aboitiz

15 March 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City, 1307

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Markets and Securities Regulation Department

via PSE EDGE
PHILIPPINE STOCK EXCHANGE, INC.
PSE Tower, 28th Street cor. 5th Avenue,
Bonifacio Global City, Taguig City

ATTENTION : **MS. JANET A. ENCARNACION**
Head, Disclosure Department

via electronic mail
PHILIPPINE DEALING & EXCHANGE CORP.
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

ATTENTION : **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head – Issuer Compliance and Disclosures Department

Gentlemen:

Attached is the SEC Form 20-IS (Preliminary Information Statement) of Aboitiz Equity Ventures Inc. for the 2021 Annual Stockholders' Meeting for your files.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

ABOITIZ EQUITY VENTURES INC.

(Company's Full Name)

32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA PHILIPPINES

(Business Address: No. Street City / Town / Province)

Contact Person	Company Telephone Number
MANUEL ALBERTO R. COLAYCO	**02-8 886-2338**

Fiscal Year (*Month* / *Day*)	FORM TYPE	Annual Meeting (*Month* / *Day*)
12 31	**20-IS**	4th Monday of April **04 26**

N/A

Secondary License Type, if Applicable

Dept. Requiring this Doc	Amended Articles Number/Section
SEC	N/A

Total No. of Stockholders	Domestic	Foreign
	x	

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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NOTICE AND AGENDA
OF ANNUAL MEETING OF STOCKHOLDERS

ABOITIZ EQUITY VENTURES INC.

32nd Street, Bonifacio Global City
Taguig City, Metro Manila 1634, Philippines

NOTICE is hereby given that the Annual Meeting of the Stockholders of **ABOITIZ EQUITY VENTURES INC.** (the "Company") will be held on **26 April 2021**, **Monday at 4:00 p.m**. (the "2021 ASM") The meeting will be conducted virtually and will be accessible through the hyperlink that will be provided in the Company's website at *https://aboitiz.com/2021asm* (the "ASM Portal") on 23 March 2021.

The Agenda* of the meeting is as follows:

1. Call to Order
2. Proof of Notice of Meeting and Determination of Quorum
3. Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on 27 April 2020
4. Presentation of the President's Report
5. Approval of the 2020 Annual Report and Financial Statements
6. Appointment of the Company's External Auditor for 2021
7. Election of the Members of the Board of Directors
8. Approval of the Increase in the Per Diem of the Chairman of the Board and Chairmen of the Committees
9. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from 2020 up to 26 April 2021
10. Other Business
11. Adjournment

Only stockholders of record at the close of business on 23 March 2021 are entitled to notice and to vote at this meeting.

In light of the continuing COVID-19 global pandemic and government-imposed restrictions on mass gathering, the Company will once again conduct a virtual annual stockholders' meeting. The annual stockholders' meeting will be conducted through an online platform and streamed live on 4:00 p.m. (Philippine time) on 26 April 2021.

Stockholders may attend by registering at ASM Portal beginning 23 March 2021 until 1:00 p.m. on 26 April 2021. Once registered, stockholders may send in questions or remarks through the ASM Portal.

Stockholders may vote through proxy, or remotely or *in absentia*.

Registered stockholders may cast their votes by remote communication or *in absentia* using the online voting platform available at the ASM Portal, which will be activated on 23 March 2021. Votes cast by registered stockholders until 3:00 p.m. of 26 April 2021, will be tabulated and presented during the 2021 ASM. Stockholders may still vote after the cut-off time, and the final votes received through proxy and through the ASM Portal after the adjournment of the meeting will be included in the minutes of the 2021 ASM. The procedures for attendance and voting during the 2021 ASM will be included in the Information Statement to be distributed to the stockholders and will be published in the Company's website at *www.aboitiz.com* beginning on 23 March 2021.

Stockholders may send their duly accomplished proxies on or before the close of business hours on 19 April 2021 to the Corporate Secretary through email at *aboitizboardsecretariat@aboitiz.com* and hard copies at the 18th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City. Validation of proxies will be on 21 April 2021 at the Office of the Corporate Secretary. **WE ARE NOT SOLICITING PROXIES.**

For the Board of Directors:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

**The rationale for each Agenda item is explained in the attached Annex "A" and may also be viewed at AEV's website at www.aboitiz.com under Annual Stockholders' Meeting in the Investor Relations Page.*

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **ABOITIZ EQUITY VENTURES INC.**

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **CEO2536**

5. BIR Tax Identification Code: **003-828-269-000-V**

6. Address of principal office: **32ND STREET, BONIFACIO GLOBAL CITY**
   TAGUIG CITY, METRO MANILA
   1634 PHILIPPINES

7. Registrant's telephone number, including area code: **(02) 8 886-2800**

8. Date, time and place of the meeting of security holders:

   Date : **26 APRIL 2021**
   Time : **4:00 P.M.**
   Place : Livestream by accessing the link provided in *https://aboitiz.com/2021asm* beginning on 23 March 2021

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
   31 MARCH 2021

10. In case of Proxy Solicitations: **No proxy solicitation is being made.**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act (Information on number of shares and amount of debt is applicable only to corporate registrants):

Authorized Capital Stock: **₱10,000,000,000**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	₱1.00	9,600,000,000	₱9,600,000,000
Preferred	₱1.00	400,000,000	₱400,000,000
Total		**10,000,000,000**	**₱10,000,000,000**

No. of Common Shares Outstanding as of 31 December 2020 **5,630,225,457**
Amount of Debt Outstanding as of 31 December 2020 **₱ 330,140,809,000.00**

Fixed-Rate Peso Retail Bonds Issued by the Company:

Issue Date	Series	Amount of Issuance	Maturity Date	Tenor
November 2013	Series A	₱6.2 billion	November 2020	7 years
November 2013	Series B	₱1.8 billion	November 2026	10 years
August 2015	Series A	₱10.5 billion	August 2020	5 years
August 2015	Series B	₱8.5 billion	August 2022	7 years
August 2015	Series C	₱5 billion	August 2027	12 years
June 2019	Series A	₱3.4 billion	June 2024	5 years
June 2019	Series B	₱1.7 billion	June 2029	10 years
November 2020	Series C	₱6.9 billion	November 2023	3 years

November 2020	Series D	₱0.7 billion	November 2025	5 years

For a discussion on the Company's bond issuances, please refer to Part II Item 5 (4).

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes _X_ No ___

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The common stock of the Company is listed at the Philippine Stock Exchange, Inc. ("PSE").

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time, and place of the 2021 Annual Stockholders' Meeting

Date of meeting	:	**26 April 2021**
Time of meeting	:	**4:00 p.m.**
Place of meeting	:	Livestream by accessing the link provided in https://aboitiz.com/2021asm beginning on 23 March 2021
Approximate mailing date of this statement	:	**31 March 2021**
Complete mailing address of the principal office of the Registrant	:	**18th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila 1634 Philippines**

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions included in the Agenda of the 2021 Annual Stockholders' Meeting ("2021 ASM") that may give rise to a possible exercise by the stockholders of their appraisal rights.

Generally, however, the stockholders of Aboitiz Equity Ventures Inc. ("AEV" or the "Company, or the "Registrant"), in accordance with Section 80 of the Republic Act ("RA") No. 11232 or the Revised Corporation Code of the Philippines ("Revised Corporation Code"), have the right of appraisal in the following instances: (a) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (c) in case of merger or consolidation; and (d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) Other than the proposed increase in the per diem of the Chairman of the Board and the Board Committee Chairmen, and the election to AEV's Board of Directors, no current director or officer of AEV, or nominee for election as director of AEV, or any associate of any of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting.

(b) No director has informed AEV in writing that he intends to oppose any action to be taken by AEV at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of 31 January 2021:

Nationality	Class of Voting Shares	Number of Shares	Percentage
Filipino	Common	5,242,895,242	93.12%
Non-Filipino		387,330,215	6.68%
Total No. of Shares Entitled to Vote		**5,630,225,457**	**100%**

Every stockholder shall be entitled to one vote for each share of stock held, as of the established record date.

(b) Record Date

All stockholders of record as of 23 March 2021 are entitled to notice of and to vote at AEV's 2021 ASM.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote, in person or by proxy, or through remote communication or i*n absentia*, the number of shares of stock standing in his own name on the stock and transfer books of the Company. A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of AEV, multiplied by the number of directors to be elected; provided further, that no delinquent stock shall be voted.

Section 5, Article I of the Amended By-Laws of AEV provides that voting upon all questions, at all meetings of the stockholders, shall be by shares of stock and not per capita. Moreover, Sections 4, 5, and 6 of the same Article states that stockholders may vote at all meetings either in person, through remote participation or *in absentia*, or by proxy duly given in writing and presented to the Corporate Secretary for inspection, validation, and recording at least seven days prior to the said meeting.

Nominations for independent directors are accepted starting January 1 of the year in which the nominee director is to serve. The table for nominations closed by February 15 of the year, unless the Board Environmental, Social, and Corporate Governance ("ESCG") Committee (formerly the Corporate Governance Committee), acting as the Nominations and Compensation Committee, unanimously agrees to extend the deadline for meritorious reasons. Section 1, Article II of the Amended By-Laws of AEV provides that nominations for the election of directors, other than independent directors, for the ensuing year must be received by the Corporate Secretary no less than 15 working days prior to the Annual Meeting of Stockholders, except as may be provided by the Board in appropriate guidelines that it may promulgate from time to time in compliance with law.

No discretionary authority to cumulate votes is solicited.

Pursuant to Sections 4, 5, and 6 of the Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code, which allow for voting through remote communication or *in absentia*, stockholders may access AEV's online web address at *https://aboitiz.com/2021asm*, beginning on 23 March 2021 in order to register and vote on the matters at the 2021 ASM. Stockholders may cast his/her votes online from 23 March 2021 until 3:00 p.m. of 26 April 2021. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum.

Please refer to **Annex "E"** on the Requirements and Procedure for the Voting and Participation in the 2021 ASM for the detailed and complete information on voting via remote participation or voting *in absentia*, as well as on how to join the livestream for the 2021 ASM.

Security Ownership of Certain Record and Beneficial Ownership and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of the voting shares) as of 31 January 2021

Title of Class of Shares	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held and Nature of Ownership (Record and/or Beneficial)	Percentage of Ownership

Common	1. **Aboitiz & Company, Inc. ("ACO")**[1] Aboitiz Corporate Center, Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City (Stockholder)	ACO	Filipino	2,735,600,915 (Record and Beneficial)	48.59%
Common	2. **PCD Nominee Corporation**[2] 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[3]	Filipino	961,634,754 (Record)	17.08%
Common	3. **Ramon Aboitiz Foundation, Inc. ("RAFI")** 35 Lopez Jaena St., Cebu City (Stockholder)	RAFI	Filipino	426,804,093 (Record and Beneficial)	7.58%
Common	4. **PCD Nominee Corporation**[4] **(Foreign)** 37th Floor, Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City, 1226 Metro Manila (Stockholder)	PCD participants acting for themselves or for their customers.[5]	Non-Filipino	373,118,931 (Record)	6.63%

(2) Security Ownership of Management as of 31 January 2021 (Record and Beneficial)

Name of Owners and Position	Title of Class of Shares	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Enrique M. Aboitiz Chairman of the Board	Common	6,000	Direct	Filipino	0.00%
		1,534,500	Indirect		0.03%
Mikel A. Aboitiz Vice Chairman of the Board	Common	10	Direct	Filipino	0.00%
		95,152,412	Indirect		1.69%
Erramon I. Aboitiz Director	Common	1,001,000	Direct	Filipino	0.02%
		77,023,082	Indirect		1.37%
Sabin M. Aboitiz Director/President and Chief Executive Officer	Common	14,415,651	Direct	Filipino	0.26%
		11,481,764	Indirect		0.20%
Ana Maria A. Delgado Director	Common	500	Direct	Filipino	0.00%
		26,358,285	Indirect		0.47%

[1] ACO, the major shareholder of Aboitiz Equity Ventures Inc., is a corporation wholly-owned by the Aboitiz family. No single stockholder, natural or juridical, owns 5% or more of the shareholdings of ACO.
[2] PCD Nominee Corporation (Filipino and Foreign) is not related to AEV. The beneficial owners of the shares held through a PCD participant are the beneficial owners thereof to the extent of the number of shares registered under the respective accounts with the PCD participant.
[3] Each beneficial owner of shares through a PCD participant is the beneficial owner of such number of shares he owns in his account with the PCD participant. AEV has no record relating to the power to decide how the shares held by PCD Nominee Corporation (Foreign and Filipino) are to be voted. Of the 961,634,754 shares held by PCD Nominee Corporation (Filipino), at least 434,062,302 shares or 7.71% of the voting stock of AEV are for the account of Papa Securities Corporation (PapaSec). AEV is not related to PapaSec.
[4] *Supra Note 3.*
[5] *Supra Note 4.*

Edwin R. Bautista Director	Common	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Raphael P. M. Lotilla Lead Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Jose C. Vitug Independent Director	Common	100	Direct	Filipino	0.00%
		72,020	Indirect		0.00%
Manuel R. Salak III Independent Director	Common	100	Direct	Filipino	0.00%
		0	Indirect		0.00%
Manuel R. Lozano Senior Vice President/Chief Financial Officer/Corporate Information Officer	Common	171,028	Direct	Filipino	0.00%
		163,987	Indirect		0.00%
Susan V. Valdez Senior Vice President and Chief Corporate Services Officer	Common	769,926	Direct	Filipino	0.01%
		170,637	Indirect		0.00%
Manuel Alberto R. Colayco Senior Vice President – Chief Legal and Compliance Officer / Corporate Secretary	Common	45,087	Direct	Filipino	0.00%
		19,630	Indirect		0.00%
Maria Veronica C. So First Vice President – Group Treasurer	Common	0	Direct	Filipino	0.00%
		9,617	Indirect		0.00%
Santanina Apolinaria B. Castro First Vice President – Risk Management	Common	0	Direct	Filipino	0.00%
		13,414	Indirect		0.00%
Christine C. Kempeneers Data Privacy Officer	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Maria Lourdes Y. Tanate Vice President – Group Internal Audit Head	Common	0	Direct	Filipino	0.00%
		15,784	Indirect		0.00%
Mailene M. de la Torre Assistant Vice President – Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Sammy Dave A. Santos Assistant Corporate Secretary	Common	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
TOTAL		**228,425,634**			**4.05%**

(3) Voting Trust Holders of Five Per Centum (5%) or More of Common Equity

No person holds, under a voting trust or similar agreement, more than five percent (5%) of AEV's common equity.

(4) Changes in Control

There are no arrangements that may result in a change in control of AEV during the period covered by this report.

Item 5. Directors and Executive Officers

(a) Directors and Officers for 2020-2021

The overall management and supervision of the Company is undertaken by its board of directors (the "Board"). The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review.

(1) Directors for 2020-2021

The overall management and supervision of the Company is undertaken by its Board of Directors, composed of nine directors, three of whom are Independent Directors and five are Non-Executive Directors. Below is the profile of the directors for 2020-2021 with their corresponding positions, offices, and business experience held for the past five years. The directors were elected during AEV's ASM to serve for a term of one year.

ENRIQUE M. ABOITIZ Chairman – Board of Directors Age: 67 Citizenship: Filipino Committee Memberships: Chairman - Board Risk and Reputation Management Committee Member - Board Environmental, Social, and Corporate Governance Committee - Board Executive Committee Date of First Appointment: 10 May 1999 Tenure: 21 years	***Mr. Enrique M. Aboitiz*** was appointed Chairman of the Board on 11 December 2018. He has served as Director of the Company since 9 May 1994, and has been Chairman of the Board Risk and Reputation Management Committee since 11 February 2009, member of the Board ESCG Committee since 11 December 2018, and of the Executive Committee since 21 May 2018. He was also a member of the Board Audit Committee from 11 December 2018 to 30 January 2019. He also served as the Vice Chairman of the Board of Directors of Aboitiz Power Corporation, a publicly-listed company, until 31 December 2019, and is currently Vice-Chairman of ACO. Mr. Aboitiz graduated with a Bachelor of Science degree in Business Administration, Major in Economics, from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
MIKEL A. ABOITIZ Vice Chairman – Board of Directors Age: 66 Citizenship: Filipino Committee Memberships: *Member* - Board Risk and Reputation Management Committee - Board Executive Committee Date of First Appointment: 15 May 2017 Tenure: 3 years	***Mr. Mikel A. Aboitiz*** was appointed Vice Chairman of the Board of Directors on 11 December 2018, and has served as Director since 15 May 2017. He is also a member of the Executive Committee since 21 May 2018 and of the Board Risk and Reputation Management Committee since 11 December 2018. Mr. Aboitiz has served as Senior Vice President of the Company from 2004 to 2015, a member of the Company's Board Audit Committee and Board ESCG Committee, positions which he held from May 2017 to 31 December 2019. Mr. Aboitiz has been Director of Aboitiz Power Corporation, a publicly-listed company, since 13 February 1998, and was appointed as its Vice Chairman of the Board of Directors on 1 January 2020. He was formerly Vice Chairman of City Savings Bank, Inc. from 2015 to 2016, and its President and Chief Executive Officer from 2001 to 2014. He is currently Chairman of the Board of ACO; and Trustee and Chairman of Ramon Aboitiz Foundation, Inc

	Mr. Aboitiz holds a degree in Bachelor of Science in Business Administration from Gonzaga University, Spokane, Washington, U.S.A. He is not connected with any government agency or instrumentality.
ERRAMON I. ABOITIZ Director Age: 64 Citizenship: Filipino Committee Memberships: *Member* – Executive Committee - Board Audit Committee - Board Risk and Reputation Management Committee Date of First Appointment: 9 May 1994 Tenure: 26 years	***Mr. Erramon I. Aboitiz*** has been a Director of the Company since 9 May 1994, a member of the Board Risk and Reputation Management Committee since 18 May 2015, a member of the Board Audit Committee since 1 January 2020, and was Chairman of the Executive Committee from 21 May 2018 to 31 December 2019 and its Vice Chairman since 1 January 2020. He served as President and Chief Executive Officer of the Company from 5 January 2009 to 31 December 2019, and Executive Vice President and Chief Operating Officer of the Company from 1994 to December 2008. Mr. Aboitiz is also the Chairman of the Board of Directors of Aboitiz Power Corporation and Union Bank of the Philippines ("UnionBank"), both publicly-listed companies, and Manila-Oslo Renewable Enterprise, Inc. He is a Director of ACO, and Trustee of the Philippine Disaster Recovery Foundation and the Asian Institute of Management. Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year, both in 2011. Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.
SABIN M. ABOITIZ Director / President and Chief Executive Officer Age: 56 Citizenship: Filipino Committee Memberships: *Chairman* – Executive Committee *Member* – Board Environmental, Social, and Corporate Governance Committee - Board Risk and Reputation Management Committee Date of First Appointment: 21 May 2018 Tenure: 2 years	***Mr. Sabin M. Aboitiz*** was elected Director of the Company and appointed member of the Board Risk and Reputation Management Committee on 21 May 2018. He has been the Company's President and Chief Executive Officer, Chairman of the Board Executive Committee, and member of the Board ESCG Committee since 1 January 2020. He was previously appointed as the Company's First Vice President from May 2014 to May 2015, Senior Vice President from May to December 2015, and Executive Vice President and Chief Operating Officer from December 2015 to December 2019 Mr.Aboitiz is currently the (i) Chairman of Aboitiz Foundation, Inc., Aboitiz InfraCapital, Inc, Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Gold Coin Management Holdings, Ltd., CRH Aboitiz Holdings, Inc., SN Aboitiz Power-Benguet, Inc., Republic Cement Services, Inc. Filagri Holdings, Inc.; (ii) Director and President of ACO, AEV CRH Holdings, Inc., and AEV Aviation; and (ii) Director of UnionBank, a publicly-listed company, ACO Capital Ltd., Republic Cement & Building Materials, Inc., Metaphil, Inc., Apo Agua

	Infrastructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., Aboitiz Impact Ventures, Inc., Aboitiz Airports Advisory Services Corporation, AboitizPower International Pte. Ltd., Archipelago Insurance Pte. Ltd., and AEV International Pte. Ltd. Mr. Aboitiz is also a member of the Business Advisory Council of the Asia-Pacific Economic Cooperation. He holds a degree in Business Administration, Major in Finance from Gonzaga University, Spokane, U.S.A. He is not connected with any government agency or instrumentality
ANA MARIA A. DELGADO Director Age: 40 Citizenship: Filipino Committee Memberships: *Member* – Board Audit Committee Date of First Appointment: 11 December 2018 Tenure: 2 years	***Ms. Ana Maria A. Delgado*** was elected Director of the Company on 11 December 2018, and has been a member of the Board Audit Committee since 28 January 2020. She also holds the position of Executive Vice President, Chief Digital Channels Officer and Chief Customer Experience Officer of Unionbank, a publicly-listed company. Ms. Delgado has served UnionBank in various positions: as a Product Manager under the Retail Banking Center, SME Banking Business Head, Cards Business Head and Consumer Finance Center Head. Prior to joining UnionBank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008. Ms. Delgado is currently a Director of Aboitiz Infracapital, Inc., Aboitiz Land, Inc., CitySavings Bank Inc. and Non-Executive Director of Singapore Life (Philippines), Inc. Ms. Delgado graduated with a Bachelor of Arts degree in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010. She is not a director of any other publicly-listed company. She is not connected with any government agency or instrumentality.
EDWIN R. BAUTISTA Director Age: 60 Citizenship: Filipino Committee Memberships: *Member* – Executive Committee Date of First Appointment: 1 September 2018 Tenure: 2 years	***Mr. Edwin R. Bautista*** was elected Director of Aboitiz Equity Ventures Inc. and appointed as member of its Board Executive Committee on 1 September 2018. He is currently a Director and the President and CEO of UnionBank, a publicly-listed company; Chairman of the Board of Directors of City Savings Bank, Inc.; and a Director of Union Properties, Inc. (now known as "UBP Investments Corporation"), First Union Plans, Inc., and First Union Direct Corp. Prior to his election as Director of the Company, Mr. Bautista has served UnionBank in various capacities: as Chief Operating Officer from 1 January 2016 to 31 December 2017, Senior Executive Vice President from 2011 to 2015, Executive Vice President from 2001 to 2011, and Senior Vice President from 1997 to 2001

	Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advanced Management Program at the Harvard Business School, U.S.A. He is not connected with any government agency or instrumentality.
RAPHAEL P.M. LOTILLA Lead Independent Director Age: 62 Citizenship: Filipino Committee Memberships: *Chairman* – Board Environmental, Social, and Corporate Governance Committee *Member* – Board Audit Committee - Board Risk and Reputation Management Committee - Board Related Party Transactions Committee Date of First Appointment: 21 May 2012 Tenure: 9 years	***Mr. Raphael P. M. Lotilla Lotilla*** has been an Independent Director, and member of the Board Audit Committee and Board ESCG Committee of AEV since 21 May 2012. He was subsequently appointed and has continually served as AEV's Lead Independent Director since 15 May 2017 and Chairman of the Board ESCG Committee since 11 December 2018. He is also a member of AEV's Board Risk and Reputation Management Committee since 18 May 2015, and the Board Related Party Transactions Committee since 15 May 2017. Mr. Lotilla is also an Independent Director of Petron Foundation, Inc. and two other publicly-listed companies, AC Energy Exploration and First Metro Investment Corporation. He is currently the Chairman of the Board of Trustees of The Asia-Pacific Pathways to Progress Foundation, Inc. Mr. Lotilla previously served the Philippine government in various capacities: (i) Secretary of Energy; (ii) President and Chief Executive Officer of Power Sector Assets and Liabilities Management Corporation; (iii) Deputy Director-General of the National Economic and Development Authority; (iv) Coordinator of the Philippine Council for Sustainable Development; (v) Chairman of the Philippines National Oil Company; (vi) Vice-Chairman of the National Power Corporation and the National Transmission Corporation, among others. He also served as Regional Programme Director of a Global Environment Facility ("GEF") regional project implemented by the UN Development Programme ("UNDP") and concurrently Executive Director of Partnerships in Environmental Management for the Seas of East Asia ("PEMSEA"). Mr. Lotilla obtained his Bachelor of Laws degree from the University of the Philippines where he later on became a Professor of Law. He also holds a Master of Laws degree from the University of Michigan Law School, U.S.A. He currently serves as a member of the Board of Trustees of the Philippine Institute for Development Studies ("PIDS") and the Advisory Committee for the Ateneo University Professional Schools.
JUSTICE JOSE C. VITUG (RET.) Independent Director Age: 86 Citizenship: Filipino Committee Memberships: *Chairman* – Board Audit Committee	***Justice Jose C. Vitug (Ret.)*** has served as an Independent Director of the Company since 16 May 2005. He is Chairman of the Board Audit Committee of the Company since 18 May 2009, member of the Board ESCG Committee since 11 February 2009, the Board Risk and Reputation Management Committee since 18 May 2015, and the Board Related Party Transactions Committee since 15 May 2017.

Member – Board Risk and Reputation Management Committee - Board Environmental, Social, and Corporate Governance Committee - Board Related Party Transactions Committee <u>Date of First Appointment:</u> 16 May 2005 <u>Tenure:</u> 16 years	Mr. Vitug is also an Independent Director of ABS-CBN Holdings Corporation, a publicly listed company. He is currently a Board Trustee and Law Dean of the Angeles University Foundation, the Chairman of the Board of Trustees of Angeles University Foundation Medical Center, a Graduate Professor of the College of Law of San Beda College, a Professorial Lecturer of the Philippine Judicial Academy, and a member of the Philippine National Group of Judges of the Permanent Court of Arbitration at the Hague, Netherlands since 18 August 2017 for a term of seven years. Mr. Vitug was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal, and Senior Member of the Senate Electoral Tribunal. He was also the Chairman of the Philippines Stock Exchange, Inc. He graduated cum laude from the Manuel L. Quezon University with a Bachelor's Degree in Law. He holds a Master of Laws degree from the same university and a Master's Degree in National Security Administration from the National Defense College of the Philippines. He was a Fellow of the Commonwealth Judicial Institute of Canada. He also holds an Honorary Doctorate Degree of Law from the Angeles University Foundation. He is not connected, either as an officer or as an employee, to a government agency or instrumentality.
MANUEL R. SALAK III Independent Director <u>Age:</u> 61 <u>Citizenship:</u> Filipino <u>Committee Memberships:</u> *Chairman* – Board Related Party Transactions Committee *Member* –Board Risk and Reputation Management Committee - Board Enviromental, Social, and Corporate Governance Committee - Board Audit Committee <u>Date of First Appointment:</u> 21 May 2018 <u>Tenure:</u> 2 years	***Mr. Manuel R. Salak III*** was elected Independent Director of the Company and appointed Chairman of the Board Related Party Transactions Committee, and member of the Board ESCG Committee, the Board Audit Committee, and the Board Risk and Reputation Management Committee on 21 May 2018. Mr. Salak is the Founder and Managing Director of AlphaPrimus Advisors Inc., a Philippine-based firm providing advice on mergers and acquisitions and capital raising activities for Philippine and Philippine-based clients. Mr. Salak is an adviser for special projects at the Asian Institute of Management and is a board director of the Ateneo Center for Economic Research Department. He is an Independent Director of Maxicare Philippines and a Trustee of World Surgical Foundation Philippines. Mr. Salak previously served as (i) Managing Director, Head of Asia for Clients Coverage and Corporate Finance – ING Bank N.V., based in Singapore and covering 14 countries from 2008 to 2017; (ii) Managing Director and Country Head Philippines of ING Bank N.V. from 1999 to July 2008; and (iii) Managing Director and Head of Corporate & Investment Banking of ING Barings Philippines from 1999 to 2000. Mr. Salak earned his Bachelor of Science Degree in Economics (Honorable Mention) from the Ateneo de

	Manila University and completed his Master's degree in Business Management from the Asian Institute of Management (AAA Awardee). He also completed several executive and management courses, including the Senior Executive Management Course and ING Business Manager Program from the ING Business School, Hamskerk, Netherlands, the Institut Européen d' Administration des Affaires ("INSEAD") Leadership Development Workshop in Singapore, and the Advanced Management Program from Harvard Business School, U.S.A He is not a director of any other publicly-listed company. He is not connected with any government agency or instrumentality.

Nominations for Independent Directors and Procedure for Nomination

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code ("SRC Rule 38"), AEV's Amended By-Laws, and AEV's Guidelines for the Nomination and Election of Independent Directors approved by the Board of Directors on 23 March 2017 (the "Amended Guidelines").

In accordance with Section C(1) of the Amended Guidelines, the period for nominations for Independent Directors is from 1 January 2021 until 15 February 2021.

SRC Rule 38 further requires the Board ESCG Committee (in its capacity as the Board Nominations and Compensation Committee) to meet and pre-screen all nominees and submit a Final List of Nominees to the Corporate Secretary, so that such list will be included in the Company's Preliminary and Definitive Information Statements. Only nominees whose names appear on the Final List shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Nominees has been prepared. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee.

On 16 February 2021, the Chairman of the Board ESCG Committee submitted to the Corporate Secretary the Final List of Nominees. In approving the nominations for Independent Directors, the Board ESCG Committee considered the guidelines on the nominations of Independent Directors prescribed in SRC Rule 38, the Amended Guidelines, and AEV's Revised Manual on Corporate Governance dated 29 July 2020 (the "Revised Manual"). The Board ESCG Committee performs the functions of the Board Nominations and Compensation Committee. In 2020, Mr. Raphael P.M. Lotilla, Lead Independent Director, was the Chairman of the Board ESCG Committee. The other voting members of the committee are Messrs. Sabin M. Aboitiz, Enrique M. Aboitiz, Manuel R. Salak III, and Justice Jose C. Vitug (ret.), while the ex-officio non-voting members are Mr. Manuel Alberto R. Colayco, Ms. Susan V. Valdez, and Mr. David Jude L. Sta Ana.

No nominations for Independent Director shall be accepted at the floor during thestockholders' meeting at which such nominee is to be elected. However, Independent Directors shall be elected at the stockholders' meeting during which other members of the Board are to be elected.

Messrs. Mr. Manuel R. Salak III, Mr. Romeo L. Bernardo, and Ms. Joanne De Asis are the nominees for Independent Directors of AEV for the 2021 ASM. They are neither officers nor employees of the Company or any of its Affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director. Attached as **Annexes "B-1"**, **"B-2"**, and **"B-3"** are the Certifications of Qualification of Messrs. Salak III and Mr. Bernardo, and Ms. De Asis, respectively.

AEV stockholders, Mesdames Viva Torra, Jesusa Z. Nunez, and Cathrine Alinabo have nominated Messrs. Salak III,Mr. Bernardo, and Ms. De Asis, respectively, as the Company's Independent Directors. None of the nominating stockholders have any relation to the respective Independent Director they are nominating.

Other Nominees for Election as Members of the Board of Directors

As the Board ESCG Committee conveyed to the Corporate Secretary on 16 February 2021, the following were also nominated and qualified as candidates to the AEV Board of Directors for the ensuing year 2021-2022:

Enrique M. Aboitiz
Mikel A. Aboitiz
Erramon I. Aboitiz
Sabin M. Aboitiz
Ana Maria A. Delgado
Justo A. Ortiz

Pursuant to Section 1, Article II of the Amended By-Laws of AEV, nominations for members of the Board, other than Independent Directors, for the ensuing year must be submitted in writing to the Corporate Secretary at least 15 working days prior to the ASM on 26 April 2021 or not later than 31 March 2021.

All other information regarding the positions and offices held by nominees, Messrs. Enrique M. Aboitiz, Mikel A. Aboitiz, Erramon I. Aboitiz, Sabin M. Aboitiz, Manuel R. Salak III, and Ms. Ana Maria A. Delgado are integrated in Item 5 (a) (1) above. Ms. Joanne De Asis and Mr. Romeo L. Bernardo are being nominated to the AEV Board for the first time. Mr. Justo A. Ortiz is a former director who is being nominated again to the AEV Board.

Below are the profiles of Messrs. Justo A. Ortiz, Romeo L. Bernardo, and Ms. Joanne De Asis with their corresponding professional background and experience for the past five years:

JUSTO A. ORTIZ Nomination: Non -Executive Director Age: 63 years old Citizenship: Filipino Date of First Appointment: 9 May 1994 Tenure: 23 years (until 2017)	***Mr. Justo A. Ortiz*** is currently the Vice Chairman of UnionBank, a publicly-listed company, and has served as its Chairman and Chief Executive Officer from 1993 to 2017. He is also the Chairman and/or Director of various Subsidiaries of UnionBank: PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation, UBX Philippines Corporation. Mr. Ortiz is also the Chairman of the Board of Philippine Payments Management, Inc., Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. Director of the Concepcion Industrial Corporation. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Makati Business Club and World Presidents Organization. Mr. Ortiz has previously served as Director of AEV from 1994 to 2017, and a member of the Board Audit Committee from 2006 to 2017 and the Board Risk and Reputation Management Committee from 2009 to 2017. Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas as he was conferred a Doctor of Humanities degree, Honoris Causa in 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University. He is not connected with any government agency or instrumentality.

ROMEO L. BERNARDO Nomination: Independent Director Age: 66 years old Citizenship: Filipino Date of First Appointment: N/A Tenure: 0 years	***Mr. Romeo L. Bernardo,*** was elected Lead Independent Director of Aboitiz Power Corporation, a publicly-listed company, on 15 May 2017, and has been its Independent Director since 19 May 2008. He has not been nominated as an Independent Director of Aboitiz Power Corporation for the 2021-2022 term. He is the Managing Director of Lazaro Bernardo Tiu and Associates, a boutique financial advisory firm based in Manila. He is also an economist of GlobalSource in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is a Director of the following publicly-listed corporations: Globe Telecom, Inc. and Bank of the Philippine Islands, and Independent Director of RFM Corporation and PHINMA, Inc. He is also currently affiliated in various capacities with the Foundation for Economic Freedom, Management Association of the Philippines, FINEX Foundation, and World Bank Philippine Advisory Group. Mr. Bernardo previously served as Undersecretary for International Finance of the Department of Finance, and as Alternate Executive Director of the Asian Development Bank. He has held various positions in government, including the National Power Corporation ("NPC") and Philippine National Bank. He was a member of the Board of Trustees of the Philippine Institute for Development Studies from October 2005 until March 2016. He was an Advisor of the World Bank and the International Monetary Fund, and served as Deputy Chief of the Philippine Delegation to the General Agreement on Tariffs and Trade (World Trade Organization) in 1979. In the same year, he was Finance Attaché of the Philippine Mission to the United Nations in Geneva, Switzerland. He was formerly President of the Philippine Economics Society, Chairman of the Federation of ASEAN Economic Societies, and a faculty of the College of Business Administration of the University of the Philippines. Mr. Bernardo holds a Bachelor of Science degree in Business Economics from the University of the Philippines (magna cum laude) and a Master's degree in Development Economics from Williams College in Williamstown, Massachusetts, U.S.A. where he graduated top of the class. He is not connected with any government agency or instrumentality.
JOANNE DE ASIS Nomination: Independent Director Age: 70 years old Citizenship: Filipino Date of First Appointment: N/A Tenure: 0 years	***Ms. Joanne De Asis*** is Senior Adviser for Morgan Stanley & Co. ("Morgan Stanley"), an American multinational investment bank and financial services company listed at the New York Stock Exchange. Since she joined Morgan Stanley in 1977, Ms. De Asis rose through the ranks as she worked at the New York and London offices where she was involved in various cross-border strategic alliances, capital markets, and investment banking deals focusing on Asia and Pacific Regions. She was asked back in 2005 as Managing Director at Morgan Stanley, New York. In later years, she was instrumental in setting up the Morgan

	Stanley business in the Philippines and continues to run it via offices in Hongkong and Singapore. Ms. De Asis is the Founder and Chairman of Globe Capital Partners LLC, a New York-based boutique investment and private equity bank, since 1998. She sits on several advisory boards, locally and globally, including International Institute for Strategic Studies in London; Annenberg Foundation Trust at Sunnylands in California; and Walton's Crystal Bridges Museum in Arkansas; World Economy Council at the Aspen Institute, Colorado; and the Business Advisory Council of the Asia-Pacific Economic Cooperation. Ms. De Asis served as Advisor to the Treasury Department of the Bangko Sentral ng Pilipinas from 1984 to 1985; Director of Dillon Read & Company based in New York from 1986 to 1988; and Managing Director of Credit Suisse First Boston based in New York from 1989 to 1998. In 1999, she was chosen to be Grand Marshall, with then-Mayor Rudy Giuliani, in the tri-state area representing Filipinos. She was Chairman of the Philippine-American Chamber of Commerce in New York City. Ms. De Asis obtained her degree in Bachelor of Arts, Major in Communication Arts, from Maryknoll College, and Master of Business Administration from Columbia University in New York, U.S.A. She also completed the Executive Management Program from Stanford University in Palo Alto California, U.S.A. She is an Independent Director of Easycall Communications Philippines, Inc., a publicly-listed company. She is not connected with any government agency or instrumentality.

Officers for 2020–2021

Below is a list of AEV officers for 2020–2021 with their corresponding positions and offices held for the past five years. Unless otherwise indicated, the officers assumed their positions during AEV's organizational meeting in 2020 for a term of one year.

ENRIQUE M. ABOITIZ Chairman – Board of Directors	Refer to Item 5 (a) (1) for the profile of Mr. Enrique M. Aboitiz.
MIKEL A. ABOITIZ Vice Chairman – Board of Directors	Refer to Item 5 (a) (1) for the profile of Mr. Mikel A. Aboitiz.
SABIN M. ABOITIZ Director / President and Chief Executive Officer	Refer to Item 5 (a) (1) for the profile of Mr. Sabin M. Aboitiz.
MANUEL R. LOZANO Senior Vice President/ Chief Financial Officer/ Corporate Information Officer *Ex-officio* Member – Board Risk and Reputation Management Committee *Ex-officio* Member - Executive Committee Age: 50 years old Citizenship: Filipino	***Mr. Manuel R. Lozano*** has been Senior Vice President, Chief Financial Officer and Chief Corporate Information Officer of the Company since 18 May 2015. He is also an Ex-Officio Member of the Board Risk and Reputation Management Committee since 18 May 2015, and of the Executive Committee since 21 May 2018. Mr. Lozano holds various positions within the Aboitiz Group. He is currently the (i) Chairman of the Board and Chief Executive Officer of Lima Water Corporation; (ii) Treasurer of Aboitiz Construction,

	Inc., Aboitiz Construction International, Inc., CRH Aboitiz Holdings, Inc., DDLS Aboitiz Inc., and Metaphil, Inc.; (iii) Chief Financial Officer and Treasurer of Apo Agua Infrastructura, Inc; (iv) Trustee and Treasurer of Aboitiz Foundation; (v) Director and Treasurer of Aboitiz InfraCapital, Inc., Aboitiz Airports Advisory Services Corporation, AEV CRH Holdings, Inc., AEV Properties, Inc., Seateach Incorporated Aboitiz Impact Ventures, Inc.; (vi) Director and Vice President of AEV Aviation; (vii) Director of Pilmico Animal Nutrition Corporation, Pilmico Foods Corporation, Republic Cement and Building Materials, Inc., Union Bank of the Philippines, Cebu Praedia Development Corporation, AEV International Pte Ltd., Archipelago Insurance Pte Ltd.; and (viii) Alternate Director of Pilmico International Pte. Ltd. (Pilmico International), Pilmico Aqua Pte. Ltd. and AboitizPower International. Mr. Lozano was First Vice President, Chief Financial Officer and Corporate Information Officer of AboitizPower from 2014 to 2015; and was First Vice President – Chief Financial Officer of AboitizPower Generation from 2008 to 2013. Before joining the Aboitiz Group, he was the Chief Financial Officer and a director of Paxys, Inc., a publicly-listed company, focused on the business process outsourcing industry and other IT-related sectors within the Asia Pacific region. He was also a director of Corporate Finance and Investment at NGL Pacific Ltd., a Regional Operating Headquarter related to the Usaha Tegas group of Malaysia. He also held various positions in financial institutions including Jardine Fleming and CLSA. He earned his Bachelor of Science in Business Administration degree from the University of the Philippines – Diliman and his Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania, U.S.A. He is not connected with any government agency or instrumentality.
SUSAN V. VALDEZ Senior Vice President and Chief Corporate Services Officer *Ex-officio* Member – Board ESCG Committee Age: 60 years old Citizenship: Filipino	***Ms. Susan V. Valdez*** has been AEV's Chief Corporate Services Officer since 2 January 2020, and concurrently Chief Human Resource Officer of AEV. She is currently an Ex-Officio member of the Company's Board ESCG Committee, and Board of Trustee of Aboitiz Foundation, Inc. Ms. Valdez has held various executive positions in AEV for the past nine years: as Senior Vice President and Chief Corporate Services Officer, Chief Reputation and Risk Management Officer, and Chief Reputation Officer. Before joining AEV in September 2011, she held various executive positions for 15 years in Aboitiz Transport Systems Corporation (ATSC) (now 2GO Group, Inc., a publicly-listed company): as Chief Finance Officer, Chief Information Officer, and Chief Operating Officer of its freight and supply chain business units.

	Ms. Valdez is a Certified Public Accountant. She graduated cum laude with a degree in Bachelor of Science in Commerce, majoring in Accounting from St. Theresa's College. She earned her Master's degree in Business Management from the University of the Philippines, and completed the Management Development Program at Harvard Business School, U.S.A. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
MANUEL ALBERTO R. COLAYCO Senior Vice President - Chief Legal and Compliance Officer/ Corporate Secretary *Ex-officio* Member - Board ESCG Committee Age: 51 years old Citizenship: Filipino	***Mr. Manuel Alberto R. Colayco*** was appointed as the Company's Corporate Secretary and Chief Compliance Officer on 1 March 2018. Concurrently, he has been Senior Vice President and Chief Legal Officer of the Company since 1 October 2019, and Corporate Secretary of AboitizPower since 1 March 2018. Mr. Colayco has practiced in the areas of corporate law, mergers and acquisitions, joint ventures, securities regulation, corporate and financial restructuring, and litigation. Prior to joining the Aboitiz Group, Mr. Colayco acted as an independent legal consultant providing professional advice, representation, and transactional assistance to private companies and individuals. His previous work experience includes: General Counsel for AGP International Holdings Ltd. and Atlantic, Gulf & Pacific Company of Manila, Inc. from August 2013 to December 2014; Executive Director and Assistant General Counsel of J.P. Morgan Chase Bank N.A. from July 2010 to August 2013; and Vice President and Legal Counsel of DKR Oasis (Hong Kong) LLC, a private investment management firm, from August 2007 until March 2010. He was an Associate at Skadden, Arps, Slate, Meagher &Flom, LLP from 2000 to 2007, and at Romulo Mabanta Buenaventura Sayoc& De Los Angeles from 1996 to 2000. Mr. Colayco earned his undergraduate and Juris Doctor degrees from the Ateneo de Manila University, and a Master of Laws degree from the New York University School of Law, U.S.A. He is a member in good standing of the Integrated Bar of the Philippines and the New York State Bar. He is not connected with any government agency or instrumentality. He is also not a director of any publicly listed company.
MARIA VERONICA C. SO First Vice President - Group Treasurer Age: 48 years old Citizenship: Filipino	***Ms. Maria Veronica C. So*** has been the Company's First Vice President – Group Treasurer since 1 January 2020. She joined the Company as Vice President – Treasury Services in 2017 and was promoted to First Vice President – Deputy Group Treasurer under Treasury Services Group on 1 April 2019. She is also Group Treasurer of AboitizPower, a publicly listed company, since 1 January 2020. Prior to joining the Aboitiz Group, Ms. So held various treasury and finance positions at Globe Telecom from 2001 to 2017.

	Ms. So holds a Masters degree in Business Management from the Asian Institute of Management and a Bachelor of Science degree in Business Management from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
SANTANINA APOLINARIA B. CASTRO First Vice President – Risk Management *Ex-officio* – Board Risk and Reputation Management Committee <u>Age:</u> 45 years old <u>Citizenship:</u> Filipino	***Ms. Santanina Apolinaria B. Castro*** has been the Company's First Vice President – Risk Management since 1 January 2020 and performs the functions of the Company's Chief Risk Officer. Ms. Castro first joined the Aboitiz Group as Assistant Vice President for CBusiness Development of Pilmico Foods Corporation in 2011. She became Vice President for Corporate Strategy and Business Development of Pilmico Foods from 2017 and 2019 prior moving to the Company. Prior to joining the Aboitiz Group, she was Corporate Planning Manager of ABS-CBN Corporation from 2007 to 2011, Senior Planning Analyst at San Miguel Purefoods Company from 2002 to 2007, and Senior Associate at Arthur Andersen (SGV & Co) – Corporate Finance from 1996 to 2002. She holds a Masters degree in Business Administration from the University of the Philippines (Diliman) and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University. She is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
MARIA LOURDES Y. TANATE Vice President - Group Internal Audit Head <u>Age:</u> 55 years old <u>Citizenship:</u> Filipino	***Ms. Maria Lourdes Y. Tanate*** has been Vice President and Group Internal Audit Head of AEV since January 2016. She joined the Company in November 2011. Prior to joining the Company, Ms. Tanate was Chief Audit Executive of ATS Consolidated ("ATSC"), Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (now 2GO Group, Inc., a publicly-listed company). She also served as Assistant Vice President for Finance and Senior Manager of ATS. She has extensive experience in internal audit, financial and investment analysis, and corporate finance, with focus on budgeting, financial planning, and control. Ms. Tanate graduated cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines (Diliman) and subsequently obtained her Masters in Business Administration from the same school. She earned her Master's in Engineering and Technology Management from the University of Queensland, Australia. She is not connected with any government agency or instrumentality. She is also not a director of any publicly-listed company.
CHRISTINE C. KEMPENEERS Data Privacy Officer <u>Age:</u> 32 years old	***Ms. Christine C. Kempeneers*** was appointed as AEV's Data Privacy Officer on 1 August 2020. She is currently the Company's Assistant Vice President for Risk Management since 1 April 2019.

<u>Citizenship:</u> Filipino	Ms. Kempeneers held various positions within the Aboitiz Group. She was a Risk Manager for the Risk Management Team of AEV from August 2017 to March 2019. She was Project Manager of Aboitiz InfraCapital, Inc., the AEV's infrastructure Strategic Business Unit, from January 2016 to July 2017. Prior to joining the Aboitiz Group, Ms. Kempeneers was a Management Associate at Citibank in 2015, and a Management Trainee – Manager at Union Bank of the Philippines from 2010 to 2013. Ms. Kempeneers holds a Master of Business Administration, Major in Finance (with Distinction) from the Asian Institute of Management. She obtained her Bachelor of Arts Degree in European Studies, International Business Track from the Ateneo de Manila University. Ms. Kempeneers is a PARIMA-ANZIIF Certified Risk Professional, a Crisis Management Certified Expert from the BCM Institute, holds a Certification from the Business Continuity Institute, and a Certification from TUV Rheiland as Data Protection Officer. Ms. Kempeneers is not connected with any government agency or instrumentality. She is not a director of any publicly-listed company.
MAILENE M. DE LA TORRE Assistant Vice President – Assistant Corporate Secretary <u>Age:</u> 39 years old <u>Citizenship:</u> Filipino	***Ms. Mailene M. de la Torre*** was appointed Assistant Corporate Secretary on 24 November 2016 and Assistant Vice President – Governance and Compliance of the Company effective 1 January 2018. She was previously Senior Associate General Counsel for Governance and Compliance of the Company beginning in November 2016, and was Associate General Counsel for Legal and Corporate Services from May 2010 to October 2014. Ms. de la Torre is also the Corporate Secretary of various Subsidiaries of the Aboitiz Group. She is concurrently Assistant Corporate Secretary of AboitizPower since her appointment to that role on 24 November 2016. Ms. de la Torre has experience in the areas of corporate structuring, acquisitions, joint ventures, compliance and corporate governance, corporate law, securities law, and litigation. Prior to joining the Aboitiz Group, she was an Associate at Esguerra & Blanco Law Office from 2007 to 2010. She graduated cum laude with a Bachelor of Arts Degree in Political Science from the University of the Philippines Diliman and earned her Bachelor of Laws degree from the same university. She is a graduate member of the Institute of Corporate Directors, after completing the Professional Director's Program. She is a member in good standing of the Integrated Bar of the Philippines. She is not connected with any government agency or instrumentality. She is not a director of a publicly-listed company.
SAMMY DAVE A. SANTOS Assistant Corporate Secretary	***Mr. Sammy Dave A. Santos*** has been Assistant Corporate Secretary since 5 November 2019. He joined the Company as Associate General Counsel for

Age: 36 years old Citizenship: Filipino	the Governance and Compliance Team in 2017. He is also Assistant Corporate Secretary of AboitizPower, a publicly-listed company, a position he has held since 5 November 2019. Mr. Santos is Corporate Secretary of various Subsidiaries of the Aboitiz Group, and Assistant Corporate Secretary of the Good Governance Advocates and Practitioners of the Philippines. Prior to joining the Aboitiz Group, he was Legal Counsel for Alliance Select Foods International, Inc., a publicly-listed company, from 2016 to 2017. He was also Counsel for the Privatization Group and Office of Special Concerns of the Department of Finance in 2016. He was a Junior Associate at the Law Firm of Quiason Makalintal Barot Torres Ibarra Sison & Damaso from 2014 to 2016. Mr. Santos holds a Juris Doctor degree from the Ateneo Law School in 2013. He also holds a degree of Master of Science in Industrial Economics from the University of Asia and the Pacific. He is a member in good standing of the integrated Bar of the Philippines. He is not connected with any government agency or instrumentality. He is not a director of a publicly-listed company.

Period in which the Directors Should Serve

The directors shall serve for a period of one year.

Term of Office of a Director

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly qualified and elected, unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his/her predecessor in office

(2) Significant Employees

AEV considers the contribution of every employee important to the fulfillment of its goals.

(3) Family Relationships

Messrs. Erramon, Enrique, and Sabin Aboitiz, are brothers. Mr. Mikel A. Aboitiz is the uncle of Ms. Ana Maria A. Delgado. Other than these, no other officers or directors are related within the fourth degree of consanguinity.

(4) Involvement in Certain Legal Proceedings as of 31 January 2021

To the knowledge and/or information of AEV, none of its nominees for election as directors, its current members of the Board or its executive officers is presently involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree, or has violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years until 31 January 2021, which would put to question his/her ability and integrity to serve AEV and its stockholders.

(5) Certain Relationships and Related Transactions

AEV and its Subsidiaries (the "Group"), in their regular conduct of business, have entered into related party transactions ("RPT") consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are made on an arm's length basis.

ACO, the parent company of AEV, and certain Associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the Group to realize cost synergies. The parent companies maintain a pool of highly qualified professionals with business expertise specific to the businesses of the Group. Transactions are priced on an arm's length basis, and covered with service level agreements to ensure quality of service.

ACO and certain Associates are leasing office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts for a period of three years.

The Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking Associates. These are earning interest at prevailing market rates.

Power generation Subsidiaries sell to certain power Associates based on their respective power supply agreements. Meanwhile, power distribution Subsidiaries purchase from certain generation Associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication Subsidiary of ACO renders its services to the Group for the construction of new power plants.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by an independent committee composed of select officers of the Company. The Fund has investments in the equity of one of its Subsidiaries.

The above related party transactions are discussed extensively in the audited financial statements of the Company.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are determined and brought to the attention of managemen.

In 2020, AEV updated the Related Parties Certification for Directors and Officers in compliance to the Bureau of Internal Revenue Regulation No. 19-2020 on the reporting guidelines for the transactions of individuals and juridical entities with related parties. The RPT Committee continued to ensure that related party transactions are taken on an arm's-length basis, within market rates, and with sufficient documentation. Lastly, the RPT Committee ensured that RPTs falling below the SEC-defined materiality threshold are coursed through the appropriate levels of review, reporting, and/or approval process.

For detailed discussion on related party transactions, please refer to Note 32 of the Consolidated Financial Statements.

(6) Parent Company

AEV's parent company is Aboitiz & Company, Inc. As of 31 January 2021, it owns 48.59% of the voting shares of AEV.

(b) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned nor declined to stand for re-election to the Board since the date of AEV's last annual stockholders' meeting because of a disagreement with AEV on matters relating to its operations, policies, and practices.

Item 6. Compensation of Directors and Executive Officers

(a) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to AEV's Chief Executive Officer and four most highly compensated executive officers, as well as other directors and officers during the last two completed fiscal years and the ensuing fiscal year are as follow:

Name of Officer and Principal Position	Year	Salary	Bonus	Other Compensation
CHIEF EXECUTIVE OFFICER AND FOUR MOST HIGHLY COMPENSATED OFFICERS 1. **SABIN M. ABOITIZ** *President and Chief Executive Officer* 2. **MANUEL R. LOZANO** *Senior Vice President and Chief Financial Officer/ Company Information Officer* 3. **SUSAN V. VALDEZ** *Senior Vice President and Chief Corporate Services Officer* 4. **MARIA VERONICA C. SO** *First Vice President - Group Treasurer* 5. **MANUEL ALBERTO R. COLAYCO** *Senior Vice President – Chief Legal and Compliance Officer/Corporate Secretary*				
All above named officers as a group	Actual 2020	₱124,827,093.00	₱12,820,286.00	₱12,078,840.00
	Actual 2019	₱127,938,123.00	₱16,249,280.00	₱15,697,222.00
	Projected 2021	₱144,279,533.00	₱14,684,241.00	₱13,617,873.00
All other directors and officers as a group unnamed	Actual 2020	₱27,379,473.00	₱3,937,891.00	₱78,437,151.00
	Actual 2019	₱139,201,104.00	₱17,479,740.00	₱39,845,400.00
	Projected 2021	₱41,319,658.00	₱5,603,529.00	₱87,539,173.00

The Amended By-Laws of the Company as approved by the Securities and Exchange Commission on 1 October 2020 defined corporate officers as follows: the Chairman of the Board; the Vice Chairman; the Chief Executive Officer; Chief Operating Officer; the Treasurer, the Corporate Secretary; the Assistant Corporate Secretary; and such other officers as may be appointed by the Board. For the year 2020, the Company's Summary of Compensation of Executive Officers covers the compensation of officers as reported under Item 5 (a)(1) of the Information Statement.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options, and/or profit-sharing.

There is no compensatory plan or arrangement between the Company and any executive in case of resignation or any other termination of employment or from a change-in-control of the Company.

(b) Compensation of Directors

(1) Standard Arrangements

Following the 22 April 2019 Annual Stockholders' Meeting, the directors receive a monthly allowance of ₱150,000.00 while the Chairman of the Board receives a monthly allowance of ₱200,000.00. In addition, each director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱150,000.00	₱200,000.00

Type of Meeting	Committee Members	Chairman of the Committee
Board Committee Meeting	₱100,000.00	₱130,000.00

During its 16 February 2021 meeting, the Board ESCG Committee, which performs the function of the Nomination and Compensation Committee, upon the recommendation of the Company's management proposed an increase in the per diem of the Board and Board Committee Chairmen for every meeting attended as follows:

Type of Meeting	Chairman of the Board	
	From	To
Board Meeting	₱200,000.00	**₱225,000.00**

Type of Meeting	Chairman of the Committee	
	From	To
Committee Meeting (except Audit Committee)	₱130,000.00	**₱150,000.00**
Audit Committee	₱130,000.00	**₱200,000.00**

The per diems for the Board and Committee chairpersons were last increased in 2019. Since then, the Company's businesses have expanded in scope and became more complicated in nature, particularly taking into account the challenges caused by the COVID-19 pandemic. As a matter of effective corporate governance, these challenges have led to an increase in the responsibilities of the Board and Committee chairpersons. The proposal by management to increase the per diems of the Board and Board Committee Chairmen was made after a review of the Board compensation structures of comparable companies with the same Board size, revenue, assets, and market capitalization.

During its Board Meeting dated 5 March 2021, the Board of Directors reviewed the proposed increases in the per diems for the Board and Committee chairpersons, and, having considered the rationale provided for the proposed increases and greater responsibilities of the chairpersons, endorsed the same for stockholders' approval.

There are no proposed change to the monthly allowance and per diem of other members of the Board.

A resolution approving the proposed increase in the per diem of the Board and Board Committee Chairmen will be presented to the stockholders for approval at the 2021 ASM.

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of 31 December 2020 is as follows:

Name of Director	Total Compensation Received by Director[6]
ENRIQUE M. ABOITIZ *Chairman of the Board*	₱5,140,000.00
MIKEL A. ABOITIZ *Vice Chairman of the Board*	₱3,050,000.00
ERRAMON I. ABOITIZ *Director*	₱4,200,000.00
SABIN M. ABOITIZ* *President and Chief Executive Officer*	₱4,150,000.00
ANA MARIA A. DELGADO* *Director*	₱3,500,000.00
EDWIN R. BAUTISTA* *Director*	₱3,600,000.00
RAPHAEL P.M. LOTILLA *Lead Independent Director*	₱5,160,000.00
JUSTICE JOSE C. VITUG (ret.) *Independent Director*	₱5,250,000.00
MANUEL R. SALAK III *Independent Director*	₱5,660,000.00

**A portion of the monthly allowances was paid to their nominating company.*

(2) Other Arrangements

Other than payment of the directors' per diem and monthly allowance as stated, there are no standard arrangements pursuant to which directors of the Company are compensated or are to be compensated, directly or indirectly, for any services provided as a director.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no compensatory plan or arrangement between AEV and any executive officer that results or will result from the resignation or any other termination of employment or from a change in the management control of AEV.

(d) Warrants and Options Outstanding

To date, AEV has not granted any stock option to its directors or officer.

Item 7. Independent Public Accountant

As a matter of policy, the Board Audit Committee (the "Audit Committee") selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, the Chief Financial Officer, and the Group Internal Audit Head. Where appropriate, the Committee may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

During the 5 March 2021 board meeting, the Chairman of the Audit Committee reported to the Board that the Audit Committee evaluated and assessed the performance for the previous year of the Company's external auditor, SyCip Gorres Velayo & Co. ("SGV"). Based on the results of its evaluation, the Audit Committee advised the Board of Directors that it is satisfied with SGV's performance for the previous year and recommended SGV's re-appointment as the Company's external auditor for 2020.

[6] Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period 1 January to 31 December 2020

The Board of Directors discussed the Audit Committee's recommendation, and after discussion, approved the re-appointment of SGV. The Board of Directors will endorse to the shareholders the re-appointment of SGV as the Company's external auditor for 2021.

The accounting firm of SGV has been AEV's Independent Public Accountant for the last 26 years. Ms. Maria Veronica Andresa R. Pore is AEV's current audit partner, and has served as such starting 2017. AEV complies with the requirements of Section 3(b) (ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

Representatives of SGV will be present during the 2021 ASM and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past 26 years where AEV and SGV (or the handling partner) had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Chairman of the Audit Committee is Justice Jose C. Vitug (ret.), an Independent Director. The members are Messrs., Raphael P.M. Lotilla and Manuel R. Salak III, both Independent Directors, and Ms. Ana Maria A. Delgado, and Mr. Erramon I. Aboitiz, Non-Executive Directors of AEV.

Item 8. Compensation Plans

No action is to be taken during the 2021 ASM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other Than for Exchange

No action is to be taken during the 2021 ASM with respect to authorization or issuance of any securities other than for exchange of outstanding securities.

The following is a discussion of the Company's outstanding registered securities.

Recent Issuance of Registered Debt Securities

(a) Ten Billion Fixed Rate Retail Bonds Issued in November 2013

On 11 November 2013, SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for AEV's ₱10 bn-retail bonds (the "2013 Bonds"). The 2013 Bonds received the highest possible rating of PRS "Aaa" from Philippine Rating Services Corporation ("PhilRatings"). Of the aggregate amount of ₱10 bn, ₱8 bn were subsequently listed with the Philippine Dealing & Exchange Corporation ("PDEx") on 21 November 2013.

The 2013 Bonds were issued in two series, seven-year bonds with a fixed interest rate of 4.4125% per annum, and ten- year bonds with a fixed interest rate of 4.6188% per annum. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

The Company has the option, but not the obligation, to redeem in whole any series of the outstanding bonds, on the following dates or the immediately succeeding banking day if such date is not a banking day: (i) for the seven-year bonds on the fifth year and one quarter and on the sixth year from the issue date; and (ii) for the ten-year bonds on the seventh year, on the eighth year and on the ninth year from the issue date.

AEV received the aggregate [net] proceeds of ₱8 bn from the offer and sale of 2013 Bonds. The breakdown of the use of proceeds is set out below:

	Projected Usage (Per Prospectus)	Actual Usage
AboitizLand - Joint Venture with Ayala Land, Inc.	₱1,499,600,000.00	₱1,350,000,000.00
AboitizLand - Additional landbank purchases	500,000,000.00	590,000,000.00
AboitizLand - Purchase of Lima Land Shares	1,545,500,000.00	1,546,000,000.00
AboitizLand - Purchase of Lima Land Shares	-	985,000,000.00
Sub-total	**3,545,100,000.00**	**4,471,000,000.00**
Payment of Existing Short-term Debt to Finance:		
Capital Infusion into AEV Aviation	500,000,000.00	500,000,000.00
Purchase of UnionBank shares in 2012	1,030,000,000.00	1,030,000,000.00
Purchase of UnionBank shares in 2013	1,768,000,000.00	1,768,000,000.00
Sub-total	**3,298,000,000.00**	**3,298,000,000.00**
Aseagas - Liquid Bio Methane Project	622,437,041.00	295,472,520.00
Bond Issuance Costs	79,603,125.00	86,113,658.00
Warchest	454,859,834.00	-
TOTAL	**₱8,000,000,000.00**	**₱8,150,586,178.00**

AEV has been paying interest to its bond holders since 21 February 2014.

(b) Twenty-Five Billion Fixed Rate Retail Bonds Issued in July 2015

On 27 July 2015, the SEC issued the Order of Registration and Certificate of Permit to Offer Securities for AEV's fixed- rate retail bonds in the aggregate amount of up to ₱25 bn, inclusive of oversubscription (the "2015 Bonds"). The 2015 Bonds were then offered to the public on 28 July 2015 until 31 July 2015. The first tranche, equivalent to ₱24 bn was issued in 2015 in three series, as follows:

Series	Maturity Date	Interest Rate Per Annum
Series A	Five Years and three months	4.4722%
Series B	Seven Years	5.0056%
Series C	Twelve Years	6.0169%

The 2015 Bonds were listed with PDEx on 5 August 2015 for secondary market trading. Interest on the 2015 Bonds is paid quarterly in arrears every August 6, November 6, February 6, and May 6 of each year for each subsequent interest payment date at which the bonds are outstanding.

AEV received the aggregate [net] proceeds of ₱24 bn from the offer and sale of 2015 Bonds. The breakdown of the use of proceeds is set out below:

	Projected Usage (Per Prospectus)	Actual Usage*
Capital Infusion into Aboitiz Land, Inc.	₱9,892,000,000.00	₱10,000,000.00
Capital Infusion into Apo Agua Infrastructura, Inc.	2,055,000,000.00	14,000.00
Capital Infusion into Aseagas Corporation	311,000,000.00	222,500,000.00

Capital Infusion into PETNET, Inc.	765,000,000.00	125,000,000.00
Full repayment of existing long-term debt to fund purchase of UBP shares in 2010 & 2011	1,188,000,000.00	1,188,000,000.00
Bond Issuance Costs	214,076,625.00	219,925,521.28
Acquisition of a stake in the Philippine business of Lafarge S.A.	9,574,923,375.00	22,234,560,478.72
TOTAL	**₱24,000,000,000.00**	**₱24,000,000,000.00**

** The actual amount spent for the above projects in 2015 reached ₱25.5 bn. The funding came from the ₱24 bn retail bond proceeds and the ₱1.5 bn balance from internally-generated funds.*

AEV has been paying interest to its bond holders since 6 November 2015.

(c) Thirty Billion Fixed Rate Peso Denominated Retail Bonds

On 29 January 2019, the Board approved the issuance of a fixed-rate peso-denominated retail bonds in the aggregate amount of up to ₱30 bn, to be registered under the shelf registration program of the SEC (the "2019 Bonds"). Subsequently, the members of the Board approved the issuance of the first tranche of its 2019 Bonds equivalent to ₱3 bn and with an oversubscription option of up to ₱2 bn (the "First Tranche Bonds") on 7 March 2019.

On 3 June 2019, the SEC issued the Order of Registration and Certificate of Permit to Offer Securities for AEV's 2019 Shelf Program and the public offering of its First Tranche Bonds which was issued in two series.

Series	Maturity Date	Interest Rate Per Annum
Series A	Five Years	6.0157%
Series B	Ten Years	6.3210%

The First Tranche Bonds was listed with PDEx on 18 June 2019 for secondary market trading. Interest is paid quarterly in arrears every May 21, August 21, November 21, and February 21 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AEV received the aggregated [net] proceeds of ₱4.94 bn from the offer and sale of First Tranche Bonds.

The breakdown of the use of proceeds is set out below (amount in thousand pesos):

	Projected Usage (Per Prospectus)	Actual Usage
Repayment of Medium-term Loan of AEV International Pte. Ltd.	₱4,936,384.00	₱4,937,310.00
Bond issuance costs	63,616.00	62,690.00
TOTAL	**₱5,000,000.00**	**₱5,000,000.00**

On 5 November 2019, the Board approved the issuance of up to ₱10 bn fixed-rate retail bonds (the "Second Tranche Bonds"). The SEC issued the Certificate of Permit to Offer Securities on 29 October 2020 for the Second Tranche Bonds, which was then offered to the public from 29 October 2020 until 6 November 2020. The Second Tranche Bonds, equivalent to ₱7.55 bn including oversubscription, were issued in two series:

Series	Maturity Date	Interest Rate Per Annum
Series C	Three Years	2.8403%
Series D	Five Years	3.3059%

The Second Tranche Bonds was listed with PDEx on 16 November 2020 for secondary market trading. Interest is paid quarterly in arrears every November 16, February 16, May 16, and August 16 of each year for each subsequent interest payment date at which the bonds are outstanding or the subsequent banking day without adjustment if such interest payment date is not a banking day.

AEV received the aggregate [net] proceeds of ₱7.45 bn from the offer and sale of Second Tranches. The breakdown of the use of proceeds is set out below:

	Projected Usage (Per Prospectus)	Actual Usage[7]
Payment of the maturing 2013 Series A Bonds	₱6,200,000.00	₱6,200,000.00
Payment of the maturing 2015 Series A Bonds	2,664,112.00	1,245,578.00
Partially finance the 2021 equity contributions to Apo Agua for the construction of a hydroelectric-powered bulk water treatment facility in Davao	1,000,000.00	-
Bond issuance costs	135,888.00	104,422.00
TOTAL	**₱10,000,000.00**	**₱7,550,000.00**

AEV has been paying interest to its bond holders since 18 September 2019 and 16 February 2021, for the First and Second Tranche Bonds, respectively.

Item 10. Modification or Exchange of Securities

No action is to be taken during the 2021 ASM with respect to modification of any other class of issued securities of AEV, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

No action is to be taken during the 2021 ASM with respect to any matter specified in Items 9 or 10.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the 2021 ASM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with AEV; (ii) acquisition by AEV or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AEV; or (v) liquidation or dissolution of AEV.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the 2021 ASM with respect to acquisition or disposition of any property of AEV.

Item 14. Restatement of Accounts

No action is to be taken during the 2021 ASM with respect to restatement of any asset, capital or surplus account of AEV.

[7] The full allotment for the oversubscription was not availed.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Approval of the Minutes of the 2020 Annual Meeting of Stockholders dated 27 April 2020 (A summary and a copy of the 2020 ASM Minutes is attached as **Annex "C"**). The approval of the minutes is only with respect to the correctness of the minutes and not as of any of the matters referred there. The minutes may be viewed at the Company's website at: *https://s3-ap-southeast-1.amazonaws.com/aboitizsite-mediafiles/wp-content/uploads/2020/04/28213023/AEV-Minutes-2020-04.27.2020-Annual-Stockholders-Meeting-DRAFT-1.pdf*

(b) Approval of the 2020 Annual Report of Management and Financial Statements of the Company; and

(c) General ratification of the acts of the Board of Directors, corporate officers, and the management from the date of the last annual stockholders' meeting up to 26 April 2021. These acts are covered by resolutions of the Board duly adopted during the normal course of trade or business of the Company.

Except for the election of directors and approval of the increase in the per diem of the Chairman of the Board and the Committee Chairmen which are discussed in other parts of the report, there are no other matters that require the approval of stockholders.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Ratification of the acts of the Board of Directors, corporate officers, and management in 2020 up to 26 April 2021 refers only to acts done in the ordinary course of business and operations of AEV, which have been duly disclosed to the SEC, the PSE, and the PDEx as may be required in accordance with the applicable laws. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual meeting of AEV stockholders.

Below is a summary of board resolutions approved during the period of 27 April 2020 to 5 March 2021:

Regular Board Meeting, 27 April 2020

(a) Renew the Appointment of Authorized Representatives to Attend and Represent the Company during the Annual or Special Stockholders' Meeting of its Investee Companies;
(b) Renew the Authority to Enter into Non-Disclosure Agreements, Letters of Instruction, Memoranda of Agreement and other Preliminary Agreements Involving Potential Acquisitions or Transactions and Appointment of Authorized Representatives;
(c) Renew the Authority to Purchase, Sell or Deal in Any Manner with the Motor Vehicle of the Company and Appointment of Authorized Representatives;
(d) Update the List of Officers Authorized to Transact with Philippine Depository & Trust Corporation;
(e) Renew the Authority to Buyback AEV, UBP, and AboitizPower Shares;
(f) Update the Authorized Representatives to File Reports to the Philippine Dealing & Exchange Corp., and the Securities Exchange Commission;
(g) Appoint Authorized Representatives for BIR's Conduct of Investigation of Internal Revenue Taxes for 2018 Taxable Year;
(h) Borrow and Transact for Short Term Facilities with Rizal Commercial Banking Corporation and Citibank, N.A.; and
(i) Enter into Master Salary Loan Facility Agreement with City Savings Bank, Inc.

Regular Board Meeting, 29 July 2020

(a) Open a Bank and Investment Trust Accounts with Various Banks;
(b) Update Bank Signatories (to add Ms. Veronica C. So - newly appointed Group Treasurer);
(c) Reactivate and Close Bank Accounts;
(d) Issue Corporate Credit Cards;
(e) Appoint Ms. Christine C. Kempeneers to replace Mr. Ricardo F. Lacson, Jr. as Data Privacy Officer;
(f) Amend the Manual on Corporate Governance;
(g) Amend the Board Charter;
(h) Amend the Board Corporate Governance Committee Charter;
(i) Amend the Board Related Party Transactions Committee Charter; and
(j) Renew the Authority to Issue Fixed-Rate Bonds Constituting the Second Tranche out of the Shelf Registration.

