4.00	-	-

CEO and Self Assessment

- The Directors rated the President and CEO with an average of **4.16**, lower than the 2021 rating of **4.7**, **but** still under “Exceeds Expectations”.
- By comparison, the Directors rated themselves at an average of **4.34**

General Comments



General Comments (Risk Management)

On Board Composition

- How does our board competency matrix look with new board members joining?
- The Board has 4 IDs and 2 reps from GIC that provide good balance to the other Board members who are affiliated with the Ayala Group. The Company has initiated a refresh of the ID mix with diverse backgrounds that will help in the continuation of the transformation roadmap of the Company.

On Roles and Functions

- We have so many items to approve, that we do not often have time to take stock and review our previous investment or strategic decisions.
- I would like to see an improvement in processes of reflection on our budgeting and forecasting
- Chair encourages divergent views before any board action esp on stream of projects for approval. Suggest that BOD agenda, when needed, include a review of status of projects under development to determine whether they are on schedule or on budget given its impact in future financials.

On information management

- Given the complexity of ACEN's business, it would be helpful to have a more fulsome discussion on financial performance (item 15a) and projections at a sufficiently high (not too detailed) level.
- ACEN is an organisation that is growing and, naturally, needs to mature. Over the past year management has made good steps on DOAs, strategy formation and policies. We should always look to how we can grow to the next level.
- The portfolio approach not just on market risk but also in funding and guarantees provide some challenges in maintaining an arms length relationship between the Company and its subsidiaries.
- More discussion at the Board level on a) the major drivers of actual financial performance especially on unexpected major variances, and b) major issues that are discussed at the Board Committee level and not just the resolutions for endorsement to the Board.

General Comments

On Representation of Shareholders and Environment, Social and Governance (ESG) Factors

- The Company is a known pioneer in ESG initiatives. Senior management has regular interaction with analysts and its bank to give updates on its strategic direction. It has also instituted a strong governance framework patterned after the Ayala brand of strong corporate governance.

On Managing Company's performance

- The board typically provides input into Philippine operations but not international operations / strategy.
- The company is in the process of improving risk management practices (e.g. ERM, strategy dashboard)
- There is an open communication line between Board and management, and senior management has provided updates even in between Board meetings for major events relevant to the Company
- Devote some time, as needed, in a lookback of the many projects that it has approved to evaluate whether the projects are completed on time and within budget and whether they are hitting the targeted IRR
- Steer management to invest more resources in risk, compliance and internal audit so they can provide more effective support to the rapid growth of the Company.

General Comments

On Board strategy

- Strategy matters, financial risk management (not an immediate concern but worth watching given our merchant exposure and higher cost of debt), talent strategy. Good to update on execution progress but this can also be tracked through data / dashboard.
- Sustainability and risk management should be split. We are a renewables company already so I would only spend the time on sustainability for ESG credibility for financing and be mindful that ESG might be a house of cards. Our risk management capability is not at the level of our ambition as an energy company (hence increase). Growing the management team in the right way is critical (hence increase). For now this is not discussed at the board level but is handled elsewhere.
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General Comments

Senior Executives Performance Management and Succession Planning

- I would appreciate more discussion of talent strategy at board level (I believe this is currently hashed out at the Personnel and Compensation committee)
- The Senior management team has been strengthened to support the Company's ambitious targets. The Board approves the KPIs and a new LTIP has been rolled out to reward major contributors to the growth agenda. The individual allocation of variable pay and LTIP is largely left with senior management.

Director Development and Management

- I haven't seen a competence matrix discussed at the board. Personally, I am very grateful for the numerous opportunities to engage with senior management and for site visits.
- Senior management has allowed plant visits, encouraged discussions among the NEDs and IDs on their subject matter expertise to expand the knowledge of its members. This yearly BOD evaluation is also a good practice that allows us to take stock of how the BOD can improve its performance.

General Comments

Risk management and internal control

- The Board, as required by its role, has been largely focused on strategic risks. The Company has very good handle of and effective monitoring of HSS risks, and there is now greater focus on FX risk management. With the final completion of the Enterprise Risk Management Program, management will be better guided on the other major risks that also require focus.

General Perception

- The Board has the most diverse in expertise which results in quality discussion, especially with the adept handling by the Chairman of the agenda.
- The materials are given on time and the quality of the presentation materials are top notch
- The agenda items are always exciting and challenging given the aggressive and rapid expansion of The Company
- There is active participation of the senior management team

Most improved areas in corporate governance and board management

- Open discussion of strategy between management and board members (last 6 months)
- Approval of **ERM framework**, subject to comments from board.
- Additional **financial risk management policies** (FX, interest rate, etc)
- Strategy formation and **risk management** have improved
- There were more joint meetings with **Risk** and Audit on subjects relevant to both committees, e.g **ERM policy, Security Risk policy etc**. This resulted in more in-depth discussions, and alignment with the committee members and management on the important concerns/ issues before the presentation to the BOD for approval.

What is needed to further refresh the Board?

- Deeper international investment experience
- Increased international experience
- Explore more frequent meetings of the BOD, especially if there is along list of deals for approvals since some deals are quite complex. It will also provide sufficient discussion on new areas/ jurisdictions/ partnerships being explored.
- Refresh independent Board Directors

How can the Board work in a more effective manner with management?

- Delegation of authority is a good start so that we can focus on higher impact strategy and risk management items instead of individual investment approvals
- Maintain transparency of execution considerations (financial and operating risks) as we prosecute the 2030 strategy
- Provide visibility of key risks and opportunities, e.g. through strategy dashboard
- The better the board understands the risk of the business the easier it will be to support management
- Continue with the strategy meetings.

Priority Areas for Improvement

- Financial risk management, including from contracting obligations
- Formalise policies by turning board deck slides into reference documents.
- Make more use of strategy and risk appetite exercises by putting board decisions in their context.
- Improve board's understanding of business risks (outage+price) and develop systems in line with industry best practice to measure (eg cash flow at risk)
- Strategies for managing FX risk, merchant risk, commodity risk be discussed first at the committee level for more in-depth discussion and alignment before BOD approval.
- For the Board to allocate some time to review execution risk given the size and complexity of deals being approved.