Regular Board Meeting, 4 November 2020

(a) Transact with and Enter into ISDA Master Agreements with Morgan Stanley & Co. International PLC;
(b) Increase the Company's Credit Facility Limit with Rizal Commercial Banking Corporation;
(c) Amend the Board Risk and Reputation Management Committee Charter;
(d) Amend the Board Audit Committee Charter;
(e) Amend the Board Investment Committee Charters;
(f) Amend the Data Privacy Policy;
(g) Update List of authorized representatives to file reports to PSE, PDEx, and SEC;
(h) File or Institute an Administrative Proceeding with the World Intellectual Property Organization Arbitration and Meditation Center; and
(i) Amend the Company's Financial Levels of Authorities.

Regular Board Meeting, 28 January 2021

(a) Renew the Authority to Infuse Capital to a Wholly Owned Subsidiary;
(b) Delegate of Authority to Approve the Employee and Founders' Share Option Plan of Singlife Philippines, Inc.;
(c) Incorporate and Infuse of Funds (directly or through an Affiliate) to a New Singapore-Based Entry;
(d) Enter into International Swaps and Derivatives Association Master Agreement with Various Banks.;
(e) Renew the Omnibus Line with ING Bank; and
(f) Open Deposit and Investment Accounts with Various Banks.

Special Board Meeting, 5 March 2021

(a) Approve the 2020 Audited Financial Statements;
(b) Approve the Conduct of the 2021 ASM via Livestream
(c) Approve the Agenda, Venue, and Record Date of the Stockholders Entitled to Vote for the 2021 ASM;
(d) Approve the Increase in the Per Diem of Board and Board Committee Chairmen;
(e) Appoint Luis Cañete and Company as the Board of Election Inspectors for the 2021 ASM;
(f) Appoint the Proxy Validation Committee Members;
(g) Endorse SyCip Gorres Velayo & Co. as the Company's External Auditor for 2021;
(h) Declare the Regular Cash Dividend;
(i) Approve the 2021 Budget;
(j) Approve the Sale of Stake in a Subsidiary;
(k) Update Signatories of the Account Maintained with Philippine Equity Partners, Inc.;
(l) Approve the creation of the Board Cybersecurity Committee and the Approval of its Charter;
(m) Endorse for approval at the 2021 ASM the Proposed Increase in the Per Diem of the Chairman of the Board and the Chairmen of the Board Committees Chairmen; and
(n) Issue Guarantee in Favor of Subsidiaries.

Item 17. Amendment of Charter, By-Laws or Other Documents

No action is to be taken during the 2021 ASM with respect to the amendment of the Company's Charter, By-Laws or other documents.

Item 18. Other Proposed Actions

(a) ***Approval of the Increase in Per Diem of the Board and the Committee Chairmen.*** This proposal is intended to increase the per diem of the Board and Board Committee Chairmen for every meeting, as follows, as approved during the 16 February 2021 Board ESCG Committee meeting and 5 March 2021 special Board meeting:

Type of Meeting	Chairman of the Board	
	From	To
Board Meeting	₱200,000.00	**₱225,000.00**

Type of Meeting	Chairman of the Committee	
	From	To
Committee Meeting *(except Audit Committee)*	₱130,000.00	**₱150,000.00**
Audit Committee	₱130,000.00	**₱200,000.00**

There are no proposed change to the monthly allowance and per diem of other members of the Board.

A resolution approving the increase in the directors' per diem and monthly allowance shall be presented to the stockholders for approva

(b) ***Approval of the 2020 Annual Report and Financial Statements.*** The proposal is intended to present to the stockholders the results of the Company's operations in 2020, in accordance with Section 74 of the Revised Corporation Code.

The Company's audited financial statements as of 31 December 2020 is integrated and made part of the Company's Definitive Information Statement. The Definitive Information Statement is distributed to the stockholders at least 15 business days prior to the 2021 ASM, and the same is posted at the Company's website at *www.aboitiz.com.*

A resolution approving the 2020 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

(c) ***Appointment of the Company's External Auditor for 2021.*** The proposal is intended to appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse SGV as the external auditor for 2021 for the stockholders to appoint.

The profile of the external auditor is disclosed in the Preliminary and Definitive Information Statements.

A resolution for the appointment of the Company's external auditor for 2021 shall be presented to the stockholders for approval.

(d) ***Ratification of Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers and Management in 2020 up to 26 April 2021.*** The proposal is intended to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy.

The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board of Directors, corporate officers, and management in the ordinary course of business. The board resolutions are enumerated in this 2021 Information Statement. The Company also regularly discloses material transactions approved by the Board. These disclosures are available for viewing and can be downloaded at the Company's website at *www.aboitiz.com*.

A resolution to ratify the acts, resolutions, and proceedings of the Board of Directors, corporate officers and management in 2020 up to the date of the 2021 ASM shall be presented to the stockholders for approval.

Item 19. Voting Procedures

(a) Votes Required for Matters Submitted to Stockholders for Approval and Election of Directors

Section 4, Article I of the Amended By-Laws of AEV states that a quorum for any meeting of stockholders shall consist of the majority of the outstanding capital stock of AEV. Majority of such quorum shall decide on any question in the meeting, except those matters in which the Revised Corporation Code requires a greater proportion of affirmative votes.

Regarding the election of members of the Board, nominees who receive the highest number of votes shall be declared elected, pursuant to Section 23 of the Revised Corporation Code.

For other matters submitted to the stockholders for approval, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the 2021 ASM is required to approve the proposed actions. There are no proposed actions in the 2020 ASM that requires approval by a higher percentage of votes from the stockholders.

(b) The Method by which Votes will be Counted

The Company intends to conduct the 2021 ASM through remote communication, in accordance with the Revised Corporation Code and the applicable SEC Circulars. Stockholders who are unable to physically attend the meeting may execute a proxy in favor of a representative, or vote electronically *in absentia* using a hyperlink at *https://aboitiz.com/2021asm* that will be made available beginning on 23 March 2021. Stockholders voting electronically *in absentia* shall be deemed present for purposes of quorum. See **Annex "E"** for more information on the registration process and requirements.

In the election of directors, the nine nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be voted in favor of the nominees. If there is an objection to the motion to elect all the nominees, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

(i) Vote such number of shares for as many person(s) as there are directors to be elected;
(ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
(iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Revised Corporation Code. The counting of votes shall be done by the representatives from the Office of the Corporate Secretary, who shall serve as members of the Election Committee. The voting shall be witnessed and the results verified by a duly appointed Independent Board of Election Inspectors, Luis Cañete & Company, an independent accounting firm.

Other than the nominees' election as director, no director, executive officer, nominee or associate of the nominees has substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. AEV has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the 2021 ASM.

This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. AEV stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

Investor Relations Office Aboitiz Equity Ventures Inc.
NAC Tower, 32nd Street,
Bonifacio Global City
Taguig City, Metro Manila
1634 Philippines
email: aev_investor@aboitiz.com

Attention: Mr. Francisco Victor "Judd" G. Salas

This Information Statement and the Annual Report in SEC Form 17-A will also be posted at AEV's website: www.aboitiz.com.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on 15 March 2021.

ABOITIZ EQUITY VENTURES INC.
By:

MANUEL ALBERTO R. COLAYCO
Corporate Secretary

DEFINITION OF TERMS

Aboitiz Foundation	**Aboitiz Foundation, Inc.**
Aboitiz Group	**ACO and the companies or entities in which ACO has beneficial interest and over which ACO, directly or indirectly, exercises management control, including, without limitation, AEV, AboitizPower, AboitizLand, Pilmico, Aboitiz InfraCapital and their respective Subsidiaries and Affiliates**
Aboitiz InfraCapital	Aboitiz InfraCapital, Inc. (formerly: AEV Infracapital, Inc.)
AboitizLand	Aboitiz Land, Inc.
AboitizPower or AP	Aboitiz Power Corporation
AboitizPower Group	**Aboitiz Power Corporation and** its Subsidiaries
AboitizPower International	AboitizPower International Pte. Ltd.
Abovant	Abovant Holdings, Inc.
ACI	Aboitiz Construction, Inc. (formerly Aboitiz Construction Group, Inc.)
ACO	Aboitiz & Company, Inc.
AdventEnergy	Adventenergy, Inc.
AESI	Aboitiz Energy Solutions, Inc.
AEV, the Company, the Issuer or the Registrant	Aboitiz Equity Ventures, Inc.
AEV Aviation	AEV Aviation, Inc. (formerly Davco Holdings, Inc.; Spin Realty Corporation)
AEV CRH	AEV CRH Holdings, Inc.
AEV Group or the Group	AEV and its Subsidiaries
AEV International	AEV International Pte. Ltd.
AFC	American Feeds Company Limited

Affiliate	With respect to any Person, any other Person directly or indirectly Controlled or is under common Control by such Person
Ambuklao-Binga Hydroelectric Power Complex	Refers to SN Aboitiz Power- Benguet's 105-MW Ambuklao Hydroelectric Power Plant located in Bokod, Benguet and 140-MW Binga Hydroelectric Power Plant in Itogon, Benguet
AMLA	Anti-Money Laundering Act
APDS	Automatic Payroll Deduction System
Apo Agua	Apo Agua Infrastructura, Inc.
APRI	AP Renewables Inc.
APX1	Aboitiz Power Distributed Energy, Inc.
APX2	Aboitiz Power Distributed Renewables, Inc.
Archipelago Insurance	Archipelago Insurance Pte. Ltd.
ARI	Aboitiz Renewables, Inc. (formerly: Philippine Hydropower Corporation)
ARR	Annual Revenue Requirement
AS	Ancillary Services
ASPA	Ancillary Services Procurement Agreement
Associate	Refers to an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies
ATM	Automated Teller Machine

ATSC	Aboitiz Transport System (ATSC) Corporation (now 2GO Group, Inc.)
Bakun Plant	Refers to Luzon Hydro Corporation's 70-MW Bakun run- of-river hydropower plant located in Amilongan, Alilem, Ilocos Sur
Balamban Enerzone	Balamban Enerzone Corporation
BCQ	Bilateral Contract Quantity
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOI	**The Philippine Board of** Investments
BOT	Build-Operate-Transfer
BPO	Business Process Outsourcing
BSP	Bangko Sentral ng Pilipinas
Bunker C	A term used to designate the thickest residual fuels that is produced by blending any oil remaining at the end of the oil refining process with a lighter oil
Business Unit	A Subsidiary or an Affiliate of AEV
CA	Court of Appeals
CASA	**Current Account/Savings** Account
CBA	Collective Bargaining Agreement
CBAA	**Central Board of Assessment** Appeals
CDPEI	Cebu District Property Enterprise, Inc.
Cebu Coal Project	Refers to the construction and operation of the 3x82-MW coal-fired power plant of Cebu Energy Development Corporation located in Toledo City, Cebu.
Cebu Energy	Cebu Energy Development Corporation

CG Report	Refers to the Company's Corporate Governance Report
CFB	Circulating Fluidized Bed
CIPDI	Cebu Industrial Park Developers, Inc.
CitySavings or CSB	City Savings Bank, Inc.
Cleanergy	Cleanergy, Inc. (formerly Northern Mini-Hydro Corporation)
Coal Group or Coal Business Units	**Composed of the following Business Units: Therma Luzon, Inc., Therma South, Inc., Therma Visayas, Inc., GNPower Mariveles Coal Plant Ltd. Co., GNPower Dinginin Ltd. Co., Pagbilao Energy Corporation, Redondo Peninsula Energy, Inc., STEAG State Power, Inc., and Cebu Energy Development** Corporation, which own and/or operate coal-fired power plants
COC	**Certificate of Compliance**
Code	**Refers to the Company's Code of Ethics and Business Conduct**
Contestable Customer	Refers to an electricity end- user who has a choice of a supplier of electricity, as may be determined by the ERC in accordance with Republic Act 9136 or the EPIRA
Contestable Market	Refers to the electricity end- users who have a choice of a supplier of electricity, as may be determined by the ERC in accordance with Sec. 4(h) of the EPIRA
Contracted Capacity	Refers to the total capacity sold to customers at a given point in time
Control	**A term which refers to possession, directly or indirectly, by a Person of the power to direct or**

	cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over 50% of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person; "Controlling" and "Controlled" have corresponding meanings
Cotabato Light	Cotabato Light & Power Company
CPDC	Cebu Praedia Development Corporation
CPPC	Cebu Private Power Corporation
CRH Aboitiz	CRH Aboitiz Holdings, Inc.
CSEE	Contract for the Supply of Electric Energy
CSP	Competitive Selection Process
CTA	Court of Tax Appeals
Davao Light	Davao Light & Power Company, Inc.
DENR	Department of Environment and Natural Resources
Dependable Capacity or Sellable Capacity	**Refers to the capacity of a power plant, excluding station use and fuel constraints**
Distribution Utilities	**Refers to the companies within the AboitizPower Group engaged in Power Distribution, such as BEZ, Cotabato Light, Davao Light, LEZ, MEZ, SEZ, SFELAPCO and VECO.** "Distribution Company" or "Distribution Utility" may refer to any one of the foregoing companies.

DOE	Department of Energy
DOLE	Department of Labor and Employment
DOTr	Department of Transportation
EAUC	East Asia Utilities Corporation
ECC	Environmental Compliance Certificate
Enerzone Group or Enerzone Business Units	**A term collectively referring to Balamban Enerzone, Lima Enerzone, Mactan Enerzone, Malvar Enerzone, Subic Enerzone and other Distribution Utilities of the AboitizPower Group operating within special economic zones**
EO	Executive Order
EPC	Engineering, Procurement and Construction
EPIRA	RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001," as amended from time to time, and including the rules and regulations issued thereunder
ERC	Energy Regulatory Commission
Feeder Loss or Distribution Feeder Loss	Refers to the sum of Feeder Technical Loss and Non-Technical Loss, as defined in ERC Resolution No. 10, Series of 2018 or "A Resolution Clarifying the System Loss Calculation and providing the Effectivity of the Rules for Setting the Distribution System Loss Cap" (ERC Resolution No. 10-2018)
Filagri	Filagri, Inc.
Filagri Holdings	Filagri Holdings, Inc.
FIT	Feed-in-Tariff
FIT-All	Feed-in-Tariff Allowance
Food Group	A term collectively referring to Pilmico, PANC, Filagri, Pilmico International, Pilmico

	Vietnam Trading and PVF; the Company's Business Units engaged in the food business
GCDG	Gold Coin Feedmill (Dongguan) Co. Limited
GCFB	Gold Coin Feedmill (Brunei) Sdn. Bhd.
GCFD	Gold Coin Feedmill (Dong Nai) Co. Ltd.
GCFHN	Gold Coin Feedmill Ha Nam Company Limited
GCFL	Gold Coin Feed Mills (Lanka) Ltd.
GCFM	Gold Coin Feedmills (Malaysia) Sdn. Bhd.
GCFS	Gold Coin Feedmill (Sabah) Sdn. Bhd.
GCG	Gold Coin Group Limited
GCGI	**Green Core Geothermal** Incorporated
GCHSB	Gold Coin Holdings Sdn Bhd
GCI	P.T. Gold Coin Indonesia
GCIH	GC Investment Holdings Limited
GCKM	Gold Coin Feedmill (Kunming) Company Limited
GCMG	Gold Coin Malaysia Group Sdn. Bhd.
GCMH	Gold Coin Management Holdings Limited
GCS	Gold Coin Sarawak Sdn. Bhd.
GCSAB	Gold Coin Sabah Sdn. Bhd.
GCSI	P.T. Gold Coin Specialties
GCSS	**Gold Coin Services Singapore** Pte Limited
GCSSB	Gold Coin Specialties Sdn. Bhd.
GCST	Gold Coin Specialties (Thailand) Co. Ltd.
GCSZ	Gold Coin Management (Shenzhen) Co. Limited
GCTI	**P.T. Gold Coin Trading** Indonesia
GCZH	Gold Coin (Zhuhai) Company Limited
GCZJ	Gold Coin (ZhangJiang) Company Limited
GCZZ	Gold Coin (Zhangzhou) Company Limited

Generation Companies or Power Generation Grouup	**Refers to the companies within the AboitizPower Group engaged in Power Generation; "Generation Companies" may refer to any one of these companies.**
GMCP	GNPower Mariveles Coal Plant Ltd. Co.
GNPD	GNPower Dinginin Ltd. Co.
Government	The Government of the Republic of the Philippines
Greenfield	Refers to power generation projects that are developed from inception on previously undeveloped sites
Grid	**As defined in the Implenting Rules and Regulations of the EPIRA, it is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in each of Luzon, Visayas and Mindanao or as may be otherwise determined by the ERC in accordance with Section 45 of the EPIRA**
GSIS	**Government Service Insurance System**
Guidelines	**AEV's Amended Guidelines for the Nomination and Election of Independent Directors**
GWh	**Gigawatt-hour, or 1,000,000 kilowatt-hours**
Hedcor	**Hedcor, Inc.**
Hedcor Group or Hedcor Business Units	**Refers to the companies within the AboitizPower Group engaged in hydroelectric power generation, such as Hedcor, Inc., Hedcor Bukidnon, Inc., Hedcor Sabangan, Inc., Hedcor**

	Sibulan, Inc., and Hedcor Tudaya, Inc.
Hedcor Sabangan	Hedcor Sabangan, Inc
Hedcor Sibulan	Hedcor Sibulan, Inc.
Hedcor Tudaya	Hedcor Tudaya, Inc.
HEPP	Hydroelectric Power Plant
IEMOP	Independent Electricity Market Operator of the Philippines Inc.
Installed Generating Capacity or Gross Capacity	Refers to the registered capacity of a power plant in WESM, inclusive of the power plant's station use
IPPA	Independent Power Producer Administrator
IPO	Initial Public Offering
IRR	Implementing Rules and Regulations
ISMS	Information Security Management System
Joint Venture	Refers to a type of joint agreement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually-agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require anonymous consent of the parties sharing control
JVACC	J.V. Angeles Construction Company
KGT	KLEAN Greentech Co. Ltd.
kV	Kilovolt, or 1,000 volts
kW	Kilowatt, or 1,000watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing 1,000 watts in one hour

K&L	K & L Farming Industries Sdn. Bhd.
Land Group	A term collectively referring to AboitizLand and the Company's Business Units engaged in the real estate
LBAA	Local Board of Assessment Appeals
LGC	Local Government Code of 1991
LGU	Local Government Unit
LHC	Luzon Hydro Corporation
Lima Enerzone	Lima Enerzone Corporation
LimaLand	Lima Land, Inc.
LTC	Lima Technology Center
LWC	Lima Water Corporation
Maaraw San Carlos	Maaraw Holdings San Carlos, Inc.
Mactan Enerzone	Mactan Enerzone Corporation
Magat Plant	Refers to the 360-MW HEPP of SN Aboitiz Power - Magat, located at the border provinces of Isabela and Ifugao
Malvar Enerzone	Malvzar Enerzone Corporation
Manual	Refers to the Company's Manual of Coporate Governance
Maris Plant	The 8.5 MW run-of-river Maris Main Canal 1 Hydroelectric Power Plant
MCIAA	Mactan - Cebu International Airport Authority
MEPZ I	Mactan Export Processing Zone I
MEPZ II	Mactan Export Processing Zone II
Meralco	Manila Electric Company
MOA	Memorandum of Agreement
MORE	Manila – Oslo Renewable Enterprise, Inc.
MVA	Megavolt Ampere

MW	Megawatt, or one mn watts
MWh	Megawatt-hour
MWP	Megawatt-peak
Net Attributable Capacity	Refers to the capacity attributed to a company's ownership in the power plant, excluding station use and fuel constraints
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Authority
NPC	National Power Corporation
NPPC	Naga Power Plant Complex, the 55 MW land-based gas turbine power plant located in Colon, Naga City, Cebu
NWRB	National Water Resources Board
Oil Group or Oil Business Units	Refers to the following companies: East Asia Utilities Corporation, Cebu Private Power Corporation, Therma Marine, Inc., Therma Mobile, Inc., Southern Philippines Power Corporation, and Western Mindanao Power Corporation, which own and operate Bunker C-fired power plants
Open Access	Retail Competition and Open Access
PA	Provisional Authority
Pagbilao Plant or Pag1 and Pag2	Refers to the 700-MW (2x350 MW) coal-fired thermal power plant located in Pagbilao, Quezon
PANC	Pilmico Animal Nutrition Corporation (formerly Fil-Am Foods, Inc.)
PAN-JSC	Pilmico Animal Nutrition Joint Stock Company (formerly: Eurofeed)

PBI	Progressive Bank, Inc.
PBR	Performance-Based Rate- Setting Regulation
PCC	Philippine Competition Commission
PCRM	Pricing and Cost Recovery Mechanism
PDEx	Philippine Dealing & Exchange Corp., the fixed-income securities market which provides an electronic trading platform of exchange for fixed- income securities
PDNI	Propriedad del Norte, Inc.
PDTC	Philippine Depository and Trust Corporation
PEC	Pagbilao Energy Corporation
PEMC	Philippine Electricity Market Corporation
Person	Means an individual, corporation, partnership, association, joint stock company, trust, any unincorporated organization, or a government or political subdivision thereof
PETNET	PETNET, Inc.
PEZA	Philippine Economic Zone Authority
PGC	Philippine Grid Code
PGPC	Philippine Geothermal Production Company, Inc.
Philippine IPO	Philippine Intellectual Property Officer
Philippine Pesos or ₱	The lawful currency of the Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Pilmico	Pilmico Foods Corporation
Pilmico International	Pilmico International Pte. Ltd.
Pilmico Vietnam Trading	Pilmico Viet Nam Trading Compay Ltd.

Pmax or Maximum Stable Load	The maximum demand in MW that a generating unit or generating block or module in the case of a combined cycle power plant, can reliably sustain for an indefinite period of time, based on the generator capability tests. It also refers to the registered maximum capacity.
Pmin or Minimum Stable Load	The minimum demand in MW that a generating unit or generating block or module in the case of a combined cycle power plant, can reliably sustain for an indefinite period of time, based on the generator capability tests. It also refers to the registered minimum capacity.
PPA	Power Purchase Agreement
Prism Energy	Prism Energy, Inc.
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSE	The Philippine Stock Exchange, Inc.
PV	Photovoltaic
PVF	Pilmico Vietnam Feeds Joint Stock Company (formerly: Pilmico VHF Joint Stock Company)
QMS	Quality Management System
RA	Republic Act
RCBM	Republic Cement and Building Materials, Inc.
RCII	Republic Cement Iligan, Inc.
RCLR	Republic Cement Land & Resources, Inc.
RCMI	Republic Cement Mindanao, Inc.
RCSI	Republic Cement Services, (Philippines) Inc.
RE Law	RA 9513, otherwise known as the

	Renewable Energy Act of 2008
REPA	Renewable Energy Payment Agreement
RES	Retail Electricity Supplier
RESC	Renewable Energy Service Contracts
Revised Corporation Code	Republic Act No. 11232 or the Revised Corporation Code of the Philippines
Revised Manual	Refers to the Company's Revised Manual on Corporate Governance
RORB	Return-on-Rate base
RP Energy	Redondo Peninsula Energy, Inc.
RPT	Related Party Transactions
RSC	Retail Supply Contracts
RTC	Regional Trial Court
Run-of-river hydroelectric plant	Refers to a hydroelectric power plant that generates electricty from the natural flow and elevation drop of a river
Sacasun	San Carlos Sun Power Inc.
Sacasun Plant	Refers to the 59 MWp Greenfield, stand-alone solar power generation project of Sacasun located at San Carlos Ecozone, Barangay Punao, San Carlos City, Negros Occidental
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SC	The Supreme Court of the Philippines
SEC	The Securities and Exchange Commission of the Philippines
SFELAPCO	San Fernando Electric Light and Power Co., Inc.
SN Aboitiz Power - Benguet	SN Aboitiz Power - Benguet, Inc. (formerly SN Aboitiz Power Hydro, Inc.)

SN Aboitiz Power - Magat	SN Aboitiz Power - Magat, Inc.
SN Aboitiz Power Group	Refers to the group of companies formed out of the strategic partnership between AboitizPower and SN Power, and refers to MORE and its Subsidiaries, including, SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Gen, Inc., SN Aboitiz Power-RES, Inc., and SN Aboitiz Power-Magat, Inc.
SN Power	SN Power AS, a consorti between Statkraft AS and Norfund of Norway
SN Power Group	Refers to the group formed by Statkraft AS and Norfund, and is composed of, among others, SN Power AS and Agua Imara AS. It is the leading Norwegian hydropower group with operations in Asia, Africa and Latin America
SPPC	Southern Philippines Power Corporation
SRC	RA 8799 or the Securities Regulation Code of the Philippines
STEAG Power	STEAG State Power Inc.
Subic Enerzone	Subic Enerzone Corporation
Subsidiary	In respect of any Person, refers to any entity: (i) who has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect its returns

Systems Loss	Refers to the Electric Energy Input minus the Electric Energy Output, as defined in ERC Resolution No. 10-2018
TCIC	Taiwan Cogeneration International Corporation
TeaM Energy	Team Energy Corporation
THC	Tsuneishi Holdings (Cebu), Inc.
THICI	Tsuneishi Heavy Industries (Cebu), Inc.
Tiwi-MakBan Geothermal Facilities	Refers to the geothermal facilities composed of twelve geothermal plants and one binary plant, located in the provinces of Batangas, Laguna and Albay
TLI	Therma Luzon, Inc.
TMI	Therma Marine, Inc.
TMO	Therma Mobile, Inc.
TPI	Therma Power, Inc.
TPVI	Therma Power - Visayas, Inc.
TransCo	National Transmission Corporation and, as applicable, the National Grid Corporation of the Philippines or NGCP which is the Transco concessionaire
TSI	Therma South, Inc.
TVI	Therma Visayas, Inc. (formerly Vesper Industrial and Development Corporation)
UnionBank or UBP	Union Bank of the Philippines
US$	The lawful currency of the United States of America
VAT	Value Added Tax
VEC	Vivant Energy Corporation
VIGC	Vivant Integrated Generation Corporation
Visayan Electric	Visayan Electric Company, Inc.

Vivant Group	**Refers to Vivant Corporation and its subsidiaries**
WCIP	**West Cebu Industrial Park, Inc.**
WCIP-SEZ	**West Cebu Industrial Park- Special Economic Zone**
WESM	**Wholesale Electricity Spot Market**
WMPC	**Western Mindanao Power Corporation**
Western Union	**Western Union Company**

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business of the Registrant

Overview of Business of the Registrant

Aboitiz Equity Ventures Inc., is the public holding and management company of the Aboitiz Group, one of the largest conglomerates in the Philippines. As of 31 January 2021, it is the fifth largest Philippine conglomerate based on market capitalization. Incorporated on 11 September 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on 29 December 1993, and its ownership was opened to the general public through an Initial Public Offering ("IPO") of its common shares in 1994.

Driven by the pursuit of advancing business and communities for the nation's development, AEV's core businesses, conducted through its various domestic and international Subsidiaries and Associates across 11 countries, are grouped into five main categories: (a) power generation, distribution, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure.

As of 31 January 2021, ACO owns 48.59% of the outstanding capital stock of AEV, 4.08% are owned by directors, officers and related parties, while the remaining 47.33% are owned by the public

The Company's common shares were listed on the PSE" in 1994 and, as of 31 January 2021, AEV had a market capitalization of ₱224 billion ("bn"), with a share price of ₱39.80 per share.

Neither AEV nor any of its Subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

The Company's key business groups representing each of its strategic business units ("SBU") are as follows:

Power. AEV's power generation, distribution and retail electricity supply business is operated through Aboitiz Power Corporation ("AboitizPower") and its Subsidiaries, Joint Ventures and Associates (collectively, "AboitizPower Group"). Based on Energy Regulatory Commission ("ERC") Resolution No. 02-2020, dated 12 March 2020, the power generation business of AboitizPower ("Power Generation Business") is among the leaders in the Philippines in terms of installed capacity. Moreover, AboitizPower has the second largest distribution utility in terms of captive customer connections and energy sales (based on the Department of Energy's ("DOE") Distribution Development Plan 2016-2025) and the second largest market share (based on share in total retail market demand presented in ERC Competitive Retail Electricity Market Monthly Statistical Data as of June 2020) in the Philippines. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. As of January 2021, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control (based on ERC Resolution No. 02-2020 dated 12 March 2020). AboitizPower's common shares are listed on the PSE and as of 31 January 2021, AboitizPower had a market capitalization of ₱177 bn, with a share price of ₱24.00 per share.

Food. AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico Foods Corporation ("Pilmico") and its Subsidiaries, and its international feeds business through Pilmico International Pte. Ltd. ("Pilmico International") and its various Subsidiaries and Associates (collectively as the "Food Group"). The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition.

In July 2018, Pilmico International acquired 75% equity interest in Gold Coin Management Holdings, Ltd. ("GCMH") and its Subsidiaries (collectively, the "Gold Coin Group"), expanding AEV's animal feed business into 11 countries across the Asia-Pacific region. In May 2019, Pilmico International acquired the remaining 25% equity interest in GCMH. The Gold Coin Group is a leading brand in animal nutrition with over 2,300 employees and 21 production facilities, with an installed milling capacity of three million ("mn") metric tons ("MT") per year as of 31 January 2021. Following the GCMH acquisition, the

Company believes that the Food Group is the fourth largest animal feed producer in Southeast Asia based on internal market data of the capacities of major players within the market.

Financial Services. AEV's financial services group is consolidated under its Associate, Union Bank of the Philippines ("UnionBank" or the "Bank") and its Subsidiaries, which include City Savings Bank, Inc., a thrift bank, UBP Investments Corporation, a holding company, and UBX Philippines Corporation, an innovation and technology company. UnionBank is a universal banking corporation listed on the PSE. UnionBank is among the top universal banks in the country based on assets as of 31 December 2020, as reported in disclosures made by private universal banks to the PSE. UnionBank had a market capitalization of ₱86 bn, with a common share price of ₱71.35 as of 31 January 2021.

Real Estate. AEV's development of residential communities is through AboitizLand, Inc. ("AboitizLand"). As of 31 January 2021, AboitizLand had five commercial projects in operation and 13 residential projects in the selling phase across three different product types: lot only, house and lot, and condominiums. In addition, AboitizLand is the developer and operator of three economic zones: (a) the Mactan Economic Zone II in Lapu-Lapu City, Cebu; (b) the West Cebu Industrial Park in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers Inc.; and (c) the LIMA Technology Center in Malvar, Batangas.

The five commercial projects under development, namely: (a) *The Outlets at Lipa* in Lipa, Batangas; (b) *The Persimmon Plus* in Mabolo, Cebu City; (c) the *iMez* Building; (d) *Pueblo Verde*; and (e) *The Outlets* at Pueblo Verde. The latter three commercial projects are all located in Lapu-Lapu City, Cebu. In line with the Aboitiz Group's direction to scale the growth of industrial-anchored Integrated Economic Center projects, management of the Industrial and Commercial Business Units shifted from AboitizLand to Aboitiz InfraCapital, Inc. on 1 September 2020.

Infrastructure. The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital, Inc. ("Aboitiz InfraCapital") and AEV CRH Holdings, Inc. ("AEV CRH"). As of 31 January 2021, Aboitiz Infracapital's business portfolio includes (i) administrative franchises to provide water and wastewater-related services to residential, commercial and industrial customers in Batangas, Cebu and Davao, among others, (ii) digital infrastructure, (iii) regional airports, and (iv) integrated economic center projects. AEV CRH is AEV's partnership with CRH plc, a global leader in the manufacture and supply of building materials and products. AEV CRH acquired Republic Cement & Building Materials, Inc. ("RCBM" and together with its Subsidiaries and Affiliates, the "Republic Cement Group") in 2015. As of 31 January 2021, the Company believes that the Republic Cement Group is one of the country's leading local cement manufacturing and distribution companies with five integrated plants and one grinding facility in operation across Luzon, Visayas, and Mindanao.

Others. AEV's other investments include holdings in: (a) aviation through AEV Aviation, Inc. ("AEV Av"), (b) insurance through Archipelago Insurance Pte. Ltd. ("Archipelago Insurance"), and (c) portfolio investments abroad through AEV International.

ABOITIZ EQUITY VENTURES INC.

Incorporated on 11 September 1989, the Company was originally known as Cebu Pan Asian Holdings, Inc. Its name was changed to Aboitiz Equity Ventures Inc. on 29 December 1993, and its ownership was opened to the general public through an IPO of its common shares in 1994.

In 2013, AEV transferred its corporate headquarters from Cebu to Metro Manila. The transfer, including the corresponding amendment to the Company's corporate documents, was approved by the stockholders during the 2013 Annual Stockholders' Meeting. AEV's current principal office address is at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila. AEV and its Subsidiaries still maintain administrative and liaison offices in Cebu.

The AEV group strategy is best understood through four strategic pillars that guide it in creating long-term value for all its stakeholders: (i) grow the business, (ii) engage stakeholders, (iii) build human capital, and (iv) execute with excellence

Business Growth

AEV's first strategic pillar is to grow the business by continuing to explore businesses that meet the following criteria: (a) well-suited to AEV's experience and expertise in its currently operational business segments, (b) has dependable and growing sources of income, and (c) scalable with long-term growth potential. AEV seeks to grow within the Company's acceptable thresholds for risk, leverage, and returns to maintain sustainable growth. An integral part of AEV's strategy is to keep the Company's balance sheet healthy and to uphold the Company's ability to raise funds through the debt market.

Stakeholder Engagement

AEV's second strategic pillar is to maximize shared value for all the entities involved in its business through active stakeholder engagement. Direct, regular, open, and respectful dialogue with key stakeholders is seen as an essential element in developing mutually beneficial and sustainable relationships that help unlock value for all parties.

AEV's mission since its founding has been to create long term value for all its stakeholders. The philosophy of creating shared value is at the core of AEV's fundamentals. AEV believes that the only way for the business enterprise to be truly sustainable and durable for generations to come is if all stakeholders reap rewards from shared value; that AEV's shareholders should not be the only beneficiaries in its value creation efforts.

AEV also aims to drive economic and social development in the areas in which AEV has presence at a local as well as regional and national level. AEV's goal is to expand its reach to society at large and make its shared value accessible to every household.

Human Capital

AEV's third strategic pillar is to build human capital. This strategy entails strengthening its capability to attract, retain, and optimize top calibre professionals who will not only help manage its businesses, but also work to enhance its capabilities and skills. Talent management and succession planning are at the core of AEV's strategy in relation to human capital.

The Aboitiz Group has always taken pride in leadership excellence across five smooth leadership transitions during the group's history while retaining the simple and entrepreneurial approach that fueled its expansion. This approach has played an integral part in the continuity of AEV's policies and the execution of its strategic business plans over time. Today, as a new generation of leaders of AEV's business takes shape, its leadership team will seek to continue to produce leaders from within the ranks, having a leadership bench that is capable of stimulating healthy change and progress within the organization. In building its future leadership team, AEV aims to seek out people who believe in its purpose and brand promise, whose values are aligned with its core values, and who will thrive in its long-standing culture.

Execution Excellence

AEV's fourth strategic pillar is to execute with excellence. AEV defines this strategic pillar by its ability to act in a timely and effective manner. AEV works continuously to enhance its business processes across all corporate service units and SBUs to ensure AEV maintains its competitive edge.

AEV believes that a major component to retain this ability to execute swiftly can be attributed to the leadership of the AEV Board. The Board is composed of highly professional directors that work in an environment of respect and collegiality, where active participation, candidness, and robust discussions are not only encouraged but are the norm. The members of the AEV Board include three Independent Directors, five Non-Executive Directors, and one Executive Director, all of whom come from diverse professional backgrounds, such as economics, corporate finance, engineering, accounting, auditing and investment banking, in addition to experience in the private, government and multilateral agency sectors and other policy-making bodies. The AEV Board is supported by a capable and accountable management team and empowered team members, united in living the time-honored Aboitiz core values of Integrity, Teamwork, Innovation, and Responsibility.

In all its business ventures, AEV has adopted sound corporate governance practices, robust internal controls and compliance monitoring processes, and a well-functioning enterprise risk management system to satisfy the heightened expectations of its various stakeholders. AEV has been recognized by one of the best-managed companies in the Philippines and in the ASEAN region, and is frequently cited for its commitment to good corporate governance and corporate social responsibility.

Sustainability and Corporate Governance

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 100 years. A key component of its strategy is to match its business expansion with sustainability initiatives. AEV looks at a triple-bottom line to measure the impact of its activities not only on profit but also on people and the planet. The Company remains committed to strengthening its environment, social, and governance ("ESG") practices and communication strategy. AEV's goal is to grow profitably, while partnering with its stakeholders to create shared value, and minimizing its environmental impact.

In 2020, the AEV Board approved the amendments on its Revised Manual on Corporate Governance and renamed the Board Corporate Governance Committee to the Board Environment, Social and Corporate Governance Committee to assist the Board in establishing a governance structure that will provide a group-wide integrated approach in the promotion, identification, implementation, monitoring, assessment, and communication of programs, activites, and policies to address material ESG issues concerning the businesses, operations, performance or public image of the Aboitiz Group.

COVID-19 IMPACT

Since the Philippine government declared a State of Public Health Emergency in March 2020 and implemented various community quarantine measures on business operations, public transportation, social distancing, international travel bans, and health protocols, the Aboitiz Group has been implementing work-from-home arrangements and facility quarantine rotational duty schemes to address any constrained mobility brought about by the community quarantine measures, as well as to ensure the health and safety of the Company's employees while continuing to serve its customers and other stakeholders.

The Company believes that a majority of its industries are resilient and not as vulnerable as other business sectors. It prepared contingency plans for its supply chains and made sufficient adjustments to manage major disruptions. AEV has prepared scenario plans for its businesses and is working to provide accessible health services to all its facilities nationwide.

For the Aboitiz Group, the impact of the COVID-19 pandemic was generally felt as follows:

a) potential threat to health and well-being of team members and other stakeholders resulting from the spread of the virus; and
b) constricted/reduced mobility of team members and other stakeholders resulting from the government imposed quarantines.

The Aboitiz Group's response to COVID-19 was focused on three areas - People, Process, and Technology.

On People, which is the Aboitiz Group's greatest concern, it has established a system in monitoring the COVID-19 cases across the Aboitiz Group. It has developed a "Re-Entry Assessment and Management Program" with its healthcare provider in case there is an urgent need to go to the workplace.

On Process, the Aboitiz Group is ensuring that each Business Unit prepares its business impact analysis and regularly updates these to include flexible risk mitigation measures. The Aboitiz Group developed and regularly updates the "Group-wide Return to Work Playbook", aligned with the Government's guidelines and ensures access by all team members online.

On Technology, the Company ensured that the Aboitiz Group's virtual private network ("VPN") and endpoint security, threat intelligence, and cyber attack response installation are completed for all team members as a protection during the work from home set-up. The Aboitiz Group has maximized the use of digital channels for activities that would normally require face to face interactions, while monitoring on daily basis VPN utilizations, information technology ("IT") security and IT infrastructure.

As of 31 January 2021, all of the Aboitiz Group's businesses are operating and business continuity plans have been successfully implemented to ensure adequate and reliable supply of its services and products. Meanwhile, total assistance total contribution to the national COVID-19 response effort has reached over ₱2 bn, underscoring the Aboitiz Group's sustained campaign to help address the urgent needs of frontliners and affected communities nationwide.

The continuing community quarantine restrictions imposed by the government affects demand and economic activity. Despite this, the Aboitiz Group's businesses continue to recover and enhance operational resilience.

For the Power Group, the impact of the COVID-19 pandemic was primarily the decrease in demand for electricity as businesses activities were hampered by the government-enforced community quarantines. These quarantines also resulted in reduced mobility to and from the Power Group's existing facilities, and delays in the construction and completion of new facilities.

The Power Group continued to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities. To address the challenges posed by the pandemic, the Power Group developed a program that combines the best of work-from-home, two-week workshifts, and remote plant operations. This will ensure that the Power Group keeps the lights on for the country. It also assessed the current and future modes of operations. This led to the necessity of doing an organizational restructuring, allowing for resiliency and enabling the Power Group to remain efficient, competitive, and sustainable. It is in the planning stages of a return to the workplace program, but will advance with caution. The COVID-19 pandemic also impacted the construction of the GNPower Dinginin project. It is now in the initial stages of commissioning, but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. Due to said circumstances, the Power Group is constantly evaluating the timing of the project's commercial operations date.

The Financial Services Group's digital strategy and expertise proved its resilience as it is able to continue to service its customers, capture new customers while running bank operations from the homes of the employees of the Financial Services Group.

The impact of COVID-19 and quarantine restrictions on the performance of the Financial Services Group was a continuous increase in its digital customers and digital transactions with the rising need for digital solutions amid this crisis.

Retail digital customers breached 2 mn customers as of 31 January 2021. Of this, more than 180,000 customers were digital accounts opened through UnionBank's Online App. Corporate digital customers in *"The Portal''* already reached more than 16,400 customers as of 31 January 2021. UnionBank Online app transactions have also continued an upward trend. Compared to the start of 2020, transactions more than doubled by the end of 2020.

Apart from supporting the banking needs of its customers in this pandemic, the Financial Services Group is also keen on supporting several partnerships and Government initiatives, given its agility as a digital organization amidst the crisis. It was tapped by the DSWD for the distribution of the second tranche of the Social Amelioration Program ("SAP"). UnionBank was allocated 1.4 mn customers out of the total 7.1 mn SAP recipients. It also played a key role in the historical launch of the first in Asia app-based blockchain-enabled distribution of retail treasury bonds by the Bureau of the Treasury ("BTr"). UnionBank, along with the Philippine Digital Asset Exchange ("PDAX"), powered the *BONDS.ph* platform which customers used to buy and sell said retail treasury bonds. In July 2020, the Bank launched the capability to deposit to UnionBank accounts via 7-11 branches. This can be considered as UnionBank's expansion of its network to more than 3,000 7-11 branches nationwide. UnionBank expects to add about 8,000 more physical outlets such as RD Pawnshop and Tambunting.

UnionBank's digital brand, *EON*, has also been very busy during the pandemic supporting various institutions and local government units that needed assistance reaching their customers during the ECQ. Through *EON's* e-wallet and digital platform, these institutions are able to disburse cash and loan proceeds to their customer base. These include: (1) partnership with Paranaque City – for the disbursement ₱200 mn cash assistance program to households; (2) LIGHT Microfinance – for the disbursement of loan proceeds to 150,000 customers; (3) Public Safety Savings & Loan Association, Inc. ("PSSLAI") – for the disbursement of loan proceeds to 250,000 recipients; and (4) partnership with Imus for Lingap Imuseno program – for the disbursement of cash aid to 88,000 Imus residents and 45,000 recipients for the *Bida Kard Program* (program for children).

To cope with the above impact, UnionBank activated its plans to ensure that it provides continuous services to the public while ensuring the health and welfare of its employees. UnionBank implemented a split-workforce arrangement complemented by alternative work arrangements that involves telecommuting and work from home strategies. Most of all, UnionBank's digital capabilities enabled solutions applied in the organization' ways of working and alternative channels to pursue service offerings while mitigating the risks associated with COVID-19. In light of the COVID-19 crisis and its potential impact on UnionBank's credit portfolio, UnionBank deemed it prudent to further increase its provisions for loan losses to ₱ 8.7 bn. The provisioning was anticipatory in nature which includes a buffer that acts as UnionBank's cushion amid this crisis.

In praise of UnionBank's efforts, it was recognized as one of the most helpful banks in Asia-Pacific[8] during the COVID-19 crisis.

For the Food Group, the pandemic's impact came in the form of disruptions in production and supply, shifts in sales channels and market consumption patterns, logistical constraints and challenges, a longer cash conversion cycle, and the extension of project completions.

To cope with the above impact, the Food Group maximized and accelerated digital selling and collections. The Food Group maintained sufficient levels of raw materials to support its operations in order to minimize issues in terms of domestic and international logistics. It continued to accelerate its business despite the turmoil through: (1) focusing on product lines that are supported by strong demand; (2) improving operational efficiency; and (3) proactively managing collections and expenses to improve cash flows. Lastly, the Food Group prioritized vital capital expenditures to protect its bottom line.

The impact of COVID-19 and quarantine restrictions on the performance of the Real Estate Group was the slowdown and restrictions in operations on the construction of its residential projects. Likewise, the Commercial business was not able to operate at full capacity during the initial quarantine period. The industrial business suffered the least adverse effects.

To cope with the above impact, the Real Estate Group adapted innovative selling techniques such as contactless home buying services and launched a series of webcasts that touch on relevant topics in the context of the new normal - from investments to architectural design in order to improve its reach during the community quarantine. Through 31 January 2021, the residential business has demonstrated resilience as it sustained its sales momentum even through the pandemic. On the other hand, the commercial business offered creative solutions to aid the survival and recovery of tenants. At present, the commercial business appears to be gradually recovering as tenants are starting to operate again after the strict lockdowns imposed by the Government have been loosened. Finally, the industrial business is the most well-positioned to aid the national recovery through economic activity and job generation.

The impact of COVID-19 to the Infrastructure Group was seen in the dramatic slowdown of construction activities for its bulk water project, particularly during the enforcement of COVID-related community quarantines.

To ensure that projects remained on track versus target project completion, the Infrastructure Group's engineering, procurement and construction ("EPC") contractor implemented an aggressive manpower

[8] https://www.bankquality.com/global-rankings/most-helpful-banks-in-asia-pacific-during-covid-19

ramp-up, in addition to ensuring that social distancing protocols and other safety measures are in accordance with government guidelines.

The Infrastructure Group remains committed to participating in the Philippine infrastructure space, contributing to the nation's development amid the COVID-19 pandemic, and supporting the Government's goal to accelerate the deployment of critical information and communication technology ("ICT") to address the needs of the general public arising from the shift to work-from-home set-ups and online education.

(a) DESCRIPTION OF REGISTRANT

(i) Principal Products or Services

As of 31 January 2021, AEV's core businesses, conducted through its various Subsidiaries and Affiliates, can be grouped into five main categories: (a) power distribution, power generation, and retail electricity supply; (b) financial services; (c) food manufacturing; (d) real estate; and (e) infrastructure. Principal products and services offered by AEV's core businesses are discussed in the relevant portions of each SBU.

Based on the SEC parameters of what constitutes a significant Subsidiary under Item XX of Annex "B" of SRC Rule 12, AboitizPower is AEV's only significant Subsidiary. (Please see **Annex "D"** for the corporate structure of AEV showing the different business segments.)

(ii) Sales

Comparative amounts of consolidated revenues, and profitability of continuing operations are as follows:

(in ₱ millions)	2020	2019	2018
Revenue	₱186,726	₱201,157	₱186,943
Operating Profit	₱31,474	₱32,655	₱39,162

The operations of AEV and its Subsidiaries are based largely in the Philippines. AEV's percentage of revenues and net income contributed by foreign sales are as follows:

Contribution to Revenue	2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Philippines	₱130,066	70%	₱154,001	77%	₱163,984	98%
Rest of Asia	₱56,660	30%	₱47,157	23%	₱22,959	2%
Total	₱186,726	**100%**	₱201,157	**100%**	₱186,943	**100%**

Contribution to Net Income Attributable to Parent	2020		2019		2018	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Philippines	₱15,125	98%	₱21,276	97%	₱21,999	99%
Rest of Asia	₱309	2%	₱760	3%	₱234	1%

Total	₱15,434	100%	₱22,036	100%	₱22,233	100%

Comparative amounts of revenue contribution by business group are as follows:

Contribution to Revenue

	2020		2019		2020	
	(in ₱ millions)	%	(in ₱ millions)	%	(in ₱ millions)	%
Power	₱110,377	59%	₱125,635	62%	₱131,572	70%
Food	72,597	38%	71,155	35%	50,253	27%
Financial Services	-	0	-	0	645	0%
Real Estate	3,618	2%	4,196	2%	4,001	2%
Infrastructure	96	0%	96	0%	96	0%
Others	1,450	1%	1,550	1%	1,819	1%
Subtotal	188,138	100%	202,632	100%	188,386	100%
Eliminations	(1,413)		(4,786)		(1,443)	
Total	**₱186,725**	**100%**	**₱201,157**	**100**	**₱186,943**	**100**

Note: *Percentages refer to the business group's share in the total net revenue for a given year. The revenues of Associates do not form part of the Group's consolidated revenues. For additional details on the income contributions of all business segments/groups to AEV, please refer to Business Segment Information of the Notes to the Consolidated Financial Statements.*

(iii) Distribution Methods of the Products or Services

At the parent company level, AEV offers corporate center services to its Subsidiaries and Associates to enable the Group to realize cost synergies. AEV has service level agreements that may include the provision of human resources, internal audit, legal, treasury and corporate finance services, among others. AEV itself maintains a pool of highly qualified professionals with business expertise relevant to the businesses of the entire Aboitiz Group.

AEV's Business Units have their respective distribution methods of products and services. Please refer to the discussion on distribution methods of each SBU.

(iv) New Products/Services

With innovation being one of its core values, the Aboitiz Group is always on the lookout for new and efficient ways to provide service to its shareholders and customers. The Company is in constant pursuit of opportunities within and beyond its current investment portfolio to expand its businesses, locally and within the ASEAN region.

AEV's Business Units have their own innovative products and services. Please refer to the discussion on new products and services of each SBU.

(v) Competition

At the parent company level, AEV has no direct competitors. However, for reference purposes, other holding and management companies listed in the PSE can be used for comparison.

AEV's Business Units are subject to significant competition in the industry segments of which they operate. Please refer to the discussion on competition of each SBU.

(vi) Sources of Raw Materials and Supplies

AEV's Business Units have their respective sources of raw materials and are not dependent upon one or a limited number of suppliers for essential raw materials. Please refer to the discussion on sources of raw materials of each SBU.

(vii) Major Customers

As a holding company providing management services, AEV's principal customers are its Subsidiaries and Associates.

AEV's Business Units have their respective major customers. Please refer to the discussion on major customers of each SBU.

(viii) Transactions with and/or Dependence on Related Parties

AEV and its Subsidiaries, in their regular conduct of business, have entered into related party transactions ("RPT") consisting of professional and technical services, rental, money market placements, and power sales and purchases. These are all made on an arm's length basis.

ACO and certain Associates have service contracts with either AEV or AboitizPower (parent companies) for corporate center services rendered, such as human resources, internal audit, legal, treasury and corporate finance, among others. These services are obtained from AEV and AboitizPower to enable the Group to realize cost synergies. Transactions are priced on an arm's-length basis, and documented by service level agreements to ensure quality of service.

ACO and certain Associate companies lease office spaces from CPDC, a Subsidiary of AEV. Rental rates are comparable with prevailing market prices. These transactions are covered with lease contracts with three-year periods.

The AEV Group has cash deposits and money market placements with UnionBank and CitySavings, AEV's banking Associates. These are earning interest at prevailing market rates.

Power generation Subsidiaries sell to certain power Associates based on their respective power supply agreements. Meanwhile, power distribution Subsidiaries purchase from certain generation Associates based on existing power purchase agreements.

A wholly-owned construction and steel fabrication Subsidiary of ACO renders its services to the AEV Group for the construction of various construction projects.

The Company's retirement benefit fund (the "Fund") is in the form of a trust being maintained and managed by an independent committee of select officers of the Company. The Fund has investments in the equity of one of its Subsidiaries.

The above RPTs are discussed extensively in the audited financial statements of AEV.

No other transaction, without proper disclosure, was undertaken by AEV in which any director or executive officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AEV employees are required to promptly disclose any business and family-related transactions with AEV to ensure that potential conflicts of interest are determined and brought to the attention of management.

AEV's RPT Committee has the mandate to ensure that related party transactions are taken on an arms' length basis and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval necessary. AEV's current RPT Policy continues to ensure that RPTs are conducted at arms-length and at market prices, and undergo the appropriate approval process.

As of 31 December 2020, there are no known related party transactions other than those described in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference.

(ix) Patents, Copyrights and Franchises

AEV and its Subsidiaries own, or have pending applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications which AEV and its Subsidiaries have filed with the Philippine Intellectual Property Office ("IPO") and intellectual property offices abroad.

Philippine IPO

Trademarks	Owner	Registration No. / Date Issued	Description	Status
Driven to Lead. Driven to Excel. Driven to Serve. word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2012-001132 21 June 2012	Application for the word mark "Driven to Lead. Driven to Excel. Driven to Serve."	Registered.
Aboitiz word mark (Class Nos. 30, 35, 36, 37, 39, 40 and 42)	Aboitiz Equity Ventures Inc.	04-2018-018635 17 March 2019	Application for the word mark "Aboitiz".	Registered.
Aboitiz word mark (Additional activities under Class Nos. 36, 37)	Aboitiz Equity Ventures Inc.	04-2019-000086 8 August 2019	Application for the word mark "Aboitiz" to cover additional services under Class Nos. 36 and 37.	Registered.
Advancing Business and Communities Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021743 7 November 2019	Application for the device mark "Advancing Business and Communities", with color claim.	Registered.
Aboitiz Equity Ventures word mark (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021492 3 March 2020	Application for the word mark "Aboitiz Ventures".	Registered.
Aboitiz Equity Ventures Logo (Class Nos. 35 and 36)	Aboitiz Equity Ventures Inc.	04-2018-021742 6 October 2019	Application for the device mark "Aboitiz Equity Ventures", with color claim.	Registered.
A Future Built By You (Class No. 35)	Aboitiz Equity Ventures Inc.	4-2019-003834 8 August 2019	Application for the mark "A Future Built By You".	Registered.
Aboitiz & Device – Black (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012408 24 September 2007 (Trademark has been renewed and will expire on 24 September 2027.)	Application for the device mark "Aboitiz (Black)".	Registered.
Aboitiz & Device – Red (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012409 24 September 2007 (Trademark has been renewed and will expire on 24 September 2027.)	Application for the device mark "Aboitiz (Red)".	Registered.
Passion for better ways word mark (Class Nos. 30, 36, 37, 39, 40 and 42)	Aboitiz & Co., Inc.	4-2005-012413 24 September 2007 (Trademark has been renewed and	Application for the word mark "Passion for better ways".	Registered.

		will expire on 24 September 2027.)		

International Trademarks Application (Non-Madrid)

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (Class No. 30)	Aboitiz Equity Ventures, Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 35)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 36)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 37)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 39)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 40)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Word Mark) (Class No. 42)	Aboitiz Equity Ventures Inc.	Malaysia	Pending.
Aboitiz (Class No. 42)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 40)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 39)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 37)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 36)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 35)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.
Aboitiz (Class No. 30)	Aboitiz Equity Ventures Inc.	Sri Lanka	Pending.

International Trademarks Application (Madrid Protocol)

Trademarks	Owner	Country of Application	Status
Aboitiz (Word Mark) (#1504418) (Class Nos. 30, 35, 36, 37, 39, 40, and 42)	Aboitiz Equity Ventures Inc.	WIPO	Registered.

AEV and its Subsidiaries have other pending trademark applications under the Madrid Protocol for the following countries: Brunei, China, Indonesia, Cambodia, Laos, Singapore, Thailand, and Vietnam.

(x) Government Approvals

AEV and its Subsidiaries rely on government approvals relative to the industries in which they operate. They secure various government approval such as environmental compliance certificate, development permits, license to sell, business permits, import permits, ect. as part of the normal cours of its business.

(xi) Effect of Existing or Probable Government Regulations

AEV and its Subsidiaries are subject to the laws generally applicable to all Philippine corporations, such as corporation law, securities law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including Republic Act ("RA") No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9679 or the Home Development Mutual Fund Law of 2009, The Philippine Labor Code and its implementing rules, and other labor-related laws, regulations, and DOLE mandated work-related programs.

The Aboitiz Group closely monitors its compliance with the laws and government regulations affecting its businesses. Please refer to the discussion on the effects of existing and/or probable governmental regulations for rules applicable to the individual SBU.

At the Aboitiz Group level, the following are the general business regulation framework:

1. Tax Reform for Acceleration and Inclusion Law

RA No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN Law") was signed into law by President Rodrigo Roa Duterte on 19 December 2017, and took effect on 1 January 2018. Its declared policies are to: (a) enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; (b) provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and (c) ensure that the government is able to provide better infrastructure, health, education, jobs, and social protection for the people.

One of the major provisions of the TRAIN Law is the staggered increase in oil and coal excise taxes. Under the TRAIN Law, rates will be adjusted gradually between 2018 and 2020. For coal, the rates will increase from ₱10 per metric ton to ₱50, ₱100, and ₱150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

Furthermore, the TRAIN Law repeals Section 9 of RA No. 9511 or the National Grid Corporation of the Philippines Act, which removes value added tax ("VAT") exemptions on transmission charges and sale of electricity by cooperatives duly registered under the Cooperative Development Authority ("CDA").

Another major change introduced by the TRAIN Law is the refund mechanism of zero-rated sales and services under the enhanced VAT refund system. Upon the successful establishment and implementation of an enhanced VAT refund system, refunds of creditable input tax shall be granted by the Bureau of Internal Revenue ("BIR") within 90 days from filing of the VAT refund application with BIR, provided that all pending VAT refund claims of the taxpayer as of 31 December 2017 shall be fully paid in cash by 31 December 2019.

Finally, the TRAIN Law doubled the documentary stamp tax ("DST") on almost all covered instruments, except debt instruments where the increase is 50%. Only the DST on instruments pertaining to property insurance, fidelity bonds, other insurance, indemnity bonds, and deeds of sale and conveyance remain unchanged.

The TRAIN law is the first package of the Comprehensive Tax Reform Program of the Duterte Administration.

On 22 May 2020, the Department of Finance, in a letter to the Senate President, proposed amendments to Senate Bill No. 1357. The proposed amendments include changing the name of the bill to "Corporate Recovery and Tax Incentives for Enterprises Act" ("CREATE Bill"), as well as the following, among others:

1. An immediate five percentage point cut in the corporate income tax rate starting July 2020;
2. Maintaining for up to nine years the status quo for registered business activities enjoying the five percent tax on gross income earned incentive; and
3. More flexibility for the President to grant a combination of fiscal and non-fiscal incentives.

Further, the 4th package of the Tax Reform for Acceleration and Inclusion ("TRAIN Package 4") or House Bill No. 304, also known as the Passive Income and Financial Intermediary Taxation Act ("PIFITA"), has introduced reforms to the taxation of passive income, financial intermediaries, and financial transactions. One of the reforms introduced is the unification of the tax rates of passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing 20%) on interest income, dividends, and capital gains on the sale of shares of stock. On 9 September 2019, the House of Representatives passed House Bill No. 304, or Package 4 of the TRAIN Bill, on its third reading.

Before House Bill No. 304 can become effective, it needs to be considered and approved by the Senate, which may impose revisions.

2. Corporation Income Tax and Incentive Rationalization Act

House Bill No. 4157, referred to as the Corporate Income Tax and Incentive Rationalization Act ("CITIRA Bill" or "Package 2") was passed and approved on third and final reading in the House of Representatives on 13 September 2019. The CITIRA Bill is the result of the re-filing of the Tax Reform for Attracting Better and Higher Quality Opportunities ("TRABAHO") Bill from the previous 17th Congress. The bill also seeks to reform the country's fiscal incentives to make it performance-based, targeted, time-bound, and transparent. This means that incentives will be granted based on the number and quality of jobs that will be created, the investments made on research and development and skills training, the capital invested for countrywide infrastructure development, among other criteria.

The Senate approved Senate Bill No. 1357 on third and final reading on 26 November 2020. Senate Bill No. 1357, also known as the "Corporate Recovery and Tax Incentives for Enterprises Act" ("CREATE Bill"), is the counterpart bill of the CITIRA Bill in the House. The salient features of the CREATE Bill are as follows:

a) Effective 1 July 2020, lowering the income tax rate to 25% for domestic corporations and foreign corporations, and to 20% for domestic corporations with net taxable income not exceeding ₱5 mn and with total assets (excluding land) of not more than ₱100 mn;
b) Lowering the Minimum Corporate Income Tax rate to 1% effective 1 July 2020 to 30 June 2023;
c) Tax exemption on foreign-sourced dividends subject to certain conditions;
d) Repeal of the Improperly Accumulated Earnings Tax;
e) Repeal of the 5% GIT incentive and providing for a 10-year transitory period for all firms that are currently availing of the 5% GIT;
f) Providing fiscal incentives for activities included in the Strategic Investment Priority Plan, provided that the category of incentives shall be based on the location and industry of the registered project or activity; and
g) Granting the President the power to modify the mix, period or manner of availment of incentives or craft a financial support package for a highly desirable project or a specific industrial activity.

On 3 February 2021, the House of Representatives and the Senate ratified the bicameral conference committee report of the proposed CREATE Bill. The enrolled bill will be submitted to the President for his approval.

3. Revised Corporation Code

RA 11232, also known as the Revised Corporation Code, was signed into law on 20 February 2019 and took effect on 23 February 2019. Among the salient features of the Revised Corporation Code are

a) Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
b) A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or

trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

c) Banks, quasi-banks, pawnshops, non-stock savings and loan associations ("NSSLA"), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code The Philippines is party to the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a judgment or final order of a foreign court is, through the institution of an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.
d) The Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
e) Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
f) The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
g) As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.
h) A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Philippine SEC approves any merger or consolidation; or any voluntary dissolution.
i) In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

The Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

4. The Philippine Competition Act

RA No. 10667 (the "Philippine Competition Act" or the "Act") was signed into law on 21 July 2015 and took effect on 08 August 2015. The IRR of the Act ("Philippine Competition Act IRR") was issued on 03 June 2016. This Act aims to codify antitrust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission ("PCC"), an independent quasi-judicial agency composed of five commissioners. Among PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to the PCC for its approval.

The merger control regime under the Philippine Competition Act provides that, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity ("UPE") and that of all the entities it controls of either the acquiring or the acquired entities ("Size of Party"); and (b) the value of the transaction as determined in the Philippine Competition Act IRR ("Size of Transaction"), meet the designated threshold; while parties to a joint venture transaction shall also be subject to the notification requirement if in addition to meeting the Size of Party test, either (x) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture, or (y) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture, meet the thresholds.

The PCC has also released its *"Guidelines on the Computation of Merger Notification Thresholds"*, providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

Violations of the Philippine Competition Act and the Philippine Competition Act IRR carry administrative and criminal penalties. A transaction that meets the thresholds but does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱110 mn but not more than ₱275 mn; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure ("Rules") which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 10 September 2019, the Supreme Court issued A.M. No. 19-08-06-SC, or the *"Rule on Administrative Search and Inspection under the Philippine Competition Act" ("Search and Inspection Rule")*. The Search and Inspection Rule governs the application, issuance, and enforcement of an inspection order in relation to administrative investigations of alleged violations of the Philippine Competition Act, its implementing rules and regulations, and other competition laws.

Pursuant to RA No. 11494 or the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), which was signed into law on 11 September 2020, all mergers and acquisitions with transaction values below ₱50 bn shall be exempt from compulsory notification under the Philippine Competition Act if entered into within a period of two years from the effectivity of the Bayanihan 2 Act. Further, such mergers and acquisitions shall also be exempt from the PCC's power to review mergers and acquisitions *motu proprio* for a period of one year from the effectivity of the Bayanihan 2 Act. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

With the in Bayanihan 2 Act, the thresholds are as follows:

Test	Old Threshold (effective 1 March 2020)	New Threshold (effective 15 September 2020)
Size of Person Test	₱6 bn	₱50 bn
Size of Transaction Test	₱2.4 bn	₱50 bn

This means that the value of the assets or revenues of the UPE of at least one of the parties must exceed ₱50 bn instead of ₱6 bn. The UPE is the entity that, directly or indirectly, controls a party to the transaction, and is not controlled by any other entity. In addition, the value of the assets or revenues of the acquired, target or merged entity must exceed ₱50 bn instead of ₱2.4 bn. Both thresholds must be breached in order for the compulsory notification requirement to apply.

5. Foreign Investment Act of 1991

RA No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 ("FIA"), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the "Negative List"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

a) a citizen of the Philippines;
b) a domestic partnership or association wholly-owned by citizens of the Philippines;
c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;

d) a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or

e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated 20 May 2013, or the *"Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities"*, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated 20 May 2013 was filed in June 2013. In Jose M. Roy III v. Chairperson Teresita Herbosa (G.R. No. 207246) dated 18 April 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated 20 May 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the "Narra Nickel Case"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

6. Data Privacy Act of 2021

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission ("NPC").

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information is collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its implementing rules and regulations ("Data Privacy Act IRR") took effect on 9 September 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the NPC. The Data Privacy Act IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

In 2017, the Company launched its data privacy compliance program which includes the implementation of Information Security Management System ("ISMS") for the entire Aboitiz Group. Since then , the Group and its Business Units have been able to establish a fundamental awareness of data privacy principles and the related ISMS philosophies, through various learning channels including e-learning modules, face to face trainings and forums. The Group developed and ensures the implementation of Data Privacy Policies, manuals, and supporting guidelines which are aligned with the Data Privacy Act, its implementing rules and supporting NPC circulars. Also, the Aboitiz Group has since begun to build each SBU's business continuity resilience, especially with regard to Information Security and Data Breach Management. In 2020, AEV initiated the integrated approach to information security incident management which brought together actors from Data Privacy, Information Security, IT Security, Business Continuity, Human Resources, Legal and other subject matter experts. This brings a more holistic approach to the handling of information security and data breach incidents.

As the Aboitiz Group continues to operate in a highly digital and fast changing environment, the Data Protection Teams of each Business will strive to keep up with the expectations of their Data Subjects as well as with the evolving guidelines of the NPC. This constant review of requirements, downloading of information, updating of processes, and testing of capabilities aims to ensure that Aboitiz is able to meet the expectations of its stakeholders.

7. Registration with the Board of Investments

Under Executive Order ("EO") No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the Board of Investments ("BOI"), the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday; (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On 12 April 2019, RA No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under EO No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of EO No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

8. Labor Laws

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (RA No. 8282), the National Health Insurance Act of 1995 (RA No. 7875), as amended, and the Home Development Fund Law of 2009 (RA No.

9679). On the other hand, the Occupational Safety and Health Law (RA No. 11058) reinforces the existing Occupational Safety and Health Standards, which sets out, among others, the guidelines applicable to different establishments intended for the protection of every working man against the dangers of injury, sickness or death through safe and healthful working conditions.

The Department of Labor and Employment ("DOLE") is the Philippine government agency mandated to implement policies, programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws, such as the Labor Code of the Philippines and the Occupational Safety and Health Law and Standards, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

a. Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Security Act of 2018 (RA No. 11199) to ensure coverage of employees following procedures set out by the law and the Social Security System ("SSS"). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program ("NHIP") administered by the Philippine Health Insurance Corporation, a Government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of RA No. 10606, the National Health Insurance Act of 2013.

On 20 February 2019, the Universal Health Care Act (RA No. 11223), was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program.

Under the Home Development Mutual Fund Law of 2009 (RA No. 9679), all employees who are covered by SSS must also be registered with and covered by the Home Development Mutual Fund ("HDMF", more commonly referred to as the *"Pag-IBIG Fund")*. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Except for foreign expatriates, coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF.

b. The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

c. Occupational Safety and Health Law

The Occupational Safety and Health Law (RA No. 11058) was signed into on 17 August 2018. It applies to all private establishments alike, requiring them, among others, to furnish workers with a place of employment free from hazardous conditions causing or are likely to cause death, illness, or physical harm, and to comply with the Occupational Safety and Health standards, including training, medical examination and the necessary protective and safety devices, such as personal protective equipment.

d. Other Labor-Related Laws and Regulations

(1) Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

The DOLE, through its Department Order No. 174, Series of 2017, regulates subcontracting arrangements by requiring, among others, the registration of contractors with the Regional Office of the DOLE where it principally operates.

(2) DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act (RA No. 9165), a national drug abuse prevention program implemented by the Department of Labor and Employment ("DOLE") must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 53-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases in accordance with the Safe Spaces Act (RA No. 9165), which was signed into law on 17 April 2019.

Moreover, DOLE Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control. In line with the Mental Health Act (RA No. 11036), employers are further required to develop policies and programs on mental health in the workplace designed to: raise awareness on mental health issues, correct the stigma and discrimination associated with mental health conditions, identify and provide support for individuals at risk, and facilitate access to treatment and psychosocial support.

(xii) Amount Spent on Research and Development

AEV and its Subsidiaries do not allocate specific amounts or fixed percentages for research and development. All research and developmental activities are done by its Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Cost and Effects of Compliance with Environmental Laws

AEV and its Subsidiaries, Associates and Joint Ventures are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These standard laws and regulations that govern AEV's business operations include the Philippine Clean Air Act (RA No. 8749), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), and Philippine Environmental Impact Statement System (Presidential Decree No. 1586), address, among other things, air emissions, wastewater discharges, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous chemicals, materials and waste, workplace conditions, and employee exposure to hazardous substances. Power plant operations are considered environmentally critical projects for which an Environmental Impact Study and an Environmental Compliance Certificate are mandatory.

AEV has incurred, and is expected to continuously incur, operating costs to comply with these laws and regulations. However, these costs cannot be segregated or itemized as these are embedded in, and are part and parcel of, each SBU's overall system in compliance with both industry standards and regulatory requirements. Each SBU has appointed and designated a Pollution Control Officer to closely monitor compliance with the requirements of these regulations.

(xiv) Employees

On the parent company level, AEV has a total of 208 employees as of 31 January 2021, composed of executives, managers, supervisors, and rank and file employees. There are no existing collective bargaining agreements ("CBA") covering any of AEV's employees.

The following table provides a breakdown of total employee headcount per SBU, divided by function, as of 31 January 2021:

Number of Employees	AEV Corporate	UnionBank and Subsidiaries	Pilmico and Subsidiaries	AboitizLand and Subsidiaries	Gold Coin and Subsidiaries	Aboitiz InfraCapital and Subsidiaries	RCBM and Subsidiaries	AboitizPower and Subsidiaries
Executives	48	303	40	9	44	15	6	169
Managers	64	1872	70	28	136	26	126	317
Supervisors	45	2057	356	102	307	73	317	849
Rank & File	51	1962	242	51	1829	82	374	2,487
TOTAL	**208**	**6,919**	**708**	**109**	**2,316**	**196**	**823**	**3,882**
Unionized Employees	N/A	1402	27	N/A	202	N/A	611	468
Expiry of CBA	N/A	N/A	1 June, 2025	N/A	GCI: Aug 2021 GCSI: Aug 2021 GCFM: Dec 2019 GCSSB: Feb 2021	N/A	N/A	N/A

In addition to mandated statutory benefits (such as holiday pay, service incentive leave, maternity leave, paternity leave, and 13th-month pay), the Company provides benefits to its employees in the following areas: healthcare, annual leave, loans and financial assistance applicable to a variety of uses, retirement benefits to qualified employees, and productivity bonuses. Salaries and benefits are reviewed regularly and adjusted to retain current employees and attract new talent. The Company currently has no stock option plans available to its employees. As of 31 January 2021, the Company does not anticipate any increase in manpower within the next 12 months unless new development projects and acquisitions materially require an increase.

The Company's employees are not unionized. They are not on strike nor are threatening to strike. The Company's employees have neither been on strike nor have threatened to strike for the past three years.

(xv) Major Risk/s Involved in Business of AEV and its Subsidiaries

Part of the governance of Risk Management is the regular review of the Risk Management Plans of all its business units. This is being conducted at least twice a year but all business units are encouraged to do a review as soon as there are major changes in the Group's operating environment. Outputs of this exercise are utilized to create a consolidated Top Risk at the Group-wide level which is reported to the Senior Management and the Board Risk and Reputation Committee.

In October 2020, the AEV Risk Management Team performed a risk interconnection analysis which was adopted from the Global Economic Forum Global Risk Report. This analysis shows that almost 90% of the Group's top risks are interconnected or associated with one another. This means that one risk can either trigger another risk or vice versa.

1. Regulatory Risks

Each type of industry the Aboitiz Group is engaged in -power, food, banking, construction, real estate, and infrastructure - have specific regulatory risks. With the Group's regulatory landscape continuously challenging and changing, the Company has to keep up with the need for regulation compliance both locally and globally. Failure to understand and align with the new and changing regulations will have negative consequences both in the Group's operations, net income, and reputation.

Regulatory Risk is one of the two risks that have the most number of interconnections. Consequently, the Company's exposure from other risks may increase once this risk materializes. Thus, it is important for the organization to ensure this risk is being proactively managed.

Subject matter experts like Government Relations and Legal teams continue to monitor and look out for any changes in laws and regulations. It is also important that the Company participates in consultative processes to have more public discussions over the necessity or propriety of specific regulation, or their relevance to current business practices; and technology changes that could lead to the development of new regulations and policies that will be beneficial not just to the Company but to the power industry as a whole, and this applies to the other businesses that the Company operates.

To further address this risk, AEV developed and implemented an Aboitiz Unified Compliance Management System, based on Governance, Risk and Compliance ("GRC") methodology, which aimed to have better compliance management and oversight resulting from greater availability of data and information. This system also supports the objective of embedding a culture of managing compliance risk in the Group. The platform is currently being rolled out per compliance area relevant to each business unit.

2. Pandemic Risks

In 2020, one of the major risks of the Group that the Company closely monitored is the Pandemic risk which covers communicable diseases such as COVID-19.

Aside from the Regulatory Risk, this risk has also a high number of interactions with other risks. The occurrence of COVID-19 this year has affected a handful of the Group's top risks which triggered a shift in the organization's risk profile. Imposition of the Enhanced Community Quarantine ("ECQ") in the Philippines have greatly affected not just the Group but the whole economy as well. The limitation in the movements of people, as well as the changing priorities of the Group's customers resulted in a decline in the demand and consumption of some goods and services. Potential disruption in operations and projects is highly plausible due to lockdowns imposed not just in the country but also globally. The possibility of customers failing to meet their obligations as they fall due were also looked into given the closure of many businesses and increased unemployment rate. The Group's ability to get funding for its requirements is also affected since the decreased economic activity and the anticipated deterioration in credit positions of companies has caused tight market conditions that resulted in lower credit appetite of lenders. The pandemic also forced us to shift to a work from home set-up which increases the risk of information security and may have a negative implication to the Company employees' well-being. Aside from these, there are also the new regulations and legislations issued by the government that the Company has to constantly align to and comply with.

To manage these risks, the Group has put in place different treatment plans and controls such as (but not limited to):

- Continuous review and update of plans and processes to align with the changing environment and requirements. This includes business continuity plans, guidelines, and protocols;
- Release of awareness campaigns;
- Maximization of digital platforms;
- Strict enforcement of health and safety protocols in sites and facilities; and
- Health and wellness initiatives are launched to protect the psychological and mental health of the employees.

Apart from the risks enumerated above, the Group recognized the opportunities that emerged from this pandemic. The disruption in the supply chain has accelerated the shifting to a hybrid workplace which was already being practiced by some of the Business Units. Though it has its own set of challenges, this current set-up enabled the Group to test the effectiveness of its IT capabilities which it started to develop and roll-out pre-COVID. The delays in project execution and decline in market demand drove the accelerated planning and implementation of fast to execute initiatives with minimal or no investment required. Despite the pandemic, the organization did not stop in extending its hand to its communities. The Group has re-channeled its resources to align with helping the medical communities and local government in their response efforts.

3. Project Risks

As the Aboitiz Group continues to expand, project risk remains to be one of the top risks group-wide. Risk drivers include delays in the completion of greenfield projects, aggravated further by the mandated travel restrictions due to COVID-19, that resulted in higher cost and inability to meet the projected net income.

To ensure the stability and success of a project, the concept of risk management is embedded in project management. The project team continuously monitors and evaluates risks associated for each project, together with its corresponding treatment plans, beginning from its development, up to its execution and until it transitioned to operations.

Lessons learned sessions continue to be part of the process for each major project milestone. This exercise not only allows management and the project team to celebrate quick wins, but also learn from the past and current challenges and seize emerging opportunities from the project. This practice enhances the company's ability to capture the opportunities that help define the operating model of the new business, site, system or organization.

For major projects like power plants, Operational Readiness Review ("ORR") was also implemented. This is conducted at least 12 months before project completion. The ORR is critical as the project transitions from construction to operational phase, to make sure that the facility is constructed as designed and is functional and can be operated safely. Part of the objectives of ORR is also to determine whether the facility is operated by competent people and assess if complete documentation is in place.

4. Reputation Risks

AEV recognizes that the Company's reputation is its single, most valuable asset – a competitive advantage that has enabled it to earn the trust of its stakeholders. Likewise, the Company is aware that the reputation it has today took generations to strengthen and is, therefore, something the Company wants to protect, build, and enhance continuously. In today's world of higher corporate governance standards, heightened public consciousness brought on by social media, and greater scrutiny from key stakeholders, the Company finds itself operating in a new environment where corporate reputation has become a differentiating asset.

Considering the businesses that the Group is currently operating, reputation risks continuous to be one of the major concerns of the Company. In order to mitigate and manage reputational risks, which could be the result of an occurrence of another risk, Aboitiz Group has strengthened its reputation team across the different business units. Aside from integrating risk management into the reputation management process, AEV and its Subsidiaries have Identified and engaged all stakeholders through information and education campaigns and relationship building programs. They continue to conduct regular exercises for emergency response, incident management and business recovery plans as part of the risk and reputation management process; developed and implemented a Group-wide social media policy, strategy and social media listening. With the recent external events, Reputation Team has also enhanced its crisis communication protocol and continuous training of stakeholder-facing team leaders who have been designated as spokespersons.

Ultimately, managing AEV's reputation requires an understanding of its reputational terrain, which includes all its stakeholders.

In 2020, AEV and its Subsidiaries underwent activities that aimed to establish the reputation of Aboitiz as leader in ESG and contribute to the long-term global sustainability goals. In addition, these activities will help in determining how the ESG framework can be integrated in the risk management process.

5. Information Security Risks

Due to the increasing number of information security breach events happening globally, for both Information and Operation Technology, information security risk is considered as one of the top risks of the Company. As the pandemic outbreak continues, the Company's potential exposure from this risk is further aggravated by the current work from home set-up and the COVID-19 scare that forced people to do their transactions online. Despite these recent events, the Company was able to protect itself from these potential breaches which can have catastrophic implications on the organization's bottom line and reputation.

To address this risk, the Aboitiz Group has been continuously working hard to strengthen its security and resilience for the potential consequences of information security breaches through the ongoing implementation of the Information Security Management System and Operational Technology Security Governance. The current situation did not stop the Company in building an information security risk – aware culture to further strengthen prevention, detection and comprehensive response process to keep pace with the information security threat landscape.

The Group also continued on developing its Level 4 in Cyber Security Maturity. This level translates to having a formal cybersecurity policy that covers all critical systems as well as means to measure and monitor its cybersecurity activities and behavior. And to achieve this, different Information Technology and Operational Technology Teams across the Group came together to build a roadmap geared towards strengthening its technology, people and processes.

6. Business Interpretation Due to Natural and Man-made Calamities

The purpose of risk management in the Aboitiz Group is to sustain its risk maturity level in order to achieve enterprise resilience, that is why Business Continuity Management ("BCM") is an integral part of the Risk Management framework of the Company.

AEV has identified the following risks that could impact its objectives if not properly managed and would result in business interruption: Loss of Staff, Loss of Technology, Loss of Facility and Supply Chain disruption. There are several scenarios prepared around these risk drivers and the Company has documented business continuity plans during emergency response, incident management and crisis management. This includes business recovery plans as well.

The Business Continuity Management Program follows the Plan – Do – Check - Act Cycle which aims to continuously improve and ensure its alignment to the evolving needs of the Business. Existing business interruption scenarios and continuity plans for each of these scenarios are reviewed regularly, evaluated, and updated through Business Continuity plan exercises and "lessons learned" sessions. These practices that plans remain relevant with the current business conditions. In addition, teams are prepared for emergencies through mandatory training and drills while testing and improving procedures are performed on an ongoing basis.

And as part of the enhancement of the Company's business continuity plans, the Group is currently working on enhancing the West Valley Fault business continuity plans which was halted in 2020 by the COVID-19 events. Aside from damage to facilities and impact on people, this event could also potentially result in reduced output of the different operating plants. Several scenarios related to climate change were also identified that would have significant physical, financial, and transitional impacts to the different business units across the Group, thereby resulting in business interruptions. Thus, the company continued its review of the scenario analysis for succeeding business integration as the company aligns to Task Force on Climate Related Financial Disclosures.

Notwithstanding the successive disruptive events the Company encountered last year, it was able to further improve its capability building activities through the release of e-learnings and the conduct of the first Business Continuity Awareness ("BCAW") week across the Group which aim to strengthen the business continuity management awareness and understanding of all employees.

7. Financial Risk

AEV has identified and continuous to manage the following financial risks that could have an impact to the Group:

- Refinancing and liquidity risk in terms of the Company's ability to borrow money to fund future projects. This can also potentially arise from balloon/bullet payments for existing loans;

- Foreign exchange (forex) risks in terms of foreign exchange fluctuations that may significantly affect its foreign currency-denominated placements, transactions and borrowings.

In 2020, these risks are further aggravated by the negative impact of COVID-19 to the economy. The occurrence of this pandemic has affected the general market conditions, both local and global.

Aside from the negative implication of these risks to the Group's net income, these risks would also put constraints on AEV and its Subsidiaries plans of growth. Furthermore, failure to pay existing loans will eventually lead to reputation risk.

In 2020, the Risk and Treasury Teams revisited and updated the Financial Risk Management Framework which was first established in 2019. This framework aims to provide a consistent approach in identifying, assessing, quantifying and mitigating financial risks across the Group.

8. Talent Risk

Continuous expansion of AEV and its Subsidiaries brought about challenges on the capability of the current workforce to support it. There is also the increasingly competitive market, locally and abroad, for high demand talents. These challenges have made it more difficult for the Aboitiz Group to source and match fitting talent. The context of talent risk includes: acquisition, retention and optimization of employees across the Group.

In 2020, the context of this risk was expanded to include the COVID-19 situation and the new normal. The Company acknowledges that the pandemic has affected the day to day life of its employees and will require adaptation of new competencies to support the agility, resilience and psychological engagement it needs to thrive.

Inability to prepare and minimize the impact of this risk will entail potential delay in the execution of various initiatives which could eventually lead to missed business opportunities. Also, the current situation may have a negative implication to the employees' mental, physical, and psychological well – being affecting overall productivity of the company.

To mitigate this risk, the Company embedded the Strategic Workforce Planning to the Business Strategic Plan. This aims to proactively identify the current and future needs of the organization and serve as an input for attraction, learning /organization development and succession. The Group also looked into its employer brand and attraction strategy. Engagement programs across the different business units were enhanced to consider the current needs of all team members and leaders. Regular performance evaluations are being conducted to identify areas for improvement and further development of team members. Also, plans of digital learning and development were accelerated to ensure that the current situation will not halt the development of all team members and leaders.

9. Emerging Risks

The current risk environment is rapidly shifting as a result of events that many times are not within the Company's control, many times as a result of global events.

Emerging risk is currently defined as newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on an organization in the future. This is also part of the regular discussion of the Risk Management Council and Board Risk and Reputation Management Committee.

Part of the risk management process is the continuous identification and monitoring of emerging risks especially in the following areas: political, economic, social, technology, legal and environment. Climate change risk is one area in which the risk managers have focused their attention to, particularly those that would have potential impact to the facilities, operations, labor, supply chain, customers and the community where the business units operate.

As the Group gears up for future growth, it faces the challenges of sustainability, climate change and disruptive technologies. Risk Management in Aboitiz will continue to take on a whole of the organization approach by integrating with other business functions to drive a more robust understanding of the Company's risks.

STRATEGIC BUSINESS UNITS

I. POWER

Overview of the Business

AEV's power Business Unit, AboitizPower, was incorporated on 13 February 1998 in Cebu City, Philippines as a holding company for the Aboitiz Group's investments in electricity generation and distribution. Ownership in AboitizPower was opened to the public through an IPO of its common shares in the PSE on 16 July 2007. As of 29 January 2021, AboitizPower has a market capitalization of ₱177 bn, with a common share price of ₱24.00 per share.

Driven by the pursuit of creating a better future for its customers, its host communities, and the nation, AboitizPower's business operations have developed into four strategic business units: (a) Power Generation, (b) Power Distribution, (c) Retail Electricity Services ("RES"), and (d) Distributed Energy. The company will continue to pursue its international aspirations with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments.

The power generation business of AboitizPower is among the leaders in the Philippines in terms of installed capacity.[9] Moreover, AboitizPower has the second largest distribution utility, in terms of captive customer connections and energy sales[10], the second largest (in terms of number of customers) and third largest (in terms of share in total retail market demand) RES company[11]. AboitizPower is a pioneer in building and operation of run-of-river hydropower plants in the country. Today, through its renewable energy Subsidiaries, AboitizPower has the largest installed capacity of renewable energy under its market control.[12]

Business Development

AboitizPower through its Subsidiaries, Joint Ventures, and Associates, is a leading player in the Philippine power industry with interests in privately-owned power generation companies, RES services, and distribution utilities throughout the Philippines, from Benguet in the north to Davao in the south.

AboitizPower's portfolio of power generating plants consist of a mix of renewable and non-renewable sources and of baseload and peaking power plants. This allows the AboitizPower to address the 24-hour demand of the country with its coal and geothermal plants handling baseload demand, while the hydropower, solar, and oil-based plants handle intermediate to peaking demand. Most of these plants are also capable of providing ancillary services, which are also critical in ensuring a reliable grid operation. Its Generation Companies have an installed capacity which is equivalent to a 15% market share of the national grid's installed generating capacity.[13] As of 31 December 2020, AboitizPower owned 4,429 MW of net attributable capacity, of which 3,494 MW is currently operating. The company plans to double in size by the end of the decade and targets increasing its capacity to more than 9,000 MW by 2030. This will come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower's renewable investments are held primarily through its wholly-owned Subsidiary, Aboitiz Renewables, Inc. ("ARI") and its Subsidiaries and joint ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country.

AboitizPower also owns interests in nine Distribution Utilities in Luzon, Visayas, and Mindanao, including Visayan Electric Company, Inc. ("Visayan Electric") and Davao Light & Power Company, Inc. ("Davao Light"), the second and third largest distribution utilities in the Philippines, respectively. AboitizPower's Subsidiaries engaged in the distribution of electricity sold a total of 7,151,601 Megawat hours ("MWh") during 2020.

AboitizPower's power generation business supplies power to various customers under power supply contracts, ancillary service procurement agreements (each, an "ASPA"), and for trading in the Wholesale Electricity Spot Market ("WESM"). The power distribution business is engaged in the distribution and sale of electricity to end-users, and the RES and Others segment includes retail electricity sales to various off-takers that are considered eligible contestable customers ("Contestable Customers") and provision of electricity-related services, such as installation of electrical equipment. AboitizPower's Subsidiaries engaged in the supply of retail electricity sold a total of 3.26 Terawatt hours ("TWh") during 2020.

As of 31 December 2020, AEV owned 77.00% of the outstanding capital stock of AboitizPower, 80.71% was owned by directors, officers and related parties, while the remainder was owned by the public.

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[9] Based on Energy Regulatory Commission (ERC) Resolution No. 5 dated June 18, 2019
[10] Based on DOE's Distribution Development Plan 2016-2025
[11] ERC Competitive Retail Electricity Market Monthly Statistical Data as of November 2020
[12] Based on ERC Resolution No. 02, Series of 2020 dated 12 March 2020
[13] Based on ERC Resolution No. 5, dated June 18, 2019

Neither AboitizPower nor any of its Subsidiaries has ever been the subject of any bankruptcy, receivership or similar proceedings.

History and Milestones

The Aboitiz Group's involvement in the power industry began when members of the Aboitiz family acquired 20% ownership interest in Visayan Electric in the early 1900s. The Aboitiz Group's direct and active involvement in the power distribution industry can be traced to the 1930s, when ACO acquired Ormoc Electric Light Company and its accompanying ice plant, Jolo Power Company, and Cotabato Light and Power Company ("Cotabato Light"). In July 1946, the Aboitiz Group further strengthened its position in power distribution in the Southern Philippines when it acquired Davao Light, which is now the third largest privately-owned distribution utility in the Philippines in terms of customers and annual gigawatt hour ("GWh") sales.

In December 1978, ACO divested its ownership interests in Ormoc Electric Light Company and Jolo Power Company and focused on the more lucrative franchises held by Cotabato Light, Davao Light, and Visayan Electric.

In response to the Philippines' pressing need for adequate power supply, the Aboitiz Group ventured into power generation, becoming a pioneer and industry leader in hydroelectric energy. In 1978, the Aboitiz Group incorporated Hydro Electric Development Corporation ("HEDC"), which carried out feasibility studies (including hydrological and geological studies), hydroelectric power installation and maintenance, and developed hydroelectric projects in and around Davao City. On 26 June 1990, the Aboitiz Group also incorporated Northern Mini-Hydro Corporation (now "Cleanergy, Inc."), which focused on the development of mini-hydroelectric projects in Benguet province in northern Luzon. By 1990, HEDC and Cleanergy had commissioned and were operating 14 plants with combined installed capacity of 36 MW. In 1996, the Aboitiz Group led the consortium that entered into a Build-Operate-Transfer ("BOT") agreement with NPC to develop and operate the 70-MW Bakun AC hydroelectric plant (the "Bakun Plant") in Ilocos Sur.

The table below sets out milestones in AboitizPower's development since 1998:

Year	Milestones
1998	Incorporated as a holding company for the Aboitiz Group's investments in power generation and distribution.
2005	Consolidated its investments in mini-hydroelectric plants in a single company by transferring all of HEDC's and Cleanergy's mini hydroelectric assets to Hedcor, Inc. (Hedcor).
2007	Entered into a share swap agreement with AEV in exchange for AEV's ownership interest in the following distribution utilities: i. An effective 55% equity interest in Visayan Electric; ii. A 100% equity interest in each of Davao Light and Cotabato Light; iii. An effective 64% ownership interest in Subic Enerzone Corporation ("Subic Enerzone"); and iv. An effective 44% ownership interest in San Fernando Electric Light & Power Co., Inc. ("SFELAPCO").
	As part of the reorganization of the power-related assets of the Aboitiz Group, the company: (i) Acquired a 100% interest in Mactan Enerzone Corporation ("Mactan Enerzone") and a 60% interest in Balamban Enerzone Corporation ("Balamban Enerzone") from AboitizLand; and (ii) Consolidated its ownership interests in Subic Enerzone by acquiring the combined 25% interest in Subic EnerZone held by AEV, SFELAPCO, Okeelanta Corporation, and Pampanga Sugar Development Corporation. These acquisitions were made through a Share Swap Agreement, which involved the issuance of the company's 170,940,307 common shares issued at the IPO price of ₱5.80 per share in exchange for the foregoing equity interests in Mactan Enerzone, Balamban Enerzone, and Subic Enerzone.
	Together with its partner, Statkraft Norfund Power Invest AS of Norway, through SN Aboitiz Power-Magat, acquired possession and control of the Magat Plant following its successful bid in an auction by the Power Sector Assets and Liabilities Management Corporation.
	Formed Abovant Holdings, Inc. ("Abovant") with the Vivant Group as the investment vehicle for the construction and operation of a coal-fired power plant in Toledo City, Cebu ("Cebu Coal Project"). Abovant entered into a Memorandum of Agreement with Global Business Power Corporation ("Global Power") of the Metrobank group for the acquisition of a 44% equity interest in Cebu Energy Development Corporation ("Cebu Energy").

	Therma Power, Inc. ("TPI") entered into a MOA with Taiwan Cogeneration International Corporation ("TCIC") for the Subic Coal Project, an independent coal-fired power plant in the Subic Bay Freeport Zone. Redondo Peninsula Energy, Inc. ("RP Energy") was incorporated as the project company.
	Acquired 50% of East Asia Utilities Corporation ("EAUC") from El Paso Philippines Energy Company, Inc. and 60% of Cebu Private Power Corporation ("CPPC").
	Purchased a 34% equity ownership in STEAG State Power, Inc. ("STEAG Power") from Evonik Steag GmbH in August 2007.
	Purchased Team Philippines Industrial Power II Corporation Industrial Power II Corp.'s 20% equity in Subic Enerzone.
2008	SN Aboitiz Power–Benguet, Inc. submitted the highest bid for the Ambuklao-Binga Hydroelectric Power Complex.
	Acquired Tsuneishi Holdings (Cebu), Inc.'s 40% equity ownership in Balamban Enerzone, bringing AboitizPower's total equity in Balamban Enerzone to 100%.
2009	AP Renewables, Inc. ("APRI") acquired the 234-MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (collectively referred to as the "Tiwi-MakBan Geothermal Facilities").
	Therma Luzon, Inc. ("TLI") became the Independent Power Producer Administrator ("IPPA") for the 700-MW contracted capacity of the Pagbilao Coal-Fired Power Plant ("Pagbilao Plant"), becoming the first IPPA of the country.
2010	Therma Marine, Inc. ("TMI"), acquired ownership over Mobile 1 ("Power Barge 118") and Mobile 2 ("Power Barge 117") from PSALM.
2011	Meralco PowerGen Corporation ("MPGC"), TCIC, and TPI entered into a Shareholders' Agreement to formalize their participation in RP Energy. MPGC took the controlling interest in RP Energy, while TCIC and TPI maintained the remaining stake equally.
	Therma Mobile, Inc. ("TMO") acquired four barge-mounted floating power plants and their operating facilities from Duracom Mobile Power Corporation and EAUC. In the same year, the barges underwent rehabilitation and started commercial operations in 2013.
2013	Aboitiz Energy Solutions, Inc. ("AESI") won 40 strips of energy corresponding to 40 MW capacity of Unified Leyte Geothermal Power Plant ("ULGPP"). The contract between AESI with PSALM with respect to the ULGPP capacity was terminated on 26 October 2019.
2014	TPI entered into a joint venture agreement with TPEC Holdings Corporation to form Pagbilao Energy Corporation ("PEC") to develop, construct, and operate the 400 MW coal-fired Pagbilao Unit 3.
	Therma Power-Visayas, Inc. ("TPVI") was declared the highest bidder for the privatization of the Naga Power Plant Complex ("NPPC"). SPC Power Corporation ("SPC"), the other bidder, exercised its right-to-top under the Naga Power Plant Land-Based Gas Turbine Land Lease Agreement, and PSALM declared SPC as the winning bidder. After protracted legal proceedings, TPVI accepted the turn-over for the NPPC plant on 16 July 2018.
	Acquired 100% of Lima Enerzone Corporation ("Lima Enerzone"), from Lima Land, Inc., a wholly-owned Subsidiary of AboitizLand.
	TPI entered into a Shareholders' Agreement with Vivant Group, for the latter's acquisition of 20% issued and outstanding shares in Therma Visayas, Inc. ("TVI").
2015	ARI formed a joint venture company, San Carlos Sun Power, Inc. ("SacaSun"), with SunEdison Philippines to explore solar energy projects. In 2017, AboitizPower International completed the acquisition of SunEdison Philippines, and ownership of SacaSun was consolidated in AboitizPower.
	TSI commences full commercial operations of its Unit 1.
2016	TSI commences full commercial operations of its Unit 2.
	TPI acquired an 82.8% beneficial ownership interest in GNPower Mariveles Coal Plant Ltd. Co. (now: GNPower Energy Center Ltd. Co.) ("GMEC") and a 50% beneficial ownership interest in GNPower Dinginin Ltd. Co. ("GNPower Dinginin" or "GNPD").
	Through TPI, acquired the remaining 50% interest in EAUC from El Paso Philippines.
2018	Aseagas Corporation permanently ceased operations of its 8.8-MW biomass plant in Lian, Batangas.
	TPVI accepted the turnover of the NPPC from PSALM.
	Pagbilao Unit 3 begins commercial operations.
	TVI commences commercial operations of Unit 1
2019	TMO's facility went into preservation mode and voluntarily disconnected from the grid and deregistered from WESM in February 2019, but registered again with Independent Electricity Market Operator of the Philippines Inc. ("IEMOP") and commenced delivery of power to Meralco after signing a PSA in April 2019.
	Completed the acquisition of a 49% voting stake and a 60% economic stake in AA Thermal, Inc., which holds the GNPower Mariveles and GNPower Dinginin projects, increasing its economic interests in the GMEC and GNPower Dinginin projects to 78.32% and 72.50%, respectively.
	TVI commences commercial operations of Unit 2.

2020	TPVI started commercial operations.

AboitizPower plans to enter the rooftop solar business through Aboitiz Power Distributed Energy, Inc. ("APX1") and expand the renewable energy portfolio under its Cleanergy brand. AboitizPower's Cleanergy portfolio includes its geothermal, run-of-river hydro, and large hydropower facilities. As of 31 January 2021, AboitizPower has 927 MW of attributable net sellable capacity, through its partners, under its Cleanergy brand. AboitizPower is pushing for a balanced mix strategy – maximizing Cleanergy while taking advantage of the reliability and cost efficiency of thermal power plants.

Neither AboitizPower nor any of its Subsidiaries has been the subject of any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

(i) Principal Products and Services

GENERATION OF ELECTRICITY (POWER GENERATION BUSINESS)

AboitizPower's power generation portfolio includes interests in both renewable and non-renewable generation plants. As of 31 December 2020, the power generation business accounted for 95% of earning contributions from AboitizPower's business segments. AboitizPower conducts its power generation activities through the Subsidiaries and Affiliates listed in the table below.

The table below summarizes the Generation Companies' operating results as of 31 December 2020, compared to the same period in 2019 and 2018:

Generation Companies	Energy Sold			Revenue		
	2020	2019	2018	2020	2019	2018
	(in GWh)			(in mn Pesos)		
APRI	3,055	2,968	2,857	11,253	12,545	12,518
SacaSun	44	49	41	250	269	197
Hedcor	161	226	172	697	881	694
LHC	266	262	291	761	787	970
Hedcor Sibulan	201	191	213	1,399	1,282	1,385
Hedcor Tudaya	33	29	32	261	172	191
Hedcor Sabangan	49	51	53	395	300	315
Hedcor Bukidnon	261	284	115	1,418	1,605	573
SN Aboitiz Power-Magat	1,891	2,054	2,379	5,352	6,608	7,182
SN AboitizPower-Benguet	1,936	1,975	2,085	5,668	6,065	6,070
TLI	6,686	6,812	6,808	20,505	25,410	26,603
TSI	1,531	1,393	1,959	8,276	9,099	11,141
TVI	2,232	1,710	269	8,490	6,254	702
Cebu Energy	2,025	1,900	1,978	7,719	8,578	9,728
STEAG Power	1,845	1,840	1,840	4,022	4,791	4,373
GMEC	5,003	3,909	5,498	17,821	19,373	23,492
WMPC	819	638	438	1,390	1,158	1,393
SPPC	0	0	161	0	0	161
CPPC	540	550	551	998	1,685	1,253
EAUC	226	383	368	571	1,013	819
TMI	743	1,200	1,432	990	1,865	2,016
TMO	381	938	814	668	1,970	1,694
TPVI*	3	-	-	30	-	-
Davao Light** (decommissioned)	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral
Cotabato Light**	0	0	0	Revenue Neutral	Revenue Neutral	Revenue Neutral

**The TPVI plant started commercial operations on August 7, 2020 and was first dispatched based on an offer into the WESM on August 26, 2020.*
***Plants are operated as stand-by plants and are revenue neutral, with costs for operating each plant recovered by Davao Light and Cotabato Light, as the case may be, as approved by ERC. The Davao Light plant has been decommissioned since November 2018.*

Renewables

Aboitiz Renewables, Inc.

AboitizPower has been committed to developing expertise in renewable energy technologies since commencing its operations in 1998. As of 31 January 2021, AboitizPower's renewable energy portfolio comprised attributable net sellable capacity of approximately 1,248.27 MW in operation, divided into 46 MW of solar, 912.27 MW of hydro, and 290 MW of geothermal.

AboitizPower's investments and interests in various renewable energy projects, including geothermal, large hydro, run-of-river hydro, and solar projects, are held primarily through its wholly-owned Subsidiary, ARI and its Subsidiary Generation Companies. ARI was incorporated on 19 January 1995. AboitizPower, through and/or with ARI, owns equity interests in the following Generation Companies, among others:

Generation Company	Percentage of Ownership	Plant Name (Location)	Type of Plant	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Offtakers
APRI	100%	Tiwi – Makban (Luzon)	Geothermal	290	290	WESM/ Bilaterals
Hedcor	100%	Benguet 1-11 (Luzon) La Trinidad, Bineng 3, Ampohaw, FLS, Labay, Lon-oy, Irisan 1 and 3, and Sal-angan	Run-of-river hydro	52.50	52.50	FIT/ Bilaterals
		Davao 1-5 (Mindanao) Talomo 1, 2, 2A, 2B, and 3	Run-of-river hydro	4.57	4.57	Distribution utility
		Manolo Fortich (Mindanao)	Run-of-river hydro	68.80	68.80	FIT
Hedcor Sabangan	100%	Sabangan (Luzon)	Run-of-river hydro	14	14	FIT
Hedcor Sibulan	100%	Sibulan (A, B and Tudaya A) (Mindanao)	Run-of-river hydro	49.10	49.10	Distribution utility
Hedcor Tudaya	100%	Tudaya (B) (Mindanao)	Run-of-river hydro	7	7	FIT
Luzon Hydro Corporation	100%	Bakun (Ilocos Sur, Luzon)	Run-of-river hydro	74.80	74.80	NPC (2026)
San Carlos Sun Power, Inc.	100%	SacaSun (Visayas)	Solar	46	46	WESM
SN Aboitiz Power-Benguet	60%**	Ambuklao (Benguet, Luzon)	Large Hydroelectric	105	52.50	WESM
		Binga (Luzon)	Large Hydroelectric	140	70	WESM/ASPA
SN Aboitiz Power-Magat	60%**	Magat (Luzon)	Large Hydroelectric	388	194	WESM/ Coops/ ASPA
		Maris Main Canal 1 (Luzon)	Run-of-river hydro	8.50	4.25	FIT
			Total	**1,248.27***	**927.52***	

Notes:
** Sum figures will differ due to rounding effect.*
**The 60% equity is owned by MORE.*

Run-of-River Hydros

Luzon Hydro Corporation

LHC, a wholly-owned Subsidiary of ARI, owns, operates, and manages the run-of-river Bakun AC hydropower plant with a total installed capacity of 74.8 MW located in Amilongan, Alilem, Ilocos Sur (the "Bakun AC Hydro Plant"). LHC was incorporated on 14 September 1994.

LHC was previously ARI's joint venture company with Pacific Hydro of Australia, a privately-owned Australian company that specialized in developing and operating power projects utilizing renewable energy sources. On 31 March 2011, ARI, LHC, and Pacific Hydro signed a MOA granting ARI full ownership over LHC. ARI assumed 100% ownership and control of LHC on May 10, 2011.

The Bakun AC Hydro Plant was constructed and operated under the government's BOT scheme. Energy produced by the Bakun AC Hydro Plant, approximately 254 GWh annually, is delivered and taken up by NPC pursuant to a Power Purchase Agreement ("PPA") and dispatched to the Luzon Grid through the 230-kV Bauang-Bakun transmission line of NGCP. Under the terms of its PPA, all of the electricity generated by the Bakun AC Hydro Plant will be purchased by NPC for a period of 25 years from February 2001. The PPA also requires LHC to transfer the Bakun AC Hydro Plant to NPC in February 2026, free from liens and without the payment of any compensation by NPC.

In 2018, the Bakun AC Hydro Plant gained its ISO 22301:2012 Business Continuity Management System Certification, aligning with international standards in improving its business resilience. In 2020, it was recommended by BSi Group for Quality, Environmental, Asset Management, and Information Security management systems ISO recertification while successfully transitioning to ISO 45001:2018 Occupational Safety and Health management system.

Hedcor, Inc.

Hedcor was incorporated on October 10, 1986 by ACO as Baguio-Benguet Power Development Corporation. ARI acquired ACO's 100% ownership interest in Hedcor in 1998.

In 2005, ARI consolidated all its mini-hydroelectric generation assets, including those developed by HEDC and Cleanergy, into Hedcor. Cleanergy is Hedcor's brand for clean and renewable energy. Hedcor owns, operates, and manages run-of-river hydroelectric power plants in Northern Luzon and Davao City, with an increased combined net sellable capacity of 57.25 MW, attributed to the addition of the La Trinidad Hydro which started operations in July 2019.

The electricity generated from Hedcor's hydropower plants are taken up by Advent Energy, AESI, and Davao Light pursuant to PPAs with the said off-takers. Irisan 1 Hydro sells energy under the Feed-in-Tariff ("FIT") mechanism through a renewable energy payment agreement ("REPA") with the National Transmission Corporation ("Transco"). The remaining electricity is sold through the WESM.

Northern Luzon's climate is classified as having two pronounced seasons - dry from November to April and wet for the rest of the year. Due to this classification, generation levels of Hedcor's plants, particularly those located in Northern Luzon, are typically lower during the first five months of each year.

During 2020, the Hedcor Group across the country generated a total 956 GWh of Cleanergy, which is lower as compared to 2019's 964 GWh. Over 60% of the decrease was attributable to the insufficient water supply caused by an extended *El Niño* season. Approximately 40% of the decline was due to planned and unplanned outages. Hedcor also recorded a Weighted Unplanned Outage Factor at 0.73% for 2020, which is Hedcor's lowest figure over the past five years. This means that Hedcor's hydropower facilities have been steadily improving plant reliability as the group monitored the lowest record of unprecedented shutdown of hydropower units.

On 18 November 2020, Hedcor inaugurated its first-ever Regional Control Center. With this, all nine plants in Southern Mindanao, composed of the five hydro facilities in Davao City and four hydro facilities in Davao del Sur owned by Hedcor, Hedcor Sibulan, and Hedcor Tudaya can be operated remotely in a single control room. This is a significant milestone as part of the organization's multi-year digitization and integration projects which aims to connect all of Hedcor's hydro facilities to a single National Operations Control Center by 2024.

Hedcor Sibulan, Inc.

Hedcor Sibulan, Inc. ("Hedcor Sibulan"), a wholly-owned Subsidiary of ARI, owns, operates, and manages the hydropower plants composed of three cascading plants with a total installed capacity of 49.24 MW, located in Santa Cruz, Davao del Sur. Hedcor Sibulan consists of: Sibulan A Hydro, Tudaya 1 Hydro, and Sibulan B Hydro. ERC issued a Provisional Authority to Operate for Tudaya 1 Hydro on 5 March 2019, for Sibulan A Hydro on February 2020, and for Sibulan B Hydro on November 2020. The energy produced by the Sibulan grid is sold to Davao Light through a PSA signed in 2007. The company was incorporated on 2 December 2005.

In 2018, Hedcor Sibulan gained its ISO 22301:2014 Business Continuity Management Certification. Likewise, it has passed all recertification and surveillance audits in 2020, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity. Also, the organization was successful in its transition to ISO 45001:2018 Occupational Safety and Health management system in September 2020.

The Hedcor Sibulan plant is part of the Hedcor Group's Regional Control Center.

Hedcor Tudaya, Inc.

Hedcor Tudaya, Inc. ("Hedcor Tudaya"), a wholly-owned Subsidiary of ARI, owns, operates, and manages the Tudaya 2 Hydro run-of-river hydropower plant with an installed capacity of 8.1 MW, located in Santa Cruz, Davao del Sur. The company was incorporated on 17 January 2011.

The Tudaya 2 Hydro plant has been commercially operating since March 2014. Tudaya 2 Hydro is currently selling energy under the FIT mechanism through a Renewable Energy Supply Agreement ("RESA") with Davao del Sur Electric Cooperative, and through a REPA with Transco.

Together with Hedcor Sibulan, Hedcor Tudaya also gained its ISO 22301:2014 Business Continuity Management Certification in 2018. Likewise, it has passed all recertification and surveillance audits in 2020, maintaining its certifications for Quality, Environmental, Operational Health and Safety, Asset Management, Information Security, and Business Continuity. Also, the organization was successful in its transition to ISO 45001:2018 Occupational Safety and Health management system.

The Tudaya 2 Hydro plant is part of the Hedcor Group's Regional Control Center.

Hedcor Sabangan, Inc.

Hedcor Sabangan. Inc. (Hedcor Sabangan"), a wholly-owned Subsidiary of ARI, owns, operates, and manages the Sabangan run-of-river Hydroelectric Power Plant ("HEPP") with a net sellable capacity of 14.96 MW. The company was incorporated on 17 January 2011.

The Sabangan plant has been commercially operating since June 2015, and is selling under the FIT mechanism through a REPA with Transco. The plant is a pioneer hydropower plant in the Mountain Province region, harnessing the power of the Chico River.

Hedcor Bukidnon, Inc.

Hedcor Bukidnon, Inc. ("Hedcor Bukidnon"), a wholly-owned Subsidiary of ARI, owns, operates, and manages the mini hydropower plants with a combined net sellable capacity of 72.8 MW located in Manolo Fortich, Bukidnon (the "Manolo Fortich Plant"). The company was incorporated on 17 January 2011.

The Manolo Fortich Plant is composed of the 45.9-MW Manolo Fortich 1 Hydro and the 27.39-MW Manolo Fortich 2 Hydro. Both plants harness the power of the Tanaon, Amusig, and Guihean rivers. The construction of the Manolo Fortich plant was completed in 2018.

Persistent rains in the locality that occurred during the second half of 2020 caused soil saturation, erosion, and mudslides resulting in pipe dislocations, pipe bursts, and damage to the high head penstock line of Manolo Fortich 1. Hedcor Bukidnon remains operational at a derated generating capacity, with restoration expected to be completed by the second quarter of 2021.

The Manolo Fortich plant is selling under the FIT mechanism through RESAs with various Mindanao cooperatives and private distribution utilities.

Large Hydros

SN Aboitiz Power-Magat, Inc.

Incorporated on 29 November 2005, SN Aboitiz Power-Magat, Inc. ("SN Aboitiz Power-Magat") owns and operates the Magat Plant with a nameplate capacity of 360 MW located at the border of Ramon, Province of Isabela and Alfonso Lista, Ifugao (the "Magat Plant"), and the 8.5-MW run-of-river Maris Main Canal 1 HEPP located in Brgy. Ambatali in Ramon, Isabela (the "Maris Plant"). The Maris Plant, which is composed of two generator units with a nameplate capacity of 4.25 MW each, was completed in November 2017. The plant was granted entitlement to the FIT system in its operations pursuant to the Certificate of Compliance ("COC" issued by ERC in November 2017.

SN Aboitiz Power-Magat is ARI's joint venture with SN Power, a leading Norwegian hydropower company with projects and operations in Asia, Africa, and Latin America. As of 31 January 2021, SN Aboitiz Power-Magat is 60% owned by MORE, while SN Power Philippines Inc. owns the remaining 40% equity interest. In October 2020, Norway-based Scatec Solar ASA ("Scatec") signed a binding agreement to acquire 100% of the shares in SN Power from Norfund for a total equity value of US$ 1,166 mn. On 29 January 2021, Scatec announced it has received all necessary approvals and that conditions are fulfilled to close the acquisition pursuant to the agreement with Norfund.

The Magat Plant was completed in 1983 and was turned over to SN Aboitiz Power-Magat in April 2007 after winning a bidding process conducted by PSALM in December 2006. As a hydroelectric facility that can be started up in a short period of time, the Magat Plant is suited to act as a peaking plant with the capability to capture the significant upside potential that can arise during periods of high demand. This flexibility allows for the generation and sale of electricity at the peak demand hours of the day. This hydroelectric asset has minimal marginal costs, which AboitizPower believes gives it a competitive advantage in terms of economic dispatch order versus other fossil fuel-fired power plants that have significant marginal costs.

On 25 April 2019, ERC certified the Magat Plant's new Maximum Stable Load ("Pmax") at 388 MW. The Magat Plant's Units 1-4 were uprated by 2 MW each, or from 95 MW to 97 MW per unit. This means that the Magat Plant is capable of producing, under normal to best conditions, up to 388 MW as compared to its nameplate capacity of 360 MW. The new Pmax of the four units was based on the capability test conducted by the NGCP sometime in 2018.

SN Aboitiz Power-Magat is an accredited provider of ancillary services to the Luzon grid. It sells a significant portion of its available capacity to NGCP, the system operator of the Luzon grid. SN Aboitiz Power-Magat's remaining capacity is sold as electric energy to the spot market through WESM and to load customers through bilateral contracts.

Inflows during 2020 had a very varied distribution. Magat dam's total inflows for 2020 were 121% of normal, with large inflows concentrated in the fourth quarter of the year. The effects of the *El Niño* climate were felt all the way to the third quarter of 2020, with a transition to *La Niña* in the fourth quarter. The first half dry season of 2020 resulted in 73% of the normal total inflows. The second half wet season recorded 139% of normal inflows, with the third quarter recording only 57% of normal and record-breaking actual inflows during the fourth quarter at 215% of normal due to strong *La Niña* typhoons.

Driven by the unfavorable distribution of inflows, the Magat Plant's total sold quantities from spot energy generation and ancilliary services ("AS") during 2020 was at 1.7 TWh, which is slightly lower than 2019's sold capacity of 1.8 TWh. This is equivalent to a sold capacity factor of 52%, compared to 54% in 2019. Spot and AS revenue for the year 2020 was ₱4.36 bn, 27% lower than 2019's ₱5.95 bn. SN Aboitiz Power-Magat's Bilateral Contract Quantity ("BCQ") revenue for 2020 was ₱727 mn, significantly higher than 2019's ₱275 mn. This was mainly driven by the lower spot market prices during 2020 compared to 2019.

In June 2019, SN Aboitiz Power-Magat switched on its first 200kW floating solar project over the Magat reservoir in Isabela. This was the first non-hydro renewable energy project of the SN Aboitiz Power Group, which was looking at other renewables and complementary technologies to expand its portfolio. The SN AboitizPower-Magat floating solar project has proven its viability, both technical and commercial. On 21 October 2020, the company obtained approval for the project to proceed to engineering design for a total of 67 MW. The pilot project and the initial pre-feasibility studies have shown positive results. As of 31 January 2021, SN AboitizPower-Magat is conducting a detailed feasibility study to confirm the commercial and technical viability of the floating solar project. The feasibility study phase is expected to continue until the end of 2021 or up to the first quarter of 2022.

SN AboitizPower–Magat's Battery Energy Storage System ("SN Aboitiz Power BESS") project is located in Ramon, Isabela. It is an energy storage system with a 20-MW capacity and 20-MWh energy storage to be used primarily for ancillary services. Site survey works have been completed as part of the pre-construction and in preparation for the engineering design and permitting for the construction phase. The SN AboitizPower BESS project is expected to commence commercial operations in 2023.

On 22 October 2020, the DOE issued a Green Energy Option Program ("GEOP") Operating Permit to SN Aboitiz Power-Magat, which authorizes the company to enter into electricity supply contracts with qualified end-users according to the GEOP or RA No. 9513 or the Renewable Energy Act of 2008 ("RE Law"). This permit is valid for five years. SN Aboitiz Power-Magat also has a RES License valid until 17 December 2025.

SN AboitizPower-Magat retained its Integrated Management System certifications for ISO 14001 for Environmental Management System, ISO 9001 for Quality Management System, ISO 45001 for Occupational Health and Safety Management Systems, and ISO 55001 Asset Management System, as verified and audited by DQS Philippines in 2019. The company recorded 1.7 mn manhours without lost time incident in 2020.

SN Aboitiz Power-Benguet, Inc.

SN Aboitiz Power-Benguet, Inc. ("SN Aboitiz Power-Benguet") is the owner and operator of the Ambuklao-Binga Hydroelectric Power Complex, which consists of the 105-MW Ambuklao HEPP ("Ambuklao Plant") and the 140-MW Binga HEPP ("Binga Plant"), located in Brgy. Tinongdan, Itogon, Benguet Province. As of 31 January 2021, MORE owned a 60% equity interest, while SN Power owns the remaining 40%. The company was incorporated on 12 March 2007.

The Ambuklao-Binga Hydroelectric Power Complex was turned over to SN AboitizPower-Benguet in July 2008. SN AboitizPower-Benguet began a significant rehabilitation project that restored the Ambuklao Plant to operating status and increased its capacity from 75 MW to 105 MW when the plant re-commenced operations in 2011. The Binga Plant also underwent refurbishment from 2010 to 2013, which increased capacity to 125 MW. In March 2017, SN Aboitiz Power-Benguet received its amended COC from ERC for all four units of the Binga Plant. The COC reflects Binga's latest uprating, raising its capacity to 140 MW. The Ambuklao and Binga Plants sell capacity from spot energy generation and ancillary services to the national transmission system and related facilities that convey power.

Inflows in Ambuklao dam during 2020 was only 75% of normal, attributable in particular to the very weak *habagat* season which usually dominates third quarter inflows in Benguet. The effects of the *El Niño* climate reached all the way to the third quarter of 2020, and transitioned to *La Niña* in the fourth quarter. The first half dry season of 2020 resulted in 68% of the normal total inflows. The second half wet season recorded 77% of normal inflows, with the third quarter recording actual inflows of only 35% of normal, while the strong *La Niña* typhoons in the fourth quarter led to actual inflows at 167% of normal levels.

Although inflows were lower in the Ambuklao reservoir in 2020 compared to 2019, there was an overall higher AS Capacity Approval and spot sales for SN Aboitiz Power-Benguet. The Ambuklao

Plant's total sold capacity from spot energy generation and ancillary services during 2020 was 732 GWh, which was 102% of the capacity sold in 2019 of 717 GWh. This was equivalent to a sold capacity factor of 80% during 2020, as compared to the 78% during 2019. The Binga Plant's total sold capacity from spot energy generation and AS in 2020 was 1.00 TWh, or 97% of the 1.03 TWh sold capacity in 2019. This is equivalent to a sold capacity factor of 82% for 2020, compared to 84% in 2019.

The resulting combined spot and AS revenue of the Ambuklao and Binga Plants for 2020 was ₱4.20 bn, compared to ₱5.29 bn in 2019. SN Aboitiz Power-Benguet's BCQ revenue for 2020 was ₱973 mn, which was significantly lower than 2019's BCQ revenue loss of ₱359 mn. This was mainly driven by the lower spot market prices during 2020 compared to 2019.

Both the Ambuklao and Binga Plants have retained their Integrated Management System certifications (ISO 14001 Environmental Management System, ISO 9001 Quality Management System, and ISO 55001 for Asset Management) in 2020. The company also successfully migrated and got certified to ISO 45001 Occupational Health & Safety Management System from OHSAS 18001. The Ambuklao and Binga Plants jointly have more than 4.7 mn man hours of no lost time incident in 2020.

Geothermal

AP Renewables Inc.

APRI, a wholly-owned Subsidiary of ARI, is one of the leading renewable power companies in the country. It owns the 234 MW Tiwi geothermal power facility in Albay and the 449.8 MW Makiling-Banahaw geothermal power facility in Laguna (the "Tiwi-MakBan Geothermal Facilities") located in Albay, Laguna, and Batangas. These geothermal facilities were acquired by APRI from PSALM in July 2008 and were formally turned over to APRI on 25 May 2009.

The Tiwi-MakBan Geothermal Facilities produce clean energy that is reasonable in cost, efficient in operation, and environment-friendly. As a demonstration of APRI's commitment to providing world-class services, adhering to environmental management principles to reduce pollution, complying with regulations, and ensuring a safe and healthy workplace, the company has been issued Integrated Management System ("IMS") certifications by TÜV Rheinland Philippines that include the International Organization for Standardization (ISO) 9001:2015 (Quality), ISO 14001:2015 (Environment), and OSHAS (Occupational Health and Safety Series) 18001:2007 (Health and Safety).

On 24 August 2018, APRI and the Philippine Geothermal Production Company, Inc. ("PGPC") signed a Geothermal Resources Supply and Services Agreement ("GRSSA") for the supply of steam and drilling of new production wells for the Tiwi-MakBan Geothermal Facilities. The GRSSA effective date will run until the expiration of APRI's initial DOE operating contract term on 22 October 2034, thereby ensuring the long-term operations of the facilities. Under the GRSSA, PGPC has committed to drill at least 12 new production wells, with a minimum of 50 MW aggregated individual well capacity, by 2023 in order to increase steam availability. The GRSSA also provides for more equitable and competitive fuel pricing in the long run.

The Tiwi-MakBan Geothermal Facilities have generally operated at par or better than industry standards. APRI routinely evaluates and implements various projects while improving coordination with PGPC to improve efficiency levels and counteract the challenges of a declining steam supply.

APRI was granted a RES license on 18 February 2020 which is valid until 17 February 2025.

Solar

Maaraw San Carlos Holdings, Inc. and San Carlos Sun Power Inc.

SacaSun owns and operates the 59-megawatt peak ("MWp") solar photovoltaic ("PV") power generation plant located in the San Carlos Ecozone, Barangay Punao, San Carlos City, Negros

Occidental (the "SacaSun Plant"). The project was inaugurated on 19 April 2016.

SacaSun was incorporated on 25 July 2014, initially as a Joint Venture between ARI and SunEdison Philippines. On 4 December 2017, AboitizPower acquired a 100% effective equity ownership in SacaSun.

As of 31 January 2021, the energy generated from the SacaSun Plant benefited more than 6,774 homes within the Visayas Grid and displaced the energy equivalent to 6,365,712 gallons of gasoline or approximately 61,846,065 pounds of coal.

Maaraw San Carlos is the holding company of SacaSun. It was incorporated on 24 April 2015, and is effectively owned by AboitizPower, through its wholly-owned Subsidiaries, ARI and AboitizPower International.

Aboitiz Power Distributed Energy, Inc. and Aboitiz Power Distributed Renewables Inc.

APX1 and Aboitiz Power Distributed Renewables Inc. ("APX2") (formerly: Kookabura Equity Ventures, Inc.) (collectively, "APX") are the project companies engaged in the business of operating rooftop PV solar systems in the distributed energy space. APX1 and APX2 are wholly-owned Subsidiaries of AboitizPower through ARI. APX1 and APX2 were incorporated in November 2016 and May 2002, respectively.

APX1 is a PEZA-registered company intended to serve customers operating within PEZA zones.

As of 31 January 2021, APX 1 has a total of 3.2044 MWp rooftop solar projects, either operating under a Power Purchase Agreement or as a turnkey solution for customers. A number of rooftop PV solar systems were also commissioned in 2020, with an additional 1.722MWp of projects currently under development.

Renewables Pipeline

SN Aboitiz Power-Generation, Inc.

SN Aboitiz Power-Gen eration, Inc. ("SN Aboitiz Power-Gen") implements the SN Aboitiz Power Group's Business Development Program, which aims to grow the SN Aboitiz Power Group's renewable energy portfolio by looking at potential power projects in the Philippines, primarily within its current host communities in Northern Luzon.

As of the end of 2020, one of SN Aboitiz Power-Gen's most significant project is the proposed 390-MW Alimit hydropower complex in Ifugao, which consists of the 120-MW Alimit hydropower plant, the 250-MW Alimit pumped storage facility (which is currently on hold due to market constraints), and the 20-MW Olilicon hydropower plant (the "Alimit Project").

The Alimit hydropower complex project completed its feasibility study phase and the Free Prior and Informed Consent ("FPIC") process with the indigenous communities in the covered areas. The Environmental Compliance Certificate ("ECC") for the complex has been issued by the Department of Environment and Natural Resources ("DENR"). However, the project has since been put on hold since ground engagements and activities have been restricted by the COVID-19 pandemic.

To contribute to its mandate of adding capacity to the SN Aboitiz Power Group's portfolio, SN AboitizPower BESS Project was approved to move to the pre-construction phase in 2020. Pertinent permits, contractual agreements, and other technical studies were completed in the same year. Approval to move to the construction phase will be sought in 2021.

Building on its experience in the installation of a pilot-scale floating photovoltaic ("FPV") plant, SN Aboitiz Power-Gen completed the pre-feasibility study and commenced the detailed feasibility study for a commercial scale application of the FPV in the Magat reservoir in 2020. The detailed feasibility study is targeted to be completed by November 2021. The company continues to explore and screen potential energy storage and renewable energy projects in the Philippines.

SN Aboitiz Power-Gen was incorporated on 10 March 2011. A 60% equity interest in the company is owned by MORE, with the remaining 40% owned by SN Power Philippines.

Non-Renewable Energy

Therma Power, Inc.

AboitizPower's investments and interests in various non-renewable energy projects are held primarily through its wholly-owned Subsidiary, TPI and its Subsidiary power generation companies. TPI was incorporated on 26 October 2007. AboitizPower, by itself, through and/or with TPI, owns equity interests in the following:

Generation Company	Percentage Ownership	Plant Name (Location)	Project Type	Net Sellable Capacity (MW)	Attributable Net Sellable Capacity (MW)	Off-takers
Coal Group						
TLI	100%	Pagbilao (Luzon)	Coal-fired	700	700	Bilaterals/WESM
PEC	50%	Pagbilao 3 (Luzon)	Coal-fired	388	194	Bilaterals
TSI	100%	TSI Plant (Mindanao)	Coal-fired	260	260	Bilaterals
TVI	80%	TVI Plant (Visayas)	CFB	300	240	Bilaterals/WESM
TPVI	100%	Naga Coal Fired Power Plant (Visayas)	Bunker-C fired	39.27	39.27	WESM
Cebu Energy	26.4%	Cebu Energy (Visayas)	CFB	216	57.02	Bilaterals
GN Power Mariveles	78.32%	Mariveles Project (Luzon)	Coal-fired	632	494.98	Bilaterals/WESM
STEAG Power**	34%	STEAG Power Plant (Mindanao)	Coal-fired	210	71.40	NPC (2031)
Oil Group						
CPPC**	60%	CPPC Plant (Visayas)	Bunker-C fired	64	38.40	Distribution utility
EAUC	100%	EAUC Plant (Visayas)	Bunker-C fired	43.50	43.50	Bilaterals
SPPC**	20%	SPPC Plant (Mindanao)	Bunker-C fired	55	11	N/A
TMI	100%	Power Barge Mobile 1 (Mindanao)	Barge-mounted	96	96	Bilaterals
TMI	100%	Power Barge Mobile 2 (Mindanao)	Barge-mounted	96	96	Bilaterals
TMO	100%	Power Barges Mobile 3-6 (Luzon)	Barge-mounted	200	200	Distribution utility/WESM
WMPC**	20%	WMPC Plant (Mindanao)	Bunker-C fired	100	20	Bilaterals

Cotabato Light**	99.94%	Bunker Cotabato (Mindanao)	Bunker-C fired	4.45	4.45	N/A
			Total	**3,404.62**	**2,566.23***	

** Sum figures will differ due to rounding effect*
*** Directly owned by AboitizPower*

Oil Group

Therma Marine, Inc.

TMI, a wholly-owned Subsidiary of TPI, owns and operates Power Barges Mobile 1 (previously known as PB 118) and Power Barges Mobile 2 (previously known as PB 117), which have a total generating capacity of 200 MW. Power Barges Mobile 1 is currently moored at Barangay San Roque, Maco, Davao De Oro, while Power Barges Mobile 2 is moored at Barangay Sta. Ana, Nasipit, Agusan del Norte. The company was incorporated on 12 November 2008.

The 192 MW dependable capacities of TMI are currently contracted with the NGCP in an ASPA. TMI is now registered as a WESM Trading Participant beginning 8 January 2020, in anticipation of WESM in Mindanao.

TMI Hybrid BESS ("TMI BESS") is one of two battery projects of AboitizPower. Located in Maco, Compostela Valley, TMI BESS has a storage capacity of 49 MW and is intended to be used for ancillary services. Development activities are ongoing to integrate the battery energy storage system with TMI's Maco oil barge. The TMI BESS project is expected to commence commercial operations in 2022.

Therma Mobile, Inc.

TMO, a wholly-owned Subsidiary of TPI, operates four barge-mounted power plants located at the Navotas Fish Port, Manila, which it acquired on 27 May 2011. The barge-mounted power plants have an installed generating capacity of 231 MW. TMO operates with a net available capacity of 165 MW. The company was incorporated on 20 October 2008.

On 7 January 2019, TMO notified Meralco that it will physically disconnect from Meralco's system and will deregister as a Trading Participant in the WESM effective 5 February 2019. After evaluating the circumstances and the options available, TMO decided to preserve its bunker C-fired diesel power plants. Notices were also sent to PEMC, DOE, ERC, and IEMOP, following applicable legal notice requirements. Afterwards, TMO signed a one-year PSA with Meralco that expired on 25 April 2020.

Thereafter on 14 July 2020, TMO and NGCP entered into ASPAs for Reactive Power Support ("RPS") and Dispatchable Reserve ("DR"). Both ASPAs have been provisionally approved by the ERC.

East Asia Utilities Corporation

EAUC, a wholly-owned Subsidiary of TPI, is the owner and operator of a 44-MW Bunker C-fired power plant within MEPZ I, Lapu-Lapu City, Cebu. The company supplies the power requirements of the MEPZ I locators, and began supplying power through the WESM on 26 December 2010. EAUC was incorporated on 18 February 1993.

EAUC has received awards by the DENR-EMB for its commendable role in the Metro Cebu Airshed Governing Board, and by IEMOP for its exemplary compliance in the spot market.

Therma Power-Visayas, Inc.

TPVI, a wholly-owned Subsidiary of TPI, is the company that was awarded the winning bid for the privatization of the 25.3-hectare NPPC located at Naga City, Cebu. The company was incorporated on 8 October 2007.

Following protracted legal proceedings, on 23 May 2018, PSALM issued a Certificate of Effectivity of the Notice of Award originally issued on 30 April 2014 in favor of TPVI. Thereafter, PSALM and TPVI executed the Asset Purchase Agreement and Land Lease Agreement of the NPPC.

On 16 July 2018, PSALM physically turned over the NPPC to TPVI. On 7 August 2020, TPVI commenced commercial operations and has been trading in the WESM.

Cebu Private Power Corporation

CPPC owns and operates a 70-MW Bunker C-fired power plant located in Cebu City, one of the largest diesel-powered plants on the island of Cebu. The company was incorporated on 13 July 1994. Commissioned in 1998, the CPPC plant was constructed to supply 62 MW of power to Visayan Electric. CPPC's current PSA with Visayan Electric is set to expire in 2023.

CPPC is a Joint Venture company between AboitizPower and the Vivant Group. As of 31 January 2021, AboitizPower beneficially owns 60% of CPPC.

Southern Philippines Power Corporation

SPPC owns and operates a 55-MW Bunker C-fired power plant in Alabel, Sarangani, a town outside General Santos City in Southern Mindanao. The company was incorporated on 15 March 1996.

As of 31 January 2021, AboitizPower has a 20% equity interest in SPPC, a Joint Venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Western Mindanao Power Corporation

WMPC owns and operates a 100-MW Bunker C-fired power station located in Zamboanga City, Zamboanga Peninsula in Western Mindanao. The company was incorporated on 15 March 1996.

As of 31 January 2021, AboitizPower has a 20% equity interest in WMPC, a joint venture company among AboitizPower, Alsing Power Holdings, Inc., and Tomen Power (Singapore) Pte. Ltd.

Coal Group

Therma Luzon, Inc.

TLI, a wholly-owned Subsidiary of TPI, was the first IPPA in the country, and assumed the role of the registered trader of the contracted capacity of the 700-MW net (2x350 MW net) Pagbilao coal-fired thermal power plant located in Pagbilao, Quezon (the "Pagbilao Plant"). TLI was incorporated on 20 October 2009.

As the IPPA, TLI is responsible for procuring the fuel requirements of, and selling the electricity generated by, the Pagbilao Plant. The Pagbilao Plant is currently owned and operated by TeaM Energy Corporation ("TeaM Energy"). Under the IPPA agreement, TLI has the right to receive the transfer of Pagbilao Unit 1 and Unit 2 at the end of the Energy Conversion Agreement. Over the years, TLI's capacity was contracted to various cooperatives, private distribution utilities, directly connected customers, and to Affiliate RES. TLI was granted a RES license on 12 August 2020 which is valid until 11 August 2025.

Pagbilao Energy Corporation

PEC owns and operates the 400-MW Unit 3 project ("Pagbilao Unit 3") within the Pagbilao Power Station, located in Pagbilao, Quezon. PEC is a joint-venture between AboitizPower and TeaM Energy, through their respective Subsidiaries, TPI and TPEC Holdings Corporation. The Pagbilao Unit 3 Project is not covered by either TLI's IPPA with PSALM or TeaM Energy's BOT contract with NPC/PSALM. Pagbilao Unit 3 commenced operations in March 2018.

Through TPI, AboitizPower has 50% a equity interest in PEC, while TPEC Holdings Corporation owns the remaining 50% as of 31 January 2021.

The output of Pagbilao Unit 3 is sold to TLI and TPEC.

Therma South, Inc.

TSI, a wholly-owned Subsidiary of TPI, owns and operates the 300-MW net (2x150MW net) circulating fluidized bed ("CFB") coal-fired power plant located in Davao City and Sta. Cruz, Davao del Sur. TSI was incorporated on 18 November 2008. Commercial operations for Unit 1 and Unit 2 began in September 2015 and February 2016, respectively.

TSI contributes to the continuing growing power requirements of Mindanao by providing stable and cost-effective base load power. TSI supplies power to various private distribution utilities and energy cooperatives. TSI seeks to sustain the positive impact it has brought to its host communities through various educational, livelihood, and enterprise development programs, benefitting children, students, small and medium enterprise owners, and its employees.

Therma Visayas, Inc.

TVI owns and operates the 300-MW net (2x150 MW net) CFB coal-fired power plant located in Toledo City, Cebu. Commercial operations for Unit 1 and Unit 2 began in April and August 2019, respectively.

AboitizPower, through TPI, effectively owns a 80% equity interest of TVI as of 31 January 2021. The remaining 20% is held by Vivant Group.

TVI supplies power to Visayan Electric and its RES Affiliates – AESI, AdventEnergy, Inc. ("AdventEnergy"), and Prism Energy, Inc. ("Prism Energy").

Abovant Holdings, Inc. and Cebu Energy Development Corporation

Abovant is a joint venture company between AboitizPower and the Vivant Group as the holding company for shares in Cebu Energy. The company was incorporated on 28 November 2007.

Cebu Energy was incorporated on 5 December2008 by Abovant and Global Formosa Power Holdings, Inc., a Joint Venture between Global Business Power Corporation and Flat World Limited. The company owns the 3x82-MW CFB coal-fired power plant situated within the Toledo Power Complex in Barangay Daanlungsod, Toledo City, Cebu. The first unit was commissioned in February 2010, while the second and third units were commissioned in the second and fourth quarters of 2010, respectively. Cebu Energy declared commercial operations on 26 February 2011, and is the first commercial clean-coal facility in the country.

Cebu Energy consistently ensures delivery of the highest level of service, and actively undertakes accreditations on Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (OHSAS 18001:2007). The company provides power to the province of Cebu and its neighboring province, Bohol. Likewise, Cebu Energy has an existing ASPA with NGCP to help maintain a reliable electric Grid system.

As of 31 January 2021, Abovant has a 44% equity interest in Cebu Energy, while Global Formosa owns the remaining 56%. Consequently, AboitizPower, through TPI, holds a 26.4% effective ownership interest in Cebu Energy.

Redondo Peninsula Energy, Inc.

RP Energy was incorporated on 30 May 2007 to construct, own, and operate the 2x300-MW (net) coal-fired power plant located in the Redondo Peninsula of Subic Bay within the Subic Bay Freeport Zone ("SBFZ"), Subic, Zambales.

RP Energy was originally a Joint Venture between AboitizPower and TCIC. MPGC acquired a majority interest in RP Energy by virtue of a share purchase agreement with TPI on 22 July 2011. AboitizPower, through TPI, and TCIC each retained a 25% stake in RP Energy.

STEAG State Power Inc.

STEAG Power is the owner and operator of a 210 MW (net) coal-fired power plant located in PHIVIDEC Industrial Estate in Misamis Oriental, Northern Mindanao. The company was incorporated on 19 December 1995. The STEAG Power Plant consisting of two units was built under a BOT arrangement and started commercial operations on 15 November 2006. STEAG Power has a 25-year PPA with NPC, which is backed by a Performance Undertaking issued by the Philippine government. One of its two power plant units is currently on economic shutdown as required by NPC/PSALM in accordance with the PPA due to the pandemic quarantine effects and high water level of hydrowater plants. The partial economic shutdown is projected to last until 31 March 2021. STEAG Power ended 2020 with a plant availability rate of 90.11%.

STEAG Power entered into two coal supply agreements in December 2019 that secured the plant's fuel requirements for the next three years on a fixed base and option tonnage.

As of 31 January 2021, AboitizPower has a 34% equity interest in STEAG Power following the purchase of said equity from Evonik Steag GmbH (now STEAG GmbH or STEAG). STEAG and La Filipina Uy Gongco Corporation currently hold the remaining 51% and 15% equity, respectively, in STEAG Power.

AA Thermal, Inc.

On 2 May 2019, AboitizPower completed its acquisition of a 49% voting stake and a 60% economic stake in AA Thermal, Inc., AC Energy Inc. ("AC Energy")'s thermal platform in the Philippines.

The AA Thermal platform initially consists of AC Energy's limited partnership interests in GMEC and GNPD, where AboitizPower, through TPI, already holds direct partnership interests.

GNPower Mariveles Energy Center Ltd. Co.

GMEC, formerly known as GNPower Mariveles Coal Plant Ltd. Co., is a private limited partnership organized on 13 May 2007 and established to undertake the development, construction, operation, and ownership of an approximately 2x316 MW (net) pulverized coal-fired power plant located in Mariveles, Bataan, Philippines (the "Mariveles Project"). GMEC registered its Amended Articles of Partnership to reflect GMEC's change in partnership name, which was subsequently approved by the SEC on 14 October 2020.

The Mariveles Project is located within an industrial zone on a 60-hectare coastal site near the port of Mariveles, Bataan. The project site lies near the northern entrance to Manila Bay, providing easy and safe shipping access from the West Philippine Sea. The Mariveles Project commenced on 29 January 2010 and was declared commercially available in 2013.

The electricity produced by the Mariveles Project is exported through a 230kV high voltage transmission line owned and operated by NGCP. Substantially all of the capacity of the Mariveles Project is contracted under long term PPAs with highly-rated distribution utilities and Contestable Customers, through its designated RES, GNPower Ltd. Co.

In October 2016, TPI acquired the partnership interests held by the affiliated investment funds of The Blackstone Group L.P. in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). Following its receipt of the necessary approvals from the BOI and PCC, TPI completed the acquisition of GMEC and GNPD on 27 December 2016. Beginning 13 October 2017, through its general and limited partners, AboitizPower's sharing percentage on GMEC's: (i) profits and losses and (ii) distributions, including net distributable liquidation proceeds, has been at 66.0749%.

On 7 March 2018, AboitizPower completed the restructuring of its share ownership structure in GMEC by transferring its direct ownership of GMEC from the offshore subsidiaries of TPI to TPI itself, and the eventual dissolution and liquidation of the offshore intermediary subsidiaries that used to own the GMEC shares.

Effectively, the partnership interests in GMEC are owned by: (i) TPI; (ii) ACE Mariveles Power Ltd. Co., a Joint Venture between AC Energy, a wholly-owned Subsidiary of Ayala Corporation, and Power Partners Ltd. Co. ("Power Partners"); and (iii) Power Partners.

GNPower Dinginin Ltd. Co.

GNPD is a limited partnership organized and established on 21 May 2014 with the primary purpose of developing, constructing, operating, and owning a 2x668 MW (net) supercritical coal-fired power plant to be located in Mariveles, Bataan.

GNPD started the construction of Unit 1 in September 2016, with delivery thereof targeted to take place by the second quarter 2021. The partnership also proceeded with the expansion of the power plant and achieved its financial closing for Unit 2 in December 2017, with expected target delivery thereof in the fourth quarter of 2021. To date, GNPD has signed numerous Power Purchase and Sale Agreements with highly-rated distribution utilities and RES.

GNPD's construction is conducted in two phases: (i) the first phase is for Unit 1 and its associated ancillary facilities as well as the balance of plant, and (ii) the second phase is for Unit 2, an additional identical 668MW (net) unit, and its associated ancillary facilities. The electricity that will be produced by Unit 1 of GNPD will be exported through the existing 230kV high voltage transmission line owned and operated by NGCP. Once NGCP's 500kV high voltage transmission line is completed, energy from both GNPD's Unit 1 and Unit 2 will be exported through the same.

On 27 December 2016, TPI completed the acquisition of the partnership interests held by the affiliated investment funds of The Blackstone Group, L.P in World Power Holdings, L.P. (currently registered as Therma Mariveles Holdings L.P.) and Sithe Global Power, L.P. (currently registered as Therma Dinginin L.P.). AboitizPower's sharing percentage on GNPD's (i) profits and losses and (ii) distributions therein, through its general and limited partners, was eventually reduced to 40%.

In 2018, AboitizPower, through TPI, restructured its share ownership structure in GNPD and transferred direct ownership of GNPD from the offshore subsidiaries of TPI to TPI itself, resulting in TPI directly owning a 45% partnership interest in GNPD by 31 December 2018.

In 2019, GNPD renewed its registration with the Freeport Area of Bataan ("FAB"). As a FAB Registered Enterprise, GNPD is entitled to the incentives granted under RA No. 9728, the organic law creating the FAB.

The GNPower Dinginin project is in the final stages of construction but continues to face challenges due to the COVID-19 pandemic and travel restrictions. Due to these circumstances, commercial operations dates for Units 1 and 2 are expected to commence in third quarter 2021 and first quarter 2022, respectively.

GNPD is co-developed by Power Partners, AC Energy, and TPI. As of 31 January 2021, AboitizPower owned a 70% effective partnership interest in GNPD.

Other Generation Assets

Cotabato Light maintains a stand-by maximum capacity of 4.45-MW Bunker C-fired power plant capable of supplying approximately 14.16% of its requirements as of 31 December 2020.

Future Projects

AboitizPower assesses the feasibility of any new power generation project. Factors taken into consideration include the proposed project's land use requirements, access to a power grid, fuel supply arrangements, availability of water, local requirements for permits and licenses, acceptability of the project to the communities and people it will affect, ability of the project to generate electricity at a competitive cost, and the existence of potential purchasers of the electricity generated. For the development of a new power project, the company, its partners, and its suppliers are required to obtain all national and local permits and approvals before the commencement of construction and commercial operations, including those related to the project site, construction, environment, land use planning/zoning, operations licenses, and similar approvals.

DISTRIBUTION OF ELECTRICITY

The Aboitiz Group has more than 85 years of experience in the Philippine power distribution sector.

With ownership interests in nine Distribution Utilities, the company believes that it is currently one of the largest electricity distributors in the Philippines. AboitizPower's Distribution Utilities collectively supply electricity to franchise areas covering a total of 18 cities and municipalities and five economic zones across Luzon, Visayas and Mindanao.

In 2020, the wholly-owned Distribution Utilities and Visayan Electric completed a rebranding initiative to modernize the look and feel of the brands and visually show their relation to AboitizPower.

The Distribution Utilities' earnings contribution to AboitizPower's business segments in 2020 was equivalent to 28.03%. The Distribution Utilities had a total customer base of 1,068,820 as of year-end 2020, compared to 1,030,726 as of end-2019, and 995,828 as of the end of 2018.

The table below summarizes the key operating statistics of the Distribution Utilities for each of the past three years:

Company	Electricity Sold (MWh)			Peak Demand (MW)			No. of Customers		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Davao Light	**2,476,991**	2,633,920	2,468,192	**452**	454	421	**440,304**	420,666	404,574
Cotabato Light	**170,363**	173,114	165,409	**32**	31	31	**45,044**	43,449	41,681
Visayan Electric	**3,119,850**	3,500,781	3,159,032	**583**	601	547	**462,699**	450,088	437,823
SFELAPCO	**686,694**	714,948	665,425	**134**	140	134	**116,293**	112,091	107,536
Subic Enerzone	**262,393**	329,633	423,939	**56**	62	100	**3,477**	3,473	3,343
Mactan Enerzone	**99,927**	117,433	123,276	**21**	22	22	**87**	87	85
Balamban Enerzone	**92,771**	101,885	100,554	**28**	27	27	**29**	34	31
Lima Enerzone	**242,455**	249,394	224,175	**49**	44	39	**882**	834	755
Malvar Enerzone	**158**	51	N/A	**0.12**	0.06	N/A	**5**	4	N/A
Total	**7,151,601**	**7,821,159**	**7,330,002**	**1,355**	**1,382**	**1,320**	**1,068,820**	**1,030,726**	**995,828**

Visayan Electric Company, Inc.

Visayan Electric is the second largest privately-owned distribution utility in the Philippines in terms of customer size and annual MWh sales. The company supplies electricity to a region covering 674 square kilometers ("sq. kms.") in the island of Cebu with a population of approximately 1.7 mn. Visayan Electric has 19 power substations and one mobile substation that serve the electrical power needs of various cities, municipalities, and barangays in the island and province of Cebu.

Visayan Electric is the Aboitiz Group's first involvement in the power industry, with the acquisition by some family members of a 20% ownership interest in the early 1900s. Directly and through its predecessors-in-interest, the company has been in the business of distributing electricity in Cebu since 1905. In 1928, Visayan Electric Company, S.A. was granted a 50-year distribution franchise by the Philippine Legislature. The franchise was renewed in September 2005 for a period of 25 years or until September 2030.

As of 2020, Visayan Electric's total systems loss is at 6.84%. This includes a feeder loss level of 4.94%, which is below the government-mandated feeder loss cap of 6.00%.

Visayan Electric has energized 100% of all the barangays, and electrified 99.60% of all the households within its franchise area. A goal of 100% total electrification is set on 31 December 2022, a year earlier than the national goal set by the DOE.

Visayan Electric is true to its vision of becoming a world-class electric utility by implementing innovations such as the implementation of a full digital substation using IEC 61850 station and process bus for its Paknaan substation. The newest application for distribution automation, fault location, isolation, and service restoration ("FLISR"), is an ongoing project to be applied to four feeders within the franchise.

Visayan Electric's Underground Distribution System ("UDS") project, which began in 2013, aims to convert overhead conductors to underground cables along Cebu City's Sinulog Route with a total length of approximately five kilometers ("kms"). To date, approximately 3.3 kms have been completed.

Visayan Electric has reinforced and improved the existing capacity and reliability of its 23kV West Cluster with the addition of another 33 MVA Power Transformer in the Calamba Substation. This will enhance electricity service for the increasing demand of both commercial and densely residential customers within its franchise area.

Another milestone for Visayan Electric is the construction and completion of the Visayan Electric System Control Center building. This dedicated building was constructed to safeguard the operation of all the substations and remotely-operated devices installed across the entire franchise area.

As of 31 January 2021, AboitizPower directly held a 55.26% equity interest in Visayan Electric. 34.81% is owned by the Vivant Group.

Davao Light & Power Company, Inc.

Davao Light is the third largest privately-owned electric distribution utility in the country in terms of customer size and annual kWh sales. Its franchise area covers two cities and three municipalities in the Davao region, with a population of approximately 1.8 mn and a total area of 3,561 sq. kms.

Davao Light was incorporated on 11 October 1929, and was acquired by the Aboitiz Group in 1946. The company's original 50-year franchise, covering Davao City, was granted in November 1930 by the Philippine Legislature. On 26 December 2020, the President signed into law RA No. 11515 extending Davao Light's franchise for an additional 25 years from 2025, or until 2050.

Thirty-five percent (35%) of the company's power supply mix is from renewable energy sources, including NPC-PSALM, Hedcor Sibulan, Hedcor Bukidnon, and Hedcor's Talomo plant.

Davao Light continuously upgrades its distribution network infrastructure to increase capacity and adopts digital technology in its substations to enhance the reliability and flexibility in the sub-transmission and distribution network. Its UDS project along C.M Recto St., Davao City which commenced in 2019 has completed civil works construction and installation of electrical equipment and is currently in the testing and commissioning stage.

Davao Light retained its certification for the ISO 9001:2015, or the Quality Management System, and passed the surveillance audit for ISO 45001:2018 - Occupational Health and Safety Management System and ISO 14001:2015 – Environmental Management System.

During 2020, Davao Light's total systems loss was at 7.88%. This included a feeder loss of 5.09%, which was below the government-mandated feeder loss cap of 6%.

Cotabato Light and Power Company

Cotabato Light supplies electricity to Cotabato City and portions of the municipalities of Datu Odin Sinsuat and Sultan Kudarat, Maguindanao, with its franchise covering a land area of 191.20 sq. kms. Incorporated in April 1938, Cotabato Light's original 25-year franchise was granted by the Philippine Legislature through RA No. 3341 in June 1939. The most recent renewal of the franchise was in June 2014 for a period of 25 years, or until 2039.

Cotabato Light also maintains a standby 4.45-MW Bunker C-fired plant capable of supplying approximately 13.98% of its franchise area requirements. The standby power plant, capable of supplying electricity in cases of supply problems with its power suppliers or NGCP and for the stability of voltage whenever necessary, is another benefit available to Cotabato Light's customers.

Cotabato Light's total systems loss in 2020 was 8.88%. This included a feeder loss of 8.24% which was above the government-mandated feeder loss cap of 6.00%. Cotabato Light is continuously innovating its strategies and processes to reduce its system losses.

As of 31 January 2021, AboitizPower directly owned a 99.94% equity interest of Cotabato Light.

San Fernando Electric Light & Power Co., Inc.

SFELAPCO was incorporated on 17 May 1927 and was granted a municipal franchise in 1927. The most recent renewal of its franchise was in March 2010 for a period of 25 years.

SFELAPCO's franchise in the City of San Fernando, Pampanga covers an area of 78.514 sq. kms. As of 31 January 2021, it includes 616.063 and 1,015.019 circuit-kilometers on its 13.8-kV and 240-volt distribution lines, respectively. SFELAPCO supplies various barangays in certain cities and municipalities of Pampanga.

During 2020, SFELAPCO's systems loss was 4.95%. This included a feeder loss of 3.60%, which was below the government-mandated feeder loss cap of 6%.

As of 31 January 2021, AboitizPower had an effective equity interest of 43.727% in SFELAPCO.

Subic Enerzone Corporation

On 3 June 2003, Subic Enerzone was incorporated as a Joint Venture owned by a consortium including Davao Light, AEV, and SFELAPCO, among others, to undertake management and operation of the SBFZ power distribution utility.

As of 31 January 2021, Subic Enerzone served a total of 3,484 customers, consisting of 83 industrial locators, 1,250 commercial locators, 2,030 residential customers, 102 streetlights and 19 industrial locators under RES.

In 2020, Subic Enerzone's systems loss was at 3.20%. This included a feeder loss of 2.60%, which was below the government-mandated feeder loss cap of 6.00%.

As of 31 January 2021, AboitizPower owned, directly and indirectly through Davao Light, a 99.98% equity interest in Subic Enerzone.

Mactan Enerzone

Mactan Enerzone was incorporated in February 2007 when AboitizLand spun off the power distribution system of its MEPZ II project. The MEPZ II project, which was launched in 1995, was operated by AboitizLand under a BOT agreement with the Mactan-Cebu International Airport Authority.

Mactan Enerzone sources its power from SN Aboitiz Power-Magat and Green Core Geothermal Incorporated pursuant to a CSEE.

As of 31 January 2021, Mactan Enerzone served a total of 53 captive industrial locators, 28 captive commercial locators, and six industrial locators under RES.

In 2020, Mactan Enerzone's total systems loss was 0.97%. This included a feeder loss of 0.43%, which was below the government-mandated feeder loss cap of 6.25%.

As of 31 January 2021, AboitizPower owned a 100% equity interest of Mactan Enerzone.

Balamban Enerzone Corporation

Balamban Enerzone was incorporated in February 2007 when Cebu Industrial Park Developers, Inc., a Joint Venture between AboitizLand and THC, spun off the power distribution system of the West Cebu Industrial Park – Special Economic Zone ("WCIP-SEZ"). WCIP-SEZ is a special economic zone for light and heavy industries located in Balamban, Cebu.

As of 31 January 2021, Balamban Enerzone served a total of 11 captive industrial customers, 12 captive commercial customers, and six contestable industrial customers.

In 2020, Balamban Enerzone's total systems loss was 0.43%. This included a feeder loss of 0.17%, which was below the government-mandated feeder loss cap of 6.25%.

As of 31 January 2021, AboitizPower directly owned a 100% equity interest of Balamban Enerzone.

Lima Enerzone Corporation

Lima Enerzone was incorporated as Lima Utilities Corporation on 5 June 1997 to serve and provide locators within the LIMA Technology Center with a reliable and stable power supply.

As of 31 January 2021, Lima Enerzone served a total of 90 captive industrial locators, 13 captive commercial locators, 749 captive residential customers, eight street lamps, and 18 industrial locators under RES.

In 2020, Lima Enerzone's total systems loss was 5.36%. This included a feeder loss of 0.64%, which was below the government-mandated feeder loss cap of 6.25%.

As of 31 January 2021, AboitizPower directly owned a 100% equity interest of Lima Enerzone.

Malvar Enerzone Corporation

Malvar Enerzone Corporation ("Malvar Enerzone") was incorporated on 9 June 2017 to serve and provide locators within the Light Industry & Science Park IV ("LISP IV") in Malvar, Batangas. Malvar Enerzone is expected to manage the construction, installation, operation, and maintenance of the power distribution of LISP IV for 25 years. LISP IV is expected to have two 50MVA transformers to provide reliable and quality power to locators, which are mostly from manufacturers and exporters.

In 2020, Malvar Enerzone's total systems loss was 21.98% due to the energization of the two 50MVA power transformer at very minimal load factor. This included a feeder loss of 0.45%, which was below the government-mandated feeder loss cap of 6.25 %.

As of 31 January 2021, AboitizPower directly owned a 100% equity interest of Malvar Enerzone.

RETAIL ELECTRICITY AND OTHER RELATED SERVICES (RETAIL ELECTRICITY SUPPLY BUSINESS)

One of the objectives of electricity reform in the Philippines is to ensure the competitive supply of electricity at the retail level. With the start of commercial operations of Open Access, large-scale customers are allowed to obtain electricity from RES licensed by ERC.

Aboitiz Energy Solutions, Inc.

AESI is engaged in the business of a retail energy supplier and energy consolidator. It was granted a license to act as a RES valid until 28 October 2022. The company was incorporated on 11 August 1998.

At the start of commercial operations of Open Access on 26 June 2013, AESI served 42 customers. For the year 2020, AESI supplied retail electricity to a total of 205 customers, with total energy consumption of 2,027.20 mn kWh. As of 31 January 2021, AboitizPower owned a 100% equity interest of AESI.

Adventenergy, Inc.

AdventEnergy was specifically formed to serve Contestable Customers who are located in economic zones. It was granted a license to act as a RES valid until 17 June 2022. The company was incorporated on 14 August 2008.

AdventEnergy differentiates itself from competition by sourcing most of its electricity requirements from a renewable source. As a result, an increasing number of companies are opting to source a part, if not the majority, of their electricity supply from AdventEnergy as an environmental initiative.

During 2020, AdventEnergy supplied retail electricity to 68 customers with a total consumption of 1,057.29 mn kWh.

As of 31 January 2021, AboitizPower owned a 100% equity interest of AdventEnergy.

Prism Energy, Inc.

Prism Energy was incorporated in March 2009 as a Joint Venture between AboitizPower and Vivant Corporation. It was granted a license to act as a RES valid until 22 May 2022.

Prism Energy is envisioned to serve Contestable Customers in the Visayas region. As a RES, Prism Energy provides its customers with contract options for electricity supply that is based on their operating requirements. During 2020, Prism Energy supplied retail electricity to 43 customers with a total energy consumption of 179.92 mn kWh.

As of 31 January 2021, AboitizPower directly owned a 60% equity interest in Prism Energy.

SN Aboitiz Power – Res, Inc.

SN Aboitiz Power-RES, Inc. ("SN Aboitiz Power-RES") is the retail arm of the SN Aboitiz Power Group. It caters to Contestable Customers and electricity consumers using an average of at least 1 MW in the last twelve months across all industries under Open Access. It offers energy supply packages tailored to its customers' needs and preferences.

As of 31 January 2021, Manila Oslo Renewable Enterprise Inc. ("MORE") owned a 60% equity interest in SN Aboitiz Power-RES, with the remaining 40% owned by SN Power Philippines.

(ii) Sales

The operations of AboitizPower and its Subsidiaries and Affiliates are based only in the Philippines.

Comparative amounts of revenue, profitability and identifiable assets are as follows:

	2020	2019	2018
Gross Income	₱110,377	₱125,635	₱131,572
Operating Income	26,880	28,856	36,497
Total Assets	₱397,925	₱410,469	₱389,662

Note: Values are in Million Pesos. Operating income is operating revenue net of operating expenses.

Comparative amounts of revenue contribution and corresponding percentages to total revenue by business group are as follows:

	2020		2019		2018	
Power Generation	**₱74,647**	**55%**	₱84,379	53%	₱85,580	54%
Power Distribution	**42,991**	**32%**	47,448	30%	46,989	29%
Retail Electricity Supply	**16,477**	**12%**	24,566	15%	26,191	16%
Services	**1,308**	**1%**	1,965	1%	1,098	1%
Total Revenue	**135,423**	**100%**	**158,358**	**100%**	**159,858**	**100%**
Less: Eliminations	-25,046		-32,723		(28,286)	
Net Revenue	**₱110,377**		**₱125,635**		**₱131,572**	

Note: Values are in Million Pesos.

(iii) Distribution Methods of the Product or Services

POWER GENERATION BUSINESS

The AboitizPower's Generation Companies sell their capacities and energy through bilateral PSAs with private distribution utilities, electric cooperatives, RES, other large end-users, and through the WESM. The company has Subsidiaries and Affiliates that sell ancillary services through ASPAs with NGCP. The majority of AboitizPower's Generation Companies have transmission service agreements with NGCP for transmission of electricity to the Grid.

DISTRIBUTION UTILITIES BUSINESS

Ancillary Services are necessary to help ensure a reliable and stable Grid, which co-exist with the energy market or WESM. NGCP signs ASPAs with AS-certified generators to fulfill specific ancillary service requirements per Grid. Currently, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, TMI, TMO, TLI, APRI, Cebu Energy, and WMPC have ASPAs with NGCP. In the Luzon grid, the SN Aboitiz Power Group delivers regulating, contingency, and dispatchable reserves, blackstart service, and reactive power support through its Ambuklao, Binga, and Magat Plants. In addition, TLI's Pagbilao and APRI's Makban plants are delivering contingency reserves and Reactive Power Support AS, respectively. In Visayas, AboitizPower delivers Contingency Ancillary Service through Cebu Energy. TMI provides both contingency and dispatchable reserves requirements in Mindanao.

In addition, the run-of-river hydroelectric power plants - Tudaya Hydro 2, Irisan Hydro 1, Sabangan, and Manolo Fortich 1, - all in commercial operations, have been approved for inclusion in the FIT system. Hedcor, Hedcor Tudaya, Hedcor Sabangan, and Hedcor Bukidnon, the legal entities that own and operate the foregoing plants, have entered into REPAs with Transco, in its capacity as FIT-Allowance ("FIT-All") Administrator, for the collection and payment of the FIT. In the absence of WESM in Mindanao, Tudaya Hydro 2, and Manolo Fortich Hydro 1 have entered into RESAs with their host distribution utilities or electric cooperatives. Currently, Hedcor Bukidnon is in the process of converting the COC of 27.387 MW Manolo Fortich 2 to FIT-COC.

AboitizPower's Distribution Utilities have exclusive distribution franchises in the areas where they operate. Each Distribution Utility has a distribution network consisting of a widespread network of predominantly overhead lines and substations. Customers are classified according to voltage levels based on their electricity consumption and demand. Large industrial and commercial consumers receive electricity at distribution voltages of 13.8 kV, 23 kV, 34.5 kV, and 69 kV, while smaller industrial, commercial, and residential customers receive electricity at 240 V or 480 V.

With the exception of Malvar Enerzone, all of AboitizPower's Distribution Utilities have entered into transmission service contracts with NGCP for the use of NGCP's transmission facilities to receive power from PSALM to their respective independent power producers to their respective customers. All customers that connect to the Distribution Utilities' distribution lines are required to pay a tariff approved by ERC.

RETAIL ELECTRICITY SUPPLY BUSINESS

AdventEnergy and AESI have existing electricity supply contracts to ensure continuous supply of power to their customers. These companies maintain a portfolio of energy-based supply contracts from renewable and non-renewable sources to secure reliable and affordable electricity for its customers. These electricity supply contracts involve a mix of fixed rate and margin based electricity fees that are updated year on year to ensure that supply is maintained at competitive rates. Prism Energy primarily serves contestable customers under the Visayan Electric franchise.

(iv) New Products/Services

Other than the ongoing Greenfield and/or rehabilitation projects undertaken by AboitizPower's Generation Companies, AboitizPower and its Subsidiaries do not have any publicly announced new products or services as of 31 January 2021.

(v) Competition

POWER GENERATION BUSINESS

AboitizPower continues to face competition in both the development of new power generation facilities and the acquisition of existing power plants. Competition for financing these activities, as well as the demand for use of renewable energy sources, remains to be a challenge to AboitizPower's growth and portfolio of assets.

The global pandemic has resulted in a decrease in the consumption of power across the Philippines and this is expected to continue in the short term. With suppressed demand, competition among generation companies is expected to increase as they seek contracts to make up for lost consumption. Nevertheless, AboitizPower believes the Philippines still has long term energy requirements that will continue to grow, attracting many competitors - including multinational development groups and equipment suppliers - to explore opportunities in power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth trajectory of the Philippines.

In particular, AboitizPower is expected to face competition from leading multinationals such as AES Corporation, TeaM Energy, The Electricity Generating Public Company Limited, and Korea Electric Power Corporation, as well as power generation facilities owned or controlled by Filipino-owned companies such as Global Business Power Corporation, AC Energy, First Gen Corporation, DMCI Holdings, Inc., Meralco PowerGen Corporation, and SMC Global Power.

With the commencement of retail competition and Open Access, these foreign and local generation companies have already set up their own RES business, which include Direct Power RES, and Ecozone Power Management Inc. RES. Of these, the largest player in terms of number of registered Contestable Customers is MPower RES.[14] The main strength of this largest player is its association with the country's largest distribution utility, Meralco, and the goodwill that comes from its size and dominance.

RETAIL ELECTRICITY SUPPLY BUSINESS

Based on ERC's Competitive Retail Electricity Market Monthly Statistical Data as of December 2020, there are 44 RES companies and 25 Local RES companies participating in the Open Access markets in Luzon and Visayas. The Meralco group, through its RES companies, has the largest market share at 35.16%. AboitizPower, through its RES companies, has the second-largest market share at 21.46%,[15] with contracted capacity of 843.26 MW[16] as of December 2020.

The increase in the number of power plants, the number of RES companies, and volatile oil and coal prices have also increased the level of competition in the Open Access market. RES companies have resorted to both aggressive pricing and contractual concessions.

[14] Based on ERC's Competitive Retail Electricity Market Report released in December 2020.
[15] Excluding SFELAPCO which is 20.284% owned by AboitizPower.
[16] Excluding SFELAPCO which is 20.284% owned by AboitizPower.

AboitizPower believes that its portfolio, consisting of different types of energy sources with a mix of renewables and non-renewables, allows it to be flexible in both pricing and reliability of supply, thus enhancing its competitiveness.

DISTRIBUTION UTILITIES BUSINESS

Each of AboitizPower's Distribution Utilities currently have franchises to distribute electricity in the areas covered by its franchises.

(vi) Sources of Raw Materials and Supplies

POWER GENERATION BUSINESS

The Generation Companies produce energy using the following fuel types based on attributable net selling capacity: 17% hydropower, 8% geothermal, 1% solar, 58% coal, and 16% oil. In 2020, renewable fuel sources comprised 27% of attributable net selling capacity, while thermal accounted for 73%.

AboitizPower's run-of-river hydropower facilities harness the energy from the flow of water from neighboring rivers to generate electricity. The hydroelectric companies on their own, or through NPC as in the case of LHC, possess water permits issued by National Water Resources Board ("NWRB"), which allow them to utilize the energy from a certain volume of water from the applicable source of the water flow.

APRI's steam requirement for its geothermal power generation continues to be supplied by PGPC. The terms of the steam supply are governed by a Geothermal Resources Supply and Services Agreement under which price of steam is ultimately indexed to the Newcastle Coal Index and the Japanese Public Utilities coal price. APRI and PGPC signed a new agreement on 24 August 2018 under which PGPC will drill 12 new production wells with a minimum of 50 MW aggregated individual well capacity by 2023.

Oil-fired plants use Bunker-C fuel to generate electricity. SPPC and WMPC source fuel from Pilipinas Shell Petroleum Corporation and Phoenix Petroleum, respectively. Each of EAUC, CPPC, TMI, TMO, and TPVI has a fuel supply agreement with Shell, Phoenix Petroleum, and/or PTT Philippines Corporation. The fuel prices under these agreements are pegged to the Mean of Platts Singapore index.

TLI has long-term coal supply contracts for both the performance and blending coal requirements of Pagbilao Units 1 and 2. Likewise, a three-year coal supply contract for Pagbilao Unit 3 was signed in 2019.

TVI entered into a long-term coal supply agreement with one of its established coal sources after its successful test firing of another source of coal. Nevertheless, sourcing and evaluation of other coal sources are ongoing for supply diversification and security.

Likewise, TSI has annual coal supply contracts for its coal plant in Davao. It applies the same sourcing strategy as that of TLI and TVI where evaluation of other potential coal sources are being conducted in order to establish the most competitive and optimum fuel supply mix.

GNPD, GMEC, STEAG Power, and Cebu Energy also have long-term coal supply agreements.

POWER DISTRIBUTION BUSINESS

The rates at which the Distribution Utilities purchase electricity from affiliated Generation Companies are established pursuant to bilateral agreements. These agreements are executed after the relevant Generation Company has successfully bid for the right to enter into a PSA with a Distribution Utility. These agreements are entered into on an arms'-length basis, on commercially reasonable terms, and must be approved by the ERC.

To address long-term power supply requirements, Davao Light and Cotabato Light entered into 25-year PSCs with TSI for 100 MW and 5 MW, respectively, and started drawing their contracted capacity in

September 2015. In June 2016, Davao Light and TSI filed a Joint Manifestation with ERC stating that they agreed to supplement and modify their supply contract to 108 MW.

In anticipation of higher demand and lower allocation from PSALM, Davao Light entered into a 10-year PSC with San Miguel Consolidated Power Corporation ("SMCPC") for a supply of 60MW in 2016. SMCPC began supplying the 60-MW contracted capacity in February 2018. Davao Light also renewed its Contract to Supply Electric Energy ("CSEE") with PSALM for a period of three years from 2018, 2019, and 2020 for 133 MW, 140 MW, and 140 MW, respectively. To cover its peak demand requirement for 2018 to 2021, Davao Light has Non-Firm ESAs with TMI and WMPC for up to 45MW and 60MW, respectively. Furthermore, Davao Light also contracted a 50MW Emergency Power Supply Agreement with SMCPC for 2020 in anticipation of the reported slight *El Niño* in the first quarter that may affect the production of hydroelectric plants of PSALM.

To address long-term power supply requirements, Visayan Electric entered into a 25-year Electric Power Purchase Agreement with Cebu Energy in October 2009 for the supply of 105 MW. In December 2010, Visayan Electric signed a five-year PSA with GCGI for the supply of 60 MW at 100% load factor which was extended for another ten years in October 2014. Visayan Electric also has a PPA with CPPC which is set to expire in 2023, and a 15-year PSA with TVI for the supply of 150 MW beginning 2018.

Malvar Enerzone has a power supply contract with Batangas II Electric Cooperative, Inc. to meet the ecozone's power requirements until its electricity demand is stable.

The provisions of the Distribution Utilities' PPAs are governed by ERC regulations. The main provisions of each contract relate to the amount of electricity purchased, the price, including adjustments for various factors such as inflation indexes, and the duration of the contract. Distribution Utilities also enter into PSAs with various generation companies.

Transmission Charges

AboitizPower's Distribution Utilities have existing Transmission Service Agreements ("TSA") with the NGCP for the use of the latter's transmission facilities in the distribution of electric power from the Grid to its customers, which are valid until the dates specified below:

Distribution Utility	Valid until
Davao Light	25 January 2024
Lima Enerzone	25 July 2022
Mactan Enerzone	25 January 2020*
Balamban Enerzone	25 January 2020*
SFELAPCO	25 December 2023
Cotabato Light	25 August 2023
Visayan Electric	25 January 2024
Davao Light	25 August2023

** The TSA renewals of MEZ and BEZ are currently being finalized for execution with NGCP. Delays are related to restrictions caused by the COVID-19 pandemic.

The Distribution Utilities have negotiated agreements with NGCP in connection with the security deposit to secure their obligations to the NGCP under the TSAs. Malvar Enerzone has already applied and submitted the requirements for connection to the Grid.

(vii) Major Customers

POWER GENERATION BUSINESS

As of 31 December 2020, out of the total electricity sold by AboitizPower's Generation Companies, approximately 93% is covered by bilateral contracts with, among others, private distribution utilities, electric cooperatives, and industrial and commercial companies. The remaining, approximately 7%, is sold by the Generation Companies through the WESM.

RETAIL ELECTRICITY SUPPLY BUSINESS

As of 31 January 2021, AboitizPower's RES business has approximately 301 Contestable Customers with active contracts, from a wide number of industries, including property development, meat processing, semiconductors, steel, and cement. AboitizPower thus believes that this diversity will insulate its RES business from downturns in any one industry.

POWER DISTRIBUTION UTILITIES

AboitizPower's Distribution Utilities have wide and diverse customer bases. As such, the company believes that loss of any one customer is not expected to have a material adverse impact on AboitizPower. The Distribution Utilities' customers are categorized into four principal categories:

(a) *Industrial customers.* Industrial customers generally consist of large-scale consumers of electricity within a franchise area, such as factories, plantations, and shopping malls;
(b) *Residential customers.* Residential customers are those who are supplied electricity for use in a structure utilized for residential purposes;
(c) *Commercial customers.* Commercial customers include service-oriented businesses, universities, and hospitals; and
(d) *Other customers.* Customers not falling under any of the above categories.

Government accounts for various government offices and facilities are categorized as either commercial or industrial depending on their load. Each Distribution Utility monitors government accounts separately and further classifies them to local government accounts, national government account, or special government accounts like military camps. Streetlights have a different rate category and are thus monitored independently.

(viii) Transactions with and/or Dependence on Related Parties

AboitizPower and its Subsidiaries, in their regular conduct of business, have entered into transactions with Associates and other related parties principally consisting of professional and technical services, power sales and purchases, advances, various guarantees, construction contracts, aviation services, and rental fees. These are made on an arm's-length basis as of the time of the transactions.

Details of the significant account balances of the foregoing related party transactions of the Power Group can be found in the consolidated financial statements of the AboitizPower.

(ix) Patents, Copyrights and Franchises

POWER GENERATION BUSINESS

Power generation is not considered a public utility operation under RA No. 9136 or the Electric Power Industry Act of 2001 ("EPIRA"). Thus, a franchise is not needed to engage in the business of power generation. Nonetheless, no person or entity may engage in the generation of electricity unless such person or entity has secured a COC from ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions set forth in the said COC.

In its operations, a generation company is required to comply with technical, financial and environmental standards. It shall ensure that facilities connected to the Grid meet the technical design and operation criteria of the Philippine Grid Code, Philippine Distribution Code, and Philippine Electrical Code. It shall also conform with financial standards and comply with applicable environmental laws, rules and regulations.

Cotabato Light has its own generation facilities and is required under the EPIRA to obtain a COC. Davao Light's generation facility was decommissioned last 26 November 2018. For IPPAs such as TLI, the COCs issued to the IPPs of the relevant generation facilities are deemed issued in favor of the IPPAs. As such, the IPPAs are also bound to comply with the provisions of the Philippine Grid Code, Philippine Distribution Code, WESM rules, and applicable rules and regulations of ERC.

AboitizPower's HEPPs are also required to obtain water permits from NWRB for the water flow used to run their respective hydroelectric facilities. These permits specify the source of the water flow that the Generation Companies can use for their hydroelectric generation facilities, as well as the allowable volume of water that can be used from the source of the water flow. Water permits have no expiration date and require their holders to comply with the terms of the permit with regard to the use of the water flow and the allowable volume.

AboitizPower, its Subsidiaries, and Affiliates are in various stages of development of several projects. Some of these projects have been awarded renewable energy service contracts by DOE.

The Generation Companies and Cotabato Light, a Distribution Utility, possess COCs for their power generation plants, details of which are as follows:

Title of Document	Issued under the Name of	Power Plant						Date of Issuance
		Name	Type	Location	Capacity	Fuel	Economic Life/Term of COC	
COC No. 18-12-M-00330L	Hedcor, Inc.	Irisan 3	Hydroelectric Power Plant	Tadiangan, Tuba, Benguet	1.20 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No.18-12-M-00334L	Hedcor, Inc.	Bineng 3	Hyd roelectric Power Plant	Bineng, La Trinidad, Benguet	5.625 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No. 18-12-M-00329L	Hedcor, Inc.	Ampohaw	Hydroelectric Power Plant	Banengbeng, Sablan, Benguet	8.00 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No. 18-12-M-00336L	Hedcor, Inc.	Sal-angan	Hydroelectric Power Plant	Ampucao, Itogon, Benguet	2.40 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No. 17-04-M-00032L	Hedcor, Inc.	Irisan 1	Hydroelectric Power Plant	Brgy. Tadiangan, Tuba, Benguet	3.89 MW	Hydro	30 April 2017 – 29 April 2022	19 April 2017
COC No. 20-08 - M-00061M	Hedcor, Inc.	Talomo 1	Hydroelectric Power Plant	Brgy. Malagos, Davao City	1 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08 - M-00062M	Hedcor, Inc.	Talomo 2	Hydroelectric Power Plant	Brgy. Mintal, Davao City	0.6 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08 - M-00063M	Hedcor, Inc.	Talomo 2A	Hydroelectric Power Plant	Upper Mintal, Davao City	0.65 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08 - M-00064M	Hedcor, Inc.	Talomo 2B	Hydroelectric Power Plant	Upper Mintal, Davao City	0.3 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020
COC No. 20-08 - M-00065M	Hedcor, Inc.	Talomo 3	Hydroelectric Power Plant	Catalunan, Pequeño, Davao City	1.92 MW	Hydro	16 February 2020 - 15 February 2025	12 August 2020

COC No. 18-12-M-00327L	Hedcor, Inc.	Ferdinand L. Singit Plant	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	6.40 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No. 18-12-M-00335L	Hedcor, Inc.	Lower Labay	Hydroelectric Power Plant	Ampusongan, Bakun, Benguet	2.40 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No. 18-12-M-00328L	Hedcor, Inc.	Lon-oy	Hydroelectric Power Plant	Poblacion, Bakun, Benguet	3.60 MW	Hydro	5 November 2018 - 4 November 2023	11 December 2018
COC No. 15-05-M-56M	Hedcor Sibulan, Inc.	Sibulan A – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	8.164 MW	Hydro	25 years	18 May 2015*
		Sibulan A – Unit 2			8.164 MW			
COC No. 15-05-M-54M	Hedcor Sibulan, Inc.	Sibulan B – Unit 1	Hydroelectric Power Plant	Brgy. Sibulan, Sta. Cruz, Davao del Sur	13.128 MW	Hydro	25 years	18 May 2015*
		Sibulan B – Unit 2			13.128 MW			
COC No. 19-03-M-00346M	Hedcor Sibulan, Inc.	Tudaya 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	6.65 MW	Hydro	10 March 2019 - 9 March 2024	5 March 2019
COC No. 18-06-M-00017L	Luzon Hydro Corporation	Bakun AC	Hydroelectric Power Plant	Amilongan, Alilem, Ilocos Sur	74.80 MW	Hydro	30 July 2018 – 29 July 2023	20 June 2018
COC No. 19-03-M-00013M	Hedcor Tudaya, Inc.	Tudaya 2 – Unit 1	Hydroelectric Power Plant	Sta. Cruz, Davao del Sur	5.362 MW	Hydro	11 April 2019 - 10 April 2024	5 March 2019
		Tudaya 2 – Unit 2			2.775 MW	Hydro		
COC No. 15-09-M-00023L	Hedcor Sabangan, Inc.	Sabangan Hydro	Hydroelectric Power Plant	Brgy. Namatec, Sabangan, Mountain Province	14.96 MW	Hydro	25 years	29 September 2015*
COC No. 19-06-M-00174M	Hedcor Bukidnon, Inc.	Manolo Fortich 1	Hydroelectric Power Plant	Brgy. Santiago, Manolo Fortich, Bukidnon	45.936 MW	Hydro	18 June 2019 - 17 June 2024	18 June 2019
COC No. 19-06-M-00175M	Hedcor Bukidnon, Inc.	Manolo Fortich 2	Hydroelectric Power Plant	Brgy. Dalirig, Manolo Fortich, Bukidnon	27.387 MW	Hydro	18 June 2019 - 17 June 2024	18 June 2019
COC No. 17-04-M-15911M	Cotabato Light and Power Company, Inc.	N/A	Bunker C-Fired Diesel Engine	CLPC Compound, Sinsuat Ave., Rosary Heights I, Cotabato City	9.927 MW	Diesel / Bunker C	10 January 2017 - 9 January 2022	19 April 2017
			Blackstart		10 kW	Diesel		
COC No. 18-03-M-00002V	East Asia Utilities Corporation	N/A	Bunker C/Diesel Fired Power Plant	Barrio Ibo, MEPZ 1, Lapu-Lapu City, Cebu	49.60 MW	Bunker C/ Diesel	11 June 2018 – 10 June 2023	27 March 2018
COC No. 18-03-M-00001V	Cebu Private Power Corporation	N/A	Bunker C/Diesel Fired Power Plant	Old Veco Compound, Brgy. Ermita, Carbon, Cebu City	70.59 MW	Bunker C/ Diesel	4 June 2018 – 3 June 2023	27 March 27, 2018
COC No. 18-12-M-00020M	Western Mindanao	N/A	Bunker C-Fired Power Plant	Malasugat, Sangali,	112 MW	Bunker C/Diesel	27 August 2018 – 26 August 2023	4 December 2018

	Power Corporation	N/A	Blackstart	Zamboanga City	160 kW	Diesel		
COC No. 18-12-M-00021M	Southern Philippines Power Corporation	N/A	Bunker C-Fired Diesel Power Plant	Brgy. Baluntay, Alabel, Sarangani Province	61.72 MW	Bunker C/ Diesel	27 August 2018 – 26 August 2023	4 December 2018
			Blackstart		160 kW	Diesel		
COC No. 15-11-M-2860L	SN Aboitiz Power – Magat, Inc. (Magat Hydroelectric Power Plant)	Magat Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Ramon, Isabela and A. Lista, Ifugao	90 MW	Hydro	25 years	11 November 2015*
		Magat Hydroelectric Power Plant – Unit 2			90 MW			
		Magat Hydroelectric Power Plant – Unit 3			90 MW			
		Magat Hydroelectric Power Plant – Unit 4			90 MW			
		Magat Hydroelectric Power Plant	Blackstart		600 kW	Diesel	25 years	
COC No. 18-04-M-00150L	SN Aboitiz Power – Magat, Inc.	Maris Main Canal I Hydroelectric Power Plant	Hydroelectric Power Plant	Brgy. Ambatali, Ramon, Isabela	8.50 MW	Hydro	4 April 2018 – 3 April 2023	4 April 2018
COC No. 17-03-M-00309L	SN Aboitiz Power – Benguet, Inc.	Binga Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Tinongdan, Itogon, Benguet	35.02 MW	Hydro	12 March 2017 - 11 March 2022	9 March 2017
		Binga Hydroelectric Power Plant – Unit 2	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant – Unit 3	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant – Unit 4	Hydroelectric Power Plant		35.02 MW			
		Binga Hydroelectric Power Plant	Blackstart Generator Set		320 KW	Diesel		
		Binga Hydroelectric Power Plant	Diesel Auxiliary Generator Set		330.40 KW	Diesel		
COC No. 16-08-M-00087L	SN Aboitiz Power – Benguet, Inc.	Ambuklao Hydroelectric Power Plant – Unit 1	Hydroelectric Power Plant	Brgy. Ambuklao, Bokod, Benguet	34.85 MW	Hydro	31 August 2016 - 30 August 2021	18 August 2016
		Ambuklao Hydroelectric Power Plant – Unit 2			34.85 MW			
		Ambuklao Hydroelectric			34.85 MW			

		Power Plant – Unit 3						
		Ambuklao Hydroelectric Power Plant	Auxiliary Generator Set		320 KW	Diesel		
		Ambuklao Hydroelectric Power Plant	Blackstart Generator Set		314 KW	Diesel		
COC No. 16-06-M-00016M	STEAG State Power, Inc.	N/A	Coal Fired Power Plant	Phividec Industrial Estate, Balascanas, Villanueva, Misamis Oriental	232 MW	Coal	30 August 2016 - 29 August 2021	13 June 2016
			Emergency Generating Set		1.25 MW	Diesel		
COC No. 15-03-S-00013M	STEAG State Power, Inc.	N/A	Diesel Engine	Phvidec Industrial Estate, Villanueva, Misamis Oriental	400 kW	Diesel	25 years	25 March 2015*
COC No. 15-05-M-00007L	AP Renewables, Inc.	Makban – Bay, Plant A	Geothermal Power Plant	Brgy. Bitin, Bay, Laguna	63.2 MW	Geo-thermal Steam	23 years	4 May 2015*
		Makban – Bay, Plant A			63.2 MW			
		Makban – Bay, Plant D			20.0 MW			
		Makban – Bay, Plant D			20.0 MW			
COC No. 15-05-M-00008L	AP Renewables, Inc.	Makban – Calauan, Plant B	Geothermal Power Plant	Brgy. Limao, Calauan, Laguna	63.2 MW	Geo-thermal Steam	23 years	4 May 2015*
		Makban – Calauan, Plant B			63.2 MW			
		Makban – Calauan, Plant C			55.0 MW			
		Makban – Calauan, Plant C			55.0 MW			
COC No. 15-05-M-00009L	AP Renewables, Inc.	Makban – Sto. Tomas, Plant E	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	20.0 MW	Geo-thermal Steam	23 years	4 May 2015*
		Makban – Sto. Tomas, Plant E			20.0 MW			
COC No. 15-11-M-00028L	AP Renewables, Inc.	Plant A, Unit 1	Geothermal Power Plant	Brgy. Naga, Tiwi, Albay	60 MW	Geo-thermal Steam	25 years	26 November 2015**
		Plant A, Unit 2			60 MW			26 November 2015*
COC No. 15-11-M-286rL	AP Renewables, Inc.	Plant C, Unit 5	Geothermal Power Plant	Brgy. Cale, Tiwi, Albay	57 MW	Geo-thermal Steam	25 years	26 November 2015**
		Plant C, Unit 6			57 MW			26 November 2015*

COC No. 17-05-M-00105L	AP Renewables, Inc.	MakBan Binary 1	Geothermal Power Plant	Brgy. Sta. Elena, Sto. Tomas, Batangas	7.0 MW	Brine	7 November 2016 - 6 November 2021	15 May 2017
COC No. 16-03-M-00286ggM	Therma Marine, Inc.	Mobile 1	Diesel Power Plant	Brgy. San Roque, MACO, Compostela Valley	100.33 MW	Diesel	25 years	30 March 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 16-03-M-00286bbM	Therma Marine, Inc.	Mobile 2	Diesel Power Plant	Brgy. Nasipit, Agusan del Norte	100.33 MW	Diesel	25 years	30 March 2016
			Blackstart		1.68 MW	Diesel	5 years	
COC No. 17-07-M-00305L	Therma Mobile, Inc.	Barge 1/ Mobile 3	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	66 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
COC No. 17-07-M-00306L	Therma Mobile, Inc.	Barge 2/ Mobile 4	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	56 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
COC No. 17-07-M-00307L	Therma Mobile, Inc.	Barge 3/ Mobile 5	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	57 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
COC No. 17-07-M-00308L	Therma Mobile, Inc.	Barge 4/ Mobile 6	Bunker C-Fired Diesel Power Plant	Navotas Fish Port Complex, Navotas, Metro Manila	52 MW	Bunker C/ Diesel	9 July 2017 - 8 July 2022	22 June 2017
Provisional Authority to Operate	Therma Power-Visayas, Inc.	Naga Oil-Fired Power Plant (NOPP)	Oil-Fired Power Plant	Brgy. Colon, Naga City, Cebu	44.58 MW	Bunker C	6 January 2021 – 5 January 2022	16 December 2020
		Blackstart Diesel Engine Generating Unit	Blackstart		440 kW	Diesel		
COC No. 15-09-M-00022M	Therma South, Inc.	Unit 1	Coal Fired Power Plant	Brgy. Binugao, Toril District, Davao City	150 MW	Coal	19 January 2016 - 31 August 2020	19 January 2016 *
		Unit 2			150 MW	Coal		
COC No. 19-09-S-03902V	Therma Visayas, Inc.	N/A	Diesel Power Plant	Brgy. Bato, Toledo City, Cebu	1.275 MW	Diesel	20 September 2019 - 19 September 2024	20 September 2019
COC No. 19-06-M-00176V	Therma Visayas, Inc.	Therma Visayas Circulating Fluidized Bed Coal-Fired Power Plant	Circulating Fluidized Bed Coal-Fired Power Plant	Sitio Looc, Brgy. Bato, Toledo City, Cebu	353.94 MW	Coal	15 April 2019 - 14 April 2024	26 June 2019
COC No. 19-07-M-00040L	TeaM Energy Corporation	Pagbilao Coal Fired Power Plant	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo, Pagbilao, Quezon	751.4 MW	Coal	20 July 2019 - 19 July 2024	9 July 2019
			Black Start		800 kW	Diesel		
COC No. 18-02-M-00145L	Pagbilao Energy Corporation	Pagbilao Unit 3 Coal Fired	Coal Fired Thermal Power Plant	Isla Grande, Ibabang Polo,	420 MW	Coal	20 February 2018 – 19 February 2023	20 February 2018

		Thermal Power Plant	Blackstart	Pagbilao, Quezon	1.04 MW	Diesel		
COC No. 17-11-M-00282L	GNPower Mariveles Coal Plant Ltd. Co.	Unit 1	Coal Fired Power Plant	Brgy. Alas-asin, Mariveles, Bataan	325.8 MW	Coal	3 December 2017 – 2 December 2022	21 November 2017
		Unit 2			325.8 MW			
		N/A	Blackstart		1.68 MW	Diesel		

**With a Provisional Authority to Operate ("PAO"). Awaiting issuance of renewal of COC from ERC.*
*** Ongoing ERC Technical Inspection for the issuance of PAO or renewed COC.*

DISTRIBUTION UTILITIES BUSINESS

Under EPIRA, the business of electricity distribution is a regulated public utility business that requires a franchise that can be granted only by Congress. In addition to the legislative franchise, a CPCN from ERC is also required to operate as a public utility. However, distribution utilities operating within economic zones are not required to obtain a franchise from Congress, but must be duly registered with PEZA in order to operate within the economic zone.

All distribution utilities are required to submit to ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code, which provides the rules and regulations for the operation and maintenance of distribution systems, and the performance standards set out in the Implementing Rules and Regulations ("IRR") of EPIRA.

Shown below are the respective expiration periods of the Distribution Utilities' legislative franchises:

Distribution Utility	Franchise	Term	Expiry
Visayan Electric	RA No. 9339	25 years from effectivity of RA No. 9339. RA No. 9339 was approved on 1 September 2005.	Valid until 24 September 2030
	ERC Certificate No. CPCN-09-01 (ERC Decision dated 26 January 2009, ERC Case No. 2008-095 MC).	25 years, or from 24 September 2005 to 24 September 2030	
Davao Light	RA No. 11515	25 years from expiration of the term granted under RA No. 8960, or from 7 September 2025 to 7 September 2050 (Lapsed into law 26 December 2020)	Valid until 7 September 2050
	ERC CPCN Decision dated 26 February 2002, ERC Case No. 2001-792	25 years, or from 7 September 2000 to 7 September 2025	7 September 2025
Cotabato Light	RA No. 10637	25 years from the expiration of theterm granted under Commonwealth Act No. 487, as amended. RA No. 10637 was approved on June 16, 2014.	Valid until 16 June 2039

	ERC Certificate No. CPCN-14-001 (ERC Decision dated 9 December 2019, ERC Case No. 2013-063 MC)	25 years, or from 17 June 2014 or until 16 June 2039	
SFELAPCO	RA No. 9967	25 years from effectivity of RA No. 9967 (Lapsed into law on 6 February 2010)	Valid until 23 March 2035
	ERC Certificate No. CPCN-10-01 (ERC Decision dated 31 August 2010, ERC Case No. 2010-029 MC)	25 years, or from 24 March 2010 to 23 March 2035	
Subic Enerzone	Distribution Management Service Agreement ("DMSA") between Subic Enerzone and joint venture of AEV- Davao Light	Notarized on 15 May 2003. Term of the DMSA is 25 years.	Valid until 15 May 2028.

Mactan Enerzone, Balamban Enerzone, Lima Enerzone, and Malvar Enerzone which operate the power distribution utilities in MEPZ II, WCIP, LIMA Technology Center, and LISP IV respectively, are duly registered with PEZA as Ecozone Utilities Enterprises.

RETAIL ELECTRICITY SUPPLY BUSINESS

Like power generation, the business of supplying electricity is not considered a public utility operation under EPIRA, but is considered a business affected with public interest. As such, EPIRA requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from ERC. With the implementation of Open Access in 2013, AboitizPower's RES Subsidiaries and Generation Companies with RES licenses, AESI, AdventEnergy, APRI, SN Aboitiz Power – Magat, SN Aboitiz Power – RES, Prism Energy, and TLI, have all obtained separate licenses to act as RES and Wholesale Aggregator.

Trademarks

AboitizPower and its Subsidiaries own, or have pending applications for the registration of, intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications the company and its Subsidiaries have filed with the Philippine Intellectual Property Office (Philippine IPO), and their pending trademark applications abroad.

Philippine IPO

Trademarks/ Description	Owner	Registration No./ Date Issued	Status
"A Better Future" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004383/ 11 November 2010 Trademark has been renewed on 11 November 2020.	Registered
"Better Solutions" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004384/ 11 November 2010 Trademark has been renewed on 11 November 2020.	Registered
"AboitizPower" word mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004385/ 11 November 2010	Registered

		Trademark has been renewed on 11 November 2020.	
"AboitizPower Spiral and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004380/ 10 February 2011 Trademark has been renewed on 10 February 2021.	Registered
"Cleanergy" word mark (Class No. 40)	Aboitiz Power Corporation	4-2001-007900/ 13 January 2006 Trademark has been renewed on 13 January 2016.	Registered
"Cleanergy" word mark for the additional goods and services (Class Nos. 39 and 42)	Aboitiz Power Corporation	4-2019-000850/ 9 June 2019	Registered
"Cleanergy Get It and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004381/ 11 November 2010 Trademark has been renewed on 11 November 2020.	Registered
"Cleanergy Got It and Device" device mark (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004382/ 11 November 2010 Trademark has been renewed on 11 November 2020.	Registered
"AboitizPower and Device" device mark with color claim (Class Nos. 39, 40 and 42)	Aboitiz Power Corporation	4-2010-004379/ 10 February 2011 Trademark has been renewed on 10 February 2021.	Registered
Subic EnerZone Corporation and Logo trademark (Class No. 39)	Subic EnerZone Corporation	4-2006-007306/ 20 August 2007 Trademark has been renewed on 20 August 2017.	Registered
Subic EnerZone Corporation and Logo Word mark and device (Class No. 39)	Subic EnerZone Corporation	4-2006-007305/ 20 August 2007 Trademark has been renewed on 20 August 2017.	Registered
"Subic EnerZone Corporation" word mark (Class No. 39)	Subic EnerZone Corporation	4-2006-007304/ 4 June 2007 Trademark has been renewed on 4 June 2017.	Registered
"Cotabato Light" Logo (Class No. 39)	Cotabato Light and Power Corporation	4-2019-502915/ 29 May 2019	Registered
"Davao Light" Logo (Class No. 39)	Davao Light and Power Corporation	4-2019-502917/ 29 May 2019	Registered
"Balamban Enerzone" Logo (Class No. 39)	Balamban Enerzone Corporation	4-2019-502910/ 29 May 2019	Registered
"Mactan Enerzone" Logo (Class No. 39)	Mactan Enerzone Corporation	4-2019-502911/ 29 May 2019	Registered
"Lima Enerzone" Logo (Class No. 39)	Lima Enerzone Corporation	4-2019-502912/ 29 May 2019	Registered
"Malvar Enerzone" Logo (Class No. 39)	Malvar Enerzone Corporation	4-2019-502913/ 29 May 2019	Registered
"Subic Enerzone" Logo (Class No. 39)	Subic Enerzone Corporation	4-2019-502914/ 29 May 2019	Registered
"Visayan Electric" Logo (Class No. 39)	Visayan Electric Company, Inc.	4-2019-015288/ 29 August 2019	Registered
"MORE" Logo (Class 35)	Manila-Oslo Renewable Enterprise, Inc.	4-2018-00018077/ 21 February 2019	Registered
"SN ABOITIZ POWER" Logo GROUP (Class 35 & 40)	Manila-Oslo Renewable Enterprise,	4-2018-00018076/ 10 October 2018	Registered

	Inc., SN Aboitiz Power-Magat, Inc., and SN Aboitiz Power-Benguet, Inc.		
"SN ABOITIZ POWER-BENGUET, INC." Logo	SN Aboitiz Power-Benguet, Inc.	4-2014-00005209/ 29 December 2016	Registered
"NURTURE NATURE, NURTURE LIFE" Logo	SN Aboitiz Power-Benguet, Inc.	4-2011-00001049/ 19 May 2011	Registered
"SNAP ABOITIZ POWER-MAGAT, INC." Logo	SN Aboitiz Power-Magat, Inc.	4-2014-00005208/ 9 March 2017	Registered
"THE POWER TO MAKE A DIFFERENCE" Logo	SN Aboitiz Power-Magat, Inc.	4-2011-001048/ 26 May 2011	Registered
Logo	SN Aboitiz Power-Magat, Inc.	4-2017-00018969/ 26 June 2018	Registered

International Trademarks (Madrid Protocol)

AboitizPower has the following registered international trademarks:

Trademarks	Country of Application
AboitizPower Word Mark (Class Nos. 39, 40, 42)	World Intellectual Property Office ("WIPO")
AboitizPower Word Mark (Class Nos. 30, 40, 42)	Vietnam
AboitizPower Word Mark (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Word Mark (Class Nos. 39, 40, 42)	WIPO
Cleanergy Word Mark (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Word Mark (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Get It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Get It Device (Class Nos. 39, 40, 42)	Indonesia
Cleanergy Got It Device (Class Nos. 39, 40, 42)	WIPO
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Vietnam
Cleanergy Got It Device (Class Nos. 39, 40, 42)	Indonesia
AboitizPower	Myanmar
Aboitiz Power and Device	Myanmar
Cleanergy	Myanmar
Cleanergy Get It	Myanmar
Cleanergy Got It	Myanmar

The abovementioned trademarks are also in the process of being registered in Malaysia.

(ix) Government Approval

AboitizPower and its Subsidiaries secure various government approvals such as the environmental compliance certificate, development permits, license to sell, business permits, etc. as part of the normal course of its business.

The discussion on the need for any government approval for any principal products or services of AboitizPower and its Subsidiaries, including COCs obtained by the Generation Companies and franchises obtained by the Distribution Utilities, is included in item (ix) Patents, Copyrights and Franchises.

(x) Effect of Existing or Probable Governmental Regulations

AboitizPower and its Subsidiaries are subject to the laws generally applicable to all Philippine corporations registered with the SEC, such as corporation law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including RA No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9679 or the Home Development Mutual Fund Law of 2009, The Philippine Labor Code and its implementing rules, and DOLE mandated work-related programs.

The Power Group, closely monitors its compliance with the laws and government regulations affecting its businesses.

1. WESM in Mindanao

On 4 May 2017, the DOE issued DC 2017-05-0009 entitled "*Declaring the Launch of WESM in Mindanao and Providing Transition Guidelines*". This DOE Circular took effect on 7 June 2017, with the following pertinent provisions:

(a) Establishment of Mindanao WESM Transition Committee, which will be one of the committees under the PEMC Board;
(b) Launch of WESM in Mindanao on 26 June 2017, with the commencement of full commercial operations dependent on various conditions precedent, including installation of metering facilities, approval of the Price Determination Methodology by ERC, and trial operations of the WESM, among others;
(c) Conduct of the Trial Operation Program for the WESM;
(d) Automatic termination of Interim Mindanao Electricity Market; and
(e) Implementation of an Interim Protocol to govern the dispatch and scheduling of power generation plants, while the WESM is still not operational.

WESM in Mindanao was originally targeted to start in October 2018, but was deferred because some conditions precedent for full commercial operations were not yet complied. Trial operations were conducted starting 2018 to ensure the readiness of eventual WESM participants in Mindanao. As of 31 January 2021, participants are still awaiting the announcement of the commercial operations date for WESM in Mindanao.

2. Independent Electricity Market Operator

On 4 February 2018, DOE issued Circular No. DC2018-01-0002, setting the policy governing the establishment of an independent market operator ("IMO") of the WESM. The policy on IMO outlines the mandates of DOE and ERC over the IMO, its guiding principles, composition, including a board composed of at least five members, its functions, WESM's new governing and governance structure, and the conditions for transition.

The IMO transition plan called for the formation of a new company called the Independent Electricity Market Operator ("IEMOP") as an independent market operator, with PEMC remaining as WESM's governing body. Previously, the PEMC oversaw both the operations and governance functions of WESM. The transition also entails the reconstitution of the PEMC Board, with the DOE Secretary relinquishing his chairmanship, paving the way for a PEMC independent of government.

On 26 September 2018, IEMOP formally took over operations of the WESM from PEMC. IEMOP facilitates the registration and participation of generating companies, distribution utilities, directly connected customers or bulk users, suppliers and contestable customers in the WESM. It also determines the hourly schedules of generating units that will supply electricity to the Grid, as well as the corresponding spot-market prices of electricity via its Market Management System.

Currently, the IEMOP is under legislative review by the House Committee on Energy specifically on its roles and functions as well as the legal basis for its establishment. This is in response to several House Resolutions calling for the review of the IEMOP in aid of legislation.

On 22 October 2020, the DOE promulgated Department Circular No. DC2020-10-0021, which adopted amendments to the WESM Rules for the implementation of an Independent Market Operator.

3. Proposed Amendments to the EPIRA

Since the enactment of the EPIRA in 2001, members of Congress have proposed various amendments to the law and its IRR. A summary of the significant proposed amendments are as follows:

(a) Classification of power projects as one of national significance and imbued with public interest;
(b) Exemption from VAT on the sale of electricity by generation companies;
(c) Modification of the definition of the term "Aggregator," which is proposed to refer to a person or entity engaged in consolidating electric power demands of end-users of electricity in the contestable market, for the purpose of purchasing, reselling, managing for optimum utilization of the aggregated demand, or simply pooling the tendering process in looking for a supply of electricity on a group basis;
(d) Requirement for distribution utilities to conduct public and competitive selection processes or Swiss challenges for the supply of electricity and to fully or adequately contract their future and current energy and demand requirements;
(e) Grant of access to electric cooperatives over the missionary electrification fund collected through universal charges;
(f) Exclusion of the following items from the rate base charged by Transco and distribution utilities to the public: corporate income tax, value of the franchise, value of real or personal property held for possible future growth, costs of over-adequate assets and facilities, and amount of all deposits as a condition for rendition and continuation of service;
(g) Regulation of generation, transmission, distribution, and supply rates to allow Return-on-Rate-Base ("RORB") up to 12%;
(h) Classification of power generation and supply sectors as public utilities, which would be required to secure legislative franchises;
(i) Prohibition of cross-ownership between generation companies and distribution utilities or any of their subsidiaries, affiliates, stockholders, officials or directors, or the officials, directors, or other stockholders of such subsidiaries or affiliates, including the relatives of such stockholders, officials or directors within the fourth civil degree of consanguinity;
(j) Prohibition against or restriction on distribution utilities from sourcing electric power supply requirements, under bilateral electric power supply contracts, from a single generation company or from a group of generating companies wholly-owned or controlled by the same interests;
(k) Lowering of the allowable extent of ownership, operation and control of a company or related groups as determined from the installed generating capacity of the Grid and/or nationally installed generating capacity;
(l) Exemption or deferral of the privatization of some assets of NPC, such as the Unified Leyte (Tongonan) Geothermal Complexes, Agus and Polangui Complexes, and Angat Dam;
(m) Expansion of the definition of host communities to include all barangays, municipalities, cities and provinces or regions where hydro generation facilities are located and where waterways or water systems that supply water to the dam or hydroelectric power generating facility are located;
(n) Prohibition on distribution utilities, except rural electric cooperatives to recover systems losses and placing a 5% cap on recoverable system loss;
(o) Imposition of a uniform franchise tax for distribution utilities equivalent to 3% of gross income in lieu of all taxes;
(p) Grant of authority for NPC to generate and sell electricity from remaining assets;
(q) Removal of the requirement of a joint congressional resolution before the President may establish additional power generating capacity in case of imminent shortage of supply of electricity
(r) Creation of a consumer advocacy office under the organizational structure of ERC; and
(s) Extension of lifeline rates.

As of 31 January 2021, proposed amendments are still pending in Congress.

4. Implementation of the Performance-based Rating-setting Regulation

On 13 December 2006, ERC issued the Rules for Setting Distribution Wheeling Rates ("RDWR") for privately-owned distribution utilities entering Performance-based Regulation ("PBR") for the second and later entry points, setting out the manner in which this new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR replaces the RORB mechanism, which has historically determined the distribution charges paid by customers. Under PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period is set by reference to projected revenues which are reviewed and approved by ERC and used by ERC to determine the distribution utility's efficiency factor. For each year during the regulatory period, the distribution utility's distribution-related charges are adjusted upwards or downwards taking into consideration the utility's efficiency factor as against changes in overall consumer prices in the Philippines.

ERC has also implemented a Performance Incentive Scheme ("PIS") whereby annual rate adjustments under PBR will take into consideration the ability of a distribution utility to meet or exceed service performance targets set by ERC, such as the: (a) average duration of power outages; (b) average time of restoration to customers; and (c) average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

The second regulatory period of Cotabato Light ended on 31 March 2013, while that of Visayan Electric and Davao Light ended on 31 June 2014. In addition, the second regulatory period of Subic Enerzone and SFELAPCO ended on 30 September 2015. The reset process for the subsequent regulatory period, however, has been delayed due to the issuance by ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under RDWR. Said paper aims to revisit various matters relating to the reset process. ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

On 22 December 2015, *Matuwid na Singil sa Kuryente* Consumer Alliance, Inc. ("MSK") filed a petition proposing a modified RORB methodology or a modified PBR methodology, wherein the distribution utilities' capital expenditures and rate recovery thereon are approved in advance but the charges to the customers will only commence after the investments have actually been made and validated by ERC auditors. Public consultations were held on various dates in Metro Manila, Cebu, and Davao.

Through ERC Resolution No. 25 Series of 2016 dated 12 July 2016, ERC adopted the Resolution Modifying the RDWR for Privately Owned Distribution Utilities Entering PBR. Based on said Resolution, the Fourth Regulatory Period shall be as follows:

(a) Cotabato Light: 1 April 2017 to 31 March 2021
(b) Davao Light and Visayan Electric: 1 July 2018 to 30 June 2022
(c) Subic Enerzone and SFELAPCO: 1 October 2019 to 30 September 2023

On 21 November 2016, ERC posted for comments the draft Regulatory Asset Base ("RAB") Roll Forward Handbook for Privately Owned Electricity Distribution Utilities. Public consultations were conducted on said document.

The reset process for the fourth regulatory period has not yet started for all private distribution utilities as the abovementioned ERC rules have not been published yet for its effectivity.

In June 2019, ERC posted for comments its draft Rules for Setting Distribution Wheeling Rates and Issues Paper for the Regulatory Reset of the First Entry Group (Meralco, Cagayan de Oro Electric and Dagupan Electric). Various public consultations were held in the month of July 2019. However, during the 29 July 2019 PBR public consultation, MSK called the attention of ERC to act first on its 2015 petition on rate methodology before proceeding with the reset process. MSK then filed a petition for rulemaking entitled *In the Matter of Petition for Rules Change in Rate Setting Methodology for Distribution Wheeling Rate - Repeal of the Performance-Based Rate Making (PBR) Regulation and Return to Previous Return-on-Rate-Base (RORB) with Modification,* docketed as ERC Case No. 2015-008 RM. ERC issued its Decision dated 24 September 2020 on MSK's petition denying its petition to revert to RORB, without prejudice to its right to submit its comments in the revision of the rules during the next rate reset process of the distribution utilities.

ERC also conducted Power 101 and PBR briefing sessions to various other consumer groups who said that they cannot intelligently comment on the PBR rules without understanding the concepts.

Due to the rules change on PBR, all AboitizPower Distribution Utilities have not undergone the third regulatory period reset. The ERC has engaged the services of Royal Asia Appraisal Corporation to consult on matters relating to PBR and the next regulatory reset. In January 2020, ERC requested private distribution utilities to submit actual or historical expenditure covering the lapsed period. Due to the lockdown and quarantine restrictions, as well as unresolved clarifications as to what has to be provided to the ERC raised by distribution utilities to the ERC through clarificatory meetings, private distribution utilities were not able to provide the data within the timeframe given by ERC.

In relation to this, the ERC issued show cause orders, all dated 29 October 2020, against Cotabato Light (docketed as ERC Case No. 2020-097 SC), Visayan Electric (docketed as ERC Case No. 2020-098 SC), Davao Light (docketed as ERC Case No. 2020-104 SC), and Subic Enerzone (docketed as ERC Case No. 2020-107 SC), requesting the foregoing distribution utilities to explain why they should not be penalized for the incomplete submission of the data requested by the ERC for its actual expenditure review. On 7 January 2021, the foregoing distribution utilities submitted their respective explanations, including a manifestation that all required data has been submitted as of 29 December 2020. ERC has yet to resolve these cases. If found liable, penalty for violation is ₱50,000.00 per distribution utilities, pursuant to ERC Resolution No. 03, series of 2009.

5. ERC Regulation on System Loss Cap Reduction

In April 2018, ERC issued Resolution No. 10, Series of 2018 entitled *"A Resolution Clarifying the System Loss Calculation Cap and Providing the Effectivity of the Rules for Setting the Distribution Loss Cap".* This set of rules provide for the new Distribution System Loss ("DSL") cap that can be recovered and charged by distribution utilities to its customers, beginning in the May 2018 billing period.

Under the ERC resolution, the DSL cap for private utilities was set at 6.5% for 2018, 6.25% for 2019, 6.00% for 2020, and 5.50% for 2021The aforementioned caps are exclusive of sub-transmission and substation losses. The aforementioned rules also provide for a performance incentive scheme (PIS), which is a price-linked reward for distribution utilities, with the goal of reducing the DSL passed on to customers and to promote efficiency in distribution systems in the long term.

The rules allow distribution utilities to use an alternative method in determining an individualized DSL cap that it shall apply subject to the approval of ERC. The individualized cap has two components: one for technical loss (determined using load flow simulations on the distribution utilities' reference distribution system) and another for non-technical loss (which represents the level of non-technical loss that minimizes the costs to consumers). In determining the reasonable level of the individualized DSL cap, costs and benefits must be analyzed from the viewpoint of the customer.

In 2018, Cotabato Light filed an Application for the Individualized Distribution System Loss Cap, requesting, among others, that it be exempted from the 6.5% cap pending the filing and approval of its application for Individualized DSL cap of 7.48% in Technical Loss and 1.77% in Non-Technical Loss and sought approval to use the previous 8.5% DSL cap instead. The case is still pending with ERC as of 31 January 2021.

6. Competitive Selection Process

On 11 June 2015, DOE promulgate Department Circular No. DC2015-06-0008 ("2015 DOE Circular") which mandated all distribution utilities to undergo competitive selection processes ("CSP") in securing PSAs after the effectivity of the said circular. The 2015 DOE Circular also authorized ERC to adopt a set of guidelines for the implementation of the CSP. The 2015 DOE Circular took immediate effect following its publication on 30 June 2015.

On 20 October 2015, ERC issued Resolution No. 13, Series of 2015, entitled, "*A Resolution Directing All Distribution Utilities (DUs) to Conduct a Competitive Selection Process (CSP) in the Procurement of their Supply to the Captive Market*" ("ERC CSP Rules"). This resolution provides that a PSA shall be awarded to a winning Generation Company following a competitive selection process or by direct negotiation, after at least two failed CSPs. For PSAs which were already executed but were not yet filed with the ERC and those that were still in the process of negotiation during the time of the effectivity of the ERC CSP Rules, the relevant distribution utility already had to comply with the CSP requirement before its PSA application would be accepted by the ERC. The ERC CSP Rules took immediate effect following its publication on 7 November 2015.

ERC Resolution 13, Series of 2015, was restated in ERC Resolution No. 1, Series of 2016, entitled, "*A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015.*" ERC Resolution No. 1, Series of 2016, extended the date of the effectivity of the CSP requirement from 7 November 2015 to 30 April 2016. It further stated that all PSAs executed on or after the said date would be required, without exception, to comply with the provisions of the ERC CSP Rules.

On 1 February 2018, DOE promulgated DC No. DC2018-02-0003 ("2018 DOE Circular") entitled *"Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreements for the Captive Market."* Through this Circular, DOE issued its own set of guidelines ("DOE CSP Rules") for the procurement by distribution utilities of PSAs for the Captive Market.

Under the DOE CSP Rules, all PSAs shall be procured through CSP, except for the following instances: (1) generation project owned by the distribution utility funded by grants or donations; (2) negotiated procurement of emergency power supply; (3) provision of power supply by any mandated Government-Owned and Controlled Corporation for off-grid areas prior to, and until the entry of New Power Providers ("NPP"); and (4) provision of power supply by the PSALM through bilateral contracts. A PSA may also be entered into by direct negotiation if the CSP fails twice. The DOE CSP Rules took effect upon its publication on 9 February 2018.

The validity of ERC CSP Rules and ERC Resolution No. 1, Series of 2016, was challenged before the Supreme Court on the ground that ERC, in issuing the said resolutions, amended the 2015 DOE Circular and effectively postponed the date of effectivity of the CSP requirement. Consequently, on 3 May 2019, the Supreme Court in the case of *Alyansa Para sa Bagong Pilipinas, Inc. v. ERC (G.R. No. 227670)*, declared the first paragraph of Section 4 of the ERC CSP Rules and ERC Resolution No. 1, Series of 2016, as void *ab initio*. The Supreme Court further ruled that all PSAs submitted to ERC on or after 30 June 2015 shall comply with the CSP and that upon compliance with the CSP, the power purchase cost resulting from such compliance shall retroact to the date of the effectivity of the complying PSA, but in no case earlier than 30 June 2015, for purposes of passing on the power purchase cost to the consumers.

In December 2020, the DOE posted a draft Department Circular amending the 2018 DOE Circular. The final version has not yet been published as of 31 January 2021.

7. Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid

On 4 December 2019, DOE issued Department Circular No. DC2019-12-0018 entitled *"Adopting a General Framework governing the utilization of Ancillary Services (AS) in the Grid"* ("AS Circular"). The policy seeks to ensure the reliability, quality and security of the supply of electricity by adhering to principles that will provide the safe and reliable operation of the grid by taking into account the entry of emerging technologies and the intermittency of variable renewable energy generating resources.

Included in the policy is the creation of an Ancillary Services Technical Working Group ("AS-TWG") that will render technical assistance and advice to DOE in developing further policies on AS. One of the main functions of the AS-TWG is to review the Philippine Grid Code ("PGC") (2016 edition) to address issues on the implementation of new AS categories and Primary Response requirement. The circular orders the System Operator to ensure optimal procurement of the required Ancillary Services.

Pending the harmonization of AS-related issuances and review of the relevant provisions of PGC 2016, the classification and required levels of AS shall be in accordance with the AS categories prior to PGC 2016.

According to the AS Circular, prior to the commercial operation of the Reserve Market, the Systems Operator ("SO") shall ensure compliance with its obligation to procure the required level and specifications of AS in line with the following:

(a) Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;
(b) Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and
(c) The protocol for the central scheduling of energy and contracted reserves in the WESM shall still apply, in accordance with the WESM Rules and relevant Market Manuals.

Upon the commercial operation of the Reserve Market, the following rule shall govern the procurement of AS:

(a) SO shall procure Regulating, Contingency, and Dispatchable Reserves through firm contracts and the Reserve Market provided that the contracted levels per reserve region shall be as follows:
    (i) Regulating Reserve - Equivalent to 50% of the Regulating Reserve requirement;
    (ii) Contingency Reserve - Equivalent to 50% of the dependable capacity of the largest generating unit;
    (iii) Dispatchable Reserve - Equivalent to 50% of the dependable capacity of the second largest generating unit

8. Ancillary Services Pricing and Cost Recovery Mechanism

Reserves are forms of ancillary services that are essential to the management of power system security. The provision of reserves facilitates orderly trading and ensures the quality of electricity.

On 2 December 2014, DOE issued Circular No. 2014-12-0022, otherwise known as the Central Scheduling and Dispatch of Energy and Contracted Reserves. The circular aims to prepare the market participants in the integration of ancillary reserves into the WESM. The ancillary service providers will be paid based on their respective ASPAs with NGCP, while the scheduling of capacity and energy will be based on market results.

On 14 September 2018, NGCP filed a Petition seeking the Commission's approval of its proposed amendments to the Ancillary Services – Cost Recovery Mechanism, docketed as ERC Case No. 2018-005 RM. The decision of the ERC on these amendments remains pending.

Currently, the existing cost-recovery mechanism for Ancillary Services shall continue to be implemented until a new mechanism is recommended by the AS-TWG and adopted by ERC.

9. Energy Efficiency and Conservation Act

RA No. 11285 or the Energy Efficiency and Conservation Act was signed into law on 12 April 2019. This act established a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the promotion of efficient utilization of energy, increase in the utilization of energy efficiency and renewable energy technologies, and delineation of responsibilities among various government agencies and private entities.

Under the law, all government agencies, including government-owned corporations, are directed to ensure the efficient use of energy in their respective offices, facilities, transportation units, and in the discharge of their functions. DOE will also be authorized to develop a Minimum Energy Performance ("MEP") standard for the commercial, industrial, and transport sectors, and energy-consuming products including appliances, lighting, electrical equipment, and machinery, among others. DOE is also tasked to prescribe labeling rules for all energy-consuming products, devices, and equipment.

DOE will develop and enforce a mandatory energy efficiency rating and labeling system for energy-consuming products, such as air conditioners, refrigeration units, and television sets, to promote energy-efficient appliances and raise public awareness on energy saving. The law also calls for fuel economy performance labeling requirements for vehicle manufacturers, importers, and dealers. LGUs are tasked to implement the Guidelines on Energy Conserving Design on Buildings for the construction of new buildings.

Under the RA No. 11285's IRR dated 22 November 2019, DOE can visit designated establishments to inspect energy-consuming facilities, evaluate energy-management systems and procedures, identify areas for efficiency improvement, and verify energy monitoring records and reports and other documents related to the compliance requirements within office hours and with an authorized representative of the establishment present. The IRR also calls for the commissioning of a certified conservation officer and energy manager to ensure compliance and be responsible for managing energy consumption, administering programs, and other responsibilities under the law.

Other Department Circulars promulgated by the DOE in relation to the RA No. 11285 are as follows:

(a) Department Circular No. DC2020-06-0015 *"Prescribing the Guidelines of the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors and Dealers of Electrical Appliances and other Energy-Consuming Products (ECP)"*, which aims to empower consumers in choosing energy efficient products at the point of sale, help realize energy savings and reduction of energy consumption/bills through the use of energy efficient products; and reduce greenhouse gas emissions.
(b) Department Circular No. DC2020-06-0016 *"Prescribing the Minimum Energy Performance for Products (MEPP) covered by the Philippine Energy Labeling Program (PELP) for Compliance of Importers, Manufacturers, Distributors, Dealers and Retailers of Energy-Consuming Products)"*, which aims to eliminate the entry and sale of inefficient and substandard products in the local market; and reduce greenhouse gas emissions;
(c) Department Order No. 2020-01-0001 *"Organizing the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC)"*; and
(d) Department Circular No. DC2020-12-0026 *"Adoption of the Guidelines for Energy Conserving Design of Buildings"*, aims to encourage and promote the energy conserving design of buildings and their services to reduce the use of energy with due regard to the cost effectiveness, building function, and comfort, health, safety, and productivity of the occupants.

10. Energy Virtual One-Stop Shop Act

RA No. 11234 or the Energy Virtual One-Stop Shop Act ("EVOSS Law") was signed into law by President Duterte on March 8, 2019 and became effective on March 29, 2019. DOE issued the IRR on June 24, 2019. Under the EVOSS Law, prospective power generation, transmission, or distribution companies can apply, monitor, and receive all the necessary permits, and even pay for charges and fees, through the online platform called Energy Virtual One-Stop Shop ("EVOSS") once it takes effect, cutting down the lengthy permitting process for the development of power projects. The EVOSS online system will be managed and maintained by DOE, while its operations will be monitored by the EVOSS Steering Committee.

EVOSS applies to all new generation, transmission, and distribution projects throughout the country as well as government agencies and other relevant entities involved in the permitting process. The system provides a secure and accessible online processing system; recognizes the legal effect, validity, and enforceability of submitted electronic documents; and develops an online payment system for all fees for securing permits or certifications. The system enables government agencies involved in pending power projects to operate under a streamlined permitting process utilizing a uniform application template and in compliance with mandated processing timelines as identified in the law. The entire process will be using a system that utilizes electronic documents and monitors permit status via an online system.

The promulgation of the EVOSS law, along with the implementation of the online system it mandates, is expected to substantially hasten the development of power projects. It has the potential to address delays brought about by lengthy government permitting processes and ultimately encourages the private sector to invest more in the power sector.

The DOE conducted a series of virtual orientations targeting potential users to maximize utilization of the EVOSS online platform. The implementation of the EVOSS Online Platform aims to further streamline and simplify the permitting process for the electric power industry participants and prospective investors. This is with the end view of having timely completion of energy projects towards ensuring energy supply security.

11. Net Metering

The DOE promulgated Department Circular No. DC 2020-10-0022 or the Net Metering Program for Renewable Energy System, which aims to encourage and further promote electricity End-Users' participation in the Net-Metering Program by enhancing the current policies and commercial arrangements while ensuring the economic and technical viability of the distribution utility.

Pertinent provisions include:

(a) Banking of Net-Metering Credits - All Net-Metering Credits shall be banked for a maximum of one calendar year. Any excess of balance Net-Metering credits at the end of each calendar year shall be forfeited.
(b) Application to Off-Grids or Isolated Grid Systems - The Net-Metering Program for End-User shall be allowed even in areas not connected to the country's three major national electrical transmission grids.
(c) Publication of Hosting Capacities for Net-Metering - The distribution utilities shall publish in their website the respective Net-Metering programs, processes, and procedures, including hosting capacities on a per feeder or sector basis.
(d) Responsibility of the LGUs - All LGUs are enjoined to strictly comply with the provisions of the EVOSS Law, RA No. 11032 (Ease of Doing Business and Efficient Government Service Delivery Act of 2018) in processing permits and licenses related to applications for Net-Metering arrangements.
(e) Responsibility of the National Electrification Administration ("NEA") - The NEA shall provide the necessary assistance in promoting the Net-Metering Program to all electric cooperatives nationwide.
(f) Development of Net-Metering Guidebook - A guidebook on procedures and standards shall be developed by the DOE to be used by all stakeholders. The Renewable Energy Management Bureau shall prepare the Net Metering Guidebook, within six months from the effectiveness of this Circular.

The Net Metering Program became effective on 18 December 2020.

12. Reliability Performance Indices

On 16 December 2020, the ERC published on its website Resolution No. 10, Series of 2020, entitled *"A Resolution Adopting the Interim Reliability Performance Indices and Equivalent Outage Days Per Year of Generating Units"*.

This resolution aims to monitor the reliability performance of all Generating Units at operations and maintenance level, regularly determine and specify the reliability performance of the Grid, aid the power industry in evaluating reliability and availability of Generating Plants, and promote accountability of Generation Companies in order to achieve greater operation and economic efficiency. It applies to all Generation Companies with Conventional and Non-Variable Renewable Energy Generating Plants connected to the Grid, including Embedded Generating Plants, which have an aggregated capacity of 5MW and above. It includes the requirement for the System Operator and Transmission Network Provider to utilize the allowable planned outage days in Table 1 of the Resolution as a guide in preparing the Grid Operating and Maintenance Program. If the System Operator and Transmission Network Provider shall utilize unplanned outages beyond what is allowed in Table 1, the same shall provide a report as to the reason for such consideration.

13. Prescribing Revised Guidelines for Qualified Third Party

On 22 November 2019, DOE promulgated Department Circular No. DC 2019-11-0015 also known as the "Revised Guidelines for Qualified Third Party". The Qualified Third Party ("QTP") Guideline Policy is an initiative that was prescribed in the EPIRA, which shall assist the distribution utilities in ensuring and accelerating the total electrification of the country.

The policy provides revisions to the existing guidelines covering the qualifications and participation of QTPs in the provision of electric services to "Unviable Areas" within the respective franchise areas of distribution utilities and electric cooperatives. As part of the Scope of the Revised QTP Guidelines, the policy shall apply to the provision of electricity services in defined as unviable areas, which include unserved and underserved electricity customers, within the franchise areas of distribution utilities.

In view of the DOE policy, as of 31 January 2021, the ERC is working on its amendments to the 2006 Rules on the Regulation of Qualified Third Parties Performing Missionary Electrification in Areas Declared Unviable by the DOE.

14. Providing a Framework for Energy Storage System in the Electric Power Industry

On 18 September 2019, DOE promulgated Department Circular No. DC2019-08-0012 also known as *"Providing a Framework for Energy Storage System in the Electric Power Industry"*, which governs the regulation and operation of energy storage systems ("ESS"). The increasing penetration of Variable Renewable Energy ("VRE") in the country has prompted the need for the recognition of ESS as one of the technologies to manage intermittent operations of the VRE-generating plants' output thereby ensuring system stability. The issuance of the circular further hastens the entry of ESS as part of the modernization of the Philippine power sector. It finally answers questions relating to who should own and operate energy storage systems in the Philippines. The circular addresses policy gaps by providing a framework for the implementation and roll out of ESS in the country.

The circular applies to power industry participants, including power generation companies owning and/or operating ESS. The covered technologies include battery energy storage system; compressed air energy storage; flywheel energy storage; pumped-storage hydropower; and other emerging technologies that may be identified, qualified, and approved by DOE as ESS. The rules are also applicable to customers and end-users owning and/or operating ESS, which include distribution utilities; and directly connected customers. The circular also applies to qualified third parties, transmission network providers, system operators, market operators, and PEMC.

15. Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers Under the Green Energy Option Program

On 18 July 2018, DOE issued Department Circular No. DC2018-07-0019 also known as the *"Rules Governing the Establishment of the Green Energy Option Program (GEOP) in the Philippines."* This sets the guidelines for consumers or end-users, renewable energy suppliers, and network service providers, among other stakeholders, in facilitating and implementing such energy sources under the EPIRA.

GEOP is a renewable energy policy mechanism issued pursuant to RA No. 9513 or the RE Law that provides end-users the option to choose renewable resources as their sources of energy.

Under this issuance, all end-users with a monthly average peak demand of 100kW and above for the past 12 months may opt to voluntarily participate in the GEOP. Those with an average peak demand below 100 kW may also participate in the GEOP, but only after DOE, in consultation with NREB and industry stakeholders, is able to determine that the technical requirements and standards are met by the end-user. End-users with new connections can also opt to participate in the Program and choose renewable energy resources for their energy/electricity needs, provided their average peak demand meets the threshold provided in the GEOP Rules.

The participation of the end-users in the GEOP will be governed by a supply contract between the end-user and the renewable energy supplier, and conform with ERC rules on distributed energy resources and generation facilities.

GEOP is presently available to end-users in Luzon and Visayas only, until such time that DOE, in consultation with the NREB and industry stakeholders, determines the readiness of the Mindanao market.

Other provisions of the GEOP include the establishment of the GEOP Oversight committee, as well as the ERC issuing regulatory framework particularly in setting the technical and interconnection standards and wheeling fees, to affect and achieve the objectives of GEOP. With regard to the billing mechanism, the GEOP Rules provide that a "dual billing system" may be adopted by the end-user availing of the program.

On 22 April 2020, the DOE issued the Guidelines governing the issuance of Operating Permits to RE Suppliers under the GEOP (DC 2020-04-0009), which sets rules and procedures in the issuance, administration, and revocation of GEOP Operating permits to RE suppliers.

16. Promulgating the Renewable Energy Market Rules

On 4 December 2019, DOE issued Department Circular No. DC2019-12-0016, entitled *"Promulgating the Renewable Energy Market (REM) Rules"*, thereby officially starting the Renewable Portfolio Standards ("RPS") compliance process.

The REM Rules establishes the basic rules, requirements and procedures that govern the operation of the Renewable Energy Market, which seeks to:

(a) Facilitate the efficient operation of the REM;
(b) Specify the terms and conditions entities may be authorized to participate in the REM;
(c) Specify the authority and governance framework for the REM;
(d) Provide for adequate sanctions in cases of breaches of the REM Rules; and
(e) Provide timely and cost-effective framework for resolution of disputes among REM Members and the Renewable Energy Registrar ("Registrar").

The REM is a market for the trading of Renewable Energy Certificates ("REC") in the Philippines, intended as a venue for Mandated Participants obligated by RPS to comply with their RPS requirements. REM's objective is to accelerate the development of the country's renewable energy resources.

The RPS Transition Period defines Year 0 as 2018 and the RPS Compliance Year 1 shall be the year 2020, and the intervening period shall be the Transition Period.

The REM Rules will be administered and operated by the Renewable Energy Registrar. Moving forward, operational issues may still arise on who will be the RE Registrar.

As of 31 January 2021, the DOE is asking for public participation in the drafting of the REM Registration Manual, REM Manual (Allocation of RE Certificates for FIT-Eligible RE Generation), REM Enforcement and Compliance Manual (REM Investigation Procedures and Penalty Manual), and the REM Manual Dispute Resolution.

17. Feed-in-Tarrif System

Pursuant to the RE Law, the FIT system is an energy supply policy aimed to accelerate the development of emerging renewable energy sources by providing incentives, such as a fixed tariff to be paid for electricity produced from each type of renewable energy resource over a fixed period not less than 12 years.

The ERC issued Resolution No. 16, Series of 2010 ("ERC Resolution No. 16-2010" or the "FIT Rules"), otherwise known as "Resolution Adopting the Feed-In Tariff Rules," which establishes the FIT system and regulates the method of establishing and approving the FITs and the FIT-All.

The FIT Rules are specific for each emerging renewable energy technology and to be applied only to generation facilities which enter into commercial operation after effectivity of the FIT Rules or to such parts of such existing facilities which have been substantially modified or expanded as provided under the FIT Rules.

Under the FIT Rules, the FITs are specific for each eligible renewable energy plants, which are those power facilities with COCs issued to them that utilize emerging renewable energy resources or to such parts of such existing facilities that have been substantially modified or expanded, which enter into commercial operation after effectivity of the FIT Rules. These include facilities intended for their owners' use, which are connected to the transmission or distribution networks and are able to deliver to such networks their generation or parts thereof but FIT shall only be paid for such amount of electricity actually exported to the distribution or transmission network and not utilized for their own use.

In Resolution No. 10, Series of 2012, ERC adopted the following FIT and degression rates for electricity generated from biomass, run-of-river hydropower, solar, and wind resources:

	FIT Rate (₱/kWh)	Degression Rate
Wind	8.53	0.5% after year 2 from effectivity of FIT
Biomass	6.63	0.5% after year 2 from effectivity of FIT
Solar	9.68	6% after year 1 from effectivity of FIT
Hydro	5.90	0.5% after year 2 from effectivity of FIT

In line with the increase in installation target for solar energy from 50 MW to 500 MW and wind energy from 200 MW to 400 MW, ERC issued Resolution No. 6 Series of 2015 approving the Solar FIT2 rate of ₱8.69/kWh for the second set of installation target. On 6 October 2015, ERC issued Resolution No. 14, Series of 2015 adopting the Wind FIT2 rate of ₱7.40/kWh. In Resolution No. 1, Series of 2017, ERC set the degressed FIT rates for hydro and biomass plants at ₱5.8705/kWh and ₱6.5969/kWh, respectively. Through a letter dated 23 February 2018, DOE informed ERC of its resolution extending the FIT for Biomass and ROR Hydro until 31 December 2019.

As the fund administrator of the FIT-All, Transco filed an application before the ERC asking for provisional authority to implement a FIT-All rate of ₱0.2278/kWh for Calendar Year ("CY") 2020. On 28 January 2020, ERC released a decision authorizing Transco to collect a FIT-All rate of ₱0.0495/kWh, lower than the applied ₱0.2471/kWh rate for CY2019. Prior to this decision, the last approved FIT-All rate is ₱0.2226/kWh for CY2018.

On May 26, 2020, the ERC promulgated its Resolution No. 6, series of 2020, wherein the ERC resolved to approve and adopt FIT adjustments for the years 2016, 2017, 2018, 2019, and 2020, using 2014 as the base year for the CPI and forex, to be recovered for a period of five years.

On 4 August 2020, TransCo filed its Application for the FIT-All rate of CY2021 of ₱0.1881/kwh, effective the January 2021 billing period. In the alternative, it asked for a FIT-All rate of ₱0.2008/kWh based on a lower Forecast National Sales to account for the impact of COVID-19 to electricity consumption.

18. Proposed Revisions to the Guidelines for the Financial Standards of Generation Companies

ERC is currently undergoing public consultations on its proposed Revised Guidelines for the Financial Standards of Generation Companies, under ERC Case No. 2019-001 RM. ERC proposed to revise Generation Companies' minimum annual Interest Cover Ratio or Debt Service Capability Ratio ("DSCR") from 1.5x to 1.25x.

19. Green Energy Auction Policy

On 14 July 2020, the DOE issued guidelines on the Green Energy Auction Policy (Department Circular No. DC 2020-07-0017) which set the framework for which the DOE shall facilitate the procurement of supply from RE projects by the mandated participants under the RPS on-grid rules through a competitive process for compliance with the RPS program and as applicable for their long-term power supply requirements. The process involves a regular auction process (notice every 15th of June) to be implemented by the Green Energy Auction Committee ("GEAC"). The Contracting Customers and the

Winning Bidders will execute a Green Energy Implementation Agreement (GEIA), which involves the Market Operator ("MO") as the entity to allocate energy and calculate corresponding payments. The ERC will approve the GEIA template and the Green Energy Auction Reserve ("GEAR") Price. Each Winning Bidder will have its own Green Energy Tariff (pay-as-bid), which shall not be higher than the GEAR Price. On the other hand, the Contracted Customers will pay the average price, subject to the allocation/calculation of MO, per trading interval.

20. Bayanihan 2 Act

On 11 September 2020, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act" ("Bayanihan 2 Act") was approved. Bayanihan 2 Act directed "all institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum of 30-day grace period for the payment of utilities falling due within the period of enhanced community quarantine or modified enhanced community quarantine without incurring interests, penalties, and other charges." This is further qualified for the electric power sector, such that "the minimum 30-day grace period and staggered payment without interests, penalties, and other charges shall apply to all payments due within the period of the community quarantine in the electric power value chain to include generation companies, the transmission utility, and distribution utilities."

On 27 October 2020, the ERC posted an advisory providing more details on the implementation of the Bayanihan 2 Act.

(xii) Amount Spent on Research and Development Activities

AboitizPower and its Subsidiaries do not allot specific amounts or fixed percentages for research and development. All research and development activities are done by AboitizPower's Subsidiaries and Affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

(xiii) Costs and Effects of Compliance with Environmental Laws

AboitizPower's generation and distribution operations are subject to extensive, evolving, and increasingly stringent safety, health, and environmental laws and regulations. Among other things, these rules address concerns on air emissions; wastewater discharges; the generation, handling, storage, transportation, treatment, and disposal of toxic or hazardous chemicals, materials, and waste; workplace conditions; and employee's exposure to hazardous substances. Standard laws and regulations that govern business operations include Clean Air Act (RA No. 9003), Ecological Solid Waste Management Act (RA No. 9003), Clean Water Act (RA No. 9275), Toxic Chemical Substances and Hazardous and Nuclear Wastes Control Act (RA No. 6969), Philippine Environmental Impact Statement System (PD No. 1586), and Occupational Safety and Health Standards (RA No. 11058). The RE Law adds new and evolving measures that must be complied with. DOE's Energy Regulation No. 1-94 ("ER 1-94") require companies to allocate funds for the benefit of host communities for the protection of the natural environment and for the benefit of the people living within the area. Further, funds are set for the management of carbon sinks and watershed areas through a nationwide reforestation program. These laws usher in new opportunities for AboitizPower and set competitive challenges for its businesses.

The Safety Health Environment and Security ("SHES") group of AboitizPower oversees the SHES programs and activities, including the accounting of all environmental impact, within its operational control from the corporate center to the business units and facility teams. For the Generation Group, the facilities include: (1) APRI's Tiwi-MakBan plants, (2) SacaSun San Carlos plant, (3) the Benguet, Bakun, Sabangan, Sibulan A, Sibulan B, Tudaya A, Tudaya B, Manolo Fortich, and Talomo HEPPs of the Hedcor Group, (4) the SN AboitizPower Group's Ambuklao, Magat, and Maris plants, (5) the Oil Group's Cebu, Mactan, Mobile 1, Mobile 2, Mobile 3-6, and Naga plants, and (6) the Coal Group's Davao and Toledo plants. For the Distribution Utilities, the facilities include Cotabato Light, Davao Light, Visayan Electric, Balamban Enerzone, Mactan Enerzone, Lima Enerzone, and Subic EnerZone.

AboitizPower and its Subsidiaries have allocated budgets for environmental expenditures covering costs for waste disposal, remediation, pollution control, environmental initiatives, and programs. All facilities are in compliance with regulatory requirements, thus noting zero spending for remediation costs.

The alignment to international best practices in all power plants and distribution utilities are exemplified with a 100% achievement of ISO certification for the management systems of Quality, Environment, Occupational Health and Safety.

In 2020, continuous improvement in managing environmental impacts is evident, as seen in the increased total environmental management expenses at ₱71.8 mn, which is a 10% increase compared with previous year (₱65 mn). This consists of ₱9.7 mn for APRI, ₱13mn for Hedcor, ₱15.7 mn for the Coal Group, ₱9.8 mn for the SN AboitizPower Group; ₱7.8 mn for the Oil Group, and a total of ₱15.3 mn for the Distribution Utilities.

Of the ₱71.8 mn total environmental management expenses, ₱24.9 mn was allocated for capital expenditure (capex) aimed at improving pollution prevention and control. The following projects were implemented: (1) APRI Makban's purchase of one new unit of Continuous Ambient Monitoring Station downwind; (2) APRI installation of additional Continuous Ambient Monitoring Station at Plant A in Tiwi; (3) SN AboitizPower-Benguet HEPP's improvement and rehabilitation of sewage treatment plant, oil, water, and grease separator in both Ambukalo and Binga facilities; (4) the Oil Group's improvement of its oil water separators and sewage treatment facility in Mobile 3-6; (5) the Coal group's ongoing construction of its improvement on sewage treatment plant at the Toledo plant; (6) offload regeneration and decontamination of transformers with Polychlorinated biphenyls at Visayan Electric; and (7) Cotabato Light's construction of new material recovery facility.

Operating expenditure projects were also implemented to improve environmental management practices on site. APRI Tiwi's projects include (1) the minimization of single-use plastics and residual wastes which resulted to a reduction of generated wastes by 5% in 2020; (2) a domestic water consumption reduction initiative that resulted in a reduction of 5% in consumed water in 2020; and (3) air dispersion modelling for mapping the extent of H_2S gas within the Tiwi Geothermal Power Plant to ensure safety of its workers. Cotabato Light's projects include: (1) the improvement of its transformer yard with oil trap; and (2) purchase of color-coded bins and health care waste bins to conform to AboitizPower SHES waste management standards.

AboitizPower and its Subsidiaries received a total of 103 SHES awards, certifications and citations in 2020. It received recognition from Safety & Health Association of the Philippine Energy Sector, Inc. (SHAPES) on: (1) APRI Tiwi's Platinum Corporate Safety and Health Excellence Award and Outstanding Safety and Health Professional Platinum Award; (2) SN AboitizPower-Magat's Outstanding Safety and Health Professionals Award, Corporate Safety and Health Excellence award, Special Recognition on Occupational Health Management of COVID-19 pandemic; and (3) SN AboitizPower-Benguet's Outstanding Safety And Health Professional for seven employees, and the Corporate Safety And Health Excellence Titanium Award.

AboitizPower's Subsidiaries received charges for alleged violations of environmental standards in 2020. In connection with DENR-PAB Case No. CAR-00874-16 entitled In the Matter of the Water Pollution Control and Abatement Case versus Hedcor Inc., Hedcor Sabangan, Inc., and Sta. Clara International, the respondents were directed to pay a fine of ₱200,000.00 for the alleged violation of the Clean Water Act. Payment was made for and on behalf of all the respondents by Sta. Clara International, the contractor for the Hedcor Sabangan hydro-electric power plant, in compliance with its contractual obligation during the construction of the plant. Hedcor received a Notice of Violation and a Cease and Desist Order from the Forest Management Bureau (FMB) of DENR for unauthorized occupation of forest land without tenurial instrument in connection with its Irisan 1 and 3 plants. An Order lifting the Cease and Desist Order was issued on 16 October 2020, wherein no penalty was imposed but an initial amount of ₱500,000 representing back rentals was ordered to be paid by Hedcor, Inc. Hedcor, Inc. was further ordered to pay a re-computation of back rentals upon determination of the area applied for a Special Agreement on Protected Area.

AboitizPower continues to be cognizant of new opportunities to comply with regulatory requirements and improvement of systems to promote safety and prevent adverse impacts to the environment or affected ecosystems.

(xiv) Employees

At the parent company level, AboitizPower has a total of 391 employees as of 31 January 2021. These include executives, managers, supervisory, and rank-and-file staff employees. There is no existing CBAs covering AboitizPower employees.

The following table provides a breakdown of total employee headcount on a per business group basis, according to employees' function, as of 31 January 2021:

Business Group	Number of Employees					Unionized Employees	Expiry of CBA
	Total	Executives	Managers	Supervisors	Rank & File		
Aboitiz Power	391	74	69	69	179	0	N/A
Generation Companies							
Run-of-River Hydros	416	13	21	48	334	118	19 September 2022 (Hedcor)
Large Hydros	184	18	33	73	60	0	N/A
Geothermal	248	8	17	48	175	12	28 February 2022 (APRI)
Solar	5	0	0	1	4	0	N/A
Oil	395	12	34	191	158	0	N/A
Coal	1,367	27	77	286	977	0	31 December 2018* (GMEC)
RES	5	0	1	1	3	0	N/A
Distribution Utilities	811	17	65	132	597	338	31 December 2016** (Visayan Electric) 30 June 2024 (Cotabato Light) 15 June 2021 (Davao Light) 9 May 2024 (SFELAPCO)
Total No. of Employees	**3,822**	**169**	**317**	**849**	**2,487**	**468**	

**DOLE has granted the voluntary dissolution filed by Mariveles Power Station Employees Union ("MPSEU") with Registration Number RO302-BAT-1309-UR-III-001. Notice of Resolution was granted on 1 April 2020.*
*** Secretary of Labor and Employment issued an Order dated 06 September 2019 on OS-AJ-2018-1001-0003 and a Motion for Clarification dated 3 December, 2020 was purportedly filed by Visayan Electric Company, Inc. Employees Union ("VECEU") on the matter of retroactivity date and is currently pending.*

AboitizPower does not anticipate any significant increase in manpower within the next 12 months unless new development projects and acquisitions would materially require an increase.

(xv) Major Risk/s Involved in the Business

An integral part of AboitizPower's Enterprise Risk Management efforts is to anticipate, understand, and address the risks that the company may encounter in its businesses.

Risk management is integrated in AboitizPower's strategic and operational planning and decision-making processes. Management and operating teams identify and assess the risk areas that may have an impact to the company's strategic objectives and day-to-day business operations. In addition, the company develops focused mitigation initiatives to address the drivers of the company's current top risks, as well as imminent and emerging risks that may significantly impact the business and its stakeholders. ESG focus areas are also embedded in the organizational planning and risk management processes, which include business continuity management and risk finance.

Risk management planning in AboitizPower is an iterative process that is conducted at least semi-annually for strategic risks. AboitizPower's Business Units review operational risks and implement mitigation measures more frequently. Following the Aboitiz Group Risk Management governance structure, the company's Top Risks, as follows, are regularly presented and discussed with Senior Management and the Board of Directors.

1. Project Risks

AboitizPower has identified project risks as a top risk as it continues to grow its power generation portfolio. Project risks are largely driven by delays in commissioning and testing, commercial operations, as well as late completion and delivery of the transmission assets that will enable full dispatch of the plants in the pipeline. COVID-19-related travel restrictions, mandatory quarantine protocols, and on-site infections have also significantly affected the project milestones in 2020, and are anticipated to persist given the new COVID-19 variants. The company's External Relations team and the Compliance teams of AboitizPower's Business Units have all been closely coordinating with the Department of Foreign Affairs, the COVID-19 Inter-Agency Task Force ("IATF"), and airport authorities, among others.

Project risk management plans are thoroughly defined and regularly reviewed for each project in order to track issues related to quality, safety, compliance, schedule, and resources. This ensures that identified risk control measures and recovery actions are implemented. Appropriate project insurance coverage, as well as periodic performance reviews of selected partners, reputable contractors, and third-party suppliers, are also in place.

To further mitigate project risks, delivery of transmission assets is closely coordinated with the NGCP. Operational readiness reviews are performed to ensure that new generating units are ready for commercial operations prior to going on-line. Project post-mortem reviews are also conducted to determine key learnings that can be applied to ongoing and future projects.

To address challenges in land procurement, conversion, permitting, right-of-way, and other land-related issues, project stakeholder management plans are also developed to ensure that partners, contractors, regulatory agencies, host communities, LGUs, and other key stakeholders are aligned with project execution timelines.

The COVID-19 pandemic also affected the construction of the GNPower Dinginin project. It is now in the initial stages of commissioning, but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. Due to said circumstances, the AboitizPower Group is constantly evaluating the timing of the project's commercial operations date.

2. Regulatory Risks

The electric power industry is characterized by a constantly evolving regulatory environment. Any shortcoming in regulatory compliance poses negative consequences in both the net income and reputation of each Business Unit and the Group. Further, the company's results of operations and cash flow could be adversely affected by the inability to predict, influence, or respond appropriately to changes in law or regulatory schemes, including any inability or delay in obtaining expected or contracted increases in electricity tariff rates or tariff adjustments for increased expenses, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact results of operations and cash flow. The company's business could also be adversely affected by any changes in laws or regulations, or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, could adversely affect the company's business, including, but not limited to:

(a) adverse changes in tax laws;
(b) changes in the timing of tariff increases or in the calculation of tariff incentives;

(c) change in existing subsidies and other changes in the regulatory determinations under the relevant concessions;
(d) other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or
(e) other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with our existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Group's results of operations.

For renewable assets, pricing is fixed by regulatory arrangements which operate instead of, or in addition to, contractual arrangements. Business Units that are subject to regulated tariffs bear the risk. To the extent that operating costs rise above the level approved in the tariff, the Business Units that are subject to regulated tariffs would bear the risk. During the life of a project, the relevant Government Authority may unilaterally impose additional restrictions on the project's tariff rates, subject to the regulatory frameworks applicable in each jurisdiction. Future tariffs may not permit the project to maintain current operating margins, which could have a material adverse effect on the Business Unit or the Group, financial condition, results of operations and prospects.

To anticipate and proactively respond to changes in regulations, the Regulatory Affairs and External Relations teams of AboitizPower constantly collaborates with the DOE and the ERC to work towards a sound and sustainable regulatory and policy environment. Similarly, the AboitizPower SHES Team keeps abreast with environmental laws and coordinates with DENR on matters pertaining to environmental compliance.

These teams, among others, actively participate in consultative processes and public consultations to provide feedback and positions on proposed laws and regulations. The company's participation likewise ensures that its interpretation of such laws and regulations is aligned with the regulators. This is done in cooperation with organized power industry groups such as the Philippine Independent Power Producers Association ("PIPPA") and Philippine Electric Plant Owners Association ("PEPOA"). Regular dialogues are conducted with host communities, media, non-government organizations, and the academe, to educate and update various groups about the power industry.

AboitizPower has likewise transitioned its Legal Team to strategically focus on compliance and to continually align with the Aboitiz Group's overall compliance processes. The company is institutionalizing a compliance framework across the different business and corporate support units, and is formalizing compliance reporting requirements among the Group's compliance officers. AboitizPower has also implemented the Aboitiz Unified Compliance Management System, an Aboitiz Group-wide initiative that is based on the Governance, Risk and Compliance framework.

3. Reputation Risk

AboitizPower recognizes that its reputation is its single most valuable asset, a competitive advantage that allows the company to earn, maintain, and strengthen the trust of its stakeholders. The company knows that its reputation today took generations to build and sustain; hence, the need to protect and enhance it progressively is imperative.

Today's operating environment is characterized by increasing corporate governance standards, heightened public consciousness due to social media, and greater scrutiny from key stakeholders. Reputation risks result from the occurrence of, or failure to, mitigate other risks.

AboitizPower continues to strengthen stakeholder engagement activities with all its stakeholders, including its customers, employees, shareholders, lenders and insurers, regulators, host communities, and LGUs. One of the key engagement channels is ER 1-94 which allows host communities to reap financial benefits for their contribution to power plants situated in their localities. AboitizPower's assumption of the fund's administration functions has hastened fund remittance and utilization for local electrification, development and livelihood, and environment enhancement projects of host communities. Due to the COVID-19 pandemic, DOE Department Circular 2020-04-0008 dated 6 April

2020 rationalized the utilization by host LGUs of ER 1-94 funds for COVID-19 response instead. As of mid-November 2020, over 80% of the total available ER 1-94 funds have been released by DOE and AboitizPower to around 90% of the company's host beneficiaries.

For the past two years, AboitizPower has been recognized as a constituent company in the FTSE4Good Index Series. This Index Series was created by global index provider FTSE Russell and measures the performance of companies demonstrating strong ESG practices. The company's recent Corporate Sustainability Assessment by the highly regarded Robeco SAM group, now part of S&P Global, showed marked improvements in its ESG performance. The absolute score of AboitizPower improved by 74% compared to last year's rating, while its percentile ranking in its global peer group improved from 25th to 54th percentile. AboitizPoweralso showed some improvements in its Sustainalytics ESG Risk Rating at 34.4, a 1.9 decrease of risk exposure from its 2019 rating. Meanwhile, the company retained its rating of BB from the MSCI ESG Rating.

Moving forward, AboitizPower will continue to focus on addressing gaps in various risk areas of ESG. Furthermore, the company's growth strategy remains aligned with the energy trilemma of energy security, energy equity, and environmental sustainability, but will be characterized by a strategic shift from ensuring low-cost energy to also providing energy from more sustainable sources in the next decade.

4. Information Security Risks

AboitizPower recognizes the vulnerabilities of global information security breaches and the increasingly complex challenges of digital transformations. Management acknowledges that information security threats should be addressed to prevent targeted and non-targeted attacks which can adversely disrupt operations and customer services, and result in serious impacts to the company's bottom line and reputation.

In 2019, AboitizPower further strengthened its protection protocols against security threats with the implementation of the ISMS following the ISO 27001:2015 standard. For 2020, the company's Generation and Distribution Business Groups have rolled out a uniform, Company-wide Operational Technology Security Minimum Standard.

AboitizPower aligns with the Aboitiz Group-wide Cyber Security Program, specific governance, standards, training and culture-building, and OT Security projects. OT Security projects in generation and distribution facilities are also ongoing through phased implementation until 2022. The ISMS discipline will continue to be embedded in all three pillars of Information and Operational Systems Security: People, Process, and Technology.

In efforts to achieve the desired Level 4 in Cyber Security Maturity and build an information security risk-aware culture within the company, business continuity plans on loss of technology scenarios are in place, annually tested, reviewed, and continually improved. AboitizPower keeps pace with current information security threat landscape, solutions, and best practices to further strengthen prevention, detection, and comprehensive response to information security threats.

5. Business Interruption Due to Natural and Man-made Calamities and Critical Equipment Breakdown

The loss of, and/or damage to, facilities caused by natural calamities such as earthquakes, typhoons, and floods may result in significant business interruptions within AboitizPower. Interruptions may also be caused by other factors such as critical equipment breakdown, IT and OT security breaches, fires and explosions, hazardous waste spills, workplace injuries and fatalities, terrorism, and other serious risks.

Planned maintenance and overall outage management of AboitizPower's generation facilities and its critical equipment and OT infrastructure and systems are governed by asset management standards based on global best practice. All of AboitizPower's generation facilities have achieved asset management certifications based on ISO 55001:2014 standard. Recently commissioned plants will also be lined up for certification. On the other hand, distribution network availability and reliability targets have consistently been aligned with the performance bond standards set by ERC as part of the RDWR.

All Business Units have also achieved OHSAS 18001 certification, a British standard which is focused on controlling occupational health and safety hazards. AboitizPower companies are also transitioning to the ISO 45001 standard to drive a risk-based culture with more proactive approaches toward mitigating risks before they happen. To further reinforce industrial fire safety, the annual in-house training program on Fixed Fire Fighting Systems of the U.S. National Fire Protection Association is conducted for operations, maintenance, and safety personnel.

Group insurance programs that leverage on the AboitizPower's portfolio of generation and distribution assets, supported by risk modelling and quantification, are also in place. AboitizPower ensures that its Business Units have the right insurance solutions to achieve the optimal balance between retaining or transferring risks versus lowering the Total Cost of Insurable Risk. As such, business interruption insurance is procured to cover any potential loss in gross profits that may result from a major damage to critical assets.

Business Units periodically review, test, develop, update, and improve their BCP to ensure that they remain relevant with current business conditions, and address the uncertainties and issues faced by the company.

Some of these enhancements include: (a) typhoon preparedness; (b) regular emergency drills and simulation exercises on various scenarios related to other natural and man-made calamities; and (c) post-event evaluations to ensure that employees are able to respond effectively and safely as planned.

To further improve its existing BCM framework and practices, AboitizPower has rolled out a three-year roadmap of Business Continuity initiatives, which conforms to ISO 22301:2012 standards and requirements.

6. Financial Risks

In the course of its operations, AboitizPower and its Subsidiaries are exposed to the following financial risks:

(a) The growing multi-sectoral negative action against coal has led many financial institutions to restrict investments in coal projects. The following are important considerations of the company's existing portfolio and strategic project pipeline, where coal concentration will significantly be reduced by the year 2030:
   i) Financing and refinancing risks in terms of the company's inability to borrow money to fund future coal projects. While banks are still willing to lend, the cost of project financing tends to be more expensive;
   ii) Difficulty in insurance procurement or renewal, where insurers' policy on coal underwriting and investing are also aligned with the same global trends on sustainability and ESG issues. While insurers are still willing to cover coal plants, the resulting impact is significantly higher premium rates for coal insurance year on year. Inability to fill up 100% capacity due to the reluctance or withdrawal of some insurance markets to insure coal plants has prompted the company to resort to self-insurance. Other noteworthy risk drivers are the hardening of the insurance market aggravated by the global economic impact of the COVID-19 pandemic, and any significant losses on damage to critical assets and related business interruptions; and
   iii) Regulatory pressure, which is increasing with the recent DOE Memorandum dated 22 December 2020 re*: "Advisory on the Moratorium on Endorsements for Greenfield Coal-Fired Power Projects in line with Improving the Sustainability of the Philippines' Electric Power Industry"*, effective 27 October 2020;

(b) Refinancing and liquidity risks arising from balloon / bullet payments for existing loans;

(c) Interest rate risks resulting from the increasing cost to borrow money as a result of inflation; and

(d) Forex risks in terms of forex fluctuations that may significantly affect its foreign currency-denominated placements, transactions, and borrowings. This risk is currently driven by the global COVID-19 crisis, given the impact it has on general currency markets; and the amount of natural hedge flows which may decline.

Aside from the negative impact to the Group's net income, these risks would also constrain any expansion and growth projects. Furthermore, defaulting on existing loans and other financial obligations will consequently put the company's reputation at risk.

To address these risks, AboitizPower carries out the following actions:

(a) Regular monitoring of the company's cash position;
(b) Maintaining good relationships with the banks;
(c) Exploring alternative risk transfer options and operationalizing self-retention strategies; and
(d) Implementing the Power Group's Financial Risk Management Framework, which is a collaboration of the Group Risk and Treasury teams and designed to ensure a consistent approach in identifying, assessing, quantifying, and mitigating financial risks across the Group.

7. Competition Risk

Increasingly competitive market conditions create downward pressure on contract rates and increasing levels of commercial risk, to wit: (a) generation companies are required to participate in a transparent and competitive bidding of power supply requirements of distribution utilities and electric cooperatives through the CSP; and (b) spot prices are expected to continue to be volatile. As such, fixed pricing may potentially increase exposure to fuel and forex risk, while the inability to contract at favorable rates and commercial terms may result in further exposure to higher levels of spot market volatility.

As AboitizPower endeavors to market and contract project capacities from investments ahead of time, as well as renew expiring contracts from existing capacities, it also maximizes energy trading opportunities in the spot market. Striking this balance requires a combination of portfolio pricing and contracting strategies, and hedging of coal and forex exposure on fixed contracts. This is to ensure that plant operations are optimized, and that revenue and cash flow streams are managed.

8. Talent Risks

AboitizPower gears for further growth by shifting towards renewable energy sources and increasing its presence in the international market, while ensuring the availability and reliability of existing power plants. Both growth and operational excellence thrusts demand for organic subject matter experts of critical assets.

The risk on availability, readiness, and retention of talents for critical posts is inevitably increasing. Thus, talent attraction, optimization, and retention strategies are of utmost importance. In 2019, AboitizPowerintegrated Strategic and Operational Workforce Planning into the Organizational Planning processes to enable the identification of current and future talent needs. This helped shape the people strategy of AboitizPower. In 2020, key human capital initiatives to holistically address talent management risks include employer branding; building targeted talent communities; succession management and talent mapping, blended development programs linked to competency and performance requirements (i.e., critical position understudy program, leadership and technical development and career pathing); purposive employee engagement programs; and a mental wellness initiative as part of the company's COVID-19 business continuity plan.

9. Pandemic Risks

In December 2019, the COVID-19 outbreak began in China and spread to other countries, including the Philippines. On 10 March 2020 the World Health Organization characterized COVID-19 as a pandemic. As of 31 December 2020, the DOH reported 474,064 COVID-19 cases nationwide with 9,244 deaths.

The Philippines remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of Overseas Filipino Workers globally; (b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In response to the recent outbreak of COVID-19, the Philippines has imposed travel bans on several affected countries, which may have an adverse impact to the AboitizPower Group's suppliers' ability to deliver, which could delay the construction of certain projects.

In a move to contain the COVID-19 outbreak, the Office of the President issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective 15 March 2020. Presidential Proclamation No. 929 was issued the next day, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until 12 April 2020. On 24 March 2020, Congress passed RA No. 11469, known as the Bayanihan 1 Act into law, which conferred emergency powers on the President. On 25 June 2020, measures under the Bayanihan Act were implemented to address the pandemic in the Philippines that expired without extension or replacement.

On 11 September 2020, the Bayanihan 2 Act was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the Government's implementation of programs related to the pandemic. Similar to the Bayanihan 1 Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until 19 December 2020. Such powers include the authority to adopt measures to "conserve and regulate the distribution and use of power, fuel, energy and water, and ensure adequate supply of the same."

Since President Duterte's declaration of the State of Public Health Emergency and, consequently, the various community quarantine guidelines on public transportation, social distancing, international travel bans, health protocols, and mandatory quarantines, AboitizPower has been implementing flexible work arrangements, including: (1) maximizing work-from-home set-up for support employees and selected essential employees; (2) 14-day-cycle of facility lockdown duty of generation facilities; and (3) special protocols for distribution line gangs and customer centers. This is to primarily ensure the health and safety of its sites and employees while continuing to serve its customers and other stakeholders, as well as to address any constrained mobility of employees brought about by the community quarantines.

For the AboitizPower Group, the primary impact of the COVID-19 pandemic was the decrease in demand for electricity as business activities were hampered by the government-enforced community quarantines. These quarantines also resulted in reduced mobility to and from the Power Group's existing facilities, and new facilities being constructed.

The AboitizPower Group continued to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities. To address the challenges posed by the pandemic, the AboitizPower Group developed a program that combines the best of work-from-home, two-week workshifts, and remote plant operations. This will ensure that the AboitizPower Group keeps the lights on for the country. It also assessed the current and future modes of operations. This led to the necessity of doing an organizational restructuring, allowing for resiliency and enabling the Power Group to remain efficient, competitive, and sustainable. It is in the planning stages of a return to the workplace program, but will advance with caution. The COVID-19 pandemic also impacted the construction of the GNPower Dinginin project. It is now in the initial stages of commissioning, but continues to face challenges due to the COVID-19 pandemic and the imposition of the travel ban on China. Construction has slowed down because of the preventive measures taken to ensure the safety of workers on-site. Due to said circumstances, the AboitizPower Group is constantly evaluating the timing of the project's commercial operations date.

To date, all AboitizPower power generation facilities and power distribution utilities have normalized operations. BCPs have been successfully implemented to ensure the adequate and reliable supply and distribution of electricity. These BCPs are continually and promptly updated to adhere to the health and other community quarantine protocols and guidelines issued by the DOE, ERC, DOH, DOLE, IATF, and the LGUs.

The curtailed economic activity brought about by the shutdown and/or scaled down operations of energy-intensive industries have resulted in significant drops in electricity demand and consumption, which in turn has affected the revenue targets of AboitizPower's generation, distribution, and retail electricity supply businesses. The company collaborates with its customers and key stakeholders to minimize the impact of the pandemic to its PSAs for all concerned parties. Distribution Utilities have also maximized the use of social media and digital platforms to deliver customer services.

The Bayanihan 2 Act also imposes a minimum 30-day grace period for the payment of electricity and other utilities falling due within the period of community quarantine without penalty. It further provides that payments may be settled on a staggered basis in no fewer than three monthly installments. The company is compliant with DOE circulars and ERC advisories on the grant of extension of payment to electricity consumers for bills falling due in the original and extended community quarantines, and the amortization of the cumulative amount of such electricity bills in four equal installments payable in the four succeeding billing months following the end of the community quarantines. The resulting increase in credit and collection risks have posed a challenge to the company's cash flows.

The said circulars also provide that all private and public corporations in the power sector shall be given a similar grace period for their obligations without interest, penalties, fees and charges, as well as the same four-month amortized payment arrangement for all unpaid balances on obligations within the same period. This directive has eased the impact and helped manage the cash flow of AboitizPower Subsidiaries, with respect to payments due to NGCP, PSALM, IEMOP, IPPs, and suppliers of oil and steam.

The company ensures that the supply chains for its power plants and Distribution Utilities remain stable. It also ensures that supply of coal, critical spare parts, and services from outside the country continues through a number of options, including alternative local suppliers and service providers. Close coordination with LGUs and key government agencies by AboitizPower External Relations and its Business Unit's Legal and Compliance teams facilitate the unimpeded delivery of energy-related goods and services.

Several operational areas have been seriously impacted by the COVID-19 pandemic, and may continue to do so until a vaccine reaches the Philippines. The company continues to enable the organization to anticipate and respond accordingly as the COVID-19 situation may require, including defining the New Normal and the changes in management processes around transitioning and adapting to it.

10. Emerging Risks

Embedded in the risk management process is the continuous identification and monitoring of emerging risks. These are newly developing risks that cannot yet be fully assessed (due to high uncertainty) but could have a major impact on the organization in the future. These potential risks could be triggered by the fast-changing landscapes in the political, economic, social, technological, environmental, and legal aspects surrounding the company's operations.

Such risks are captured and validated in the semi-annual risk assessment process and environmental scans of the strategic planning and annual organizational planning process of AboitizPower, and are subjected to further study by subject matter experts. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

Stranded assets are investments that are not able to sustain a viable economic return and/or which are likely to see their economic life curtailed due to a combination of technology, regulatory, and/or market changes. There can be no assurance that the adoption of new safety, health, mining and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health, mining and environmental laws or other developments in the future will not result in Power Group from being required to upgrade, supplement, or relocate its facilities and having to incur additional capital expenditures or operating expenses to address the risk of potential stranded generation assets. In the event that future laws are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, certain capital expenditures or operating expenses or financing costs may not be fully recoverable.

The Philippines is a party to the 2015 Paris Agreement signed by almost 200 nations, which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C in order to substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions by requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. Recently promulgated implementing rules and regulations by the DOE on "Renewable Portfolio Standards" also mandate electric power industry participants (such as generation companies, distribution utilities, and electric cooperatives) to source or produce a portion of their electricity requirements from eligible renewable energy resources and undertake CSPs in sourcing renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

The company is cognizant of the regulatory and market drivers in the shift towards green and sustainable business transformations. AboitizPower and its Subsidiaries are guided by its sustainability framework that looks into environmental, social and governance risks including climate-related risks of its value chains. The company's strategy has long considered environmental sustainability as one of its key pillars. To date, the company, together with its partners, is the largest private renewable energy operator in the country with 1,544 MW in installed capacity.

AboitizPower's growth strategy remains aligned with the energy trilemma of balancing the three pillars of energy security, energy equity, and environmental sustainability. Over the last decade, the growth in energy demand has necessitated a focus on energy security and energy equity - the provision of reliable, and affordable energy for a growing economy. Having addressed energy security and energy equity via the presence of sufficient baseload capacity, AboitizPower has begun to shift focus back to environmental sustainability, and rebalancing its energy portfolio. This transition is included in AboitizPower's sustainability agenda, with the company targeting a mix of 50% thermal and 50% renewable energy capacity by 2030 from its current mix of 73% thermal (which are conventional or combustion power plants such as coal or fuel fired plants), and 27% renewable (which do not rely on fossil fuels).

Further, to properly assess the potential and extent of the above-mentioned risks, AboitizPower, through its holding company, AEV, signed up to become the first Philippine supporter of the international Task Force on Climate-Related Financial Disclosures ("TCFD") in early 2020. This is a voluntary commitment to adopt a defined governance structure on identifying and addressing physical and transition risks associated with climate change, as well uncovering opportunities, and improving disclosures to provide clear and reliable information to stakeholders. Under SEC Memorandum Circular No. 4, series of 2019 on the Sustainability Reporting Guidelines for Publicly-Listed Companies ("PLCs"), there is a three-year period under which PLCs can comply, which includes the adoption of the TCFD reporting template.

Such risks are captured and validated in the semi-annual risk assessment process and environmental scans of the strategic planning and annual organizational planning process of AboitizPower, and are subjected to further study by subject matter experts. These emerging risks are reported and discussed as part of the Group Risk Management Council and Board Risk and Reputation Management Committee regular agenda.

II. FINANCIAL SERVICES

Overview of the Business

Union Bank of the Philippines, originally known as Union Savings and Mortgage Bank, was incorporated in the Philippines on 16 August 1968. On 12 January 1982, it was given the license to operate as a commercial bank. UnionBank's common shares were listed on the PSE in June 1992 and shortly after, it was granted the license to operate as a universal bank on 15 July 1992. As of 31 December 2020, UnionBank's principal shareholders are Aboitiz Equity Ventures Inc. (one of the oldest and largest conglomerates in the county), the Social Security System of the Philippines (a government-owned and-controlled corporation that provides social security to workers in the private sector), and Insular Life Assurance Company, Ltd. (one of the leading and largest Filipino-owned life insurance companies in the Philippines).

UnionBank's core businesses are retail banking, consumer finance (comprising credit card services, mortgage and auto loans, and salary loans), corporate banking, commercial banking (comprising middle-market banking), small and medium-sized enterprises ("SME") banking, cash management, trust and investment services, treasury products distribution, funding and trading (involving management of UnionBank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives). In addition, UnionBank has a private banking unit which offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier & Co. (a Swiss global wealth asset manager), and various life insurance products through its bancassurance partnership with Insular Life. As of 31 December 2020, UnionBank and its Subsidiaries had 387 branches across the Philippines and a network of 485 automated teller machines ("ATMs").

For the twelve months ended 31 December 2020, UnionBank recorded the following:

- Consolidated net profit was ₱11,561 mn;
- Total consolidated resources was ₱774,459 mn;
- Total loan portfolio was ₱339,537 mn; and
- Total deposits was ₱527,785 mn.

For the twelve months ended 31 December 2020, Tier 1 capital adequacy ratio was 15.0% while total capital adequacy ratio was 17.0%. Tier 1 capital adequacy ratio is determined by dividing total qualifying Tier 1 capital by total risk-weighted assets. Total capital adequacy ratio is determined by dividing total qualifying Tier 1 and Tier 2 capital by total risk-weighted assets. Both Tier 1 and total capital adequacy ratios are computed using Basel 3 standards adopted by the Bangko Sentral ng Pilipinas ("BSP").

(i) Products and Services

UnionBank and its Subsidiaries include City Savings Bank, Inc. ("CitySavings"), a thrift bank; UBP Investments Corporation ("UBPIC"); a holding company, and UBX Philippines Corporation ("UBX PH"), an innovation and technology company.

In 2013, UnionBank acquired CitySavings, a premier thrift bank that, among other services, grants teacher's loans under the Department of Education's automatic payroll deduction system ("APDS"). In May 2018, the Department of Education approved the "Terms and Conditions of the APDS Accreditation of CitySavings valid until December 2020, subject to renewal. CitySavings has since expanded its microfinance and SME banking business through the acquisition of First Agro-Industrial Rural Bank ("FAIRBank"), Progressive Bank, Inc. ("PBI"), and Bangko Kabayan Private Development Bank ("Bangko Kabayan"); and entered the motorcycle lending business through its merger with Philippine Resource Savings Bank ("PR Savings Bank").

In 2018, CitySavings and UBPIC (formerly "Union Properties, Inc."), acquired AEV's 51% interest in PETNET, Inc. ("PETNET"). PETNET is one of the country's largest remittance networks, with over 3,000 branches composed of company-owned and sub-agent locations nationwide. PETNET is a BSP-licensed remittance agent, money changer and foreign exchange dealer. Apart from the Western Union money transfer service, PETNET offers money changing, bills payment, airline ticketing, personal accident insurance, and e-loading in its company-owned locations. In addition, PETNET, an outsourced service provider of CitySavings, facilitates and accepts applications for the Department of Education's salary loans and Government Service Insurance System pension loans. PETNET, more widely known by its retail brand - *Pera Hub* - continues its initiatives to provide complementary products, cash, and payment-related solutions to its growing market.

UnionBank continues to strengthen its business model by embarking on a digital transformation journey. The Bank is repositioning itself into an agile and digitally-transformed universal bank to compete in the evolving banking landscape through the delivery of superior customer experience while achieving cost efficiencies. After transforming its back-end IT infrastructure to be digital to the core and equipping its people to embrace a digital and agile culture, UnionBank launched its transformed customer touchpoints. These include (i) the introduction of fully digital branches called "*The Ark*"; (ii) launch of mobile app for retail ("UnionBank Online"), SMEs ("SME Business Banking App"), and cash management platform for corporates ("The Portal"); (iii) and providing relationship managers with a digital tool called *"MAX 5.0"*

UnionBank also continues to expand its core business model to the underbanked or underserved segment of the population (i.e., the portion of the adult population that is not necessarily unbanked, but serviced by the informal and fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery segments). UnionBank's approach is to deliver products using innovative technologies to service these segments in a more cost-efficient manner. Leading UnionBank in this area is CitySavings together with its other rural bank Subsidiaries.

While it continues to strengthen its present business models, the Bank is in pursuit of new business models where banking may either become embedded or disintermediated in people's day-to-day lives. Leading this value chain is UBX PH, a wholly-owned Subsidiary of Unionbank that focuses on developing digital platforms, enabling and investing on technology startups, and providing technological services to clients such as app and blockchain development.

(ii) Distribution Methods

UnionBank services its clientele through its well-trained relationship managers, strategically-located branch networks and ATMs, supplemented by a call center under its ISO-certified Customer Service Group. The Bank's service channels are complemented by its strong digital footprint through its website at www.unionbankph.com; online banking and mobile applications (e.g. UnionBank Online and SME Business Banking App); The Portal; customer service chatbot (*"Rafa"*); *EON* digital brand mobile app; and various financial services.

Relationship Managers	UnionBank's sales force are trained to have expertise regarding UnionBank's solutions-based financial services, and equipped with tools (e.g. *MAX 5.0*) that allow them to service clients remotely through digital channels. They are also licensed by the Insurance Commission to provide customers with bancassurance products.
Branch Network	UnionBank has 387 branches strategically located within and outside Metro Manila to maximize visibility and expand customer reach. This includes UnionBank's digital and paperless branches which allow for straight-through processing of transactions over-the-counter or via self-service machines, and at the same time, houses branch ambassadors for product discovery and advisory services. UnionBank also has an increased its presence nationwide through the physical network of its Subsidiaries which include CitySavings (149 branches), FAIRBank (15 branches mainly in Visayas), Bangko Kabayan (24 branches mainly in Luzon), Progressive Bank (3 branches in Visayas) and PETNET (over 3,000 locations nationwide).
ATM Networks	UnionBank and its Subsidiaries' network of 485 ATMs as of 31 December 2020, supplements its branch network in providing 24-hour banking services to its customers. In addition, UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders access to thousands of ATMs nationwide.
Call Center	UnionBank's 24-hour call center handles retail customer relationships and care, catering to deposit and card product queries, among others.
Customer Service Chatbot	UnionBank's *Rafa* is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is

	accessible through Facebook messenger. It is capable of answering customer queries on ATM and branch locations, provides latest foreign exchange data, card activations, and assists customers on exploring UnionBank's various products and services.
Mobile and E-Banking	UnionBank Online is designed with an omni-channel user experience across various touchpoints (website and mobile app), operating systems (Android or IOS), and device types. UnionBank Online enables retail customers to perform banking transactions such as digital account opening, mobile check deposit, fund transfer, pay bills, and many more without visiting the branch. UnionBank introduced the upgraded version of its cash management platform for corporates called *The Portal*. Unique features include single sign-on for customers with multi-org access, a fully-featured mobile app, real-time fund transfers, and many more. The Bank also launched its SME Business Banking App designed for business owners. Its features include digital account opening for savings and checking accounts, mobile check deposit, local and international fund transfers, bills payment, and many more to help SMEs manage financial operations.
EON	Specially designed for digital commerce, *EON* was the first electronic money product in the Philippines with a "selfie banking" feature which employs facial recognition in authorizing transactions through a smartphone. *EON* is UnionBank's primary product for carding the unbanked and underbanked segments through its partnerships with cooperatives and local government units for loans and aid disbursement (i.e. Social Amelioration Program, etc.).
Platforms and Other Digital Channels	UnionBank's thrust for digital transformation prompted it to launch digital platforms and channels intended to deliver products/services to various customer segments. Some of them include: Financial Supply Chain ("FSC") platform for corporate clients and their ecosystem of suppliers and dealers; *GlobalLinker* which creates a network of SME suppliers and customers; *Bonds.PH* app which facilitated the first app-based blockchain-enabled distribution of sovereign retail treasury bonds in the country; and other platforms launched by UBX PH to include *i2i*, which is a blockchain-based interbank digital payment platform for financial institutions such as rural banks; *Sentro*, an online shop builder with embedded logistics services; *BUX*, a payment gateway for online merchants; and *SeekCap*, an SME lending marketplace. UBX PH also invested in Shiptek Solutions, Inc. to embed financial solutions into its shipping and logistics platform, *XLog*.

(iii) New Products and Services

UnionBank offers a broad range of products and services, which include deposit and related services; corporate and middle market lending, consumer finance loans such as mortgage, auto, and salary loans, and credit cards; investment, treasury, and capital markets; trust and fund management; remittance, and cash management. In addition, the Bank offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various life insurance products through its bancassurance partnership with Insular Life. These services are delivered through the Bank's branches and digital banking channels such as Unionbank Online, SME Business Banking App, and The Portal. The Bank continues to reinvent itself to offer financial services that address customers needs while leveraging on technology.

Technology is at the core of UnionBank's strategy. To further drive its digital shift, 2019 UnionBank launched UBX PH, its innovation and technology Subsidiary. This wholly-owned Subsidiary focuses on innovation projects such incubating ecosystems and platforms, providing technological services to clients, and fintech investments.

Since its inception, UBX PH has launched several of its digital platforms such as (i) *"Project i2i"*, a blockchain-based interbank digital payment platform for financial institutions such as rural banks; (ii) *"Sentro"*, an online shop builder with embedded logistics services; (iii) *"BUX"*, a payment gateway for online merchants; and (iv) *"SeekCap"*, an SME lending marketplace. UBX PH also invests in select financial technology firms that have a strategic fit to its objective. At the same time, it provides technology support to several of the Bank's pioneering experiments such as the Bank's blockchain-based cross-border remittance project, cryptocurrency ATM, stablecoin, and many more.

(iv) Competition

The Bank faces competition in all its principal areas of business. Philippine domestic and foreign banks are the Bank's main competitors, followed by finance companies, mutual funds and investment banks. The Bank also faces competition from financial technology firms and non-financial firms. In particular, non-financial firms pose a challenge to Philippine banks by offering digital products such as mobile payments or online services. Financial technology firms utilize software to provide financial services, and disrupt existing financial systems and corporations that rely less on software by offering faster, more convenient, and more efficient ways of transacting. In addition, purely digital financial technology or non-financial firms have no branches and thus have lower costs. The Bank seeks to gain a competitive advantage by continuing to implement its digital transformation strategies.

(v) Major Customers

The Financial Services Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

(vi) Patents, Copyrights, and Franchies

UnionBank owns, or has pending applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. The following table sets out information regarding the trademark applications which UnionBank has filed with the Philippine Intellectual Property Office.

	Trademark	Registration Date	Expiration Date
1	UNIONBANK	19 December 2005	19 December 2025
2	UNIONBANK LOGO	21 October 2010	21 October 2030
3	UNIONBANK EON	5 December 2013	5 December 2023
4	UBP	7 August 2014	7 August 2024
5	UNIONBANK OF THE PHILIPPINES	7 August 2014	7 August 2024
6	UREKA	10 November 2016	10 November 2026
7	EON FOR THE DIGITAL ME	30 July 2017	30 July 2027

8	EON	30 July 2017	30 July 2027
9	DIGITAL ME	29 June 2017	29 June 2027
10	EON CYBER	2 November 2017	2 November 2027
11	THE ARK	5 April 2018	5 April 2028
12	THE ARK	5 April 2018	5 April 2028
13	THE ARK	5 April 2018	5 April 2028
14	THE ARK	5 April 2018	5 April 2018
15	OWN THE FUTURE	25 October 2018	25 October 2028
16	THRIVE IN AN AGILE TEAM ENVIRONMENT DRIVEN BY SUCCESS.	11 November 2018	11 November 2028
17	SEIZE BOLD OPPORTUNITIES FOR GROWTH.	11 November 2018	11 November 2028
18	DISRUPT THE WORLD WITH SMART CHANGEMAKERS.	11 November 2018	11 November 2028
19	I2I	30 May 2019	30 May 2029
20	THE FUTURE BEGINS WITH U.	24 October 2019	24 October 2029
21	SELFIE BANKING	22 December 2019	22 December 2029
22	CYBERSURE	12 January 2020	12 January 2030
23	1U HUB	6 February 2020	6 February 2030
24	1U HUB	6 February 2020	6 February 2030
25	THE FIRST FINANCIAL SUPPLY BLOCKCHAIN IN THE PHILIPPINES - POWERED BY UNIONBANK	6 February 2020	6 February 2030
26	UB	24 February 2020	24 February 2030
27		24 February 2020	24 February 2030
28		24 February 2020	24 February 2030
29	THE EDGE BY UB UNIONBANK	31 July 2020	31 July 2030
30	UB UNIONBANK	14 August 2020	14 August 2030
31	UB UNIONBANK	16 October 2020	16 October 2030
32	THE FIRST DIGITAL ACCOUNT OPENING FOR BUSINESS BY UNIONBANK	17 January 2021	17 January 2031

(vii) Government Approvals

The BSP, SEC, Philippine Deposit Insurance Corporation ("PDIC"), PSE, and the BIR are the major regulatory agencies that provide rules, regulations and guidelines to the Bank's activities.

UnionBank ensures that its products, services and systems have the necessary regulatory approvals and are in compliance with existing rules prior to launch and continue to be compliant with prescribed rules and regulations.

(viii) Effect of Existing or Probable Governmental Regulations

As a banking institution, UnionBank adheres to the provisions of RA No. 8791 or the General Banking Law of 2000, as amended, and the regular issuances by the BSP as embodied in its Manual of Regulations for Banks ("MORB"). The regulatory issuances of the SEC, PDIC, PSE, BIR and other regulatory bodies are likewise monitored constantly for new developments. In addition, the following are the business regulatory framework for the Financial Services Group:

Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank complies with the Anti-Money Laundering Act of 2001 (RA No. 9160) as amended by RA No. 9194, its Implementing Rules and Regulations and regulatory issuances of the BSP and the Anti- Money Laundering Council and the Bank's Money Laundering and Terrorist Financing Prevention Program. UnionBank adheres to the Know Your Customer ("KYC") rules and customer due diligence requirements of both the law and regulation at the inception of the bank-client relationship until its termination.

The Bank employs a third-party tool for screening customers during onboarding and subsequently, whenever there are updates to the sanctions and negative files. A real-time transaction screening system is used to clear all transactions that pass through the SWIFT network. In July 2019, the Bank upgraded its AML system through the deployment of an internally-developed, highly intuitive and more flexible transaction monitoring and reporting system. In 2020, the Dow Jones name screening portal replaced the previous software to assist with the identification of sanctioned individuals and organizations, persons convicted of AML crimes or illegal activities for all types of clients.

KYC and customer due diligence process remains robust through documentation of client information, review of customer risk rating and identification of ultimate beneficial owners and obtaining senior management approval, where warranted.

On an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides formal AML training to the members of the Board of Directors and Senior Management. In coordination with the Human Resources Group, new employees undergo a two-day orientation course that includes AML; all branch personnel and other units are also required to take the AML e-learning refresher module regularly while operations and sales personnel are apprised of new BSP requirements during compliance roadshows held throughout the year.

Capital Adequacy

Per existing BSP regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to 10% of its risk assets. Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by holdout on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items as determined by the Monetary Board of the BSP.

Pursuant to BSP Circular No. 538, Series of 4 August 2006, UnionBank's capital adequacy ratio as of 31 December 2019 and 31 December 2020 is at 15.3% and 16.82%, respectively.

(ix) Amount Spent on Reseach and Development

The amount spent on research and development activities (in thousand pesos) and its percentage to revenues for the last three years has been as follows:

	31 December 2020	31 December 2019	31 December 2018

Cost	₱1,182,635.00	₱1,347,315.00	₱989,922.00
Ratio to Revenues	3.1%	3.5%	3.1%

(x) Costs and Effects of Compliance with Environmental Laws

Compliance with environmental laws increases a company's operational costs, though in most cases the costs are only a small fraction of a firm's total costs. For financial institutions like Unionbank, relevant environmental laws and regulations require the appointment of Pollution Control Officers, Managing Heads, installation of pollution control equipment, and incorporation of sustainable practices in the Bank's operational processes. Compliance with these requirements has minimal effect in the Bank's operational cost and productivity.

Environmental laws influence the Bank's concept in designing its offices to ensure compliance as provided by relevant regulatory agencies. Compliance to the environmental laws have benefitted the organization in terms of illnesses averted through reduction of airborne particulates, hazardous waste disposal, and water potability. There were no reported incidents of non-compliance with environmental laws and regulations.

(xi) Major Risk/s Involved in the Business

Risks particular to the Financial Services Group are as follows:

UnionBank's ability to identify, assess, monitor and manage risks inherent in its business is anchored on the quality and timeliness of available industry and internal risk data

UnionBank, through its Enterprise Risk Management Group, monitors all risk exposures which include, among others, credit risk, market risk, operational risk, operational risk, liquidity risk, and IT risk. The effectiveness of UnionBank's risk management, particularly on management of credit risk which is inherent in its core businesses, is bounded by the quality and timeliness of available data in the Philippines as well as internal risk data in relation to different factors such as, but not limited to, the proposed borrowers' credit history, loan exposures with other financial institutions and other external and market factors affecting overall credit. Insufficient or inaccurate risk and financial data and limitations of UnionBank's risk management systems, if any, may result to UnionBank granting loans that may expose UnionBank to significant credit risk, take positions that may expose UnionBank to market and liquidity risks, or undertake business activities that may result in operational, IT and other material risks.

Procedures to identify and assess the aforementioned risks are embedded in the Bank's various processes, including but not limited to, KYC procedures, loans evaluation and underwriting and due diligence procedures. The group maintains a prudent risk management strategy to ensure its soundness and profitability. Strategies and limits are reviewed regularly and updated to ensure that risks are well-diversified and risk mitigation measures are in place. A system for managing and monitoring risks is in place so that all relevant issues are identified at an early stage and appropriate actions are taken on a timely basis. Risk reporting is done on a regular basis, either monthly or quarterly.

Union Bank may face increasing levels of non-performing loans ("NPLs"), provisions for impairment losses and delinquencies in its credit card portfolio, which may adversely affect UnionBank's business, financial condition, results of operations, and capital adequacy

UnionBank plans to continue to expand its SMEs and consumer loan operations, such as credit card services, mortgage loans, and salary loans. Such expansion plans will increase UnionBank's exposure to SMEs and consumer debt, and volatile economic conditions in the Philippines may adversely affect the future ability of UnionBank's borrowers, including SMEs and individual borrowers, to meet their obligations under their indebtedness and, as a result, UnionBank may experience an increase in the levels of NPLs and provisions for impairment losses in the future.

Volatile economic conditions in the Philippines, including volatile exchange and interest rates, may adversely affect many of UnionBank's customers, causing uncertainty regarding their ability to fulfil obligations under UnionBank's loans and significantly increasing UnionBank's exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in UnionBank's loan portfolio in the future. Any significant increase in UnionBank's NPLs or delinquencies in UnionBank's loan portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

The aforementioned risk is managed through strategies, policies and limits that are approved on the Board level and in line with the Bank's risk appetite. The Bank has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments to assess the inherent risks. Business units are held accountable for all the risks and related returns and ensure that decisions are consistent with business objectives and risk tolerance.

UnionBank may be unable to recover the assessed value of its collateral when its borrowers' default on their obligations, which may expose UnionBank to significant losses

UnionBank's secured loans have, historically, represented a significant portion of UnionBank's total loans. There can be no assurance that the collateral securing any particular loan will protect UnionBank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of UnionBank's collateral may not accurately reflect its liquidation value, which is the maximum amount UnionBank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover UnionBank's loans.

In addition, some of the valuations in respect of UnionBank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing UnionBank's loans, including with respect to any future collateral taken by UnionBank, would mean that its provisions for credit losses may be inadequate and UnionBank may need to increase such provisions. Any increase in UnionBank's provisions for credit losses could adversely affect its business, its financial condition, results of operations and capital adequacy.

Furthermore, UnionBank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, UnionBank to legal liability while in possession of the collateral. These difficulties may significantly reduce UnionBank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. UnionBank initially carries the value of the foreclosed properties at the lower of loan exposure or fair value of the properties at the time of foreclosure. Subsequently, the foreclosed properties are carried at the lower of the amount initially recognized or the fair value less cost to sell. While UnionBank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and to prevent their deterioration. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans. In realizing cash value for such properties, UnionBank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that UnionBank will be able to realize the full value, or any value, of any collateral on its loans.

Lending policies, including on collaterals, are reviewed regularly to align with market developments. Collaterals, both for current and repossessed loans, are appraised periodically.

UnionBank's provisioning policies, which are based on Philippine Financial Reporting Standards expected credit loss standards and on other relevant Philippine regulations, may be more or less stringent than those in other countries

The level of loan loss provisions which UnionBank recognizes are aligned with the PFRS 9 accounting standard. Subjective determinations of significant change in credit risk may increase the variation of application of such policies and affect UnionBank's results of operations. Moreover, regulations of the BSP require that Philippine banks classify loans into several categories corresponding to various levels of credit risk as follows: pass, loans especially mentioned, substandard, doubtful and loss. These are considered in PFRS 9 expected credit loss stage determination, in addition to BSP Circular No. 941. Generally, the classification of loans depends on a combination of qualitative and quantitative factors, such as the number of months that payment is in arrears. Periodic examination by the BSP of these classifications in the future may also result in changes being made by UnionBank to such classifications and to the factors relevant thereto.

The BSP requirements in certain circumstances may be less or more stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later or earlier than would be required in such countries or being classified in a category reflecting a lower or higher degree of risk. As a result, the amount of UnionBank's NPLs as well as reserves may be lower or higher than what would be required if UnionBank was located in such countries. Further, if UnionBank changes its provisioning policies to become more in line with international standards or practices or otherwise, UnionBank's results of operations may be adversely affected.

Certain accounting standards, including the PFRS 9 expected credit loss standards, have been adopted by the Bank to obtain unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions with the objective of recognizing lifetime losses on all financial instruments which have experienced a significant increase in credit risk since their initial recognition. These assumptions are reviewed and updated at least monthly.

UnionBank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds

To the extent any of the instruments and strategies UnionBank uses to manage its exposure to market or credit risk is not effective, UnionBank may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. UnionBank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. UnionBank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. UnionBank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, UnionBank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by UnionBank to effectively manage its credit, market and liquidity risk could have a negative effect on its business, financial condition and results of operations.

A downgrade of UnionBank's credit rating could have a negative effect on its business, financial condition and results of operations

In the event of a downgrade of UnionBank by one or more credit rating agencies, UnionBank may have to accept terms that are not as favorable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on UnionBank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in UnionBank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce UnionBank's liquidity and negatively impact its operating results and financial condition.

III. FOOD MANUFACTURING

Overview of the Business

AEV's integrated agribusiness and food company is operated in the Philippines primarily through Pilmico and its Subsidiaries, and its international feeds business through Pilmico International and its various Subsidiaries and Associates. The Food Group is composed of three segments: (a) feeds and flour; (b) hog and layer farms; and (c) international animal nutrition.

The Food Group began the international expansion of its business in 2014 through Pilmico International's initial acquisition of a 70% equity interest in Pilmico Vietnam Company Limited ("PVN" formerly, Pilmico VHF Joint Stock Company and originally, Vin Hoan 1 Feed JSC), one of the largest aqua feeds producers in Vietnam. Pilmico International completed the acquisition of PVN through the additional purchase of a 15% equity stake in 2017, and the remaining 15% equity stake in 2019, making PVN a wholly-owned Subsidiary of Pilmico International.

The investment in PVN allowed the Food Group to gain a foothold in the Vietnamese aqua feeds business, and at the same time, build its reach to other aqua farm customers. This strategic move was also intended to establish a gateway to investments in other ASEAN countries like Thailand, Laos, and Cambodia, allowing the Food Group to expand its core feeds business internationally, and to diversify and gain competence in the aqua feeds product segment (currently not produced in the Philippines). The investment in Vietnam likewise paved the way for additional international investments of the Food Group and it also developed capabilities in aqua feed milling.

The Food Group continued to establish its presence in Vietnam through the various acquisitions by Pilmico International: (i) a 100% equity interest in Pilmico Vietnam Trading, a company engaged in the wholesale of food products, beverages, and agricultural and forestry raw materials in October 2016; and (ii) an initial acquisition of a 70% equity interest in Pilmico Animal Nutrition Joint Stock Company ("PAN-JSC", formerly Europe Nutrition Joint Stock Company, a joint stock company engaged in the business of producing animal feeds.

The Food Group eventually gained a wider foothold in ASEAN+China with its acquisition of GCMH and its Subsidiaries. In July 2018, Pilmico International initially acquired a 75% equity interest in GCMH, the parent company of the Gold Coin Group and one of Asia's largest multinational agri-business corporations with Subsidiaries operating in Singapore, Indonesia, Malaysia, Vietnam, Thailand, Sri Langka, Myanmar, Pakistan, Brunei, the Philippines, Hong Kong, and China. Pilmico International completed its acquisition of the remaining 25% equity interest in GCMH in May 2019.

In 2019, PAN-JSC was folded into the Gold Coin Group as part of the ongoing integration between the businesses of Pilmico International and the Gold Coin Group and was renamed Gold Coin Feedmill (Binh Duong).

The Food Group believes that the Gold Coin Group enjoys leading market positions in key Asian markets, with an established and loyal client base. Combined with the Gold Coin Group, Pilmico International expects to become a comprehensive animal nutrition platform across the Asia-Pacific region, with competitive advantages in terms of developing a stronger and multi-branded platform of animal nutrition and delivering scientifically balanced livestock and aqua feeds, and specialty nutrition products addressing the demands of a wide range of customers.

The Food Group is in continuous pursuit of innovative new products, product variants, and line extensions in the livestock, and aquaculture feeds segments.

(i) Principal Products and Services

Feeds and Flour

Pilmico Foods Corporation

Pilmico is primarily engaged in the manufacture and sale of flour, feeds, and their by-products. These by-products are largely wheat by-products, particularly wheat bran sold under the Pilmico Brand. It has a wide network of distributors and dealers located in major cities of Metro Manila, Cebu, Davao, Iloilo, Bacolod, and Cagayan and has established representative offices in Jakarta, Indonesia and Ho Chi Minh City, Vietnam, allowing the export and distribution of flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. As of 31 January 2021, it is one of the largest flour manufacturers in the country and is ranked among the top three domestic flour producers based on internal market data.

Flour Products

Pilmico produces premium quality hard wheat flour for breads and soft wheat flour for cookies and crackers. Hard wheat flour brands include: Sun Moon Star, Sunshine, Glowing Sun and Kutitap. Meanwhile, soft wheat flour brands include: Gold Star and Mega Star. The Food Group also produces a leading brand of specialty flours under the Wooden Spoon Brand. Some notable brands under the Food Group's specialty flour include: Wooden Spoon Cake Flour, Wooden Spoon All-Purpose Flour, Wooden Spoon Siopao Flour, and Wooden Spoon Whole Wheat Flour.

The Food Group has taken the opportunity to expand its flour business internationally. Currently, Pilmico has a representative office in Ho Chi Minh City, Vietnam. Through these representative offices, Pilmico was able to establish its flour export business, successfully distributing its flour products to Hong Kong, Vietnam, Myanmar, Thailand, Malaysia, and Indonesia. The Food Group expects to take further efforts to strengthen the presence of its flour business in the ASEAN region.

Feeds Products

Feeds products offered by the Food Group include aqua feeds for different stages of growing pangasius, tilapia and other species, and animal feeds for different stages of growing swine, poultry, cow, and rabbit. The Food Group also offers animal healthcare products in the Philippines as part of its objective of becoming a total solutions provider for its feeds' customers. Pilmico and PANC also sell raw materials for feeds through their commodity trading business.

Pilmico is a wholly-owned Subsidiary of AEV.

Hog and Layer Farms

Pilmico Animal Nutrition Corporation

The Food Group's hog and layer farms operations are conducted through its Subsidiary, Pilmico Animal Nutrition Corporation ("PANC"). As of 31 January 2021, Pilmico, together with another wholly-owned Subsidiary, Filagri Holdings, Inc. ("Filagri"), owns a 100% equity interest in PANC. PANC operates farms and feed mill plants in Capas, Tarlac.

In January 1999, PANC began commercial operations of its feed mill plant in Capas, Tarlac to cater to the growing demand for feeds in Luzon. Since commencing its swine operations with 4,750 sow level in the second half of 1999, PANC had a 9,300 sow level as of 31 January 2021. PANC plans to increase its sow level to 20,000 by 2023 which is expected to translate to a monthly sales volume of 32,000 heads of market hogs.

In December 2015, PANC started its layer farms operations. The layer farm facility was completed and became fully-operational by December 2016. This layer farm facility can hold up to 173,000 egg-laying chickens that translates to four mn eggs per month.

To support the growing Luzon commercial feeds volume as well as increased feeds requirements from its growing layer and swine operations, PANC completed the construction of a second feed mill ("Tarlac Feed Mill 2") and a third feed mill ("Tarlac Feed Mill 3"), resulting in an additional 124,800 MT each in feed mill capacity. Tarlac Feed Mill 3 was completed in August 2016.

International Animal Nutrition

AEV International Pte. Ltd.

Established on 5 May 2014, AEV International Pte. Ltd. is the holding company of AEV's investments outside the Philippines. It owns 100% of the equity interest in Pilmico International.

Pilmico International Pte. Ltd.

Pilmico International, a company organized under the laws of Singapore, is the project vehicle of AEV's first international investment in the feeds business. It was established in June 2014 as a wholly-owned Subsidiary of the Company through AEV International.

As of 31 January 2021, Pilmico International holds a 100% equity interest in PVN, a 100% equity interest of Pilmico Viet Nam Trading Company Ltd. ("PVN Trading"), and a 100% equity interest in GCMH, which controls the Gold Coin Group.

Pilmico Vietnam Company

PVN is one of the largest aqua feeds producers in Vietnam. It's plant operates in the Dong Thap Province in Vietnam and has a current capacity of 270,000 metric tons per year, the fourth largest pangasius aqua feeds producer in the Mekong Delta as of 31 January 2021.

As of 31 January 2021, Pilmico International owns a 100% interest in PVN.

Pilmico Viet Nam Trading Company Ltd.

PVN Trading was incorporated in July 2015 as a limited liability company operating in Vietnam and engaged in the wholesale of food products, beverages, agricultural and forestry raw materials, among others. It is currently the vehicle used for the importation and distribution of the Food Group's products within the Vietnam market.

As of 31 January 2021, Pilmico International owns a 100% interest in Pilmico VN Trading.

Gold Coin Management Holdings Limited and the Gold Coin Group

GCMH is an investment holding company incorporated under the laws of the British Virgin Islands in January 2000. Headquartered in Singapore, GCMH is the parent company of the Gold Coin Group with Subsidiaries located in Singapore, China, Hong Kong, Indonesia, Malaysia, Vietnam, Thailand, Sri Langka, Myanmar, Pakistan, Brunei and the Philippines.

Over the past three decades, the Gold Coin Group has expanded its operations across ASEAN and China. It began operating its first livestock feed mill in Jakarta, Indonesia in 1981, followed by a series of expansion through the commissioning feed mills in Shenzhen, China in 1983; Colombo, Sri Lanka in 1993; and Dong Nai, Vietnam in 2004. In 1991, the Gold Coin Group opened its first aqua feed mill in Malaysia, and in India in 2006. In 1985, it started its research and formulation for aqua feed. The Gold Coin Group established its flour mill business in 1984 which it later on divested In 2004. To accelerate market penetration for its poultry feeds business, it entered into a joint venture agreement with Ayam Unggul Indonesia in 2010, and with CCK in East Malaysia in 2016.

As of 31 January 2021, the Gold Coin Group is engaged in animal nutrition and manufacturing of animal feeds and is a leading brand in animal nutrition with more than 21 livestock and aqua feed mills across seven countries in the Asia-Pacific, with an installed milling capacity of three million MT per year. As of 31 January 2021, it has two research facilities located in China and Malaysia. In particular, the Gold Coin

Group manufactures and sells animal feed and specialty nutrition products, including compound feed, pre-mix and additives for the livestock and aqua sectors in the Asia-Pacific region. Products and services include: (i) livestock feed such as feed for poultry broiler/layer, swine, duck, other birds and fish; (ii) aqua feed or feeds for aquaculture produce such as shrimp and fish; and (iii) specialty nutrition or the premix and specialty concentrate complete feed. In 2018, the group introduced its entry to the young animal for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed to grow its aqua portfolio.

(ii) Distribution Methods

Pilmico and PANC sell their feeds and flour products through a nationwide distribution network of dealers. Pilmico likewise exports its flour products to Hong Kong, Myanmar, and Vietnam. PANC's hog and meat products are sold to "*viajeros*" or small-scale distributors and institutional customers (such as hotels, restaurants, and caterers).

In addition to its existing presence through its representative offices, through its acquisition of the Gold Coin Group, the Food Group gained access to a comprehensive platform with an extensive distribution and sales network spread across 11 countries in the Asia-Pacific region.

The Gold Coin Group has established relationships with customers, offering a number of brands of livestock and aqua feeds products with quality feed formulation across various key markets. Moreover, in 2018, the Gold Coin Group launched a sales optimization program to introduce a centrally designed sales program with an aim to integrate livestock operation, distribution, and sales channels to expand its specialty nutrition and aqua feeds. Taking advantage of this program, the Food Group is developing a stronger and multi-branded one-stop shop animal nutrition platform to address the demands of its wide range of customers across the Asia-Pacific region.

The Food Group's businesses are not dependent upon a single customer or a few customers such that a loss of any one would have a material adverse effect on the performance of its sales and distribution. The Food Group has no single customer that, based on existing orders, accounts for 20% or more of its total sale of goods and services.

(iii) New Products

International Animal Nutrition

The Gold Coin Group provides nutritional solutions and onsite technical support to customers to optimize aquaculture and farm production across the Asia-Pacific Region. As of 2020, the group has an existing 17 livestock feed mills in six countries (China, Indonesia, Malaysia, Vietnam, Sri Lanka, and Brunei); four aqua feed mills in three countries (Indonesia, Malaysia, and Thailand); and offers specialty nutrition across six countries (Malaysia, Sri Lanka, Philippines, China, Pakistan, and Myanmar). Its production facilities are ISO 22000/HACCP certified.

The Gold Coin Group intends to introduce innovative new products, product variants, and line extensions in the livestock and aquaculture feeds segments. In 2018, the group introduced its entry to the young animal and pet food segment for its livestock portfolio, and enhanced nutritional specifications for shrimp feeds, and fish feed additives for its aquaculture portfolio. The group also relies on technological innovation and feed re-formulation in order to maximize profits. The capabilities of the Gold Coin Group will allow the Food Group to develop a stronger and multi-branded platform of animal nutrition products to address the demands of a wide range of customers across the Asia-Pacific Region.

(iv) Competition

As an integrated food and agri-business company primarily engaged in the manufacture and sale of animal feeds, flour, flour by-products as well as the production of swine and table eggs, the Food Group operates in a competitive industry driven by global raw material prices with an increasing trend on process improvement and digitization. Moreover, with global food demand on the rise brought by rising income from a growing middle class in developing countries, industry growth has been supported by global and domestic expansions by a growing number of agri-business players.

The Food Group's business model is well positioned at the beginning of the food value chain with facilities in the Philippines located in Tarlac (feedmill and farms) and Iligan (flourmill and feedmill). The Food Group products are distributed through external distributors and dealers located in major cities all throughout the Philippines.

The Food Group believes that it competes through cost leadership and providing a better customer experience.

Pilmico believes that it is among the top three domestic flour, swine, and animal feed producers in the Philippines, which include San Miguel Food and Beverage, Inc. and Universal Robina Corporation for flour, B-MEG, and Unahco for feeds, and Monterey and Robina for farms, all of which leverage on strategic logistic hubs, competitive pricing and dedicated sales support teams to drive growth. The Gold Coin Group's competitors in international feeds include Charoen Pokphand Group, Japfa Comfeed, and CP Indonesia, with Cargill remaining the biggest feed miller in South East Asia with leading market share and capacity in Thailand, Vietnam, and Indonesia.

(v) Sources of Raw Materials

The Food Group, through Pilmico and PANC, imports wheat, soybean meal and other grains mostly from various suppliers in the United States, Canada, and Australia. This exposes the Food Group to risks arising from currency fluctuations and volatile price movements of raw materials.

PVN imports soybean meal from Argentina and the United States, and cassava from Cambodia. Rice bran and other grains are sourced from various suppliers in Vietnam.

A wide variety of raw materials are required by the Gold Coin Group to manufacture its livestock and aqua feeds products, including, but not limited to, corn grains, soya beans and meals, and wheat products. Costs of raw materials account for 80% to 85% of sales value. Corn grains and soybean, sourced from China, Malaysia, Singapore, Indonesia, and Vietnam, account for 65% to 70% raw material usage and can be subject to volatile price movements.

Efficient sourcing of these materials requires a combination of local and import strategies. In order to optimize its position as one of the largest animal nutrition providers in the Asia-Pacific Region and take advantage of the synergies between related parties and Affiliates, the Gold Coin Group instituted a centralized commodity trading team for the Food Group that determines procurement and strategic sourcing activities.

(vi) Major Customers

The Food Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. The Gold Coin Group has no single customer that, based on existing orders, will account for 20% or more of its total sale of goods and services.

(vii) Transactions with and/or Dependence of Related Parties

Transactions with and/or dependence on related parties are discussed at the holding company level.

Additionally, to unlock cost synergies and efficient sourcing of raw materials within the Food Group, the Gold Coin Group instituted a centralized commodity trading team that is tasked to identify and secure procurement and strategic sourcing activities. Transactions are made at arms-length, fair, and compliant with transfer pricing rules.

(viii) Patents, Copyrights, and Franchises

The Food Group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed or pending at local and international jurisdictions.

Philippine IPO

	Trademark	Registration Date	Expiration Date
1	PILMICO FOODS CORPORATION	28 November 2005	28 November 2025
2	SUN-MOON-STAR	2 October 2006	2 October 2026
3	GOLD STAR AND DEVICE	17 August 2006	17 August 2026
4	SUNSHINE	15 October 2007	15 October 2027
5	GLOWING SUN	2 October 2006	2 October 2026
6	KUTITAP AND DEVICE	17 January 2005	17 January 2025
7	KUTITAP with color claim	5 December 2004	5 December 2024
8	MEGA STAR AND DEVICE with color claim	28 November 2005	28 November 2025
9	SUNFLOUR AND DESIGN	5 May 2008	5 May 2028
10	PILMICO 'M' handshake	12 August 2010	12 August 2030
11	Silver Star	24 February 2012	24 February 2022
12	Silver Star Logo with color claim	13 January 2012	13 January 2022
13	SUN RAYS HARD WHEAT FLOUR	20 February 2014	20 February 2024
14	STAR BEAM SOFT WHEAT FLOUR	26 December 2013	26 December 2023
15	STAR BLAZE SOFT WHEAT FLOUR	20 February 2014	20 February 2024
16	LUNA CAKE FLOUR	20 February 2014	20 February 2024
17	SUN STREAM HARD WHEAT FLOUR	20 February 2014	20 February 2024
18	PILMICO Device	26 December 2013	26 December 2023
19	PILMICO FLOUR	20 February 2014	20 February 2024
20	Mahalin Pagkaing Atin with color claim	2 July 2015	2 July 2025
21	SUNLIGHT	1 September 2016	1 September 2022
22	The Care Package	23 March 2018	23 March 2028
23	The Care Package Logo	24 March 2017	24 March 2022
24	WOODEN SPOON	4 May 1993	4 May 2023
25	WOODEN SPOON word mark for additional classes Nos. 35 and 43	17 December 2017	17 December 2027
26	WOODEN SPOON AND DEVICE for additional classes Nos. 35 and 43	17 December 2017	17 December 2027
27	PILMICO word mark	24 March 2017	24 March 2027
28	Silver 168	22 February 2018	24 October 2028
29	Yummii	28 December 2017	25 August 2027
30	Silver Star with Chinese Slogan Device.	22 February 2018	24 October 2028

31	SOLA ALL PURPOSE FLOUR	20 February 2014	20 February 2024
32	PILMICO logo	2 June 2017	21 February 2027
33	“M” handshake mark	17 August 2017	20 February 2027
34	Tinapay Natin	1 November 2018	22 January 2028
35	My Wooden Spoon	23 September 2018	22 June 2028
36	Flour Solutions	31 October 2019	24 April 2029
37	Special Purpose Flour	30 May 2019	30 May 2029
38	PIGROW with color claim	28 September 2012	28 September 2022
39	PIGROW MATERNA	24 May 2012	24 May 2022
40	CHICKGROW	18 October 2019	18 October 2029
41	PORK SOLUTIONS	20 August 2007	20 August 2027
42	POULTRY SOLUTIONS	20 August 2007	20 August 2023
43	AQUAMAX	6 June 2013	6 June 2023
44	POULTRY EXPRESS	14 April 2013	14 April 2023
45	ALAS NG SALTO	28 February 2013	28 February 2023
46	AEV MAX	8 February 2013	8 February 2023
47	SALTO	8 February 2013	8 February 2023
48	ANGAT SARADO	8 February 2013	8 February 2023
49	BASIC	8 February 2013	8 February 2023
50	LAKAS GATAS	8 February 2013	8 February 2023
51	GALLIMAX	8 February 2013	8 February 2023
52	SUPREMECON	22 July 2011	22 July 2021
53	POWERMIX	13 January 2012	13 January 2022
54	PILMICO FEEDS	8 March 2012	8 March 2022
55	GROW YOUR PROFIT	26 December 2013	26 December 2023
56	PARTNERS FOR GROWTH	16 July 2010	16 July 2020
57	PILMICO FARMS LOGO	17 April 2014	17 April 2024
58	PILMICO FEEDS	17 April 2014	17 April 2024
59	GROWING PIG LOGO	17 April 2014	17 April 2024
60	GROWING CHICKEN LOGO	17 April 2014	17 April 2024
61	GROWING QUAIL LOGO	17 April 2014	17 April 2024
62	GROWING PIGEON LOGO	17 April 2014	17 April 2024
63	GROWING DUCK LOGO	26 December 2013	26 December 2023

64	POWERHEAL	17 April 2017	17 April 2027
65	POWERBOOST	8 December 2016	8 December 2026
66	Immunodigest	8 December 2016	8 December 2026
67	AVEMAX	29 September 2016	29 September 2026
68	CIVIC	22 June 2017	22 June 2027
69	ELITE	22 June 2017	22 June 2027
70	SALTO	29 July 2017	29 July 2027
71	ULTIMAX	7 September 2017	7 September 2027
72	EGG2GO	13 September 2018	13 September 2028
73	Bagwis	13 September 2018	13 September 2028
74	Gut Protech	23 January 2018	23 January 2028
75	With Gut ProTech	19 July 2018	19 July 2028
76	Worm Buster word mark	1 November 2018	1 November 2028
77	Worm Buster device mark	1 November 2018	1 November 2028
78	YOLO! Chicha, atbp.	23 September 2018	23 September 2028
79	Dok Tilaok	31 March 2019	31 March 2029
80	Beat the Day	1 November 2018	1 November 2028
81	Taste Adventure	1 November 2018	1 November 2028
82	Arya	6 June 2019	6 June 2029
83	The Good Meat	12 December 2018	12 December 2028
84	Woofy	9 May 2019	9 May 2029
85	Prime Kennel	25 August 2019	25 August 2029
86	Primum	9 May 2019	9 May 2029
87	Power Armor	14 July 2019	14 July 2029
88	Powerguard	14 July 2019	14 July 2029
89	Powershield	14 July 2019	14 July 2029
90	Maxime	4 July 2019	4 July 2029
91	Powercharge	4 August 2019	4 August 2029
92	Powersurge	7 November 2019	7 November 2029
93	Powercure	4 August 2019	4 August 2029
94	Powerboost	23 September 2019	23 September 2029
95	Classic	23 September 2019	23 September 2029
96	Maxime Smiley	14 October 2019	17 February 2030

97	Woofy Smiley	14 October 2019	17 February 2030
98	M3TimE	14 October 2019	27 February 2030
99	BETTER NOURISHMENT, BETTER CARE	14 October 2019	27 February 2030
100	FORK THE PORK	14 October 2019	14 October 2029

International Trademarks Application (Madrid Protocol)

Trademarks	Owner	Country of Application
Star Beam Soft Wheat Flour (#1171572) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Stream Hard Wheat Flour (#1173340) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Star Blaze Soft Wheat Flour (#1173338) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, Turkey, Vietnam, South Korea
Sun Rays Hard Wheat Flour (#1173337) (Class No. 30)	Pilmico Foods Corporation	Singapore, Turkey, Vietnam, South Korea
Luna Cake Flour (#1173339) (Class No. 30)	Pilmico Foods Corporation	WIPO, South Korea, China
Sola All Purpose Flour (#1341959) (Class No. 30)	Pilmico Foods Corporation	WIPO, Singapore, South Korea
PILMICO word mark (#1392327) (Class Nos. 5, 29, 30, 31, 35, 43, and 45)	Pilmico Foods Corporation	WIPO, USA (Guam)
Aquamax (#1372599) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Singapore, Ghana
Civic (#1377276) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Cambodia, USA, Singapore
Elite (#1377277) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, Singapore
Powermix (#1372598) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Ghana, USA
Ultimax (#1404587) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, USA, Singapore
Salto (Word Mark) (#1407635) (Class No. 31)	Pilmico Animal Nutrition Corporation	WIPO, Cambodia, Singapore, USA

The Food Group has other pending trademark applications under the Madrid Protocol for the following countries: China and Ghana.

International Trademarks Application (Non-Madrid Protocol)

Trademarks	Owner	Country of Application
PILMICO (#304120550) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Hong Kong
PILMICO (#493122018) (Class Nos. 5, 29, 30, 31, 35, 43, and 44)	Pilmico Foods Corporation	Myanmar
Gallimax - 313090 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Avemax - 312261 (Class Nos. 5, 31, 44)	Pilmico Foods Corporation	Vietnam
Pilmico - (#2017060367) (Class No. 5)	Pilmico Foods Corporation	Malaysia
Pilmico - (#2017060366) (Class No. 29)	Pilmico Foods Corporation	Malaysia
Pilmico - (#2017060365) (Class No. 30)	Pilmico Foods Corporation	Malaysia
Pilmico - (#2017060362)	Pilmico Foods Corporation	Malaysia

(Class No. 31)		
Pilmico - (#2017060361) (Class No. 35)	Pilmico Foods Corporation	Malaysia
Pilmico - (#2017060360) (Class No. 43)	Pilmico Foods Corporation	Malaysia
Pilmico - (#2017060357) (Class No. 44)	Pilmico Foods Corporation	Malaysia
Gold Coin, WANG EMAS & Chinese Characters Device (42094) (Class No. 5)	Gold Coin Management Holdings Limited	Bangladesh
GOLD COIN & Device - 8212 (Class No. 21)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8210 (Class No. 1)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8211 (Class No. 5)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8214 (Class No. 31)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
GOLD COIN & Device - 8213 (Class No. 29)	Gold Coin Services Singapore Pte. Ltd.	Brunei Darussalam
Gold Coin, Chinese characters & Device (19385/03) (Class No. 31)	Gold Coin Management Holdings Limited	Cambodia
GOLD COIN (3505731) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
GOLD COIN FEED & Chinese characters & device (3021536) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Gold Coin, Chinese Characters and device (300776) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN BAO in Chinese Character (3011619) (Class No.31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN HUANG in Chinese Characters (8080015) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN in Chinese Character (3505730) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
JIN QIAN LE in Chinese Character (8080016) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Yu Li in Chinese Characters (532462) (Class No. 31)	Gold Coin Management Holdings, Ltd.	China
Figurative Mark (9338648) (Class No. 31)	Gold Coin (Zhangzhou) Company Limited	China
Gold Coin, Chinese characters & Device -199601055 (Class No. 31)	Gold Coin Management Holdings Limited	Hong Kong
Gold Coin, WANG EMAS & Chinese characters device - 644125 (Class No. 31)	Gold Coin Management Holdings, Ltd.	India
GOLD COIN UANG MAS & Device (IDM000023251) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
GOLD COIN UANG MAS LOGO (IDM000051919) (Class No. 31)	Gold Coin Services Singapore Pte. Ltd	Indonesia
TELOR MAS (IDM000235454) (Class No. 29)	Gold Coin Services Singapore Pte. Ltd	Indonesia
AYAMAS (IDM000212187) (Class No. 29)	Gold Coin Management Holdings, Ltd.	Indonesia
GOLD COIN & UANG MAS and Device (IDM000248677)	Gold Coin Management Holdings, Ltd.	Indonesia

(Class No. 31)		
Gold Coin, Chinese characters & Device (N/012262) (Class No. 31)	Gold Coin Management Holdings Limited	Macao
GOLD COIN & Device (M/066884) (Class No. 1)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066886) (Class No. 21)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066885) (Class No. 5)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066887) (Class No. 29)	Gold Coin Management Holdings, Ltd.	Malaya
GOLD COIN & Device (M/066888) (Class No. 31)	Gold Coin Management Holdings, Ltd.	Malaya
ENCAP & Device (91005005) (Class No. 30)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005003) (Class No. 3)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005006) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Malaysia
ENCAP & Device (91005004) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Malaysia
Gold Coin, WANG EMAS & Chinese characters Device (87002355) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Malaysia
GOLD COIN FEED & Device & Chinese Characters (Colour) (4/20760/2019) (Class Nos. 5 and 31)	Gold Coin Management Holdings Limited	Myanmar
GOLD COIN FEED & Device (Color) (4/20760/2019) (Class Nos. 5 and 31)	Gold Coin Management Holdings Limited	Myanmar
Gold Coin & Device (4/3780/2017) (Class No. 31)	Gold Coin Management Holdings Limited	Myanmar
Gold Coin, WANG EMAS & Chinese characters Device (A52255) (Class No. 31)	Gold Coin Management Holdings Limited	Papua New Guinea
GOLD COIN & Device (S/018303) (Class No, 31)	Gold Coin Management Holdings Limited	Sabah
GOLD COIN & Device (S/018302) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018300) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018301) (Class No. 21)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (S/018299) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Sabah
GOLD COIN & Device (R/017137) (Class No. 1)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/017136) (Class No. 21)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/017135) (Class No. 31)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN & Device (R/013574) (Class No. 29)	Gold Coin Services Singapore Pte Limited	Sarawak
GOLD COIN BRAND WANG EMAS with Chinese Characters device (R/013576) (Class No. 5)	Gold Coin Services Singapore Pte Limited	Sarawak
ENCAP & Device (T9107668I) (Class No. 5)	Gold Coin Management Holdings Limited	Singapore
ENCAP & Device (T9107670J) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	Singapore

ENCAP & Device (T9107667J) (Class No. 3)	Gold Coin Management Holdings Limited	Singapore
ENCAP & Device (T9107669G) (Class No. 30)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462342A) (Class No. 1)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462346D) (Class No. 31)	Gold Coin Management Holdings Limited	Singapore
GOLD COIN & Device (T7462345F) (Class No. 29)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (T7462344H) (Class No. 21)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (T7462343Z) (Class No. 5)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN BRAND ZUELLIG WANG EMAS with Chinese Characters & device (T9105225I) (Class No. 1)	Gold Coin Management Holdings Company, Ltd.	Singapore
GOLD COIN & Device (39635) (Class No. 31)	Gold Coin (Ci) Limited	Sri Lanka
GOLD COIN SPECIALITIES & Thai Characters and Device (Kor87762) (Class No. 31)	Gold Coin Management Holdings Company, Ltd.	Thailand
Gold Coin, WANG EMAS & Chinese characters Device (TM135370) (Class No. 42)	Gold Coin Management Holdings Company, Ltd.	Thailand
Gold Coin Feed & Device -123293 (Class No. 31)	Gold Coin Management Holdings Limited	Vietnam
Gold Coin Feed & Device -123294 (Class No. 31)	Gold Coin Management Holdings Limited	Vietnam
Gold Coin, Chinese characters and Device (5263) (Class Nos. 29, 30, 31)	Gold Coin Management Holdings Company, Ltd.	Vietnam
Gold Coin, Kim Tien & Device (66493) (Class Nos. 29, 31)	Gold Coin Management Holdings Company, Ltd.	Vietnam
AMERICAN FEEDS COMPANY (25581) (Class Nos. 5, 31)	American Feeds Company	Vietnam
MAXFEED (55052) (Class No. 31)	American Feeds Company	Vietnam
ViDan (52296) (Class No. 31)	American Feeds Company	Vietnam
AF (71663) (Class No. 31)	American Feeds Company	Vietnam
AF-Plus (71664) (Class No. 31)	American Feeds Company	Vietnam
AF Sự Lựa Chọn Thông Minh Của Nhà Nông INTELLIGENT FARMERS' CHOICE (84729) (Class No. 31)	American Feeds Company	Vietnam

The Food Group has other pending trademark applications to individual countries such as Indonesia, Thailand, Bangladesh, Brunei Darussalam, China, Macao, Malaysia, Singapore, Sri Lanka, and Vietnam.

(ix) Government Approvals

The Food Group secures various government approvals, such as the environmental compliance certificates, development permits, license to sell, business permits, import licenses, etc. as part of the normal course of its business.

(x) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Food Group's business operations in the Philippines include the: (i) Food Safety Act of 2013 (RA No. 10611); (ii) Food and Drug Administration Act of 2009 (RA No. 9711) and the established standards and quality measures by the Food and Drug Administration in relation to the manufacturing and branding of food products to ensure its safe supply; (iii) the Livestock and Poultry Feeds Act and its implementing rules and regulations on the manufacture, importation, labelling, advertising and sale of livestock and poultry feeds; (iv) the Meat Inspection Code of the Philippines (RA No. 9296) establishing measures on quality and safety standards for the slaughter of food animals and the processing, inspection, labelling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products; (v) Consumer Act of the Philippines (RA No. 7394) and the as enforced by the Department of Trade and Industry, and the quality and safety standards with respect to the composition, contents, packaging, labelling and advertising of food products and prohibits the manufacture for sale, offer for sale, distribution, or importation of food products which are not in conformity with applicable consumer product quality or safety standards; (vi) Price Act (RA No. 7581) on matters concerning price controls for basic and prime commodities on select circumstances of calamities and state of public emergency.

The Gold Coin Group, with companies and plant operations across several countries in the Asia-Pacific region, has secured the necessary registrations, permits, and licenses to allow it to do business in the following countries: China, Indonesia, Malaysia, Thailand, Sri Lanka, and Vietnam, among others.

(xi) Amount Spent on Research and Development

The Food Group remains committed to the continued research and development of its feed, flour and farm products. This is evidenced by the launch of new product offerings such as aqua feeds, petfood, new and improved shrimp formulation, mash conditioner feeds, pigeon feeds among others. These costs are inherently part of the research and development, nutrition, veterinary, and business development operating costs and amount to less than 1% of the Food Group's revenues.

(xii) Costs and Effects of Compliance with Environmental Laws

The Food Group is working with relevant Environmental regulators with a dedicated Quality, Safety, Health Environment and Process Department for both existing operations and future plans. Compliance to environmental laws is included in key decision points such as investing in new swine farms and new feed mills to include measures and build appropriate facilities that lessen the impact to the environment.

(xiii) Major Risk/s Involved in the Business

Risks particular to the Food Group are as follows:

Outbreak of diseases, food safety and foodborne illness concerns could adversely affect the Food Group's financial condition and results of operations

Part of the inherent business risk of swine and poultry farms are animal diseases (e.g., African Swine Fever and Avian Influenza) which can impact demand and supply for certain products of the Food Group. A major outbreak can affect the entire industry, significantly affecting demand and supply. There can only be a certain level of assurance that the Food Group's internal controls and policies will be fully effective in preventing all food safety issues concerning the products it sells, including any occurrences of foodborne illnesses such as Salmonella, E. coli and Hepatitis A. New illnesses resistant to current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. As part of taking on a proactive approach in managing this risk, the Food Group continually understands changes in the risk profile and context to better understand and manage this risk. This may come in the form of continuous testing and evaluation of new lab tests or vaccine and medicine programs or new regulatory requirements to comply with.

Being in the food industry, food safety risks brought about by foodborne illness or illnesses related whether or not related to the Food Group's products, could negatively affect sales and reputation. Both could have a material adverse effect on the Food Group's business, financial condition and results of operations. This risk exists even if it were later determined that the illness was wrongly attributed to its products. Quality assurance and quality control activities play an important role in managing this risk. Part of the Food Group's 2021 and 10 year strategic plans include a robust implementation of quality across suppliers to the market value chain. Four quality areas include: (1) supplier quality; (2) process quality; (3) product quality; and (4) market quality.

a. Supplier Quality - focuses on the development and implementation of quality supplier accreditation process
b. Process Quality - focuses on improvement of existing quality programs and processes such as but not limited to HACCP, Food Defense and Food Fraud Program
c. Product Quality - focuses on implementation of cost of poor quality management and new products development program
d. Market Quality - focuses on improvement of existing programs and processes on handling customer complaints, product recall

The Food Group's financial performance may be materially and adversely affected by disruptions in the supply of, or price fluctuations in, major raw materials

Many of the Food Group's products depend on raw materials, most of which are procured from third parties, including purchases of some critical raw materials from both within and outside of the Philippines. These raw materials are subject to price volatility caused by a number of factors including changes in global supply and demand, foreign exchange rate fluctuations, shipping and other transport-related factors, weather conditions, quality of crop and yield and trade and tariff policies, and government regulations and controls. Moreover, the market prices of raw materials may increase significantly if there are material shortages due to, among others, competing usage or drastic changes in weather or natural disasters or shifts in demand from other countries such as China and India.

The ability to pass on higher costs through price increases is also influenced by competitive conditions and pricing methodologies used in the various markets in which the Food Group competes. As such, there is no assurance that all or significant increases in product costs will be passed on to consumers and that any price increases that are passed along to consumers will not have a material adverse effect on price competitiveness.

Key controls to manage this risk include leveraging on volume through strategic and centralized procurement of the Food Group's raw materials requirement. Another is the establishment of neutral positioning when buying raw materials which usually ranges from three weeks to four months. By having a neutral position, the Food Group can somehow mitigate the external factors affecting prices.

Contributing to the supply chain disruption is the unavailability of supply of raw materials at the required quality and quantity that meet the needs of the Food Group. Ultimately, any shortages in raw materials may lead to delays in the supply of products to the Food Group's customers. Key controls to manage this include setting up multiple suppliers both international and local as backup. Establishing safety stock levels and even raising them on certain occasions to minimize shutdowns.

The business and sales of the Food Group are affected by seasonality

The business and sales of the Food Group are affected by seasonality of customer purchase patterns. The Food Group's products generally experience increased sales during months leading to major holiday seasons, such as Christmas and Lunar New Year. Moreover, other inputs such as grains may be affected by planting and harvest seasons as well as other weather conditions. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and its financial condition and results of operations may fluctuate significantly from quarter to quarter.

The business and prospects of the Food Group may be materially and adversely affected by increased imports of lower-priced products as import duties are decreased or eliminated

The Food Group may face increased competition from less expensive products imported to the Philippines as import duties on those products are decreased or eliminated. In particular, the Philippines is a signatory to several free trade agreements, including the ASEAN Trade in Goods Agreement ("ATIGA") and the ASEAN Free Trade Agreement. With the implementation of ATIGA, the Philippines eliminated intra-ASEAN import duties on 99.56% of its tariff lines including poultry, meat of bovine animals, flour, sausage, prepared or preserved meat, cereals, bread, pastry, cakes, biscuits, fruit juices, coffee, tea or maté, sauces and preparations, ice cream, beer, certain spirits, liqueurs, and spirituous beverages.

The Food Group has already experienced the effects of increased competition as a result of the elimination of these import duties, and expects that competition from imported products will continue to increase. In addition, any reduction in tariffs on imports from other ASEAN countries and from other countries party to a free trade agreement with the Philippines, such as China and Japan, could give rise to increased competition for the Food Group's products.

The Food Group also faces competition from other countries. If the Food Group is unable to compete effectively with lower-priced imports, its market share and sales may decrease, and its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Food Group leverages on industry associations or groups to lobby for certain barriers to entry in the form of imposition of duties and taxes on these imported goods.

The Food Group engages in derivative and hedging transactions

From time to time, the Food Group enters into various commodity derivative instruments, such as forward purchases, caps and collars for wheat and soybean meal, to manage price risks on strategic commodities. For hedging transactions, if prices decrease, hedging positions may result in mark-to-market losses, which are, in turn, expected to be offset by lower raw material costs. As its hedging transactions are mark-to-market, to the extent that the market price of the raw materials subject to such hedging transactions falls below the fixed price under futures contracts, the Food Group's net income will be lower had it not engaged in such transactions. Consequently, its financial performance could be adversely affected during periods in which prices of raw materials are volatile.

Sales of certain products may be adversely affected if the Food Group's relationship with dealers and distributors deteriorate

The products of the Food Group are primarily sold through dealers and distributors. There is no assurance that these dealers and distributors will continue to purchase and distribute the Food Group's products, or that these dealers and distributors can continue to effectively distribute its products without delays or interruptions. In addition, the financial instability of, contractual disputes with, or labor disruptions at its dealers and distributors could disrupt the distribution of its products and adversely affect its business.

The Food Group's dealer network is a key asset for the Food Group and it has taken steps to know more about its customers and their customers. Delivering consistent and quality products to customers is important to building a lasting relationship. Part of the strategic plans include building its own competencies for an ideal distribution center that will handle consolidation, repacking and logistics. Another key initiative is to provide a system to support its distributors in managing their customers, payments, fulfilment, and inventory management.

IV. REAL ESTATE

Overview of the Business

The real estate-related investments of the Aboitiz Group are primarily undertaken through AboitizLand and its Subsidiaries (collectively, the "Real Estate Group"). The Real Estate Group is primarily engaged in the business of developing and managing: (a) residential communities; (b) the industrial parks; and (c) retail and commercial spaces. As of 31 January 2021, the Real Estate Group's real estate portfolio includes 13 residential developments, three industrial parks, and six commercial centers.

The Real Estate Group's strategy has been to step up mid-market residential launches to capitalize on the growing provincial house and lot mid-market. It expects to grow its well-performing industrial business through the continued acquisition of land in key geographic corridors and the development of complementary recurring revenue businesses and residential communities within these areas. Through this approach, the Real Estate Group not only looks to expand its industrial footprint but also create thriving townships in the future.

As of 31 January 2021, the Real Estate Group continues to develop and manage three industrial estates spanning beyond 1,000 hectares in PEZA-registered industrial parks located in Batangas and Cebu. Real Estate Group's industrial estate portfolio includes three economic zones: (i) Mactan Economic Zone II ("MEZ II"), in Lapu-Lapu City, Mactan, Cebu; (ii) West Cebu Industrial Park ("WCIP") in Balamban, Cebu, through its Subsidiary, Cebu Industrial Park Developers, Inc. ("CIPDI"); and (iii) the LIMA Technology Center in Malvar, Batangas, through its Subsidiary, Lima Land, Inc. ("Lima Land").

As of 31 January 2021, the Real Estate Group's commercial real estate portfolio includes six commercial projects in operations in Batangas and Cebu, namely: (i) *The Outlets at Lipa*, Batangas; (ii) *Lima Exchange*, Lipa, Batangas; (iii) *The Persimmon Plus* in Mabolo, Cebu City; (iv) the *iMez* Building in Cebu; (v) *Pueblo Verde* in Cebu; and (vi) *The Outlets at Pueblo Verde* in Cebu.

The Real Estate Group is also capitalizing on the new and upcoming segment of vertical developments in urban zones through its partnership with Point Blue, Inc. which created the micro studio category in the Philippines. This Joint Venture looks to build micro studio buildings strategically located near Metro Manila's central business districts. In conjunction with these developments, Real Estate Group expects to actively explore complementary services from AEV's utilities, financial services, and infrastructure businesses, as it is doing at the LIMA Technology Center.

In line with the Aboitiz Group's direction to scale the growth of industrial-anchored integrated economic center projects, management of the industrial and commercial Business Units of AboitizLand was transferred to Aboitiz InfraCapital. On 1 September 2020. The Aboitiz Group believes that the future of large-scale integrated economic centers will be built on advanced, robust, and seamless infrastructure facilities and services.

(i) Products and Services

(a) Residential Business

Aboitiz Land, Inc.

Incorporated on 2 June 1964, AboitizLand is the real estate arm of the Aboitiz Group. It is mainly engaged in the development of real estate projects with primary focus on residential communities. Since the Launch of its first residential development in 1994, AboitizLand's residential estate has now expanded to 13 residential projects selling three particular product types: lot only, house and lot, and condominiums.

In 1994, the Real Estate Group launched *North Town Homes* in Cebu, its first residential subdivision catering to upper-mid to high-end customers through horizontal (lot-only and house-and-lot) developments. Since then, the Real Estate Group has expanded its portfolio to include mid-market residential products. Through AboitizLand, the Real Estate Group has also introduced a number of product concepts to the Cebu real estate market: (i) the New Urbanism concept of live-work-play in the large master-planned community of *Pristina North*; (ii) Zen living, which takes off from the spa lifestyle trend, in *Kishanta*; (iii) the commercial and residential "Urban Village", such as *The Persimmon*; (iv) shophouses as a residential product in *Ajoya*; (v) fully-furnished affordable studio units, such as *The Persimmon Studios*; (vi) Asian Contemporary designed units in *Almiya*; and (vii) inspired by traditional Filipino residences in *Amoa*.

In 2017, the Real Estate Group launched (viii) *Seafront Residences*, a 43-hectare beachside community located in San Juan, Batangas, and (ix) *Foressa Mountain Town*, a 250-hectare mountain town community located in Balamban, Cebu.

In 2018, AboitizLand launched two additional residential projects in Luzon: (x) *Ajoya Capas*, a 13-hectare community development in Tarlac, and (xi) *Ajoya Cabanatuan*, a 20-hectare community development in Nueva Ecija. The *Ajoya* brand represents AboitizLand's flagship mid-market residential product, featuring modern housing units inspired by contemporary Filipino architecture, and amenities such as a town plaza, a clubhouse, and pocket parks, among others.

In 2019, AboitizLand further strengthened its position in the Luzon region through the launch of two new residential projects: (xii) *Ajoya Pampanga*, a 21-hectare development in Mexico, Pampanga, and (xiii) *The Villages* at Lipa, a 50-hectare development in Batangas to support the industrial township strategy for LIMA Technology Center.

Additionally, AboitizLand offers property management services to support not only its own business units, but also those of the other companies within the Aboitiz Group. These services cover community security, site and infrastructure maintenance, village activities and policy administration.

AboitizLand is a wholly-owned Subsidiary of AEV.

(b) Industrial Business

LIMA Technological Center

The Real Estate Group envisions LIMA Technology Center to be a future thriving township, combining the concepts of an integrated city and an environment for wholesome living. To further build on the commercial and retail aspects available in the estate, the Real Estate Group launched *The Outlets at Lipa* and *LIMA Exchange* in 2018 and 2019, respectively. *The Outlets at Lipa* is a 9.3-hectare commercial development aimed at complementing the industrial estate by offering outlet shops, restaurants and leisure places for the ecozone employees and neighboring communities. *LIMA Exchange* is a retail hub integrated with a transport terminal.

In terms of the residential component, The Real Estate Group, though AboitizLand, launched its first residential project for this project, *The Villages at Lipa*, in July 2019. *The Villages at Lipa* is envisioned to be a residential community with 2,500 housing units across three villages targeting the upper-middle and middle-income markets.

The Real Estate Group aspires that the LIMA Technology Center continues to be a model of new-generation industrial parks that combine smart economics, strategic location, and seamless infrastructure facilities and services, focused on ensuring the growth and profitability of its investors' enterprises.

Lima Land, Inc.

Incorporated in October 1995, LimaLand is the developer and operator of the LIMA Technology Center, a PEZA-registered economic zone located in Malvar, Batangas, in the middle of the CALABARZON region, the administrative region composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon. The LIMA Technology Center is an industrial park that caters to export-oriented locators engaged in manufacturing and warehousing operations.

In 2013, AboitizLand acquired a 60% majority stake in LimaLand, the owner and operator of the LIMA Technology Center, a 590-hectare PEZA-registered industrial park located in Malvar, Batangas. AboitizLand was able to complete the acquisition following the purchase of the remaining 40% ownership interest in February 2014.

Since 2015, LimaLand has continuously expanded LIMA Technology Center to cater to new investors. The first expansion of 50 hectares in 2015 is already fully occupied by new locators. The second and third expansions totaling approximately 70 hectares were completed in 2017 to accommodate new investors and the expansion requirements of existing locators. LimaLand's ongoing construction of its fourth expansion, an additional 50 hectares, will be made available to new and existing locators by the first quarter of 2020. As of 31 January 2021, LimaLand has expanded the LIMA Technology Center to 760-hectares of industrial estate. Simultaneously, it is currently in the design phase of its fifth expansion that is expected to add another 47 hectares of inventory in 2022.

As of 31 January 2021, LimaLand is a wholly-owned Subsidiary of AboitizLand.

West Cebu Industrial Park

Cebu Industrial Park Developers, Inc.

CIPDI is a company owned by AboitizLand and the Kambara Group from Japan, through its wholly-owned Subsidiary, Tsuneishi Holdings (Cebu), Inc.

Incorporated on 15 June 1992, CIPDI began operations in 1993 with the development and operation of the WCIP in Balamban, Cebu. WCIP is a 283-hectare industrial zone, catering to medium to heavy industries such as shipbuilding and allied activities. WCIP currently has 11 industrial locators as well as five commercial locators in the area. In April 2017, CIPDI brought to market the first phase of its 250-hectare sustainable mountain town community, *Foressa*, also located in Balamban, Cebu. Turnover is expected beginning the third quarter of 2021.

As of 31 January 2021, AboitizLand owned a 60% equity interest in CIPDI.

Mactan Economic Zone II

AboitizLand is the registered developer/operator of MEZ II, where it leases land and provides utility services to locators inside the economic zone under a Build-Operate-Transfer agreement with Mactan Cebu International Airport Authority. The 63-hectare economic zone is home to 52 light-to-medium manufacturing locators and has a 100% occupancy rate as of 31 January 2021.

(c) Commercial Business

The commercial business unit focuses on neighbourhood retail and commercial hubs that complement the Real Estate Group's existing industrial and residential developments. The Real Estate Group's commercial estate offers retail centers and office buildings. In 2013, the Real Estate Group launched its first outlet development in Visayas and Mindanao region, *The Outlets at Pueblo Verde*, which offers 20%-75% discounts on global brand merchandise year-round. In 2009, the Real Estate Group launched *iMEZ* in Cebu, its first office building to capture growth of the business process outsourcing ("BPO") sector in the country.

Cebu District Property Enterprise Inc.

CDPEI is a Joint Venture between AboitizLand and Ayala Land, Inc. ("Ayala Land") which was incorporated on 20 February 2014. The partnership is focused on the development of Gatewalk Central, a 17-hectare mixed-use project in Mandaue City, Cebu. The partnership leverages the strengths of both companies, as it brings together AboitizLand's deep-rooted real estate experience in Cebu and Ayala Land's proven track record in developing master-planned and sustainable communities.

As of 31 January 2021, AboitizLand owned a 50% equity interest in CDPEI with Ayala Land holding the remaining 50% equity interest.

Cebu Praedia Development Corporation

Incorporated on 13 October 1997, Cebu Praedia Development Corporation ("CPDC") is engaged in the leasing of properties located in the cities of Makati and Cebu. To date, CPDC's major property holdings include the commercial and office building block located at 110 Legazpi Street, Legaspi Village, Makati City and AEV's Cebu offices located at Gov. Manuel A. Cuenco Avenue, Kasambagan, Cebu City.

CPDC is a wholly-owned Subsidiary of AEV.

Propriedad del Norte, Inc.

Incorporated on 1 March 2007, Propriedad del Norte, Inc. ("PDNI") is engaged in the purchase and development of real estate. PDNI's current land bank stands at 62 hectares, all of which is located in Liloan, Cebu.

PDNI is a wholly-owned Subsidiary of AboitizLand.

A2 Airports Partners, Inc. (AllRise Development Corp.)

A2 Airports ("AllRise Development Corp.") is a joint venture company between AboitizLand and E360, Inc., and is engaged in carrying out the business of build-to-rent micro studio developments catering to young urban professionals. Currently, AllRise Development Corp. wholly owns 78 Point Blue, Inc., Triplecrown Properties Inc. and Firmwall Systems Inc. and collectively has four buildings in operations located in the prime areas of Taguig and Makati City.

AboitizLand has a 50% equity interest in AllRise Development Corp. as of 31 January 2021.

(ii) Distribution Methods

AboitizLand's residential projects currently target a diverse base of customers, ranging from the middle to upper income brackets. AboitizLand now also caters to young urban professionals working in and around central business districts given its recent partnership with E360, Inc. to co-develop microstudio developments.

AboitizLand's industrial segment aims to serve various locators from different industries and countries with significant interests in the Philippines. The commercial segment focuses on neighbourhood retail and commercial hubs that complement AboitizLand's existing industrial and residential developments.

(iii) New Products and Services

In September 2019, AboitizLand and Point Blue partnered to co-develop microstudio rental apartments, an innovative new category in the real estate residential sector. These micro studio apartments are leased ready for move-in and all units are equipped with a bed, ample storage space, a desk and chair, roller blinds, air-conditioner, microwave, free high-speed internet, and within walking distance of Metro Manila's central business districts.

(iv) Competition

AboitizLand considers Ayala Land and Vista Land & Lifescapes, Inc. ("Vista Land") as its main competitors in the residential business. They currently enjoy market dominance in the locations where they compete and are considered as brand leaders in the market because of their presence in both primary and secondary cities nationwide. Both competitors target the same market that falls within their sub-brands that cater from the high-end A market to the broad C market. AboitizLand also caters to the same markets depending on the location and type of product that it offers. According to an industry report of Colliers International dated 9 February 2021, the full year 2020 market was able to pre-sell 31,380 residential units. By way of comparison, AboitizLand sold around 744 residential units in 2020, generating a substantial amount in sales revenue.

In terms of the commercial business, AboitizLand looks to strategically develop commercial spaces that will enhance its current communities. By doing so, AboitizLand aims to maximize the value footprint in these areas while servicing the needs of the community. Furthermore, the continued relevance of AboitizLand's successful track record in traditional retail formats provide a positive outlook for its largest commercial project to date, The Outlets at Lipa. Although relatively new in this segment, it was able to successfully implement new retail formats in locations it already serves. However, traditional big-box retail companies such as SM Retail, Inc. ("SM") and Vista Land remain market leaders in the commercial business and are considered as AboitizLand's main competitors in this segment. While SM caters to all market classes, AboitizLand caters to the broad C to the upper B market currently focusing on the latter for its offerings at The Outlets.

Lastly, the industrial parks continue to serve as key hubs for economic activity. With its expertise, AboitizLand looks to further capitalize on these hubs not only by expanding its industrial footprint, but also through the development of recurring revenue businesses and residential communities adjacent to its industrial areas. Through this approach, AboitizLand looks to transform these industrial spaces into thriving townships. Among the national developers in the country, Ayala Land, Vista Land, and Megaworld are the main proponents of township developments. With their years of experience and land banks around the country, they remain AboitizLand's competitors in this segment. Similar to the residential and commercial business, AboitizLand caters to several markets that encompass its township developments. For example, *The Villages at Lipa* caters to mid to upper mid-market residents, *The Outlets* at Lipa serves retail customers, while LIMA Technology Center is home to industrial locators and soon, BPO offices.

(v) Sources of Raw Materials

AboitizLand and its Subsidiaries have a broad base of suppliers, both local and foreign. They are not dependent on one or a limited number of suppliers.

(vi) Major Customers

AboitizLand's residential projects currently target a diverse base of customers, ranging from the middle to upper income bracket. The Group's industrial division serves various locators, with the slight exception of its industrial segment operated through CIPDI, which has commitments to Tsuneishi Holdings Corporation ("THC") of Japan.

The Real Estate Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

(vii) Patents, Copyrights, and Franchises

The Real Estate Group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed or pending at local jurisdictions.

Trademark	Registration Date	Expiration Date
ABOITIZLAND AND DEVICE, with color claim	11 March 2020	11 March 2030
ABOITIZLAND	15 April 2010	15 April 2030
THE OUTLETS	4 December 2014	04 December 2024
THE OUTLETS AND DEVICE, with color claim	26 February 2015	26 February 2025
Ajoya word mark	9 March 2017	24 March 2027
Ajoya device mark	24 March 2017	24 March 2027
Foressa word mark	24 March 2017	24 March 2022
Foressa device mark	15 June 2017	24 March 2027
Seafront Residences word mark	14 July 2017	14 July 2027
Seafront Residences device mark	10 August 2017	10 August 2027
The Outlets Logo	14 July 2017	14 July 2027
Seafront Villas word mark	14 July 2017	14 July 2027

Seafront Villas device mark	14 August 2017	17 August 2077
Lima Exchange word mark	7 December 2017	07 December 2027
Lima Exchange device mark	26 October 2017	26 October 2027
Lima Land word mark	12 April 2018	12 April 2028
Lima Land device mark	22 March 2018	22 March 2028
Lima Technology Center word mark	15 June 2018	15 June 2028
Lima Technology Center device mark	12 April 2018	12 April 2028
The Villages at Lipa word mark	16 October 2018	16 October 2028
The Villages at Lipa device mark	16 October 2018	16 October 2028
ASIERA	22 October 2019	22 October 2029
ASIERA LOGO (FULL COLOR)	22 October 2019	22 October 2029
ASIERA LOGO (REVERSED WHITE)	22 October 2019	22 October 2029
ASIERA LOGO (ONE COLOR BLACK)	22 October 2019	22 October 2029
ASIERA HOMES LOGO (FULL COLOR)	22 October 2019	22 October 2029
ASIERA HOMES LOGO (REVERSED WHITE)	22 October 2019	22 October 2029
ASIERA HOMES LOGO (ONE COLOR BLACK)	22 October 2019	22 October 2029

(viii) Government Approvals

AboitizLand and its Subsidiaries secure various government approvals such as the environmental compliance certificate, development permits, license to sell, business permits, etc. as part of the normal course of its business.

(ix) Effect of Existing or Probable Governmental Regulations

The laws and regulations that govern the Real Estate Group's business operations include the: (i) Subdivision and Condominium Buyer's Protective Decree (P.D. 957) which outlines the necessary approvals and permits required for subdivision and condominium development projects. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the government which, together with local government units, enforces these decrees and has jurisdiction to regulate the real estate trade and business. (ii) Urban Development and Housing Act of 1992 (RA No. 7279), as amended recently by Republic Act No. 10884, requiring developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least fifteen percent (15%) of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by HLURB and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development; and (iii) the Condominium Act (RA No. 4726), as amended, providing additional regulation on the development and sale of condominium projects. The Condominium Act requires the annotation of the master deed or the declaration of restrictions on the title of the land on which the condominium project shall be located. The declaration of restrictions shall constitute a lien upon each condominium unit in the project, and shall bind all condominium owners in the project.

The Bayanihan to Heal as One Act and the Bayanihan to Recover as One Act

On 24 March 2020, Congress passed RA No. 11469, known as the Bayanihan to Heal as One Act (Bayanihan 1 Act) into law, which conferred temporary emergency powers on the President to respond to the COVID-19 crisis. Under Sec. 4(bb) of Bayanihan 1 Act, the lessors shall provide a minimum of 30-day grace period on residential rents without incurring interests, penalties, fees and other charges. Thereafter, the Department of Trade and Industry issued Memorandum Circular 20-12, 20-29, and 20-31 to supplement the implementation of the 30-day grace period on the payment of rent.

The following are the guidelines for the implementation of the moratorium on rent payments:

- Bayanihan Act: Lessors of residential units are mandated to provide a 30-day grace period on the payment of rent, without incurring interest, penalties, fees, and other charges.
- DTI MC 20-12: The 30-day grace period shall be granted to (i) residential and (ii) commercial rents of micro, small, and medium enterprises (“MSME”), defined under RA No. 6977, that have ceased operations due to the ECQ.
- DTI MC 20-29: The 30-day grace period shall be granted to (i) residential and (ii) commercial rents of MSME and sectors not permitted to operate due to the ECQ, Modified Enhanced Community Quarantine (“MECQ”), and General Community Quarantine (“GCQ”)
- The 30-day period is determined to be the 30 calendar days following the last due date of the rent which fell due within the ECQ, on until such time that the community quarantine is lifted or when the business is allowed to resume.
- Lessors are not obligated to refund the rent paid during the period of community quarantine.
- No eviction for failure to pay rent may be enforced within the 30-day period after the lifting of the community quarantine.
- Should the rent accumulate during the effectivity of the period of the ECQ, , MECQ, and GCQ, the cumulative shall be equally amortized or spread out in the next six months following the end of the grace period without any further charges, and this shall be added to the rent due on those succeeding months.
- Residential units include bedspaces, rooms, dormitories, apartments, houses, buildings, and/or land that is primarily used for residential purposes.
- Commercial spaces include land, offices, buildings, centers, shops, facilities, and any other property used principally for commercial purposes, which denote any activity for profit.

On 11 September 2020, RA No. 11494 or the Bayanihan to Recover as One Act (Bayanihan 2 Act), was signed into law by President Duterte. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country’s COVID-19 response and recovery plan, and to scrutinize the Government’s implementation of programs related to the pandemic. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until 19 December 2020.

Under the Bayanihan 2 Act, the rules on moratorium on rent can be summarized, as follows: (i) only MSMEs and cooperatives that have temporarily ceased operations and residential lessees who are not permitted to work are entitled to the minimum grace period of 30-days; (ii) the grace period applies to rents falling due within an ECQ or MECQ (unlike Bayanihan 1 Act which included GCQ) or until the ECQ or MECQ is lifted, whichever comes later; (iii) from the end of the grace period, all amounts which fell due within the period shall be spread out in equal monthly installments until 31 December 2020, without any interests or other penalties, which amount shall be added to the current monthly rent due; and (iv) no increase in rent shall be imposed during the period of any of the declared community quarantines. For rent falling due before the publishing of Bayanihan 2 Act on 14 September 2020, the rules on the grace period under Bayanihan 1 Act should be followed.

To determine if a grace period would apply to a rental payment due, one must see if the area of said property was under a specific quarantine, and whether Bayanihan 1 or 2 Actwas in effect at the time that the rent falls due

As lessors of industrial and commercial estates, the Real Estate Group have the option to extend generosity by totally or partially waiving rent, granting discounts, opening renegotiation of the terms of the lease, or any other recourse that would mitigate the impact of the crisis to these business establishments.

(x) Major Risk/s Involved in the Business

Risks particular to the Real Estate Group are as follows:

AboitizLand may not be able to acquire land for new projects

AboitizLand's future growth and development are heavily dependent on its ability to acquire or enter into agreements to develop additional tracts of land suitable for its planned real estate projects. AboitizLand competes with its competitors to secure suitable sites for development. Given this competition and the limited availability of land, particularly in areas in and near Metro Manila and other urban areas in the Philippines, AboitizLand may have difficulty acquiring tracts of land that are suitable in size, location and price. In the event AboitizLand is unable to acquire suitable land or to enter into agreements to develop suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

AboitizLand may not be able to lease its properties in a timely manner or collect rent at profitable rates or at all

AboitizLand's ability to sell or lease sites in its development projects, including its industrial projects, could be affected by a number of factors including consumer confidence resulting to slow down on sales, changing customer needs, entry of key players, more aggressive competitors (for pricing, payments, incentives, offers etc.) competition for tenants, changes in market rates, the inability to renew leases, bankruptcy of tenants, the increase in operating expenditures, and efficiency in collection, property management, tenant relations, and loss of market. In addition, adverse trends in the industries that are located in Aboitiz Land's commercial and industrial projects could result in lower demand for leases or the inability of existing tenants to honor their lease commitments. The inability of AboitizLand to lease spaces could materially affect its business, financial condition and results of operations.

These risks were identified by evaluating the possible financial impact to AboitizLand. Leasing out spaces and collections are some of the risks that will have a negative impact in terms of revenue and cash flow. Among others, identified risks include difficulty in leasing out existing developments to new tenants and retaining current merchants and were assessed by probability. AboitizLand manages risks by identifying possible solutions that could soften the blow of the risk impacts. In commercial developments for example, AboitizLand is pivoting to other uses of its existing developments and providing concessions to tenants to mitigate the risk of valued stakeholders pre-terminating their contracts. For residential development, strategies and possible solutions are expansion of digital initiatives in Sales and Marketing, broaden digital platforms outside existing social media and property listing platforms, offer special discounts to Vecinos, improve marketing communication and more strategic target market segmentation.

AboitizLand may not be able to complete its development projects within budgeted project costs or on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before generating positive net cash flow through sales or pre-sales. As a result, AboitizLand's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. The schedules of AboitizLand's projects depend on a number of factors, including the performance and efficiency of its third-party contractors and its ability to finance construction. Other factors that could adversely affect AboitizLand's project development schedules include:

(a) natural catastrophes and adverse weather conditions and/or a Pandemic;
(b) changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
(c) delays in obtaining government approvals and permits;
(d) changes in relevant regulations and government policies;
(e) relocation of existing residents and/or demolition of existing constructions;
(f) shortages of materials, equipment, contractors and skilled labor;

(g) labor disputes;
(h) construction accidents;
(i) errors in judgment on the selection and acquisition criteria for potential sites;
(j) Cyber Attacks and/or leaked of personal and sensitive information;
(k) Internal contractor issues;
(l) Unforeseen geographic situations; and
(m) other unforeseen problems or circumstances

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm AboitizLand's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. There is no assurance that AboitizLand will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

The occurrence of these risks and the consequence of AboitizLand's ability to develop, will only be highly likely if a project is mis-scoped. In order to mitigate these risks, AboitizLand's project development and operations plans have been and are continuously being updated. By taking lessons learned from older projects, creating standards for processes, implementing policies, and execution of the company's scope of work all the way from the acquisition stage, through the planning, launch, construction, and turn-over stages, AboitizLand is able to mitigate these risks. A consistent review of the company's project risks and management plans at each milestone project point allows the risk treatment plans to be updated in order to keep up with market and regulatory changes, as well as manage internal stakeholder or third party engagement, while maintaining project health.

V. INFRASTRUCTURE

Overview of the Business

The infrastructure and infrastructure-related investments of the Aboitiz Group are primarily undertaken through Aboitiz InfraCapital and AEV CRH, the holding company of RCBM.

On 17 March 2015, Apo Agua Infrastructura, Inc. ("Apo Agua"), a Joint Venture company with J.V. Angeles Construction Company ("JVACC"), entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with Davao City Water District ("DCWD"). The proposed Joint Venture includes the construction of both a hydroelectric-powered bulk water treatment facility and the conveyance system needed to deliver treated bulk water to numerous DCWD delivery points in Davao City. The EPC contract with JVACC was executed on 6 February 2018, and the initial delivery of bulk water is expected to commence by the end of 2021.

On 15 September 2015, the Company and CRH plc through their investment vehicles, through AEV CRH and CRH Aboitiz Holdings, Inc. ("CRH Aboitiz"), closed the acquisition of the Lafarge S.A.'s Philippine assets, which included four Luzon-based cement manufacturing plants located in Bulacan, Norzagaray, Teresa, and Batangas; an integrated plant in Iligan, Mindanao; a cement grinding mill in Danao City, Cebu; and associated limestone quarries. CRH plc is a global leader in the manufacture and supply of a diverse range of building materials and products for the modern built environment. It has leadership positions in Europe as well as established strategic positions in 31 countries worldwide, including emerging economic regions of Asia and South America.

On 1 August 2017, Aboitiz InfraCapital acquired 100% ownership and took full operational control of Lima Water Corporation ("Lima Water") from Lima Land Inc., a wholly-owned Subsidiary of AboitizLand. Lima Water, with a capacity of eight mn liters per day, is the exclusive water and wastewater services provider in LIMA Technology Center, the Philippines' largest privately-owned and top-selling industrial park.

On 3 August 2017, Aboitiz InfraCapital signed an agreement to acquire 11% stake in Balibago Waterworks System, Inc. ("BWSI") from San Fernando Electric Light & Power Co., Inc. ("SFELAPCO"). In

April 2019, the company increased its ownership stake to 16% through the acquisition of shares from individual shareholders. BWSI is currently operating 68 water distribution franchises across the country.

Aboitiz InfraCapital was granted Original Proponent Status for its unsolicited proposals for the operations, maintenance, and expansion of the new Bohol-Panglao International Airport ("BPIA") on 3 September 2018 and the Laguindingan Airport on 26 February 2019, by the Department of Transportation ("DOTr") and the Civil Aviation Authority of the Philippines ("CAAP"), respectively. On 29 November 2019, Aboitiz InfraCapital obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the Investment Coordination Committee-Cabinet Committee ("ICC-CabCom") approved the proposal for Laguindingan Airport on 20 December 2019.

On 7 February 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the Department of Information and Communications Technology ("DICT"). In line with the DICT's Department Circular No. 8, Aboitiz InfraCapital received a provisional registration as an Independent Tower Company from the DICT on 10 September 2020.

On 1 September 2020, the management of the Aboitiz Integrated Economic Centers - consisting of LIMA Estate in Batangas, and the Mactan Economic Zone II and West Cebu Industrial Park in Cebu.- was transferred to Aboitiz InfraCapital. The economic centers consist of 1,000 hectares of industrial business parks that are home to 185 locators and around 90,000 employees.

(i) Products and Services

A. Aboitiz InfraCapital

Incorporated on 13 January 2015, Aboitiz InfraCapital is the investment vehicle of the Aboitiz Group for all infrastructure related investments. Aboitiz InfraCapital's current portfolio consists of investments in (i) water infrastructure, (ii) digital infrastructure (iii) urban mobility and transportation projects, and (iii) and integrated economic centers.

Water Infrastructure

Aboitiz InfraCapital established itself as a provider of water supply, water distribution, wastewater treatment, and water-related infrastructure in the country through its its acquisition of equity interests in (i) Apo Agua in 2015, (ii) Lima Water in 2017, and (iii) BWSI in 2017.

Apo Agua Infrastructura, Inc.

Incorporated on 8 August 2014, Apo Agua is a Joint Venture between AEV and JVACC. The overall objective of Apo Agua is to provide a sustainable, reliable, and safe supply of bulk water to the DCWD.

On 17 March 2015, Apo Agua entered into a Joint Venture Agreement and Bulk Water Purchase Agreement with DCWD for the Davao City Bulk Water Supply Project ("DCBWSP"). As of 31 January 2021, Apo Agua is progressing with the construction of the bulk water treatment facility. The bulk water treatment facility is expected to supply over 300 mn liters of water per day, equivalent to an annual supply volume of 109.5 mn cubic meters.

A unique component of the project is a pioneering innovation which utilizes the "water-energy nexus" concept. The bulk water treatment facility will be powered by its own run-of-river hydroelectric power plant.

Deliver of first drop of water is expected to commence by the end of 2021. Upon full completion of the DCBWSP availability in all service connections that will be served by the project is expected to improve, with 24/7 water supply availability and adequate pressure. The project will also prevent irreversible and damaging environmental effects such as salt-water intrusion, drying-up of wells, and land subsidence brought about by over extraction of groundwater.

AEV and its wholly-owned Subsidiary, Aboitiz InfraCapital, collectively own a 70% equity interest in Apo Agua.

Lima Water Corporation

Lima Water was incorporated on 28 May 1999. Lima Water provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based LIMA Technology Center. Lima Water has a daily water capacity of 8,700 cubic meters. Lima Water also operates its own centralized wastewater treatment plant to ensure the proper treatment of wastewater generated within the LIMA Technology Center. On 1 August 2017, Aboitiz InfraCapital acquired and took full operational control of Lima Water from its Affiliate AboitizLand. Aboitiz InfraCapital owns a 100% equity interest in Lima Water.

Balibago Waterworks System, Inc.

BWSI was incorporated on 20 May 1958 with the primary purpose to acquire, establish, develop, manage, and operate an effective waterworks utility system within its franchise area of 900 hectares. Its franchise area includes Barangay Balibago in Angeles City and Barangay Dau in the town of Mabalacat. BWSI is currently operating 68 water distribution franchises across the country.

On 3 August 2017, Aboitiz InfraCapital acquired a minority stake in BWSI previously held by SFELAPCO. Additional purchase of BWSI shares were made by Aboitiz InfraCapital in 2019. Aboitiz InfraCapital owns a 16% equity interest in BWSI.

Urban Mobility and Transportation

Regional Airports

Aboitiz InfraCapital was granted original proponent status by the DOTr for its unsolicited proposal to expand, operate and maintain the new Bohol-Panglao International Airport on 3 September 2018. Aboitiz InfraCapital believes this international airport located on the island of Panglao has significant growth prospects given Bohol's strong tourism potential, especially with the international market. The new Bohol-Panglao International Airport replaced the old Tagbilaran Airport and was inaugurated on 28 November 2018 with an estimated capacity of two million passengers per annum.

On 10 August 2018, Aboitiz InfraCapital also submitted an unsolicited proposal for the upgrade, expansion, operations and maintenance of the Laguindingan Airport in Misamis Oriental, which is the gateway to the Northern Mindanao Development Corridor. On 26 February 2019, Aboitiz InfraCapital was granted original proponent status by the CAAP for its unsolicited proposal on Laguindingan Airport. The proposal involves the operations and maintenance, including the much-needed upgrade works, of the Laguindingan Airport. The airport has been operational since 2013 with a design capacity of 1.6 mn passengers per annum. According to CAAP, in 2018 the Laguindingan Airport served more than two million passengers.

On 29 November 2019, Aboitiz InfraCapital obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the ICC-CabCom approved the proposal for Laguindingan Airport on 20 December 2019.

Digital Infrastructure

Towers

On 7 February 2019, Aboitiz InfraCapital signed a Memorandum of Understanding with the DICT. The Memorandum of Understanding recognized Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow Aboitiz InfraCapital to secure contracts with telco operators. To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, Dito Telecommunity, and NOW Telecom, and are now in discussions on the lease of build-to-suit tower sites and other passive telecommunications infrastructure. Negotiations are still ongoing with these mobile network operators, and Aboitiz InfraCapital is looking to close these contracts and roll out the towers project in 2021.

Aboitiz InfraCapital has also entered into partnership agreements with Globe Telecom and Dito Telecommunity for the deployment of small cells in key cities nationwide. The sites are readily available in high-density urbanized areas like Cebu and Davao where improving network quality and services is difficult due to congestion and availability of sites. The sites will serve as complementary offerings to the macro tower sites. Together with Globe Telecom and Dito Telecommunity, the deployments are ongoing in order to meet the accelerated demand for improved telecommunication services.

Integrated Economic Centers

On 1 September 2020, the management of the Industrial and Commercial Business Units of AboitizLand was transferred to Aboitiz InfraCapital. The Aboitiz Group believes that the future of large scale fully integrated economic centers will be built on advanced, robust, and seamless infrastructure facilities and services. By moving the management to Aboitiz InfraCapital, the development and implementation of the integrated economic center strategy will be harmonized, which will ultimately strengthen the Aboitiz Group's competitive advantage in current and future developments and projects.

The industrial developments include three economic zones: (a) the Mactan Economic Zone II in Lapu-Lapu City, Cebu; (b) the West Cebu Industrial Park in Balamban, Cebu; and (c) the LIMA Technology Center in Malvar, Batangas. Meanwhile, the commercial projects include: (i) The Outlets at Lipa in Lipa, Batangas; (ii) The Persimmon Plus in Mabolo, Cebu City; (iii) the iMez Building, Lapu-Lapu City, Cebu; (iv) Pueblo Verde, Lapu-Lapu City, Cebu; (v) The Outlets at Pueblo Verde, Lapu-Lapu City, Cebu; and (vi) build-to-rent microstudio developments in various locations in Makati and Taguig Cities through A2 Airports Partners, Inc. (also known as AllRise Development Corp).

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation's economic development.

B. Republic Cement Group

AEV CRH Holdings, Inc. and CRH Aboitiz Holdings, Inc.

Incorporated in July 2015, AEV CRH and CRH Aboitiz are investment vehicles of AEV, in partnership with CRH plc. CRH Aboitiz acquired equity interests in Republic Cement Services, (Philippines) Inc. ("RCSI") (formerly Lafarge Cement Services Philippines, Inc.) on 15 September 2015.

AEV CRH acquired a total of 99.09% equity interest in RCBM (formerly Lafarge Republic, Inc.) through (i) a private sale from its major shareholder representing 88.85% of RCBM's outstanding capital stock, and (ii) and a mandatory tender offer to acquire the remaining shares from the minority shareholders in compliance with the requirements of the Securities Regulation Code. On 9 September 2015, AEV CRH accepted from the public a total of 596,494,186 shares representing 10.24% of the outstanding shares of RCBM. The tendered shares brought up AEV CRH's total shares in RCBM to 99.09% as of February 29, 2016.

On 25 April 2016, RCBM was voluntarily delisted from the PSE, which was approved by the PSE Board of Directors, effective on 25 April 2016. After the increase in the par value and decrease in RCBM's authorized capital stock in September 2016, RCBM was no longer considered a public company (as defined by the SEC). Thereafter, the SEC granted RCBM's application for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities on 4 January 2017.

As of 31 January 2021, AEV CRH owns 99.40% of RCBM's outstanding capital stock and as of 31 January 2021, AEV owned 60% and 45% equity interests in its Associates, AEV CRH and CRH Aboitiz, respectively.

Republic Cement & Building Materials, Inc.

Incorporated on 3 May 1955, RCBM is primarily engaged in the manufacture, development, exploitation, and sale of cement, marble and a number of other building materials, and the processing or manufacture of materials for a range of industrial or commercial purposes.

As of 31 January 2021, AEV CRH owned 99.40% of RCBM's total outstanding capital stock.

RCBM's operating cement manufacturing plants are located in the following sites: (a) Barangay Minuyan, Norzagaray, Bulacan (Bulacan Plant); (b) Bo. Bigte, Norzagaray, Bulacan (Norzagaray Plant); (c) Bo. Mapulo, Taysan, Batangas (Batangas Plant); and (d) Barangay Dulumbayan, Teresa, Rizal (Teresa Plant). RCBM also has a cement grinding facility located in Bo. Dungo-an, Danao, Cebu (Danao Plant). RCBM serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers.

RCBM owns a 100% equity interest of Republic Cement Iligan, Inc. ("RCII") (formerly Lafarge Iligan, Inc.) and a 99.97% equity interest in Republic Cement Mindanao, Inc. ("RCMI") (formerly Lafarge Mindanao, Inc.). On 1 October 2020, the SEC approved the merger of RCII and RCMI, with RCMI as the surviving entity.

Republic Cement Mindanao, Inc. and Republic Cement Iligan, Inc.

RCMI was incorporated on 25 May 1957 to engage and deal in the production, purchase and sale of cement, concrete and allied products; quarrying, crushing and dealing in limestone in all its forms; and mixing, processing and sale of limestone with binder of any description.

On 6 April 2018, RCMI ceased to be a public company with the grant by the SEC of its Petition for Voluntary Revocation of Registration of Securities and Certificate of Permit to Sell Securities.

Since 1999, RCMI's business operations have been concentrated mainly on cement distribution and the contracting for the manufacture of cement by its former Affiliate, RCII. RCMI serves a broad market in both the public and private sectors, including institutional cement customers, developers and contractors as well as distributors, dealers and retailers.

RCII was incorporated on 1 June 1967 and, prior to its merger into RCMI on 1 October 2020, had the primary purpose of: to acquire, own, construct, manage and operate a cement plant for the manufacture and production of a range of cement and cement products or by-products, including any derivatives thereof, for its former Affiliate, RCMI. RCII's (now RCMI's) operating cement manufacturing plant is located in Barangay Kiwalan, Iligan City.

As of 31 January 2021, RCBM owned a 99.75% equity interest in RCMI.

Republic Cement Land & Resources, Inc. (formerly: Luzon Continental Land Corporation)

Republic Cement Land & Resources, Inc. ("RCLR") was incorporated on 26 October 1998 primarily to acquire, develop and operate land, quarries, mining rights, buildings and other real or personal property used for mining, and process a range of ore and cement materials. RCLR was acquired by AEV CRH from Calumboyan Holdings, Inc. on 15 September 2015. It currently leases land and supplies limestone and other raw materials to its Affiliate, RCBM.

AEV CRH owned a 100% equity interest in RCLR.

Republic Cement Services, Inc.

RCSI, incorporated on 21 August 2001, is the managing company of the non-nationalized business of RCBM and RCMI. CRH Aboitiz owns a 100% equity interest in RCSI.

(ii) Distribution Methods

A. Aboitiz InfraCapital

Lima Water Corporation

Lima Water, with a daily water capacity of 8,700 cubic meters, provides industrial and potable water to over 80 industrial locators at the Lipa, Batangas based LIMA Technology Center.

B. Republic Cement Group

In 2020, the cement sales of the Republic Cement Group were primarily made through distributors and dealers, with other sales made directly to contractors, developers, precast manufacturers and ready-mix concrete companies. RCBM Group's products are sold nationwide, with a majority of its sales coming from the Luzon region.

(iii) New Products and Services

A. Aboitiz InfraCapital

Aboitiz InfraCapital is currently undertaking project development activities in relation to its various infrastructure projects.

B. Republic Cement Group

The Republic Cement Group continues to develop high quality cement products for the builder's ease, efficiency, and flexibility**.**

(iv) Competition

A. Aboitiz InfraCapital

The principal competitors of Aboitiz InfraCapital, Inc. consist of the companies that participate in the proposals and bids for infrastructure projects and sectors it pursues. These include Metro Pacific Investments Corporation, San Miguel Corporation, and Filinvest Development Corporation.

B. Republic Cement Group

The main competitors of the Republic Cement Group for its cement products consist of the cement manufacturers in the Philippines, such as Holcim Philippines, Inc., Eagle Cement Corporation, Cemex Philippines, and Taiheiyo Cement Philippines, Inc., as well as traders who import cement into the Philippines.

The Republic Cement Group's brand names and product lines have long been respected in the local construction industry, enabling it to effectively compete in the market. The Republic Cement Group continuously innovates and improves its product lines and production efficiency, to respond to the growing needs of the quality-conscious Filipino builder.

(v) Sources of Raw Materials

A. Republic Cement Group

The principal raw materials for the manufacture of cement consist of minerals such as limestone, silica sand and shale, which are quarried from the Republic Cement Group's or RCLR's sites, mining claims, or purchased from local suppliers or Affiliates. Cement manufacture is the result of a definite process – the crushing of minerals, grinding, mixing, calcining/sintering, cooling and adding of retarder or gypsum. Other raw materials, slag, coal, other fuel and spare parts are obtained locally and abroad.

The Republic Cement Group is not dependent upon one or a limited number of suppliers for essential raw materials.

Energy Requirements

Cement manufacture is an energy-intensive process requiring reliable and affordable power supply for uninterrupted production. The operating plants source their power requirements from the following power providers:

Company	Location	Power Provider
RCBM	Bulacan, Norzagaray, Teresa and Batangas Plants	Aboitiz Energy Solutions, Inc. and Masinloc Power Partners Co. Ltd.
	Danao Plant	Aboitiz Energy Solutions, Inc.
RCII (now merged with RCMI)	Barangay Kiwalan, City of Iligan, Province of Lanao del Norte	Power Sector Assets and Liabilities Management Corporation and PowerSource Philippines Energy, Inc.

The Republic Cement Group has its own generator sets in most of its operating plants to provide back-up power in case of power shortage or interruptions or poor power quality. In November 2014, RCII (now merged with RCMI) entered into a Power Supply Agreement with PowerSource Philippines Energy, Incorporated ("PSPEI"), wherein RCII invested in PSPEI as a minority shareholder.

(vi) Major Customers

The Infrastructure Group's businesses are not dependent upon a single customer or a few customers that a loss of anyone would have a material adverse effect on the performance of its sales and distribution. It has no single customer that will account for 20% or more of the Group's total sale of goods and services.

A. Aboitiz InfraCapital

Lima Water Corporation

Lima Water serves the industrial locators at the LIMA Technology Center as its exclusive end-to-end water services provider. Locators include large corporations such as Epson Precision Philippines Incorporated, Littelfuse Asia Sales B.V., Japan Tobacco International Asia Manufacturing Corp, and Kinpo Electronics Philippines, Inc. Out of over one hundred locators inside the economic zone, these four locators account for almost half of the total water demand with Epson having the biggest demand contribution.

B. Republic Cement Group

RCBM and its Subsidiaries is not dependent on any single or major customer. At present, the Republic Cement Group caters to diverse types of customers, including but not limited to, wholesalers, traders, ready mix companies, concrete products manufacturers, international and local contractors and real estate developers.

(vii) Patents, Copyrights, and Franchises

The Infrastructure group owns, or has pending trademark applications for the registration of intellectual property rights for various trademarks associated with their corporate names and logos. These are filed Philippine Intellectual Property Office.

	Trademarks	Registration Date	Expiration Date
1	Aboitiz InfraCapital word mark (Class Nos. 35, 36 and 37)	29 December 2019	29 December 2029

The Republic Cement Group has registered with the Philippine Intellectual Property Office the following trademarks for its corporate and product brand logos.

RCBM

	Description of the mark	Registration Date
1	PORTLAND DUO	24 November 2011
2	PORTLAND PLUS	9 August 2012
3	REPUBLIC LOGO	28 September 2012

4	FORTUNE LOGO	28 September 2012
5	RAPIDSET LOGO	28 September 2012
6	LIGHT MICRO FILLER TECHNOLOGY WORDMARK	23 May 2013
7	WALLMASTER WORMDARK	28 September 2012
8	WALLMASTER & DEVICE	28 September 2012
9	WM LOGO	28 September 2012
10	TIBAY ENHANCERS	21 August 2014
11	FORTUNE WORDMARK	17 October 2013
12	REPUBLIC WORDMARK	17 October 2013
13	RAPIDSET	27 September 2013
14	RAPIDSET WORDMARK	7 August 2014
15	PORTLAND DUO II	27 March 2014
16	PORTLAND PLUS	19 June 2014
17	LIGHT MICRO-FILLER TECHNOLOGY	12 June 2014
18	KAPIT-BALAY WORDMARK	25 December 2014
19	TIBAY ENHANCERS	11 September 2014
20	KAPIT BALAY and device	25 December 2014
21	LAKAS AT PULIDO!	2 July 2015
22	MASTER OF FINISHING WORDMARK	5 January 2017
23	CONTINENTAL DEVICE MARK	7 October 2018
24	UNIVERSAL FALCON WORDMARK	19 January 2020
25	MAXIPAVE WORDMARK	19 January 2020
26	DRAGON WORDMARK	19 January 2020
27	HYDROGUARD WORDMARK	19 January 2020
28	RAPIDSET PREMIUM	10 February 2020
29	KAPIT-BALAY MANSORY & DEVICE (BLACK AND WHITE)	10 February 2020
30	KAPIT-BALAY MANSORY & DEVICE (BLACK AND WHITE)	10 February 2020
31	WITH IWAS-CRACK ENHANCERS WORDMARK	11 September 2020
32	BIO LITEWORDMARK	18 December 2020
33	BIO LITE	18 December 2020
34	BIO MIX WORDMARK	18 December 2020
35	BIO MIX	18 December 2020

RCSI

	Description of the mark	Registration Date
1	TAHANAN KO WORDMARK	7 March 2013
2	TAHANAN KO & DEVICE	7 March 2013
3	DEVICE MARK	22 August 2013
4	TIBAY TEST	29 December 2016
5	FLOW FAST LAB ON WHEELS	12 December 2019

RCMI

	Description of the mark	Registration Date
1	MINDANAO EXCLUSIVELY MANUFACTURED FOR BANGON MARAWI	26 December 2019
2	M LOGO	18 October 2012
3	MINDANAO CEMENT	7 August 2014
4	POZZOLAN PREMIUM	15 January 2015
5	WITH IWAS-CRACK ENHANCERS WORDMARK	11 September 2020
6	WITH IWAS-CRACK ENHANCERS (BLACK AND WHITE)	19 February 2021
7	MINDANAO CEMENT	1 January 2021

The Republic Cement Group has pending applications for registration of other trademarks such as "*ecoloop*", "*Pozzolan Premium*", "*Big Roof*", "*With Iwas-Crack Enhancers*".

(viii) Government Approval

Aboitiz Infiracapital and its Subsidiaries and the Repulic Cement Group secure various government approvals such as the environmental compliance certificate, development permits, license to sell, business permits, etc. as part of the normal course of its business.

A. Aboitiz InfraCapital

Lima Water Corporation

In 2020, Lima Water received its laboratory accreditation from the Department of the Environment and Natural Resources. The recognition authorizes the company's Laboratory Services Unit to generate environmental data in connection with the Environmental Impact Assessment system and monitoring to support the implementation of policies and guidelines.

B. Republic Cement Group

The Bureau of Product Standardsof the Department of Trade and Industry RCBM the license to use the Philippine Standard Quality Certification Mark for its principal products. All other necessary licenses and permits required for the continuous production and sale of RCBM products have been secured, including new licenses as well as those that have to be renewed periodically.

(ix) Costs and Effects of Compliance with Environmental Laws

A. Aboitiz InfraCapital

Lima Water Corporation

Upholding strict compliance with existing environmental laws is of high value to Lima Water's operations. These laws aim to pursue economic growth in a manner in which the environment is not compromised. As a consequence of the current status of the country's environment, standards set by the DENR are becoming more stringent, as set forth by DENR Administrative Order ("DAO") 08 series of 2016. Capital and operational expenditures are provisioned to comply with the parameters set forth in the new DAO.

Aside from water quality, DENR standards on air quality, hazardous and solid wastes are constantly adhered to as part of the Environmental Impact Assessment System. Through environmental monitoring, assessment and evaluation in line with existing standards and regulations, pollution mitigation is improved.

With Lima Water fully committed with its environmental compliance, more initiatives and innovations are carried out to continuously adapt and further address the vulnerability of the environment due to economic advances.

B. Republic Cement Group

RCBM and its Subsidiaries are committed to a policy of sustainable development, protection of the environment, and preservation of natural resources and energy. All the manufacturing plants are ISO 14001 certified, embracing environment management system as a way of life.

Each quarry site has set up a Mine Rehabilitation Fund ("MRF") as a reasonable environmental deposit to ensure availability of funds for the satisfactory compliance with the commitments and performance of the activities stipulated in the Environmental Protection and Enhancement Program ("EPEP") or the Annual Environmental Protection and Enhancement Program ("AEPEP") during each project phase, for the physical and social rehabilitation of areas and communities affected by the quarrying activities and for research on the social, technical and preventive aspects of rehabilitation.

Aligned with the Republic Cement Group's commitment to environmental protection, the upkeep and maintenance of dust control devices at the manufacturing sites are given top priority. In fact, three of the Republic Cement Plants recently invested in state-of-the-art Baghouse System replacing the conventional Electrostatic Precipitators. These Baghouse Systems significantly lowers the dust emission to <50 mg/Nm^3 which not only passed but is way below the Philippine standard limit of 150 mg/Nm^3. Enhancing the Republic Cement Group's alternative fuels program has also lessened the group's dependence on fossil fuels such as coal and bunker fuel, thereby decreasing the Republic Cement Group's carbon footprint.

To ensure that the Republic Cement Group's continuing manufacturing activities do not result in added negative environmental impact, such as increase in emissions, the Republic Cement Group continues to invest their resources in housekeeping activities and periodic stationary sampling of air and water quality around the manufacturing sites. Continuous Emissions Monitoring Systems ("CEMS") have also been installed in every manufacturing site to ensure that air emissions are kept within Philippine standard limits.

Moreover, under the Philippine Mining Act and its implementing rules and regulations, each of the Companies shall: (a) assist in the development of the host and neighboring communities in accordance with the Social Development and Management Program ("SDMP") approved by the Mines and Geosciences Bureau to promote the general welfare of the inhabitants living thereat; and (b) assist in the development of mining technology and geosciences as well as the corresponding manpower training and development.

The Republic Cement Group's reforestation project have already reached to 992 hectares planted to 784,377 seedlings or about 688,238 grown saplings consists of various endemic forest trees including mangroves, fruit-bearing trees, and bamboo across all operating sites since its launching in 2013 in support of the National Greening Program ("NGP") of the government which aimed to foster sustainable development for environment stability, food sufficiency, poverty reduction, biodiversity conservation, and climate change mitigation and adaptation. In addition, about 182 hectares of the group's Mineral Production Sharing Agreement ("MPSA") area planted to 116,504 seedlings or about 106,000 surviving saplings/ grown trees across all of its operating quarry sites have already been progressively rehabilitated under the Mining Forest Program ("MFP"). The group's progressive rehabilitation involves not only the planting of forest trees and fruit-bearing trees but also incorporates the principles of agricultural farming systems within the mining tenement wherein areas devoid of mineral resources are converted into agricultural production. Cultivation of agricultural crops such as vegetables, different kinds of fruits, rice and corn within the mining tenement in the Bulacan, Teresa, and Batangas Plants is on-going. This endeavor could be seen as an alternative pathway to contribute to food security at the local level, at the very least. Further, the Republic Cement Group also embraces biodiversity conservation as all of its operating cement and quarry sites across the country have completed biodiversity assessment and continuously being monitored and reported to the Multi-partite Monitoring Team and the Mine Rehabilitation Fund Committee of the DENR.

(x) Major Risk/s Involved in the Business

Risks that are particular to Aboitiz InfraCapital and its Subsidiaries are:

Aboitiz InfraCapital may not be able to fully realize the benefits of implementing its infrastructure business

Aboitiz InfraCapital's ability to successfully grow and operate its infrastructure business is subject to various risks, uncertainties and limitations, including:

(a) the need to procure materials, equipment and services at reasonable costs and in a timely manner;
(b) reliance on the performance of third-party providers and consultants which have an impact on the overall operating performance of Aboitiz InfraCapital's business units;
(c) the possible need to raise additional financing to fund infrastructure projects, which Aboitiz InfraCapital may be unable to obtain on satisfactory commercial terms or at all;
(d) deficiencies or delays in the design, engineering, construction, installation, inspection, commissioning, management or operation of projects where applicable;
(e) penalties if concession requirements are not satisfied;
(f) the timely delivery by the Government of any rights of way for its projects;
(g) its ability to complete projects according to budgeted costs and schedules;
(h) market risks;
(i) non-implementation of toll or fare adjustments provided under its concession;
(j) regulatory risks; and
(k) delays or denials of required approvals, including required concessional and environmental approvals.

Occurrence of any of the foregoing or a failure by Aboitiz InfraCapital to successfully operate its infrastructure business could have a material adverse effect on its business, financial condition and results of operations.

These risks are mitigated through a combination of (i) developing and implementing the appropriate plans and procedures covering relevant areas such as stakeholder management, procurement and operations; and (ii) engaging the appropriate experts and suppliers where necessary.

Aboitiz InfraCapital may not be successful in securing new concessions or projects

Aboitiz InfraCapital's future plans in relation to the infrastructure business contemplate the continued acquisition of new concessions and projects, successful participation in bids for projects as well as exploring opportunities in other sectors. Aboitiz InfraCapital's ability to expand its business and increase operating profits is dependent on many external factors and events that are outside of Aboitiz InfraCapital's control, including changes in governmental laws and policies, such as the current "Build Build Build" initiative of the President Duterte administration.

Item 2. Properties

The Company's head office is located at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The office space occupied by AEV is leased from a third party.

As of the date of this Information Statement, there are no definite plans of acquiring properties in the next 12 months. Nonetheless, the Company plans to continually participate in future projects that become available to it and will disclose the same in accordance with the applicable disclosure rules under the SRC.

There are no mortgages, liens, or encumbrances over the properties of the Company.

On a consolidated basis, the property, plant and equipment of the Group had a carrying value of ₱219.54 bn, ₱225.56 bn and ₱221.69 bn as of 31 December 2020 and 2019, respectively. The breakdown of these assets as of 31 December 2020 and 2019 is as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF 31 DECEMBER	2020	2019
Power Plant Equipment and Steam Field Assets	₱138,325,267	₱141,948,261
Construction in progress	7,287,650	8,094,853
Buildings, Warehouses and Improvements	47,509,690	45,258,069
Transmission, Distribution and Substation Equipment	23,002,108	21,295,812
Machinery & Equipment	9,930,653	9,630,900
Office Furniture, Fixtures and Equipment	13,317,976	12,659,004
Leasehold Improvements	3,216,534	3,055,878
Land and Land Improvements	3,677,559	3,754,564
Transportation Equipment	6,446,901	2,796,330
Tools and Others	5,980,779	2,344,094
Less: Accumulated Depreciation and Amortization	72,308,653	59,728,438
Accumulated Impairment	3,248,123	3,134,440
TOTAL PPE	183,138,341	187,974,887
Right-Of-Use Assets	36,399,754	37,583,878
TOTALS	**₱219,538,095**	**₱225,558,765**

Note: *Values for the above table are in thousand Philippine Pesos.*

Property, plant and equipment with carrying amount of nil and ₱124.0 bn as of 31 December 2020 and 2019, respectively, are used to secure the Group's long-term debts. For further details refer to Note 19 (disclosure on Long-term Debts) of the attached AEV 2020 consolidated financial statements.

Locations of Principal Properties and Equipment of AEV's Subsidiaries are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ADDRESS	CONDITION
Cotabato Light	Industrial land, buildings/plants, equipment and machineries	Sinsuat Avenue, Cotabato City	In use for operations
Davao Light	Industrial land, buildings/plants, equipment and machineries	P. Reyes Street, Davao City: Bajada, Davao City	In use for operations
Visayan Electric	Industrial land, buildings/plants, equipment and machineries	Jakosalem Street, Cebu City and J. Panis Street, Cebu City	In use for operations
Pilmico	Industrial land, buildings/plants, equipment and machineries	Kiwalan Cove, Dalipuga, Iligan City	In use for operations
Hedcor	Hydropower plants	Kivas, Banengneng, Benguet; Beckel, La Trinidad, Benguet; Bineng, La Trinidad, Benguet; Sal-angan, Ampucao, Itogon, Benguet; and Bakun, Benguet	In use for operations
Hedcor Sibulan	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Tudaya	Hydropower plant	Santa Cruz, Sibulan, Davao del Sur	In use for operations
Hedcor Sabangan	Hydropower plant	Namatec, Sabangan, Mountain Province	In use for operations
CPPC	Bunker-C thermal power plant	Cebu City, Cebu	In use for operations

EAUC	Bunker-C thermal power plant	Lapu-Lapu City, Cebu	In use for operations
APRI	Geothermal power plants	Tiwi, Albay; Caluan, Laguna; Sto. Tomas, Batangas	In use for operations
TMI	Barge-mounted diesel power plants	Nasipit, Agusan del Norte and Barangay San Roque, Maco, Compostela Valley	In use for operations
PANC	Industrial land, buildings/plants, eqpt. & machineries	Barangay Sto. Domingo ll, Capas, Tarlac	In use for operations
TMO	Barge-mounted diesel power plants	Navotas Fishport, Manila	In use for operations
GMEC	Coal-fired thermal power plant	Mariveles, Bataan	In use for operations
TVI	Land	Bato, Toledo, Cebu	For plant site
Lima Enerzone	Industrial land, buildings/plants, equipment and machineries	Lipa City and Malvar, Batangas	In use for operations
Balamban Enerzone	Buildings/plants, equipment and machineries	Balamban, Cebu	In use for operations
TSI	Coal-fired thermal power plants	Davao City and Davao del Sur	In use for operations
AboitizLand	Raw land and improvements	Metro Cebu, Balamban, Cordova, Mactan, Liloan, Samar, Misamis Oriental, Davao	Existing or undergoing development; for future use
Lima Land	Raw land and improvements	Lipa and Malvar, Batangas	Existing or undergoing development; for future use
RCBM	Cement manufacturing plants	Barangay Minuyan, Norzagaray, Bulacan; Bo. Bigte, Norzagaray, Bulacan; Bo. Mapulo, Taysan, Batangas; Baranagay Dulumbayan, Teresa, Rizal	In use for operations
RCBM	Cement grinding stations	Bo. Dungo-an, Danao, Cebu	In use for operations
RCII (now merged with RCMI)	Cement grinding plant	Baranagay Kiwalan, Iligan City, Iligan	In use for operations

International Animal Nutrition

Locations of Principal Properties and Equipment of Gold Coin Group are as follows:

SUBSIDIARY	DESCRIPTION	LOCATION/ ADDRESS	CONDITION
GCKM	Livestock mill (broiler, swine and fish feeds)	Kunming, Yunnan Province, China	In use for operations
GCZZ	Livestock mill (swine, broiler, pigeon feeds and SN products)	Zhangzhou, Fujian Province, China	In use for operations
GCZH	Livestock mill (poultry, swine, floating fish feeds and SN products)	Zhuhai, Guangdong Province, China	In use for operations
GCDG	Livestock mill (poultry, swine, floating fish and pigeon feeds)	Dongguan, Guangdong Province, China	In use for operations

GCFM-BW	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCFM-PK	Livestock mill (poultry broiler feed)	West Malaysia	In use for operations
GCSSB	Aqua mill (shrimp feed)	Selangor, Malaysia	In use for operations
GCS	Production mill (poultry broiler and layer feed; conducts commodities trading for the region)	Sarawak, East Malaysia	In use for operations
BFF	Production mill (fish meal)	Sarawak, East Malaysia	In use for operations
GCFS	Livestock mill (poultry broiler feed)	Sabah, East Malaysia	In use for operations
GCIBKS	Livestock mill (poultry layer and broiler feed)	Bekasi, Indonesia	In use for operations
GCIMDN	Livestock mill (poultry layer and broiler feed)	Medan, Indonesia	In use for operations
GCISBY	Livestock mill (poultry layer and broiler feed)	Surabaya, Indonesia	In use for operations
GCSILPG	Aqua mill (shrimp feeds)	Lampung, Indonesia	In use for operations
GCSIBKS	Aqua mill (shrimp feeds)	Bekasi, Indonesia	In use for operations
Ayam Unggul	Breeder farm (hatchery)	Bekasi, Indonesia	In use for operations
AFC	Livestock mill (swine feed and some poultry feed; has fish production lines)	Hai Duong, North Vietnam	In use for operations
GCFHN	Livestock mill (swine feed and some poultry feed; has fish production lines)	Ha Nam, North Vietnam	In use for operations
GCFD	Livestock mill (swine feed)	Dong Nai, South Vietnam	In use for operations
GCFL	Livestock mill (poultry feed)	Colombo, Sri Lanka	In use for operations
GCST	Aqua mill (shrimp feed)	Songkhla, Thailand	In use for operations

Item 3. Legal Proceedings

AEV and its Subsidiaries are currently involved in various legal proceedings in the ordinary conduct of their businesses. The Company believes that the results of these actions will not have a material effect on the Company's financial position and results of operations.

Visayan Electric, for example, received several assessments of real property taxes on its electric posts, transformers, wires, machineries, air-conditioning units, and water pumps. Visayan Electric consistently maintains that the electric posts, transformers, wires, machineries, air-conditioning units, water pumps and their appurtenances are not considered real properties under the Civil Code and therefore, are not lawful objects of real property taxes. Further, Section 270 of the Local Government Code of 1991 ("LGC") provides that the collection of real property taxes is mandatory within five years from the date they become due, and that failure to collect the real property taxes within the said period will bar collection thereof.

As of 31 December 2020, Visayan Electric availed of Cebu City's tax amnesty ordinance in settlement of its real property taxes assessment case amounting to ₱183mn covering the period from 1989 to 2019 pending before the Cebu City Assessor's Office. Visayan Electric was issued a tax certificate on 5 January

2021 clearing Visayan Electric of any and all real property taxes liabilities for all its electric poles and their attachments located in Cebu City.

The other material pending legal proceedings involving the Company and its Subsidiaries are as follows:

LUZON HYDRO CORPORATION vs. THE PROVINCIAL GOVERNMENT OF BENGUET, represented by GOVERNOR MELCHOR D. DICLAS; ORLANDO T. OIDI, in his official capacity as the PROVINCIAL ASSESSOR OF BENGUET PROVINCE; IMELDA I. MACANES, in her official capacity as the PROVINCIAL TREASURER OF BENGUET PROVINCE; BADO K. PASULE, in his official capacity as the MUNICIPAL ASSESSOR OF BAKUN, BENGUET; and MERLITA TOLITO, in her official capacity as the OIC-MUNICIPAL TREASURER OF BAKUN, BENGUET,
Civil Case No. 20I-CV-3558

In view of the finality of the Supreme Court's Decision in the case entitled: *"National Power Corporation vs. Luzon Hydro Corporation ("LHC"), Banggay T. Alwis, Municipal Assessor, Manuel C. Bagayao, Municipal Treasurer of Bakun, Benguet, Erlinda Estepa, Provincial Assessor and Mauricio B. Ambanloc, Provincial Treasurer of the Province of Benguet"* docketed as GR No. 244450 and GR No. 244659, the Municipal Treasurer of Bakun issued Real Property Tax Bills for the period covering 2002 to 2019 amounting to ₱284,448,073.24 on 16 January 2020.

On February 3, 2020, LHC wrote to the Provincial Governor requesting for the amendment of the Real Property Tax Bills to align with the Memorandum of Agreement dated 20 December 2012 by and between LHC and the Province of Benguet. In the same letter, LHC also cited Executive Order No. 88, Series of 2019 ("EO 88 s. 2019"), which reduced the liability for real property taxes of Independent Power Producers ("IPPs") such as LHC with BOT Agreements with Government Owned and Controlled Corporations to an amount equivalent to the tax due if computed at 15% assessment level and condoned all interest and penalties for all years up to 2018.

On 14 September 2020, LHC filed a Petition with the Regional Trial Court ("RTC") of La Trinidad, Benguet, praying for the issuance of a writ of mandamus to compel the Province of Benguet to comply with the provisions of EO 88 s. 2019 and recompute the real property tax liabilities of LHC. The Province of Benguet filed its Comment with Motion to Dismiss, which was denied by the RTC. The RTC also directed the parties to immediately manifest their conformity to the statement of undisputed facts, admitted documentary exhibits, and the statement of legal issues. LHC filed its Comment on 21 January 2021.

Luzon Hydro Corporation vs. Cristina G. Monderin, in her official capacity as the Municipal Treasurer of Alilem, Ilocos Sur, Et al.
Civil Case Nos. 01810-T and 01814-T

With the finality of the Supreme Court's determination in the case: *"Luzon Hydro Corporation and the National Power Corporation vs. The Local Board of Assessment Appeals of the Province of Ilocos Sur, Fatima Tenorio, in her official capacity as the Provincial Assessor of the Province of Ilocos Sur, Antonio A. Gundran, in his capacity as the Provincial Treasurer of the Province of Ilocos Sur"* docketed as GR Nos. 223403 and 223460-61 that it is liable to pay real property tax, LHC wrote to Gov. Singson on 18 December 2018 signifying its willingness to settle the outstanding RPT obligation, but at the reduced amount pursuant to EO 88 s. 2019. There was no response until 13 August 2019, when LHC received a Notice of Tax Delinquency from the Municipality with respect to four properties, computed based on an 80% assessment level. LHC received a second Tax Delinquency Notice on 18 September 2019 for seven other properties. The second tax delinquency notice covered the lodging house, admin buildings, warehouses, tunnel steel lining and industrial switchyard. Thereafter, the Municipality of Alilem issued warrants of levy for the properties covered by the notices, and scheduled them for auction sale.

LHC filed two separate "Petitions for Prohibition and Mandamus with prayer for Temporary Restraining Order ("TRO") and Preliminary Injunction" to cover the two notices of auction sale, challenging the correctness of the amount assessed as real property tax and to prevent the auction sale of the assets. The actions also sought the enforcement of EO 88 s. 2019 directing the reduction of real property taxes on property, machinery and equipment actually and directly used by IPPs under BOT contracts (however denominated), and condoning related real property tax interest and penalties.

The RTC of Tagudin, Ilocos Sur acting on both Petitions, issued two TROs enjoining the Municipality of Alilem from selling at public auction LHC's real properties for a period of 20 days, which has since expired. LHC, on its part, filed its Position Paper on 12 December 2019 and Supplemental Position Paper 19 December 2019, in compliance with the aforesaid court orders. The case is now submitted for decision.

On 17 April 2020, LHC filed a Manifestation to inform the RTC of Tagudin, Ilocos Sur about the parties' renewed attempt to forge a settlement. LHC and the Province of Ilocos Sur entered into a Compromise Agreement on 22 July 2020 and subsequently filed a Joint Motion to Render Judgment Based on Compromise. The RTC of Tagudin, Ilocos Sur approved the Compromise Agreement and promulgated the Judgment Based on Compromise Agreement on 27 July 2020 and on 11 September 2020 issued an Order noting LHC's full compliance with its obligations under the Compromise Agreement and directed the release to LHC of the TRO bond previously posted.

G.R. No. 210245 entitled "Bayan Muna Representative Neri Javier Colmenares, et al. vs. Energy Regulatory Commission, et al.", Supreme Court; 19 December 2013

G.R. No. 210255 entitled "National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.", Supreme Court; 20 December 2013

G.R. No. 210502 entitled "Manila Electric Company, et al. v Philippine Electricity Market Corporation, et al.", Supreme Court; 8 January 2014

On 19 December 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the MERALCO with the Supreme Court, questioning the alleged substantial increase in MERALCO's power rates for the billing period of November 2013.

These cases raised, among others: (a) the legality of Section 6, 29 and 45 of the EPIRA; (b) the failure of ERC to protect consumers from high prices of electricity; and (c) the alleged market collusion by the generation companies.

These cases were consolidated by the Supreme Court, which issued a TRO preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended by the Supreme Court for another 60 days, or until 22 April 2014. On 22 April 2014, the Supreme Court extended the TRO indefinitely.

MERALCO filed a counter-petition impleading all generation companies supplying power to the WESM to prevent the generation companies from collecting payments on power purchased by MERALCO from the WESM. The Supreme Court ordered all power industry participants (the DOE, ERC, PEMC, PSALM and the generation companies) to respond to MERALCO's counter-petition.

The Supreme Court set the consolidated cases for oral arguments on 21 January 2014 and 4 and 11 February 2014. After oral arguments, all parties were ordered to file their comments and/or memoranda. MERALCO has been prevented from collecting the differential increase of the price hike. Because of MERALCO's counter-petition against the generation companies, the PEMC withheld settlement of the power purchases during the covered period.

On 7 February 2019, petitioners in case no. G.R. No. 210245 filed their Motion for Directions, Status Updates and Immediate Resolution. As of 31 January 2021, these cases before the Supreme Court are still pending resolution, and the Supreme Court has not lifted the TRO.

SC GR No. 224341 entitled *"Philippine Electricity Market Corporation vs Therma Mobile, Inc."*, Supreme Court

(CA G.R. SP No. 140177 entitled *"PEMC v. Therma Mobile Inc."*, Court of Appeals, Manila

SP Proc. No. 12790 entitled *"Therma Mobile Inc. v. PEMC"*, Regional Trial Court Branch 157-Pasig City

PEMC ECO-2014-0009 entitled "Therma Mobile, Inc. ("TMO Power Plants Units 1-4") Possible Non-Compliance with Must-Offer-Rule[17], Investigation Summary Report, dated 4 August 2014")

The Enforcement and Compliance Office of the Philippines Electricity Market Corporation ("PEMC-ECO") conducted an investigation on TMO for possible non-compliance with the Must-Offer- Rule for the period 26 October 2013 to 25 December 2013.

PEMC-ECO concluded that TMO was non-compliant with the Must-Offer-Rule for 3,578 intervals and recommended a penalty of ₱234.9 mn.

TMO filed its letter request for reconsideration on 5 September 2014, contending that it did not violate the Must-Offer-Rule because its maximum available capacity was limited to 100 MW due to: (a) the thermal limitations of the old TMO 115-kV transmission line, and (b) the technical and mechanical constraints of the old generating units and the component engines of the TMO power plants which were under various stages of rehabilitation.

In its letter dated 30 January 2015, the PEMC Board of Directors ("PEMC Board") denied TMO's request for reconsideration and confirmed its earlier findings of 3,578 counts of breach of the Must-Offer-Rule and sustained the imposition of financial penalties amounting to ₱234.9 mn on TMO. According to the PEMC Board, the penalties will be collected from TMO through the WESM settlement process.

TMO maintains that there is no basis for the PEMC decision. TMO did not withhold any capacity for the period covered, as it was physically impossible for TMO to transmit more than 100 MW to MERALCO. Although TMO's rated capacity is 234 MW (net), it could only safely and reliably deliver 100 MW during the November and December 2013 supply period because of limitations of its engines and the 115-kV transmission line. This temporary limitation of TMO's plant was confirmed during a dependable capacity testing conducted on 21 November 2013. At this period, TMO's engines and transmission lines were still undergoing rehabilitation after having been non-operational for the five years.

On 13 February 2015, TMO filed a Notice of Dispute with the PEMC to refer the matter to dispute resolution under the WESM Rules, WESM Dispute Resolution Market Manual and the ERC-PEMC Protocol.

On 16 February 2015, TMO filed an Urgent Petition for the Issuance of Interim Measures of Protection for the Issuance of a Writ of Preliminary Injunction with prayer for Temporary Order of Protection before the Pasig City Regional Trial Court (RTC). In its Order dated 24 February 2015, the RTC granted TMO a 20-day temporary order of protection and directed PEMC to (a) refrain from demanding or collecting the amount of ₱234.9 mn as financial penalty; (b) refrain from charging interest on the financial penalty and having the same accrue; and (c) refrain from transmitting PEMC-ECO's investigation report to the ERC. TMO posted a bond in the amount of ₱234.9 mn to answer for any damage that PEMC may suffer as a result of the Order. On 1 April 2015, the RTC rendered a Decision in favour of TMO. PEMC filed a Petition for Review with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction before the Court of Appeals ("CA") which sought to reverse and set aside the Decision of the RTC.

On 14 December 2015, the CA rendered a Decision denying PEMC's Petition for Review and affirming the 1 April 2015 Decision of the RTC in favour of TMO.

On 6 June 2016, PEMC filed a Petition for Review on Certiorari with the Supreme Court to assail the 14 December 2015 CA Decision. On 14 November 2016, TMO filed its Comment to PEMC's Petition for Review. In its Motion for Leave to File Reply to Comment dated 9 December 2016, PEMC prayed with the Supreme Court that it be granted leave to file its Reply. On 1 June 2017, TMO received the Supreme

[17] The Must-Offer Rule ("MOR") under the WESM Rules states that a Generation Company must, at all times, offer the maximum available capacity in the market. The Maximum Available Capacity is defined as the registered maximum capacity (PMax) of the (aggregate) unit less – forced unit outages; scheduled unit outages; de-rated capacity due to technical constraints which include –plant equipment-related failure and ambient temperature, hydro constraints which pertains to limitation on the water elevation/turbine discharge and MW output of the plant and geothermal constraints which pertain to capacity limitation due to steam quality (chemical composition, condensable and non-condensable gases), steam pressure and temperature variation, well blockage and limitation on steam and brine collection and disposal system.

Court Notice dated 29 March 2017 with an attached Resolution. In the Resolution, the Supreme Court noted TMO's Comment and PEMC's Reply.

As of 31 January 2021, PEMC's Petition is still pending before the Supreme Court.

Consolidated Regulated Price Case (*Energy Regulatory Commission vs. San Miguel Energy Corporation, et al, G.R. Nos. 246621-30, and Manila Electric Company vs. San Miguel Energy Corporation, et al, G.R. Nos. 247352-61*) Petition for Review on Certiorari, Supreme Court;

Consolidated Regulated Price Case against the Energy Regulatory Commission, Petition for Review on Certiorari, Court of Appeals, Manila;

ERC Case No. 2014-021 MC entitled "*In the Matter of the Prices in the WESM for the Supply Months of November and December 2013 and the Exercise by the Commission of its Regulatory Powers to Intervene and Direct the Imposition of Regulated Prices therein without Prejudice to the On-going Investigation on the Allegation of Anti-Competitive Behavior and Possible Abuse of Market Power Committed by Some WESM Participants*" 28 March 2014

The ERC conducted an investigation on the alleged collusion by the generation companies to raise the WESM prices. Subsequently, the ERC issued an Order in ERC Case No. 2014-021 MC dated 3 March 2014 (the "ERC Order"), declaring as void the Luzon WESM prices during the November and December 2013 supply months. The ERC also declared the imposition of regulated prices for such billing periods and directed the PEMC to calculate the regulated prices and implement the same in the revised November and December 2013 WESM bills of the concerned distribution utilities in Luzon, except for MERALCO whose November 2013 WESM bill was maintained in compliance with the TRO issued by the Supreme Court.

Pursuant to the ERC Order, on 18 March 2014, the PEMC issued adjusted billing statements for all generators trading in the WESM, including Cebu-based EAUC and CPPC, recalculating the WESM prices.

AboitizPower's Affiliates and Subsidiaries, APRI, TLI, TMO, AESI, AdventEnergy, SN Aboitiz Power-Magat, SN Aboitiz Power-Benguet, CPPC and EAUC filed their respective Motions for Reconsideration, questioning the validity of the ERC Order on the ground of lack of due process, among others.

The ERC, in its Order dated 15 October 2014, denied said Motions for Reconsideration. SN Aboitiz Power-Benguet, SN Aboitiz Power-Magat, APRI, TLI, and TMO filed their Petitions for Review (the "Petitions") before the CA on 19 and 24 November and 1 and 4 December 2014, respectively. The CA ordered the consolidation of the Petitions on 9 October 2015.

On 7 November 2017, the CA granted the Petitions. The CA declared null and void ERC's Orders dated 3 March 2014, 27 March 2014, 9 May 2014 and 15 October 2014 (the "ERC Orders"), and the Luzon WESM market prices in November and December 2013 were declared valid and therefore reinstated.

Thereafter, ERC and MERALCO filed their respective motions for reconsideration. Several entities also filed motions to intervene in the case. APRI, TLI and TMO filed their oppositions to the motions for reconsideration and motions to intervene. The CA denied the motions to intervene filed by several entities, which thereafter filed their motions for reconsideration. In an Omnibus Resolution dated 29 March 2019, the CA denied the motions for reconsideration filed by the ERC and MERALCO, as well as the motions for reconsideration filed by several entities that wanted to intervene in the case.

In June 2019, ERC, MERALCO and several entities filed their Petitions for Review on Certiorari with the Supreme Court, asking the latter to reverse and set aside the CA Decision dated 7 November 2017 and the CA Omnibus Resolution dated 29 March 2019. They also prayed that the Supreme Court reinstate the ERC Orders.

In September to October 2019, the Supreme Court issued Resolutions denying the Petitions for Review on Certiorari filed by several entities, including Calco Industries Inc., Paperland, Alyansa ng mga Grupong Haligi at Teknolohiya Para sa Mamamayan (AGHAM), Ateneo De Manila University, Citizenwatch, Riverbanks Dev't. Corp., Steel Angles Shapes & Sections Manufacturers, for failure to show any reversible error on the part of the CA in promulgating the Decision dated 7 November 2017 and Omnibus Resolution dated 29 March 2019 with respect to their motions.

In a Resolution dated 11 September 2019, the Supreme Court required respondents to file their Comments to ERC's Petition for Review on Certiorari. On 28 January 2020, TMO and TLI filed their Consolidated Comment (to the Petition for Review on Certiorari dated 13 June 2019); whereas APRI filed its Comment (on the Petition for Review on Certiorari dated 13 June 2019) on 11 February 2020.

In a Resolution dated February 10, 2020, the Supreme Court required respondents to file their Comments on MERALCO's Petition for Review on Certiorari dated 13 June 2019. On 9 July 2020, APRI filed its Comment. On even date, TLI and TMO also filed their Consolidated Comment on MERALCO's Petition.

As of 31 January 2021, ERC's and MERALCO's Petitions are still pending before the Supreme Court.

ERC Case No. 2013-077 MC entitled "*In Re: Petition for Dispute Resolution: Manila Electric Company (Meralco) vs. South Premier Power* Corporation *(SPPC), Masinloc Power Partners Company, Ltd. (MPPCL), AP Renewables, Inc. (APRI), Therma Luzon, Inc. (TLI), San Miguel Energy Corporation (SMEC) and SEM-Calaca Power Corporation (SCPC)*", 29 August 2013

On 29 August 2013, Meralco filed a petition before ERC against TLI and APRI, among other Successor Generating Companies ("SGCs"), docketed as ERC Case No. 2013-077 MC, where Meralco prayed that it be refunded by the respondent-SGCs of the transmission line losses. The petition arose from a claim of refund on account of the alleged over-recoveries of transmission line losses.

The petition was filed by Meralco pursuant to ERC Order dated 4 March 2013 and 1 July 2013 in ERC Case No. 2008- 083 MC where the SGCs were not parties to.

On 20 September 2013, APRI and TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that Meralco's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The motion argued that: (i) Meralco cannot base its cause of action against the SGCs on a decision issued by ERC in another case where none of the SGCs were made parties to the case; and (ii) Meralco's claim is in a nature of a claim for sum of money which is properly within the jurisdiction of regular courts. The Joint Motion to Dismiss has since then been submitted for resolution with ERC.

As of 31 January 2021, ERC has yet to render its decision on the Joint Motion to Dismiss.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

AEV's common shares are traded in the PSE.

The high and low stock prices of AEV's common shares for each quarter for the past three years were as follows:

	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	54.00	29.10	67.90	53.20	79.00	67.50
Second Quarter	52.20	38.25	60.95	46.70	69.85	53.95
Third Quarter	51.60	45.05	59.50	49.25	61.55	44.10
Fourth Quarter	48.90	42.10	56.60	48.95	56.90	44.85

The closing price of AEV common shares, as of 29 January 2021 is ₱39.80 per share.

(2) Holders

As of 31 January 2021, AEV has 8,371 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). Common shares outstanding as of the same date were 5,630,225,457 shares.

The top 20 stockholders of AEV as of 31 January 2021 are as follows:

	Stockholder	Nationality	Common Shares	% of Total Common Shares Issued
1	Aboitiz & Company, Inc.	Filipino	2,735,600,915	48.59%
2	PCD Nominee Corporation (Filipino)	Filipino	961,634,754	17.08%
3	Ramon Aboitiz Foundation Inc.	Filipino	426,804,093	7.58%
4	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	373,118,931	6.63%
5	Sanfil Management Corporation	Filipino	120,790,211	2.15%
6	Chanton Management & Development Corporation	Filipino	62,118,484	1.10%
7	Windemere Management & Development Corporation	Filipino	49,666,352	0.88%
8	Donya 1 Management & Development Corporation	Filipino	43,136,359	0.77%
9	Morefund Management & Development Corporation	Filipino	40,000,000	0.71%
10	Bauhinia Management Inc.	Filipino	34,683,799	0.62%
11	Anso Management Corporation	Filipino	30,369,707	0.54%
12	MYA Management & Development Corporation	Filipino	22,494,414	0.40%
13	Luis Miguel O. Aboitiz	Filipino	20,092,133	0.36%
14	Guada Valley Holdings Corporation	Filipino	17,688,445	0.31%
15	Parraz Development Corporation	Filipino	14,483,067	0.26%

16	Ma. Cristina Aboitiz; Jaime Jose Aboitiz; Luis Alfonso Aboitiz	Filipino	13,605,767	0.24%
17	Arrayanes Corporation	Filipino	10,650,070	0.19%
18	UnionBank TISG For IMA#PH3Q201 692	Filipino	8,709,900	0.15%
19	Les Folatieres Holdings Inc.	Filipino	8,056,119	0.14%
20	Ramjay Management & Dev. Corp	Filipino	7,826,493	0.14%
	SUB-TOTAL		5,001,530,013	88.83%
	Other Stockholders		628,695,444	11.17%
	TOTAL SHARES		**5,630,225,457**	**100.00%**
	NET ISSUED AND OUTSTANDING SHARES		**5,630,225,457**	**100.00%**

(3) Dividends

The cash dividends declared by AEV to common stockholders from fiscal year 2015 to the first quarter of 2021 are shown in the table below:

Year	Cash Dividend Per Share	Declaration Date	Total Declared	Record Date	Payment Date
2021 (regular)	₱0.91	03/05/2021	₱5.12 billion	03/19/2021	03/31/2021
2020 (regular)	₱1.30	03/06/2020	₱7.32 billion	03/20/2020	04/03/2020
2019 (regular)	₱1.32	03/07/2019	₱7.44 billion	03/21/2019	04/05/2019
2018 (regular)	₱1.28	03/08/2018	₱7.21 billion	03/22/2018	04/12/2018
2017 (regular)	₱1.33	03/07/2017	₱7.49 billion	03/21/2017	04/10/2017
2016 (regular)	₱1.06	03/08/2016	₱5.89 billion	03/22/2016	04/19/2016
2015 (regular)	₱1.11	03/10/2015	₱6.15 billion	03/24/2015	04/20/2015

In 2007, the Company adopted a policy of distributing at least 1/3 of its previous year's earnings as cash dividends to its stockholders for subsequent years, in all cases subject to the approval of the Company's Board of Directors. There are no restrictions that limit the payment of dividends on common shares to stockholders of record as of 19 March 2021.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuances of Securities Constituting an Exempt Transaction

AEV does not have any recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

Item 6. Management's Discussion and Analysis or Plan of Action

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Aboitiz Equity Ventures Inc. and its Subsidiaries should be read in conjunction with the audited consolidated financial statements and accompanying disclosures set forth elsewhere in this report.

The critical accounting policies section discloses certain accounting policies and management judgments that are material to the Company's results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three comparative sections: the year ended 31 December 2020 compared with the year ended 31 December 2019, the year ended 31 December 2019 compared with the year ended 31 December 2018, the year ended 31 December 2018 compared with the year ended 31 December 2017.

TOP FIVE KEY PERFORMANCE INDICATORS

Management uses the following indicators to evaluate the performance of AEV and its Subsidiaries:

1. **EQUITY IN NET EARNNGS OF INVESTEES**

   Equity in net earnings (losses) of investees represents the Group's share in the undistributed earnings or losses of its Associates and Joint Ventures for each reporting period subsequent to the acquisition of the said investment. This account reflects the result of the operating performance of an Associate or a Joint Venture and indicates its contribution to the Group's consolidated net income.

   Manner of Computation: Investee's Net Income (Loss) x Investor's % ownership - Goodwill Impairment Cost.

2. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA")**

   The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax provision, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Group to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Group's ability to service its debts and to finance its capital expenditure and working capital requirements.

3. **CASH FLOW GENERATED**

   Using the Statement of Cash Flows, management determines the sources and usage of funds for the period and analyzes how the Group manages its profit and uses its internal and external sources of capital. This aids management in identifying the impact on cash flow when the Group's activities are in a state of growth or decline, and in evaluating management's efforts to control the impact.

4. **CURRENT RATIO**

   Current Ratio is a measurement of liquidity, calculated by dividing total current assets by total current liabilities. It is an indicator of the Group's short-term debt-paying ability. The higher the ratio, the more liquid the Group.

5. **DEBT–TO–EQUITY RATIO**

   Debt-to-Equity Ratio indicates how leveraged the Group is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity.

REVIEW OF JANUARY-DECEMBER 2020 OPERATIONS COMPARED TO JANUARY-DECEMBER 2019

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-DEC 2020	JAN-DEC 2019
EQUITY IN NET EARNINGS OF INVESTEES	**₱ 9,019,033**	₱11,502,090
EBITDA	**57,720,482**	60,157,195
CASH FLOW GENERATED:		
Net cash flows from operating activities	**36,221,065**	42,757,046
Net cash flows used in investing activities	**(11,504,383)**	(39,883,146)
Net cash flows used in financing activities	**(4,345,939)**	(15,617,585)
Net Decrease in Cash & Cash Equivalents	**20,370,743**	(12,743,685)
Cash & Cash Equivalents, Beginning	**46,424,663**	59,033,029
Cash & Cash Equivalents, End	65,966,411	46,424,663
	31 DECEMBER 2020	**31 DECEMBER 2019**
CURRENT RATIO	1.6	1.3

DEBT-TO-EQUITY RATIO	1.7	1.7

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations. These inflows, coupled with dividends received from Associates and Joint Ventures are the main source of internally-generated funds, which are then used to finance capital expenditures, additional investments into Associates, dividends and debt service payment.

With total liabilities and equity both increasing during the 12 months of 2020, Debt-to-Equity ratio as of 31 December 2020 remained at end-2019's 1.7x. Current Ratio increased to 1.6x as of 31 December 2020 (compared to end-2019's 1.3x), mainly due to higher cash balance.

RESULTS OF OPERATIONS

For the 12-month period ended 31 December 2020, AEV and its Subsidiaries posted a net income attributable to the equity holders of Parent Company (“Net Income to Equity Holders of AEV”) of ₱15.4 bn, a 30% decrease year-on-year (“YoY”). This translated to earnings per share of ₱2.74 for the period in review. The Power Group accounted for the bulk of the income contributions to AEV at 52%, followed by the Banking and Financial Services, Food, Infrastructure, and Real Estate Groups at 32%, 12%, 2%, and 2%, respectively.

During 2020, the Group generated non-recurring losses of ₱477 mn compared to ₱516 mn of non-recurring gains recorded in 2019. Without these one-off losses, the Group’s core net income for 2020 was ₱15.9 bn, 26% lower YoY. AEV recorded a 4% decrease in consolidated EBITDA for 2020 compared to 2019, from ₱60.2 bn to ₱57.7 bn.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT’S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

The following discussion describes material changes in the line items of the Company’s statement of income and of comprehensive income for 2020 compared to 2019.

Revenues

Sale of Power

The Group’s revenue from sale of power by Power Group decreased by 12% or ₱14.7 bn, from ₱124.6 bn in 2019 to ₱109.9 bn in 2020. The decrease was primarily attributable to (i) reduced demand resulting from the enforcement of COVID-related community quarantines, and (ii) lower water inflows to the Power Group’s hydro facilities in Northern Luzon. The Group’s sale of power comprised 62% and 59% as a percentage of total revenues in 2019 and in 2020, respectively.

Sale of Goods

The Group’s revenue from sale of goods increased by 2% or ₱1.7 bn, from ₱69.6 bn in 2019 to ₱71.3 bn in 2020. The increase was primarily due to higher volumes for the Group’s Feeds business. The Group’s sale of goods comprised 35% and 38% as a percentage of total revenues in 2019 and in 2020, respectively.

Real Estate

The Group’s revenue from real estate decreased by 14% or ₱0.6 bn, from ₱4.1 bn in 2019 to ₱3.5 bn in 2020. The decrease was primarily attributable to the decrease in revenue of AboitizLand’s residential business, which was partly offset by the increase in revenue recognized by the industrial business from industrial lots sold. The decrease in revenues from AboitizLand’s residential business was due to restrictions in operations caused by the government-imposed community quarantines in response to the COVID-19 pandemic. AboitizLand’s project percentage of completion, driven by the construction progress, is a key factor in the recognition of revenue and AboitizLand’s construction activities were brought to a standstill during the second quarter of 2020. As a percentage of total revenues, the Group's revenue from real estate comprised 2% in both 2019 and in 2020.

Other Revenues

The Group's combined revenue from the fair value of swine, service fees and other sources decreased by 28% or ₱0.8 bn, from ₱2.8 bn in 2019 to ₱2.0 bn in 2020. The decrease was mainly due to (i) lower swine sales resulting from African Swine Fever ("ASF"), and (ii) lower service fees. As a percentage of total revenues, the Group's other revenues comprised 1% in both 2019 and in 2020.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 23% or ₱16.5 bn, from ₱71.4 bn in 2019 to ₱54.9 bn in 2020. The decrease was primarily attributable to (i) lower fuel costs due to power plant outages, and (ii) lower purchased power costs due to lower Wholesale Electricity Spot Market rates. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 42% and 35% in 2019 and in 2020, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 1% or ₱0.3 bn, from ₱61.2 bn in 2019 to ₱61.5 bn in 2020. The increase was mainly attributable to higher volume of the Food Group. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 36% and 40% in 2019 and in 2020, respectively.

Operating Expenses

The Group's operating expenses increased by 10% or ₱3.5 bn, from ₱33.5 bn in 2019 to ₱37.0 bn in 2020. The increase was primarily attributable to (i) the increase in operating expenses of the Power Group resulting from the full year operations of Therma Visayas, Inc. ("TVI"), and (ii) higher estimated credit loss provision for the Power Distribution Group. As a percentage of total costs and expenses, the Group's operating expenses comprised 20% and 24% in 2019 and in 2020, respectively.

Other Costs and Expenses

For 2020, the Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, decreased by 24% or ₱0.6 bn, from ₱2.4 bn in 2019 to ₱1.8 bn in 2020. The decrease was mainly due to lower cost attributable to the construction of residential units. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% in both 2019 and in 2020.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 4% or ₱1.2 bn, from ₱32.7 bn in 2019 to ₱31.5 bn in 2020.

Income Before Income Tax

The Group's income before income tax decreased by 17% or ₱5.8 bn, from ₱34.2 bn in 2019 to ₱28.4 bn in 2020. The decrease was due to (i) the lower operating profit, (ii) higher net interest expense, and (iii) lower equity earnings. Moreover, income before tax for 2019 also included a one-time recognition of income from the Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment.

Net Income

As a result of the foregoing, coupled with the income tax holiday ("ITH") expiry of Therma South, Inc. ("TSI") and GNPower Mariveles Energy Center Ltd. Co. ("GMEC", formerly GNPower Mariveles Coal Plant

Ltd. Co.), the Group's Net Income to Equity Holders of AEV decreased by 30% or ₱6.6 bn, from ₱22.0 bn 2019 to ₱15.4 bn in 2020.

Net income attributable to non-controlling interests for the 12 months ended 31 December 2020 decreased to ₱5.4 bn from ₱7.4 bn in the 12 months ended 31 December 2019. The decrease was primarily due to lower consolidated net income of AboitizPower in the 12 months of 2020.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Group's SBUs for 2020 compared to 2019.

Power

For 2020, the Power Group's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, was ₱9.7 bn, a 27% decrease from ₱13.3 bn in 2019.

Before elimination of transactions within the Group, the combined contribution of AboitizPower's Power Generation and Retail Electricity Supply businesses to Net Income to Equity Holders of AEV decreased by 22%, from ₱11.8 bn in 2019 to ₱9.2 bn in 2020. The variance was primarily due to (i) additional tax expenses following the ITH expirations for TSI and GMEC, (ii) the derecognition of deferred tax assets on Net operating loss carry-over ("NOLCO") from 2018 and 2019, and (iii) additional interest expenses from AboitizPower's bonds and loans availed of in 2019 and during the second half of 2020. All these offset the increase in EBITDA brought about by better coal plant availability and recognition of business interruption insurance claims.

Capacity sold increased from 3,184 megawatts ("MW") for 2019 to 3,417 MW for 2020 due to increased contracting levels driven by the new capacity of TVI and additional portfolio contracts. However, due to lower demand caused by government-imposed community quarantines in response to the COVID-19 pandemic and lower water inflow to hydro facilities, energy sold in 2020 declined by 1% to 22,754 gigawatt-hours ("GWh") from 22,942 GWh in 2019.

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV of AboitizPower's Power Distribution Group decreased by 14%, from ₱3.2 bn in 2019 to ₱2.7 bn in 2020. The decrease was mainly driven by lower energy consumption resulting from the enforcement of COVID-related community quarantines. Energy sales decreased by 8% to 5,368 GWh during 2020 from 5,854 GWh in 2019.

Banking & Financial Services

UnionBank's contribution to Net Income to Equity Holders of AEV decreased by 18% YoY, from ₱7.2 bn in 2019 to ₱5.9 bn in 2020. The decrease was primarily due to higher provisions for loan losses in 2020. This was partly offset by revenue growth from the increase in net interest income, which grew to ₱28.7 bn, 29% higher YoY, while non-interest income was ₱13.4 bn, down 6% YoY, mainly due to lower trading gains.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food Group increased by 38% to ₱2.2 bn in 2020, compared to ₱1.6 bn in 2019.

During 2020, the Food Group's Philippine Subsidiaries reported a net income of ₱1.2 bn, a 46% increase compared to ₱0.8 bn in 2019. The increase was mainly due to (i) higher volume and lower raw material costs for the Feeds business, and (ii) improved per unit gross profit and volume of the Flour business. However, the increase was partly offset by reduced margins of the Farms business caused by higher production costs and lower selling prices as a result of the industry-wide effect of the ASF, and lower sales volume due to transport restrictions on pork and pigs imposed in several provinces in Luzon.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. and its Subsidiaries, recorded net income of ₱1.0 bn in 2020, a 29% increase compared to 2019. The increase was due to (i) higher volumes, (ii) lower raw material costs, and (iii) the full year effect of the 100% ownership in Gold Coin Management Holdings Pte. Ltd.

Real Estate

The contribution of AboitizLand to Net Income to Equity Holders of AEV in 2020, before elimination of transactions within the Group, amounted to ₱338 mn, a 64% decrease from ₱943 mn in 2019. The decrease was mainly due to the fair valuation gains on investment properties recognized 2019, which were not present in 2020.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure Group decreased by 5% to ₱457 mn in 2020, compared to ₱483 mn in 2019. The decrease was mainly due to the lower contribution of the Republic Cement Group from ₱612 mn in 2019 to ₱590 mn in 2020. This was mainly due to the contraction in the demand for cement, as construction activities declined during 2020, particularly during the enforcement of COVID-related community quarantines.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Consolidated assets (as of 31 December 2020 compared to 31 December 2019) increased by 4% to ₱609.2 bn, due to the following:

- Cash & Cash Equivalents increased by 42% (₱66.0 bn as of 31 December 2020 compared to ₱46.4 bn as of 31 December 2019) mainly due to the receipt of proceeds from the issuance of US dollar bonds of AEV International Pte. Ltd in January 2020.
- Trade and other receivables (current and noncurrent) increased by 5% (₱39.4 bn as of 31 December 2020 compared to ₱37.6 bn as of 31 December 2019) mainly due to increased receivables of the Real Estate Group.
- Land and improvements increased by 18% (₱3.0bn as of 31 December 2020 compared to ₱2.6bn as of 31 December 2019) mainly due to additional land acquisition by the Real Estate Group.
- Investments in and Advances to Associates and Joint Ventures increased by ₱5.1 bn (₱145.4 bn as of 31 December 2020 compared to ₱140.4 bn as of 31 December 2019) mainly due to AboitizPower's ₱2.3 bn additional infusion into GNPower Dinginin Ltd. Co., AboitizLand's ₱430 mn infusion into Cebu Homegrown Developers, Inc., and the recording of ₱9.0 bn share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱5.7 bn dividends from Associates and Joint Ventures and ₱1.0 bn other comprehensive losses during the period.

The above increases were offset by the following decreases:

- Property Plant and Equipment and Investment Properties decreased by ₱6.4 bn mainly due to ₱12.7 bn attributed to depreciation & amortization, which was also offset by additions to the Food Group's and AboitizPower's generation and distribution assets.
- Deferred Income Tax Assets decreased by 35% (₱2.0 bn as of 31 December 2020 compared to ₱3.1 bn as of 31 December 2019) mainly due to the derecognition of deferred tax assets on NOLCO of Therma Luzon, Inc. ("TLI").

Liabilities

Total Liabilities (as of 31 December 2020 compared to 31 December 2019) increased by 4% to ₱385.6 bn due to the following:

- Bank loans increased by 14% (₱29.3 bn as of 31 December 2020 compared to ₱25.7 bn as of 31 December 2019) mainly due to short-term debt availments by the Power and Food Groups during 2020.

- Long-term debt, which includes both current and noncurrent portions, increased by 9% (₱261.0 bn as of 31 December 2020 compared to ₱239.6 bn as of 31 December 2019) mainly due to the following: (i) issuance of US dollar bonds by AEV International Pte. Ltd. equivalent to ₱20.4bn, (ii) issuance of retail bonds by AboitizPower amounting to ₱9.6 bn, (iii) availment of ₱10.0 bn long term debt and issuance of ₱7.6 bn retail bonds by AEV, and (iv) additional ₱3.0 bn availment by Apo Agua Infrastructura, Inc. This was partly offset by the settlement of maturing loans during 2020.

- Long-term obligation on Power Distribution System, which includes current and noncurrent portions, decreased by 8% (₱183 mn as of 31 December 2020 compared to ₱199 mn as of 31 December 2019) as regular annual payments were made.

- Lease liabilities, which includes current and noncurrent portions, decreased by 12% (₱39.8 bn as of 31 December 2020 compared to ₱45.3 bn as of 31 December 2019) due to lease payments made by TLI to Power Sector Assets and Liabilities Management Corporation (PSALM) during 2020.

- Trade and other payables, inclusive of noncurrent portion, decreased by 15% (₱37.3 bn as of 31 December 2020 compared to ₱43.6 bn as of 31 December 2019) mainly due to regular payments during 2020 of the PSALM deferred adjustments and the settlement of payables to contractors in the Power Group.

- Income tax payable increased by 30%, from ₱0.8 bn as of 31 December 2019 to ₱1.0 bn as of 31 December 2020 mainly due to the expiration of the ITH incentives of TSI and GMEC.

- Derivative liabilities (net of Derivative assets, current and noncurrent) decreased from ₱2.3 bn as of 31 December 2019 to ₱2.0 bn as of 31 December 2020. This was mainly due to gains in the Power Group's cash flow hedges.

- Decommissioning liability increased by 40%, from ₱3.6 bn as of 31 December 2019 to ₱5.0 bn as of 31 December 2020, mainly due to the recognition of additional decommissioning provisions on power plant assets.

- Deferred Income Tax Liabilities decreased by 7% (₱2.4 bn as of 31 December 2020 compared to ₱2.6 bn as of 31 December 2019) due to deferred tax on other comprehensive losses, amortization of franchise and increase in loss provisions of the Power Group.

Equity

Equity attributable to equity holders of the parent (as of 31 December 2020 compared to 31 December 2019) increased by ₱6.6 bn from ₱176.5 bn to ₱183.1 bn, due to ₱15.4 bn net income recorded during the year. These are partly offset by the following:

- ₱7.3 bn cash dividends paid during the first half of 2020.

- ₱1.5 bn in cumulative translation adjustments and other comprehensive losses.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For 2020, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates.

Compared to the cash inflow during 2019, consolidated cash generated from operating activities for 2020 decreased by ₱6.5 bn to ₱36.2 bn. The decrease was mainly due to the decline in earnings before interest, depreciation and amortization coupled with higher working capital requirements and taxes paid.

As of 31 December 2020, ₱10.5 bn net cash was used in investing activities compared to ₱39.9 bn during the 12 months ended 31 December 2019. This was mainly due to lower equity infusions to Associates and Joint Ventures during 2020 compared to 2019.

Net cash used in financing activities was ₱4.3 bn for 2020 compared to ₱15.6 bn in 2019. The decrease in net cash used was largely attributed to availment of short-term and long-term loans, and the issuance of US dollar bonds in the first quarter of 2020.

For 2020, net cash inflows surpassed cash outflows, resulting in a 44% increase in cash and cash equivalents from ₱46.4 bn as of year-end 2019 to ₱66.9 bn as of 31 December 2020.

FINANCIAL RATIOS

Financial ratios remained healthy. AEV's Current Ratio as of 31 December 2020 increased to 1.6x compared to end-2019's 1.3x mainly due to higher cash balance. Debt-to-Equity ratio remained year-end 2019's 1.7:1 as of 31 December 2020, as the growth in total liabilities matched the increase in equity.

Outlook for the Upcoming Year/ Known Trends, Events, and Uncertainties which may have Material Impact on the Registrant

Based on information provided by Union Bank of the Philippines, Inc. Economic Research Unit, Aboitiz Equity Ventures Inc. currently expects the Philippines' GDP to grow by 5.7% in 2021 and 6.5% in 2022 on the back of normalizing consumer sentiment and spending assuming the vaccine will be rolled out in the second half of 2021.

Power SBU

AboitizPower remains focused on addressing the needs of its markets, namely: (1) providing reliable supply, at a (2) reasonable cost, and with (3) minimal impact on the environment and communities. AboitizPower believes that there is no single technology that completely addresses the country's energy requirements; and that to address the deficiency, a mix of power generation technologies is necessary. Thus, AboitizPower continues to pursue both renewable projects and thermal technologies where and when it makes sense.

Despite increased competition in the power generation market, AboitizPower believes that it has built the foundation to sustain its long term growth, as seen in its pipeline of new power generation projects (see Part I Item 1.(a)(i) on Principal Products and Services - Generation of Electricity on page 75 of the AEV's 2021 Preliminary Information Statement).

As of the end of 2020, AboitizPower owns 4,429 MW of net attributable capacity, of which 3,494 MW is currently operating. The Company's plan is to double its net attributable capacity by the end of the decade, with a target of more than 9,000 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities.

AboitizPower aims to maximize opportunities from the implementation of the Renewable Portfolio Standards ("RPS") by the DOE starting in 2021. In line with DOE's aspirational goal of a 35% share in renewable energy utilization by 2030, RPS is a market-based policy that mandates power distribution utilities, electric cooperatives, and retail electricity suppliers to source an agreed portion of their energy supplies from renewable energy facilities. The company will continue to pursue international opportunities, with a continued focus on renewable energy projects in wind, hydro, and solar in high-growth geographic markets with acceptable regulatory environments. With all of these combined, AboitizPower aims for its portfolio ratio to be close to a 50:50 renewable energy and thermal capacity mix by the end of the current decade.

AboitizPower fully supports the DOEs' coal moratorium efforts to make the Philippine energy system more flexible, resilient, and sustainable. The company has been a pioneer of renewable energy in the country and currently has the highest megawatts in renewable installed capacity based on market control. Its diversification into thermal technologies was primarily driven by the country's need for a reliable, accessible, and affordable power supply.

AboitizPower believes that it is well-positioned to take advantage of opportunities arising from developments in the power industry. The company expects its financial condition to give it the agility to create or acquire additional generating capacity over the next few years.

AboitizPower, together with its partners, has alloted ₱23 bn for capital expenditures in 2021, about 70% of which is for expansions and upgrades. These include the remaining investment for the GNPower Dinginin construction, as well as for the company's battery energy storage system projects.

Despite the challenges posed by the global pandemic and the currently challenging business situation, AboitizPower continues to operate with its business continuity plans in force, in accordance with the protocols and guidelines of the government's community quarantine. The company will continue to provide the country with the much-needed power supply for hospitals, government institutions, and critical businesses, while ensuring the safety of its teams, partners, and communities.

Other known trends, events, uncertainties which may have a material impact on AboitizPower have been discussed extensively in sections of the Company's Information Statement (e.g. for an extensive discussion on regulatory issues, see Effects of Existing or Probable Government Regulations on page 108 of the AEV's 2021 Preliminary Information Statement.

Banking & Financial Services SBU

UnionBank continues its business transformation roadmap anchored on the vision to become one of the top three universal banks in the Philippines in terms of return on equity,return on assets, and cost-efficiency. Rather than traditional metrics such as asset size or branch network, this transformation roadmap involves a shift in focus on providing financial value to stakeholders, operational excellence, customer franchise or share of wallet, unique customer experience, and delivering superior and innovative products and services.

To fulfill its vision, the Bank aims to be considered as one of the country's great retail banks. Concretely, the Bank plans to achieve this goal by increasing its core earning asset base, attaining balanced sources of revenues, and shifting towards a recurring income business model as it fortifies its balance sheet.

The Bank has shown progress in achieving its primary goal. Majority of the Bank's revenues are already recurring in nature as its loan portfolio continues to grow above industry. Likewise, the retail segment already accounts for a significant portion of the Bank's revenues.

UnionBank continues to leverage on its core strengths: (i) Capital, (ii) Branch Transformation, (iii) Corporate Relationships, (iv) Processes, (v) Partners, and (vi) its unique UnionBank DNA. It leverages Capital by prompting a shift from trading to building recurring income to generate stable returns and predictability in the growth of shareholder value. It leverages on Branch Transformation by establishing the competence of the Bank's sales force, rather than expanding the brick-and-mortar network, to cater to changing customer expectations. It leverages on Corporate Relationships by providing superior cash management solutions to anchor clients and in the process, penetrate their entire ecosystem. It leverages on Processes by building the foundation of the Bank's automation and digital transformation initiatives. It leverages on Partners by building synergies for the expansion of products and services, as well as customer reach. It leverages on having a unique UnionBank DNA by building the right culture and organizational capabilities. The Bank also leverages its Subsidiaries, such as CitySavings, to serve the unbanked or underbanked segment for inclusive prosperity.

In2015, the Bank embarked on a Digital Transformation Strategy to gain a competitive advantage and capitalize on the eventual shift of the Philippine banking industry towards digitalization. The Banks' Digital Transformation Strategy consisted of two objectives:

1) To strengthen its business model by repositioning itself into an agile and digitally-transformed universal bank. The Bank intends to apply higher technologies into its core banking systems and processes to quickly respond to changing customer behavior. At the same time, the Bank aims to employ its digitized processes to transform CitySavings and its Subsidiaries into digital mass market focused-banks. The goal was to widen scope in key underbanked and unbanked segments and employ digitized processes acquired/learned by the Bank to improve operational efficiencies in order to ramp up scale and accelerate achieving inclusive prosperity.

2) To search for new business models where banking may become embedded or disintermediated in people's day-to-day lives. The objective was to immerse the Bank in emerging technologies such as blockchain and the token economy which may disrupt the business of banking. The Bank sought to develop, enable, and invest in financial technologies ("fintech") companies, as their business models may evolve into the future of the financial landscape. Moreover, the Bank planned to make technology its core and to deliver digital platforms and solutions to meet its clients' banking needs. All these served to integrate the Bank in any supply and demand chain, making the Bank indispensable in a future where banking will no longer be a transaction choice but part of an integrated experience. These have, since 2019, been led by UBX PH, the Bank's technology and innovation Subsidiary.

Coming from Phase 1 (i.e. building the foundational infrastructure to be "Digital to the Core") and Phase 2 (i.e. launch of critical customer channels), UnionBank is already in Phase 3 of its Digital Transformation – the monetization and commercialization of the Bank's digital transformation. With the key channels and platforms now in place, the Bank is focused on accelerating its customer acquisition and deepening engagement across all digital channels to achieve sustained growth of its lending and deposit businesses and, at the same time, reap operational efficiencies from its digital investments.

UBX PH, is also ramping up operations with its flagship platforms, namely: (i) *Project i2i* (a blockchain-based interbank digital payment platform for financial institutions); (ii) *BUX* (a payment gateway and logistics fulfillment platform for online merchants); (iii) *Sentro* (a free online shop builder embedded with a payment gateway); and (iv) *SeekCap* (a small to medium-sized enterprise lending marketplace).

2020 was a challenging year across different industries due to the pandemic. The Bank is aligned with the consensus expectation that there will be a gradual path to economic recovery. Thus, while the Bank sees improvements in business activity and consumer sentiment in 2021, risks remain coming from economic indicators on certain sectors that have not yet fully recovered.

Consequently, the Bank expects a low interest environment to persist to help stimulate recovery until certain economic growth factors such as credit demand or consumer spending normalize.

The pandemic also accelerated the shift of consumer behavior towards digital banking. The Bank already experienced immense growth in electronic transactions (e.g., fund transfers, bills payment, etc.), as well as the increase in users of banking applications across the industry in 2020. The Bank expects this trend to continue, especially as social distancing protocols currently stand, and with vaccines not yet fully rolled out.

With the Bank's digital thrust, the Bank believes it is well-positioned to capitalize on these trends as it carries on with the commercialization program of its transformation. The Bank aims to accelerate digital acquisition of customers; continue to maximize engagement via digital marketing, data science, and artificial intelligence; progress towards DevSecOps to ramp up product development and testing; and continue pioneering experimentations to remain ahead of developments in the industry. To support these initiatives, the Bank has allotted more than ₱2 bn for capital expenditures in 2021.

The Bank continues to believe that its strong capitalization and above-industry profitability and efficiency ratios will continue to provide it with a cushion against potential economic headwinds.

Food SBU

The Food Group, composed of AEV's non-listed multinational food Subsidiaries, is an integrated regional agribusiness and food company based in the Philippines and Singapore. Its businesses in the Philippines include flour milling, feed milling, livestock farming, and commodity trading. It remains one of the Philippines' top flour, feeds, and farm market participants and has a nationwide presence.

Given the trend of rising protein consumption globally, it intends to build a comprehensive animal nutrition platform in Asia. This requires having a good base of products and services that facilitates the creation of a portfolio of offerings that will serve both existing and future customers and markets. Similar to the Company's other business segments, the Food Group utilizes a strategy of sustaining and strengthening the profitability of existing businesses as it looks to build new businesses.

The acquisition of the Gold Coin Group has allowed the Food Group to expand its customer base and geographic reach. Following the GCMH acquisition, the Company believes that the Food Group is the fourth largest animal feed producer in Southeast Asia based on internal market data of the capacities of major players within the market. Geographic expansion also provides the Food Group and the rest of AEV's businesses access to local or regional information for potential expansion opportunities. The Food Group looks forward to harnessing synergies in distribution, localized operations, cross-selling, research and development, and raw materials and logistics costs.

The Food Group also experienced challenges and headwinds in 2020, having to face both the COVID-19 global pandemic and the ASF. But relying on the overall Food Group strategy of "Balance, Optimize, and Develop", it was able to mitigate the decline in its bottom-line. This was evidenced by the increase in the 2020 net income of the Feeds and Flour business segments. For 2021, the Food Group intends, amidst the continuing challenges posed by COVID-19 and ASF, to maintain a balanced portfolio that will maximize opportunities and minimize associated risks. This will be optimized through execution excellence founded on harmonized processes and systems of the entire Food Group. Furthermore, the Food Group will continue to build and develop capabilities to innovate and expand the business. Overall, this approach will serve as the compass in steering the Food Group to achieve its growth targets in the coming years.

The Flour business will continue employing the improved two-pronged market strategy of: (i) maximizing growth potential in the Visayas region and Mindanao island, while (ii) building and developing new channels in Luzon for future exploration of new geographical territory. The Flour business likewise intends to move forward in the value chain as it continues selling value-added flour products and potentially expanding into a more diversified product portfolio.

Meanwhile, the presence of ASF in the swine farming industry brings a high amount of risk as well as an opportunity. It is believed that ASF has wiped out over a third of the Philippines' pig stocks and is now threatening the country's food security. The lingering effect of the disease has resulted in a severe shortage of pork, an important part of the Filipino diet, resulting in a rise in prices of many food items. This poses an opportunity for an immediate expansion and benefit on the high prices of pig and pork products. Farms' sow level capacity is expected to reach 29,020 heads by 2029. The increase in volume comes with opportunities to unlock more distribution channels and to push forward integration in the value chain.

In this regard, the Food Group is currency working on the following projects across its farms and feeds business: (1) a Meats Fabrication Plant in Tarlac, (2) the Iligan Feed Mill Expansion, and (3) a Fish Feed Line in Malaysia.

In August 2020, the Food Group operationalized its meat fabrication and processing plant in Tarlac, which is expected to provide more stable profitability through selling high-margin pork meats compared to live hog selling. The pork meat products are now made available in the Philippines through different digital platforms such as Lazada and via online selling from the Food Group's branded meat store – "The Good Meat". The targeted increase in layers capacity still remains, which is expected to result in a monthly production of 22 million eggs by 2025.

Feeds Philippines will seek to continuously solidify its market position through expanding production in strategic locations in the Visayas and Mindanao regions in the next 5 years. Feeds Philippines operationalized its third feed mill in Iligan in November 2020, and now serves the growing requirements of its Visayas and Mindanao customers. To support the wider market, the Food Group employs platform improvements in logistics to enhance operational agility and improve customer experience. Lastly, continuous product developments through precise nutrition and feeding management, the introduction of Pet Food, and building-up of Specialty Nutrition will be key to a strengthened and diversified Feeds portfolio.

The Gold Coin Group will pursue (i) fast-growing segments like aqua feeds and (ii) attractive geographies where it has a captive market and the ability to compete. An additional fish feed line located in Malaysia (West Port, Malaysia) with a capacity of 5 tons per hour ("TPH") to expand its position in fish, is expected to commence operations in April 2021. This year, China will pursue geographic expansion to Guangxi via capital light options (leasing) to serve the customers from Guizhou province (currently being supplied by Yunnan) and save on freight at the same time.

These carefully selected and calibrated investments can capture greater returns while steadily building a strong and diversified regional food business integrated across the business system.

In terms of operations, the Food Group continues to find synergies between Pilmico Philippines and Gold Coin through intercountry trade, group purchasing, optimization of IT shared services, and mitigating foreign exchange risk to trim expenses. All these strategies mentioned are expected to increase profits and boost bottom line figures.

With all of these strategies in place and in the pipeline, Food Group aims to achieve better results amidst any unforeseeable future challenges.

Food Group has allotted ₱4 bn for capital expenditures in 2021.

Infrastructure SBU

Aboitiz InfraCapital, Inc

Aboitiz InfraCapital remains committed to participating in the Philippine infrastructure space and contributing to the nation's economic recovery amid the COVID-19 pandemic.

Industrial and Commercial

In line with the Aboitiz Group's direction to scale the growth of industrial-anchored Integrated Economic Center projects, management of the Industrial and Commercial Business Unit ("ICBU") shifted from AboitizLand, Inc. to Aboitiz InfraCapital, Inc. on September 1, 2020. The Aboitiz Group believes that the future of large scale fully integrated economic centers will be built on advanced, robust, and seamless infrastructure facilities and services. By moving the management of the ICBU to Aboitiz InfraCapital, the development and implementation of the Integrated Economic Center strategy will be harmonized, which will ultimately strengthen the Aboitiz Group's competitive advantage in current and future developments and projects.

During 2020, downtime within the industrial zones was kept to a minimum, despite the restrictions implemented during the community quarantines imposed at both the national and local government level. A majority of the locators continued with their operations through the government-imposed lockdowns, with nearly all locators already operating by the end of the third quarter of 2020. Furthermore, key indicators such as power and water consumption have already approximated pre-quarantine levels reflecting normalized activity within the zones.

Aboitiz InfraCapital is committed to supporting the tenants of the commercial establishments within the different industrial zones, as the pandemic has created a challenging environment for retail businesses. The tenants will continue to be supported through concessions, sales-based lease rates, and discounts leases. Aboitiz InfraCapital will continue to leverage the open-air format of *The Outlets at Lipa*, and *The Outlets at Pueblo Verde* as retail destinations that lend themselves to social distancing, and will continue to implement creative initiatives that will allow shoppers to patronize tenants in a safe way.

While Aboitiz InfraCapital maintains a cautious outlook in 2021, it remains optimistic about long-term growth. With the vision to turn them into smart developments in the near future, initiatives to develop the industrial zones into fully integrated economic centers will continue. Critical land banking for the expansion of the parks will continue to be pursued. Easing government restrictions, and increased consumer confidence in safety protocols are expected to lead to a continued improvement in foot traffic and tenant sales in 2021, albeit still below pre-COVID levels.

Water

Lima Water Corporation

Lima Water is the exclusive water and wastewater services provider of LIMA Technology Center, one of the Philippines' largest industrial parks. Lima Water is currently building its capability to fully support the expansion plans of LIMA Technology Center, which is expected to experience healthy growth in the coming years. After its accreditation by the DENR in June 2020, Lima Water's laboratory provides water and wastewater testing services to its locators to maintain high water quality and to comply with environmental standards.

Key locators picked up their production speed to catch up on volume missed in the first half of 2020. Lima Water's remains committed to supporting its customers and ensuring service continuity through its robust business continuity plans.

Apo Agua Infrastructura, Inc.

Apo Agua is the project company owned by AEV and JVACC, organized to design, construct and operate a hydroelectric powered-raw water treatment facility and a conveyance system which will deliver 300 million liters per day of treated bulk water to Davao City over a 30-year period.

At the start of 2020, Apo Agua commenced treated water pipeline works. A total of around 60 kilometers of pipes of varying sizes was expected to be laid down going to eight off-take points of the DCWD. Although construction was suspended during the period of Davao City's enhanced community quarantine from April 4 to May 12, 2020, construction has since resumed with strict social distancing protocols in place.

To mitigate the impact of the pandemic to the project, Apo Agua and its EPC contractor increased its manpower to close to 4,000 workers, with the aim of adding another 500 to support the aggressive recovery plan and ensure first drop of water by end of 2021.

Aboitiz InfraCapital intends to use its current water portfolio, which also includes a 16% stake in Balibago Waterworks System, Inc., as a strategic platform to build its water business. It will look into unserved highly-urbanized cities for opportunities to expand its footprint in the water space across the country.

Digital Infrastructure

On February 7, 2019, Aboitiz InfraCapital signed a Memorandum of Understanding ("MOU") with the DICT. In line with the DICT's Department Circular No. 8, Aboitiz InfraCapital received a provisional registration as an Independent TowerCompany from the DICT on September 10, 2020. The MOU and the provisional registration recognize Aboitiz InfraCapital as a potential common tower provider with the necessary financial and operational capability to build and efficiently power its cell sites, and will also allow the company to secure contracts with mobile network operators.

To date, Aboitiz InfraCapital has signed separate MOUs with Globe Telecom, Smart Communications, Dito Telecommunity, and NOW Telecom, and are now in discussions on the lease of build-to-suit tower sites and other passive telecommunications infrastructure. Negotiations are still ongoing with these mobile network operators, although progress has slowed down due to COVID-19.

Aboitiz InfraCapital has also entered into partnership agreements with Globe Telecom and Dito Telecommunity for the deployment of small cell sites in key cities nationwide. The sites are readily available in high-density urbanized areas like Cebu and Davao where improving network quality and services is difficult due to congestion and availability of sites. The sites will serve as complementary offerings to the macro tower sites. Together with Globe and Dito, the deployments are ongoing in order to meet the accelerated demand for improved telecommunication services.

Regional Airports

Aboitiz InfraCapital was granted Original Proponent Status for its unsolicited proposals for the operations, maintenance, and expansion new Bohol-Panglao International Airport on September 3, 2018 and the Laguindingan Airport on February 26, 2019, by the DOTr and the CAAP, respectively. On November 29, 2019, Aboitiz InfraCapital obtained the approval of the NEDA Board for the Bohol unsolicited proposal, while the ICC-CabCom approved the proposal for Laguindingan Airport on December 20, 2019.

In the face of the unprecedented impact of COVID-19 on the air travel and airport business, Aboitiz InfraCapital remains keen on pursuing its unsolicited proposals for the Bohol Panglao International Airport and Laguindingan Airport. Aboitiz InfraCapital believes that these projects are vital to reviving the economy and are aligned with its objective to support regional growth centers outside of the National Capital Region. Aboitiz InfraCapital continues to discuss with the government the best and most prudent way to move forward with the projects.

Republic Cement and Building Materials, Inc.

Construction is among the industries affected by the COVID-19 crisis. Following a strong start in early 2020, construction activities in Luzon and some parts of Visayas and Mindanao stopped for two months during the period of ECQ lockdown. Stricter health protocols and limited transportation availability also contributed to the slowdown in construction activities during 2020. In response, RCBM put in place rigid procedures to mitigate against the spread of COVID-19 in the workplace. These include health screening, social distancing, sanitation of work areas and strict observance of wearing PPE.

Construction outlook for 2021 is positive. The fundamentals of the industry remain healthy. The government is allotting a significant proportion of the 2021 national budget for infrastructure. An economic recovery would drive demand for residential and non-residential segments. Downside risk pertains to the lingering effects of the pandemic on the economic activities.

RCBM remains committed in serving its key markets throughout the country with high-quality products, while improving efficiencies and reducing costs. Two new mills are being commissioned which will provide RCBM with additional 2.3 million tonnes per annum ("MTPA") capacity to serve the market needs. Production costs are anticipated to remain in control following the implementation of operational excellence initiatives. In addition, RCBM has put in place several cost cutting and cash optimization measures.

RCBM will also continue to staunchly support the Philippine government's *Go Lokal* and *Buy Lokal* programs, as an industry leader and proud manufacturer of the country's best quality cement used in building a safer, greener, and stronger Republic.

The infrastructure group has allotted ₱15 bn for capital expenditures in 2021 across all its businesses.

Land SBU

Aboitiz Land, Inc.

The Coronavirus heavily impacted AboitizLand throughout 2020 by disrupting sales and construction operations. However, AboitizLand was able to successfully pivot into the digital space and since the lifting of the ECQ, AboitizLand has increased its focus on house construction and site development of its current projects. AboitizLand believes it has weathered the worst of the pandemic and is now on the path of recovery.

Furthermore, the residential business is recovering and experienced a 38% increase in sales during 2020 compared to 2019. Based on its performance in the latter part of 2020, AboitizLand remains optimistic for 2021. This is largely due to a noticeable change in preference towards homes that are less dense and offer larger spaces, even if located away from Central Business Districts. This shift is expected to benefit AboitzLand's residential products. Furthermore, the passing of the CREATE bill, which raises VAT thresholds for real estate, is expected to allow AboitizLand to continue selling its products at competitive prices. AboitizLand's planned digital initiatives are also expected to make its operations more efficient and ensure that its collections and bookings are done as effectively as possible.

As discussed above, the management of the AboitizLand's ICBU was transferred to Aboitiz InfraCapital in line with the Aboitiz Group's direction to scale the growth of industrial-anchored Integrated Economic Center projects.

AboitizLand has allotted ₱3 bn for capital expenditures in 2021.

REVIEW OF JAN-DEC 2019 OPERATIONS COMPARED TO JAN-DEC 2018

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-DEC 2019	**JAN-DEC 2018**
EQUITY IN NET EARNINGS OF INVESTEES	₱11,502,090	₱7,727,663
EBITDA	60,157,195	60,653,429
CASH FLOW GENERATED:		
Net cash flows from operating activities	42,757,046	38,417,349
Net cash flows used in investing activities	(39,883,146)	(30,762,254)
Net cash flows used in financing activities	(15,617,585)	(13,223,356)
Net Decrease in Cash & Cash Equivalents	(12,743,685)	(5,568,261)
Cash & Cash Equivalents, Beginning	59,033,029	64,870,214
Cash & Cash Equivalents, End	46,424,663	59,033,029
	DEC 31, 2019	DEC 31, 2018
CURRENT RATIO	1.27	1.80
DEBT-TO-EQUITY RATIO	1.71	1.54

As can be gleaned from the resulting KPI values, profitability had been sustained and financial position remained liquid.

Consolidated EBITDA translated into substantial cash inflows coming from Subsidiaries' operations and from dividend payments of associates and Joint Ventures. The internally-generated funds were then used to partially finance capital expenditures, settle maturing financial obligations and pay cash dividends.

With the debt growing while equity slightly decreased during the year, debt-to-equity ratio moved up to 1.71x (compared to end-2018's 1.54x). Current ratio declined to 1.27x (compared to end-2018's 1.80x) as current liabilities grew while current assets decreased.

Results of Operations

For the year ended December 31, 2019, AEV and its Subsidiaries posted a net income attributable to the equity holders of parent ("Net Income to Equity Holders of AEV") ₱22.04 billion, a 1% year-on-year (YoY) decrease. This translated to earnings per share of ₱3.91 for the year in review. The Power Group still accounted for the bulk of income contribution at 57%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 30%, 7%, 4%, and 2%, respectively.

In 2019, the Group generated non-recurring gains of ₱515.5 million (compared to ₱891.2 million in non-recurring losses in 2018), representing net unrealized foreign exchange (forex) gains, and gains on reversal of impairment provisions. Without these one-off items, the Group's core net income for 2019 ₱21.52 billion, 7% lower than 2018. AEV recorded a 1% decrease in consolidated EBITDA for 2019 compared to 2018, declining from ₱60.65 billion to ₱60.16 billion.

MATERIAL CHANGES IN LINE ITEMS OF REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

Revenues

Sale of Power

The Group's revenue from sale of power decreased by 5% or ₱6.13 billion, from ₱130.73 billion in 2018 to ₱124.61 billion in 2019. The decrease was primarily attributable to Therma Marine, Inc.'s (Therma Marine) and Therma Mobile, Inc.'s (Therma Mobile) expiration of contracts with customers, and GNPower Mariveles Coal Plant Ltd. Co.'s (GMCP) and Therma South, Inc.'s (TSI) lower plant availability owing to unplanned outages during the year. These decreases were partly offset by higher electricity sales of the distribution utilities and fresh revenue contributions from TVI and Hedcor Bukidnon. The Group's sale of power comprised 70% and 62% as a percentage of total revenues during 2018 and 2019, respectively.

Sale of Goods

The Group's revenue from sale of goods increased by 46% or ₱21.87 billion, from ₱47.75 billion in 2018 to ₱69.63 billion in 2019. The increase was primarily attributable to the full year-to-date revenue contribution of the Gold Coin Group and the higher sales recorded by the Food Group's Philippine-based Subsidiaries owing to higher average selling prices and volume of the Feeds and Flour segments. The Group's sale of goods comprised 26% and 35% as a percentage of total revenues during 2018 and 2019, respectively.

Real Estate

The Group's revenue from real estate increased by 5% or ₱190.9 million, from ₱3.93 billion in 2018 to ₱4.12 billion in 2019. The increase was primarily attributable to higher sales from the residential and commercial business segments following the ramp up in operational and business performance. As a percentage of total revenues, the Group's revenue from real estate comprised 2% during each of 2018 and 2019.

Other Revenues

The Group's combined revenue from fair value of swine, service fees and other sources decreased by 38.0% or ₱1.72 billion, from ₱4.53 billion in 2018 to ₱2.81 billion in 2019. The decrease was primarily attributable to lower swine sales resulting from the ASF spread in the Northern Luzon, and the deconsolidation of the revenue of PETNET in 2019. PETNET was sold to UnionBank, an associate, towards the end of 2018, and therefore, was no longer consolidated starting December 2018. As a percentage of total revenues, the Group's other revenues comprised 2% and 1% in 2018 and 2019, respectively.

Costs and Expenses

Cost of Generated and Purchased Power

The Group's cost of generated and purchased power decreased by 0.4% or ₱318.4 million, from ₱71.68 billion in 2018 to ₱71.36 billion in 2019. As a percentage of total costs and expenses, the Group's cost of generated and purchased power comprised 49% and 42% in 2018 and 2019, respectively.

Cost of Goods Sold

The Group's cost of goods sold increased by 40% or ₱17.48 billion, from ₱43.69 billion in 2018 to ₱61.18 billion in 2019. The increase was primarily attributable to the full year costs of goods sold contribution of Gold Coin and higher feeds cost of the Farms segment. As a percentage of total costs and expenses, the Group's cost of goods sold comprised 30% and 36% in 2018 and 2019, respectively.

Operating Expenses

The Group's operating expenses increased by 10% or ₱3.15 billion, from ₱30.40 billion in 2018 to ₱33.55 billion in 2019. The increase was primarily attributable to the full year-to-date operating expense contribution of Gold Coin and the increase in operating expenses contribution of the AboitizPower group due to the start of operations of TVI and full operations of Hedcor Bukidnon and Pagbilao Unit 3 operated by Pagbilao Energy Corporation (PEC) for 2019. As a percentage of total costs and expenses, the Group's operating expenses comprised 21% and 20% in 2018 and 2019, respectively.

Other Costs and Expenses

The Group's other costs and expenses, comprising cost of real estate sales and overhead expenses, increased by 20% or ₱408.4 million, from ₱2.01 billion in 2018 to ₱2.42 billion in 2019. The increase was primarily attributable to higher real estate sales cost, partly offset by lower overhead costs incurred by AEV Aviation. As a percentage of total costs and expenses, the Group's other costs and expenses comprised 1% during both 2018 and 2019, respectively.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by 17% or ₱6.51 billion, from ₱39.16 billion in 2018 to ₱32.65 billion in 2019.

Income Before Income Tax

The Group's income before income tax decreased by 3% or ₱937.3 million, from ₱35.14 billion in 2018 to ₱34.20 billion in 2019. The decrease was primarily attributable to the decrease in operating profit coupled with higher net interest expense, partly offset by higher equity earnings and other income from unrealized fair valuation gains on reappraisal of investment properties of the Real Estate SBU.

Net Income

As a result of the foregoing, the Group's Net Income to Equity Holders of AEV decreased by 1% or ₱196.8 million, from ₱22.23 billion in 2018 to ₱22.04 billion in 2019.

Net income attributable to non-controlling interests for 2019 decreased to ₱7.41 billion from ₱9.01 billion in 2018, substantially due to the decrease in consolidated net income of AboitizPower and the purchase of the remaining 25% stake of Gold Coin in the second quarter of 2019.

STRATEGIC BUSINESS UNITS

The following discussion describes the performance of the Company's SBUs for the year ended December 31, 2019 compared to the year ended December 31, 2018. For further discussion on the Company's operating segments, please refer to Note 33 of the audited consolidated financial statements.

Power

For 2019, AboitizPower's contribution to Net Income to Equity Holders of AEV, before elimination of transactions within the Group, of ₱13.33 billion, a 20% decrease from ₱16.69 billion in 2018.

Before elimination of transactions within the Group, the combined contribution of the Power Generation segment and the RES business to Net Income to Equity Holders of AEV decreased by 23% from ₱15.35 billion to ₱11.76 billion in 2019. This decrease was primarily attributable to the outages experienced by the AboitizPower's coal facilities, and exacerbated by the need to purchase replacement power at higher spot market prices. Replacement power was also purchased from the spot market as the AboitizPower had contracted ahead in anticipation of Therma Visayas Inc.'s (TVI) incoming capacity. Decreased spot market sales further eroded YoY earnings. This was partly offset by the start of TVI's commercial operations and full year operations of Hedcor Bukidnon, Inc. (Hedcor Bukidnon).

Capacity sold increased from 3,154 MW for 2018 to 3,184 MW for 2019.

Before elimination of transactions within the Group, the Power Distribution segment's contribution to Net Income to Equity Holders of AEV increased by 1% from ₱3.12 billion for 2018 to ₱3.16 billion for 2019. This increase was mainly attributable to the 6% increase in energy sales (5,851 GWh for 2019 compared to 5,540 GWh for 2018). This increase was partly tempered by lost margins from the decommissioning of the Bajada power plant in Davao.

Banking & Financial Services

The Financial Services SBU's contribution to Net Income to Equity Holders of AEV increased by 100% year-on- year, from ₱3.58 billion in 2018 to ₱7.15 billion in 2019. On a stand-alone basis, Union Bank of the Philippines' (UnionBank) and its Subsidiaries recorded a net income of ₱14.49 billion for 2019, an increase of 98% compared to 2018. The increase was primarily due to revenue growth from the increase in earning assets and improved margins, as well as from healthy trading gains during 2019.

Food

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Food SBU increased by 2% to ₱1.58 billion for 2019, compared to ₱1.56 billion for 2018.

For 2019, the Food Group's Philippine Subsidiaries reported a lower net income amounting to ₱821.9 million compared to ₱1.32 billion for 2018. This was mainly due to decreased margins and volume of the Farms business resulting from the African Swine Fever (ASF) spread in Northern Luzon. This was partly offset by improved margins and reduced financing costs of the Feeds business, and higher margins and volume of the Flour business.

Before elimination of transactions within the Group, Pilmico International Pte. Ltd. (Pilmico International) delivered a net income of ₱1.23 billion in 2019, recording an 88.1% increase compared to 2018. This was due to the full year income contribution of Gold Coin Management Holdings (Gold Coin) and Pilmico Vietnam Feeds' improved margins due to lower raw material cost and the increased contribution of higher margin segments. During 2019, the Food SBU's international Subsidiaries reported a consolidated net income of ₱760.1 million from the ₱1.23 billion contribution of Pilmico International, which was offset by the ₱467.0 million in financing costs related to the acquisition of Gold Coin.

Real Estate

The contribution of AboitizLand, Inc. (AboitizLand) to Net Income to Equity Holders of AEV for 2019, before elimination of transactions within the Group, amounted to ₱942.9 million, an increase of 46% from ₱645.0 million for 2018. This increase was due to the fair valuation gains on investment properties recognized in 2019, which were not present in 2018.

Infrastructure

Before elimination of transactions within the Group, the contribution to Net Income to Equity Holders of AEV from the Infrastructure SBU increased by 186% to ₱483.4 million for 2019, compared to ₱168.8 million for 2018. This mainly came from the contribution of the Republic Cement Group which increased by 187.2%, from ₱213.1 million in 2018 to ₱612.1 million in 2019. This was mainly due to a slight increase in private sector demand for cement, the completion of several debottlenecking projects, and improved controls on production costs.

CHANGES IN REGISTRANT'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2018 level, consolidated assets increased by 6% to ₱588.39 billion as of December 31, 2019, due to the following:

- The ₱6.94 billion combined growth in Property Plant and Equipment (PPE) and Investment Properties (IP) was mainly due to the following: 1.) ₱9.68 billion additions to AboitizPower from cost of power plant construction and distribution assets 2.) ₱1.90 billion additions to Food group; 3.) ₱896.5 million additions to Real Estate; 4.) ₱1.92 billion recognition of right-of-use (ROU) assets on the AEV Parent's leases resulting from the adoption of PFRS 16; 5.) ₱1.83 billion fair valuation gain on revaluation of IP of the Real Estate group; and 6.) first-time consolidation of ₱545.7 million IP of newly-acquired AboitizLand Subsidiaries. This is decreased by ₱9.59 billion attributed to depreciation & amortization.
- The decline in Property Held for Sale (nil compared to ₱676 million in 2018) was due to the sale of transmission assets to the NGCP in February 2019.
- Investments in and Advances to Associates and Joint Ventures increased by ₱33.39 billion (₱140.35 billion as of December 31, 2019 compared to ₱106.96 billion as of December 31, 2018) mainly due to AboitizPower's ₱27.59 billion acquisition of additional stake and additional infusions into GNPD, Aboitiz InfraCapital ₱240.2 million additional acquisition of Balibago Waterworks System, Inc. (BWSI) shares, Aboitizland's ₱230.0 million infusions into Cebu Homegrown, and the recording of ₱11.50 billion share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱5.47 billion dividends from Associates and Joint Ventures during the year, ₱505.5 million decrease in the share of cumulative translation adjustment and ₱395.0 million share in net unrealized actuarial losses.
- Land and Improvements increased by 10% (₱2.57 billion as of December 31, 2019 compared to ₱2.34 billion as of December 31, 2018) resulting from the land acquisitions of the Real Estate Group.
- Intangible Assets increased by 5% (₱66.80 billion as of December 31, 2019 compared to ₱63.78 billion as of December 31, 2018) mainly due to the capitalized costs incurred in the ongoing construction of the water treatment plant in Davao.
- Deferred Income Tax Assets increased by 35% (₱3.13 billion as of December 31, 2019 compared to ₱2.32 billion as of December 31, 2018) mainly due to deferred tax benefits recognized by Subsidiaries on its net operating loss.
- ONCA increased by 38% (₱14.13 billion as of December 31, 2019 compared to ₱10.21 billion as of December 31, 2018) primarily due to the recording of restricted cash by a power subsidiary upon its receipt of proceeds from a damage claim against its contractors, with such claim now under dispute. This was partly offset by the reclassification of VAT inputs to other current assets and reversal of prepaid rental against ROU Assets upon adoption of PFRS 16.

The above increases were tempered by the following decreases:

- Cash & Cash Equivalents decreased by 21% (₱46.42 billion as of December 31, 2019 compared to ₱59.03 billion as of December 31, 2018) as the funds used for investment acquisitions, capital expenditures, dividend payments and debt servicing exceeded the funds generated from operations and debt availments.
- Inventories decreased by 5% (₱20.78 billion as of December 31, 2019 compared to ₱21.98 billion as of December 31, 2018). This was mainly due to the following lower raw materials inventory of the Food Group.
- Derivative Assets (current and noncurrent) decreased by 54% (₱133.4 million as of December 31, 2019 compared to ₱292.8 million as of December 31, 2018) mainly due to mark-to-market losses recognized on derivative instruments.

Liabilities

- Consolidated short-term bank loans decreased by 5% (₱25.72 billion as of December 31, 2019 compared to ₱26.98 billion as of December 31, 2018) mainly due to debt repayments made by Power and Food Groups. On the other hand, long-term debt, including long-term obligation to PDS (current and non-current), increased by 13% (₱239.78 billion compared to ₱211.65 billion as of December 31, 2018) due to the following: a.) issuance of retail bonds by the Company ₱5.00 billion, b.) additional ₱28.83 billion long-term loan availments by Power Group, and c.) additional ₱3.15 billion availment by Apo Agua. This was partly offset by the settlement of maturing loans.
- Trade and other payables, inclusive of noncurrent portion, increased by 16% as of end-2019 compared to end-2018, from ₱37.57 billion to ₱43.65 billion, mainly due to Power Group's

receipt of proceeds from a damage claim against contractors, with such claim now under dispute, partly offset by the settlement of the recorded payables related to the PSALM deferred adjustment and payables to contractors and trade suppliers.

- Income tax payable increased by 45%, from ₱535.2 million as of December 31, 2018 to ₱776.6 million as of December 31, 2019, mainly due to increased tax payable in the Food Group.
- Derivative liabilities (current and noncurrent) increased from ₱161.6 million as of December 31, 2018 to ₱2.47 billion as of December 31, 2019. This was mainly due to the Power Group's new foreign currency forward and commodity swap contracts, as well as fair value changes on these derivatives.
- Customers' deposits increased by 10% (₱6.72 billion as of December 31, 2019 compared to ₱6.13 billion as of December 31, 2018) mainly due to the growth in the customer base of the power group.
- Pension liability (₱639.2 million), net of pension asset (₱190.2 million), increased by 37.0%, from ₱327.7 million as of December 31, 2018 to ₱448.9 million as of December 31, 2019 mainly due to accrual of retirement expense during the year and actuarial losses for the year.
- Deferred Income Tax Liabilities (DTL) increased by 33% (₱2.58 billion as of December 31, 2019 compared to ₱1.94 billion as of December 31, 2018) mainly due to the recognition of the corresponding DTL on the unrealized fair valuation gains on investment properties.

Equity

Equity attributable to equity holders of the parent increased by 1% from year-end 2018 level of ₱174.69 billion to ₱176.48 billion, mainly due to the recognition under "Acquisition of Non-Controlling Interest" account of the ₱9.91 billion difference between purchase price and fair value of net assets acquired in the acquisition of additional stakes in Gold Coin and GMCP. The ₱7.44 billion cash dividends paid, ₱2.05 billion movement in CTA, ₱570.0 million unrealized actuarial losses and ₱278.4 million retained earnings adjustment related to PFRS 16 adoption also accounted for the decrease in Equity. These decreases were partly offset by the ₱22.04 billion net income recorded during the year.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF REGISTRANT

For the year ended December 31, 2019, the Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates.

Compared to the cash inflow in 2018, consolidated cash generated from operating activities in 2019 increased by ₱4.34 billion to ₱42.76 billion mainly due to lower working capital requirements despite the decline in earnings before interest, depreciation and amortization (EBIDA). As of end-2019, ₱39.88 billion net cash was used in investing activities compared to ₱30.76 billion during 2018. This was mainly due to higher cash disbursed on additional investments in Associates and ongoing plant constructions.

Net cash used in financing activities was ₱15.62 billion during 2019 compared to ₱13.22 billion in 2018. The increase was largely attributed to the settlement of short-term bank loans compared to availment in the previous year.

For 2019, net cash outflows surpassed cash inflows, resulting in a 21% decrease in cash and cash equivalents from ₱59.03 billion as of year-end 2018 to ₱46.42 billion as of December 31, 2019.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio stood at 1.27x at the end of 2019 from year-end 2018's 1.80x as current liabilities increased while current assets declined. Debt-to-equity ratio increased from year-end 2018's 1.54:1 to 1.71:1 at the end of 2019 as the growth in total liabilities outpaced the growth in equity.

REVIEW OF JAN-DEC 2018 OPERATIONS COMPARED TO JAN-DEC 2017

KEY PERFORMANCE INDICATORS
(Amounts in thousands except financial ratio data)

	JAN-DEC 2018	JAN-DEC 2017
EQUITY IN NET EARNINGS OF INVESTEES	₱7,727,663	₱9,053,733
EBITDA	60,653,429	56,977,228
CASH FLOW GENERATED:		
Net cash flows from operating activities	38,417,349	32,237,312
Net cash flows used in investing activities	(30,762,255)	(11,304,774)
Net cash flows used in financing activities	(13,223,355)	(19,458,941)
Net Increase (Decrease) in Cash & Cash Equivalents	(5,568,261)	1,473,597
Cash & Cash Equivalents, Beginning	64,870,214	63,857,528
Cash & Cash Equivalents, End	59,033,029	64,870,214
	DEC 31, 2018	DEC 31, 2017
CURRENT RATIO	1.76	1.61
DEBT-TO-EQUITY RATIO	1.55	1.56

RESULTS OF OPERATIONS

For the year ended December 31, 2018, AEV posted a consolidated net income attributable to the equity holders of the parent of ₱22.23 billion, a 3% year-on-year (YoY) increase. This translated to an earnings per share of ₱3.95 for the year in review. In terms of income contribution, Power Group still accounted for the bulk at 73%, followed by the Banking and Financial Services, Food, Real Estate and Infrastructure Groups at 16%, 7%, 3% and 1%, respectively.

In 2018, the AEV Group generated non-recurring losses of ₱891 million (versus ₱2.30 billion losses in 2017), comprising net unrealized forex losses and asset impairment costs. Stripping out these one-off items, the AEV Group’s core net income for the year amounted to ₱23.12 billion, 3% lower than in 2017. AEV recorded a 6.5% increase in consolidated EBITDA for 2018, from ₱56.98 billion to ₱60.65 billion.

BUSINESS SEGMENTS

The individual performance of the major business segments for the year in review is discussed as follows:

Power

AboitizPower ended the year with an income contribution of ₱16.69 billion, a 6% increase from ₱15.70 billion in 2017. Netting out unrealized forex losses and impairment costs recognized during the year, AboitizPower's contribution to the AEV Group's core net income increased by 2% from ₱17.95 billion to ₱18.31 billion.

With the fresh income contributions of PEC and Hedcor Bukidnon, Power Generation and Retail Supply Group's bottom line contribution to AEV increased by 12% from ₱13.71 billion to ₱15.35 billion for the year. Adjusted for non-recurring items, Generation and Retail Supply Group's core net income contribution remained flat at ₱16.1 billion.

Capacity sold for the year was flat YoY, from 3,167 megawatts (MW) in 2017 to 3,152 MW in 2018.

Power Distribution Group's earnings contribution to AEV decreased by 5% YoY from ₱3.29 billion to ₱3.12 billion in 2018. Stripping out impairment costs, its recurring earnings contribution grew 6% YoY from ₱3.18 billion to ₱3.36 billion in 2018. This increase was mainly attributable to electricity sales which increased by 5% to 5,540 gigawatt hours (GWh). This was a result of increased consumption across all customer segments.

Correspondingly, costs of generated and purchased power by the AboitizPower Group increased by 12% or ₱7.73 billion, mainly due to the rise in fuel costs in 2018.

(in PhP and in billions)	2018	2017

Cost of generated power:		
Fuel Costs	₱29.42	₱22.32
Steam supply costs	5.23	4.98
Energy fees	0.65	0.67
Anciliary charges	0.35	0.55
Wheeling expenses	0.02	0.04
	₱35.67	₱28.56
Cost of purchased power:		
NPC/PSALM and NGCP (Distribution Group)	₱8.82	₱9.08
WESM (Generation Group)	5.05	6.26
PSALM (Retail Electricity Supply [RES] Group)	2.05	1.82
Related Parties	4.32	4.85
RES purchase of distribution wheeling services	3.89	3.38
Distribution Group purchase of power supply from power generation companies and WESM	10.55	9.19
RES purchase from WESM	1.33	0.81
	₱36.01	₱35.39
	₱71.68	**₱63.95**

Banking & Financial Services

Income contribution from this industry group decreased by 13%, from ₱4.12 billion to ₱3.58 billion for the year.

On a stand-alone basis, Union Bank of the Philippines (UBP) and its Subsidiaries recorded a net income attributable to equity holders of the parent of ₱7.32 billion for 2018, down 13% compared to the ₱8.40 billion earned in 2017. The decrease was primarily due to lower income contribution from CitySavings Bank resulting from lower loan releases to teachers.

Food

Income contribution from Food Subsidiaries (Philippine-based Pilmico Foods Corporation and its Subsidiaries, and foreign-based Pilmico International Pte. Ltd. and its Subsidiaries which include the GCMH Group) decreased by 8% to ₱1.56 billion from ₱1.70 billion in 2017. On a recurring basis, Feeds Philippines and Farms showed a decrease in income contributions while Pilmico International reported an increase. Feeds Philippines' 38% YoY decline in net income was due to increased raw materials costs which negatively affected profit margins. Farms' net income decreased 15% YoY due to lower biological asset revaluation gains. These decreases were partly offset by the growth in Pilmico International's net earnings, primarily due to the fresh income contribution of GCMH - an expansion in one of Pilmico's core feed milling businesses - which mitigated the effects of higher input costs to Pilmico International's animal and aqua feeds businesses.

Real Estate

Income contribution of Aboitiz Land, Inc. (AboitizLand) amounted to ₱645 million, down 13% from ₱744 million during 2017. This decrease was due to the absence of fair valuation gains on investment properties during 2018.

Infrastructure

Republic Cement and Building Materials, Inc.'s (Republic) income contribution to AEV in 2018 decreased by 68% from ₱671 million in 2017 to ₱213 million in 2018. This was mainly due to significantly higher fuel and power costs, which offset the improvement in sales volume and prices attributable to government infrastructure spending and stable private sector demand.

MATERIAL CHANGES IN LINE ITEMS OF THE REGISTRANT'S STATEMENTS OF INCOME AND OF COMPREHENSIVE INCOME

For the year ended December 31, 2018, consolidated net income attributable to the equity holders of AEV registered a 3% YoY increase, reaching ₱22.23 billion from ₱21.61 billion posted in the previous year.

Operating profit for 2018 amounted to ₱39.16 billion, a 7% increase YoY, as the ₱36.52 billion increase in revenues surpassed the ₱33.94 billion rise in costs and expenses. This increase was mainly attributed to the performance of the AboitizPower Group.

Power Subsidiaries reported a 7% YoY increase in operating profit from ₱34.17 billion to ₱36.50 billion mainly due to the fresh earnings before interest and taxes (EBIT) contribution from PEC and Hedcor Bukidnon.

Share in net earnings of Associates and Joint Ventures declined by 15% YoY (₱7.73 billion vs ₱9.05 billion in 2017) due to the decrease in income contributions from the following: i.) SN Aboitiz Power-Magat (SNAP-Magat) and SN Aboitiz Power-Benguet (SNAP-Benguet) resulting from lower hydrology in 2018 as compared to the higher-than-usual hydrology levels in 2017; ii.) UBP largely attributable to the lower 2018 net earnings of one of its Subsidiaries, CitySaving Bank; and iii.) Republic owing to significantly higher fuel and power costs in 2018.

The growth in operating profit and other income more than offset the decrease in equity earnings and higher interest expense, and as a result, pulled up the AEV Group's overall profitability. Interest expense, net of interest income, increased by ₱1.42 billion or 12% YoY resulting from higher average debt level in 2018.

Net other income increased to ₱1.41 billion from ₱26 million net other expenses in 2017. This improvement was mainly due to AboitizPower Group's collection of settlements with suppliers in 2018 (vs nil in 2017) and higher impairment costs in 2017, partly offset by higher foreign exchange losses in 2018.

Net income attributable to non-controlling interests (NCI) increased to ₱9.01 billion from ₱7.67 billion in 2017, substantially due to the increase in consolidated net income of AP, and recognition of the NIAT share of GCMH's minority shareholders.

AEV's consolidated comprehensive income attributable to equity holders increased by 3% from ₱22.56 billion in 2017 to ₱23.25 billion in 2018. The 3% increase in consolidated net income accounted for the majority of this increase.

CHANGES IN THE COMPANY'S RESOURCES, LIABILITIES AND SHAREHOLDERS' EQUITY

Assets

Compared to year-end 2017 level, consolidated assets increased 13% to ₱554.59 billion as of December 31, 2018, due to the following:

a. Trade and other receivables, inclusive of noncurrent portion, increased by 50% (₱37.24 billion vs ₱24.77 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱3.93 billion accounts receivable, and higher level of AboitizPower Group's receivables substantially owing to the take-up of PSALM deferred adjustments in the books of Davao Light & Power Co., Inc. (DLP) and Visayan Electric Co., Inc. (VECO). The recorded receivables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be recovered from customers or to be collected from PSALM.

b. Inventories and Land and Improvements increased by 51% (₱24.44 billion vs ₱16.14 billion as of December 31, 2017). The ₱9.65 billion rise in Inventories was mainly due to the following: i.) first-time consolidation of GCMH's ₱5.74 billion inventory; ii.) higher raw materials and real property inventories of the Food Group and Real Estate Group, respectively; and iii.) higher coal inventory of the AboitizPower Group. This increase was partly offset by the ₱1.35 billion decline in Land and Improvement resulting from the reclassification of lots to be developed from Land and Improvements to Real Estate Inventory.

c. Gross of depreciation expense, the resulting ₱19.66 billion combined growth in PPE, Property Held for Sale and IP was mainly due to the following: 1.) ₱4.86 billion on-going construction of AboitizPower's power plants; 2.) ₱8.94 billion various capex of Power, Food and Real Estate Groups; 3.) ₱4.78 billion first-time consolidation of GCMH PPE; and 4.) ₱1.0 billion upward translation adjustment by power Subsidiaries using US dollar as functional currency and fair valuation gains on investment properties. Property Held for Sale (₱676 million vs nil in 2017) refers to transmission assets that will be transferred and sold to the NGCP in the next 12 months, and have been reclassified from PPE.

d. Investments in and Advances to Associates and Joint Ventures increased by 17% (₱106.96 billion vs ₱91.61 billion as of December 31, 2017) mainly due to the ₱5.38 billion additional acquisition of UBP shares, AboitizPower's ₱2.50 billion capital infusion into GN Power Dinginin Ltd. Co. (GNPD), ₱3.34 billion reversal of share of mark-to-market (MTM) losses on AFS investments of an Associate, ₱924 million share of retained earnings adjustment of an Associate resulting from the adoption of PFRS 9, ₱464 million share of Associates' cumulative translation adjustments, and recording of ₱7.73 billion share in net earnings of Associates and Joint Ventures. This increase was partially reduced by the ₱5.14 billion cash dividends received from Associates and Joint Ventures during the period.

e. Intangible Asset - service concession right increased by 24% (₱3.79 billion vs ₱3.06 billion as of December 31, 2017) mainly due to capitalized repairs done during the year.

f. Other Current Assets (OCA) rose by 45% (₱17.99 billion vs ₱12.44 billion as of December 31, 2017) mainly due to Therma South, Inc.'s ₱2.65 billion increase in restricted cash representing the cash reserve to be maintained in compliance with the covenants of its project debt. Therma Visayas, Inc.'s ₱1.73 billion advances receivable from NGCP related to the construction of a transmission line also contributed to the increase of this account in 2018.

g. Debt Investments at Amortized Cost, formerly classified as Held-to-Maturity Investments, increased to ₱454 million from ₱189 million as of December 31, 2017. This was mainly due to additional acquisitions made of this type of financial product during the year.

h. Deferred Income Tax Assets increased by 52% (₱2.32 billion vs ₱1.53 billion as of December 31, 2017) mainly due to the corresponding deferred tax benefits recognized on the unrealized forex losses and asset impairment provision recorded by the AboitizPower Group during the year.

i. Goodwill increased by 36% (₱56.26 billion vs ₱41.31 billion as of December 31, 2017) due to the new ₱15.52 billion goodwill generated on the acquisition of GCMH during the year, partly offset by the de-consolidation of the ₱524 million goodwill resulting from the disposal of PETNET.

The above increases were tempered by the following decreases:

a. Cash & Cash Equivalents decreased by 9% (₱59.03 billion vs ₱64.87 billion as of December 31, 2017) as the funds used in investment acquisitions and repayment of maturing obligations exceeded the funds generated from operations and long-term loan availment.

b. Derivative Assets, net of Derivative Liabilities (current and non-current) decreased by 55% (₱131 million vs ₱294 million as of December 31, 2017) mainly due to MTM losses recognized on existing swap and forward contracts of the AboitizPower Group.

c. Investments in Financial Assets at Fair Value to Profit or Loss (FVTPL) and at FV to Other Comprehensive Income (FVOCI), formerly classified as AFS Investments, decreased by 25%

(₱579 million vs ₱773 million as of December 31, 2017) mainly due to disposals made during the period.

Liabilities

Consolidated short-term bank loans increased by 14% (₱26.98 billion vs ₱23.70 billion as of December 31, 2017) mainly due to the first-time consolidation of GCMH's ₱2.35 billion bank loans, ₱7.31 billion availment of the Power and Real Estate Groups, partly offset by ₱6.26 billion repayment made by Food Group. Long-term debts, including long-term obligation to PDS and finance lease, likewise increased by 8% (₱258.54 billion vs ₱238.54 billion as of December 31, 2017) substantially due to the following: a.) AEV International's availment of ₱11.73 billion loan, b.) AboitizPower's retail bond issuance of ₱10.2 billion, c.) GMCP's availment of ₱9.04 billion loan, d.) ₱6.20 billion loan availment by other power companies, e.) first-time consolidation of GCMH's ₱2.37 billion loan, and f.) ₱4.54 billion non-cash upward movement due to amortization of deferred financing costs and forex differential. This was partly offset by the prepayment of ₱15.15 billion Therma Power, Inc. (TPI) loan, ₱6.70 billion settlement of maturing loans and ₱2.33 billion decrease in finance lease obligation due to amortizations paid.

Trade and other payables, inclusive of noncurrent portion, increased by 51%, from ₱25.42 billion to ₱38.42 billion, mainly due to the first-time consolidation of GCMH's ₱9.13 billion trade payables and the take-up of the PSALM deferred adjustments at DLP and VECO. The recorded payables represent PSALM deferred adjustments (Generation Rate Adjustment Mechanism and Incremental Currency Exchange Rate Adjustment) that are to be remitted to PSALM or refunded to customers.

Income tax payable decreased by 24%, from ₱703 million to ₱535 million, mainly due to lower income tax liability of the AboitizPower Group for the year.

Asset retirement obligation (ARO) increased by 24% from P2.96 billion to P3.68 billion due to the upward revaluation adjustment recognized during the year on this future obligation.

Pension liability, net of pension asset, increased by 47%, from ₱223 million to ₱328 million, mainly due to the decline in the fair value of the investment in traded equity securities owned by the retirement fund of the Company. This was attributable to the drop in market prices of these securities at the end of 2018.

Deferred Income Tax Liabilities (DTL) increased by 48% (₱2.40 billion vs ₱1.62 billion as of December 31, 2017) mainly due to the first-time consolidation of GMCH's ₱600 million DTL.

Equity

Equity attributable to equity holders of the parent increased by 13% from year-end 2017 level of ₱154.70 billion to ₱174.71 billion mainly due to the ₱22.23 billion net income attributable to the equity holders of the parent recorded during the year, ₱3.34 billion reversal of share of MTM losses on AFS investments of UBP, ₱903 million increase in cumulative translation adjustment, and ₱497 million retained earnings adjustment related to first-time adoption of PFRS 9 & 15. These increases were partly offset by the ₱7.21 billion cash dividends paid.

MATERIAL CHANGES IN LIQUIDITY AND CASH RESERVES OF THE REGISTRANT

For the year ended December 31, 2018, the AEV Group continued to support its liquidity mainly from cash generated from operations, additional loans availed and dividends received from Associates.

Compared to the cash inflow in 2017, consolidated cash generated from operating activities in 2018 increased by ₱6.18 billion to ₱38.42 billion mainly due to the growth in earnings before interest, depreciation and amortization (EBIDA), partly offset by higher working capital requirements.

The year ended with ₱30.76 billion net cash used in investing activities versus ₱11.30 billion in 2017. This was mainly due to the acquisition of GCMH and higher cash disbursed on additional investments in Associates.

Net cash used in financing activities was ₱13.22 billion versus ₱19.46 billion in 2017. The decrease was largely attributed to the higher net bank borrowings in 2018 (₱18.82 billion versus ₱7.85 billion in 2017), partly offset by higher interest payments and dividends paid to minority shareholders during the year.

For the year ended December 31, 2018, net cash outflows surpassed cash inflows, resulting in a 9% decrease in cash and cash equivalents from ₱64.87 billion as of year-end 2017 to ₱59.03 billion as of December 31, 2018.

FINANCIAL RATIOS

Financial ratios remained healthy. Current ratio improved from year-end 2017's 1.61x to 1.76x at the end of 2018 as the growth in current assets outpaced the increase in current liabilities. Debt-to-equity ratio likewise improved from year-end 2017's 1.56:1.to 1.55:1 at the end of 2018.

Item 7. Financial Statements

The audited consolidated financial statements of AEV will be incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules will be filed as part of this SEC Form 20-IS.

Item 8. Information on Independent Accountant and Other Related Matters

(A) External Audit Fees

The following table sets out the aggregate fees paid by the Registrant for professional fees rendered by SGV:

Fee Type	Year ended December 31, 2020	Year ended December 31, 2019
Audit Fees		
Audit Fees	₱624,120.00	₱511,952.00
Audit-Related Fees	8,408,040.00	6,276,700.00
Total	**₱9,032,160.00**	**₱6,788,652.00**
Non-Audit Fees		
Tax Fees	-	-
Consultancy Fees	-	-
Total		
Total Audit and Non-Audit Fees	**₱9,032,160.00**	**₱6,788,652.00**

The audit-related fees include assurance and services that are related to the review of AEV's financial statements pursuant to its bond issuances.

As a policy, the Board Audit Committee makes recommendations to the Board concerning the choice of external auditor and pre-approves audit plans, scope, and frequency before the audit is conducted.

Audit services of external auditors for the years 2020 and 2019 were pre-approved by the Board Audit Committee. The Committee had also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV during the two most recent fiscal years. There are no disagreements with SGV on accounting and financial disclosure.

PART III – CORPORATE GOVERNANCE

The year 2020 marks a historic milestone for the Aboitiz Group with the 100th anniversary of the incorporation of AEV's parent company, ACO. It is also a testament to the Group's unwavering commitment to the practice of sound corporate governance as it faced the challenges of an unprecedented global pandemic, head-on.

At the helm of corporate governance practices in AEV is the Board, which is committed to providing a strategic roadmap towards long-term growth, competitiveness, and building a sustainable enterprise that will continue for another 100 years. With the greater conviction to their role of providing leadership and stewardship to the Company, the AEV Board continued to discharge its duties and responsibilities. Board and committee activities remained business as usual.

Notable accomplishments of the AEV Board for 2020 are as follows:

- Reviewed and affirmed the appropriateness of the Group's purpose and brand promise in addressing the challenges of a global pandemic.
- Reviewed and aligned the Group's short-term and long-term business strategies in response to the impact of COVID-19.
- Reviewed and ensured the sufficiency of the internal controls system and enterprise risk management framework of AEV.
- Reviewed and approved the key amendments to the Articles of Incorporation and By-Laws of AEV.
- Authorized and held the first Virtual Annual Stockholders' Meeting for AEV.
- Approved amendments to the Revised Manual, Board and Committee Charters, and to the Group-wide Data Privacy Policy
- Established an integrated governance structure to strengthen, promote, monitor, implement, and communicate the Group's ESG")-related programs and initiatives.
- Conducted regular virtual learning sessions to strengthen the continuous learning program for the Company's directors and officers.
- Conducted its annual Board Assessment with the assistance of a third-party facilitator.

Shareholders Rights and Equitable Treatment

The rights of shareholders are of paramount importance to the Company. The goal is to ensure the protection of shareholder interests and concerns through the free exercise of shareholder rights. Among the rights of these shareholders, regardless of the number of shares they own, are to receive notices of and to attend shareholders' meetings; to participate and vote on the basis of the one-share, one-vote policy; nominate and elect Board members (including via cumulative voting); inspect corporate books and records; vote in person, in absentia, or through proxy; receive dividends; and ratify corporate action.

In the conduct of its annual shareholder meetings, all shareholders receive notices not less than 28 days from the date of the meeting, and all agenda items to be discussed and decided upon during the said meeting are set out in the notices and no new agenda items are taken up during the conduct of the meeting. The rationale of agenda items which are submitted to the shareholders for their approval are included in the notices to shareholders' meetings.

In addition, AEV ensures timely disclosure to shareholders regarding their respective businesses, and that shareholders receive dividends in accordance with established dividend policies.

Lastly, AEV's Board Secretariat has adopted certified Board protocols and procedures under the ISO 9001:2015 Management Board and System to ensure the effectiveness of Board and shareholders' commitments. This includes coordination with stock transfer agents to ensure appropriate responses to and timely resolution of shareholders' queries and requests.

For a more detailed discussion on the rights of the shareholders of the Company, please refer to the 2020 Consolidated Annual and Sustainability Report and the 2020 Integrated Annual Corporate Governance Report, which will be available at www.aboitiz.com.

BOARD MATTERS

Board of Directors

The Board leads the Group's corporate governance framework. Independent from management, its members are committed to serve and promote long-term success, and to secure the Group's sustained growth, competitiveness and sustainability. The Directors perform the crucial role of articulating and assessing the Group's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business direction of the Group's businesses are soundly established and are in line with the overall Group's goals and strategy. In line with best practices, the members of the Board are responsible in establishing and monitoring the Group's commitment to the principles embodied in ESG. In performing these functions, the members of the AEV Board, individually and collectively, are expected to act consistently with the Aboitiz core values

The AEV Board is composed of nine members, all of whom come from diverse professional backgrounds. They are composed of legal and finance professionals, engineers, former or current CEO/COOs, auditors, and accountants. Many of them have management experience in the private and government sectors, as well as in multilateral agencies. In 2020, the AEV Board had three Independent Directors, five Non-Executive Directors, and one Executive Director. The Chairman of the AEV Board, Mr. Endika M. Aboitiz, is a highly experienced non-executive director. As a Non-Executive Director, he is not involved in the Company's day-to-day operations, which enables him to focus on ensuring that the AEV Board properly discharges its duties and responsibilities. The AEV Board appointed Mr. Raphael P.M. Lotilla as Lead Independent Director, a highly qualified professional who is familiar with the operations of AEV, and the industries it does business in. Mr. Lotillla is the Chairman of the ESCG Committee (the functions as the Nomination and Selection Committee) to ensure an independent and transparent nomination, selection, election, and performance assessment process of the Board.

Board Performance

The Board conducts an annual performance assessment of its members and key officers. Each Board member conducts (i) a self-assessment of his/her individual performance as a member of the Board and Board Committees, (ii) a collective performance assessment of the AEV Board and Board Committees, and (iii) an assessment of the performance of the Company's Chairman of the Board, Chief Executive Officer, Group Internal Audit Head, Chief Risk Officer, and the Chief Compliance Officer. In turn, select key officers of AEV are anonymously asked to evaluate the performance of each of the AEV Director.

The Corporate Governance Code requires that at least once in every three years, the conduct of the Board performance assessment must be supported by an independent third party facilitator. In 2020, AEVengaged the Good Governance Advocates and Practitioners of the Philippines ("GGAPP"), an independent association of corporate governance practitioners, to support its Board performance assessment exercise. The results of the assessment, as well as the recommendations from GGAPP were presented and discussed at the ESCG Committee meetings on February 16, 2021.

Board's Participation

The Board's primary objectives are to improve shareholder returns, to develop responsible long-term investments, and to achieve disciplined and sustainable growth. To this end, board attendance and active participation during board and committee meetings are encouraged from the directors. Attendance during board meetings are closely monitored and reported by the Chief Compliance Officer to the SEC and PSE, as well as in the Company's annual reports and IACGR.

In 2020, the Board held 8 meetings (Board and Annual Stockholders Meeting). Board and Board Committees also met on various occasions in the performance of their mandate as indicated in the Revised Manual and relevant Board Charters. Below is a summary of the attendance of the Directors:

ABOITIZ EQUITY VENTURES INC.							
	ASM	Board of Directors/ ORG	Executive Committee	ESCG Committee	Risk & Reputation Management Committee	Audit Committee	RPT Committee

Number of Meetings	1	7	5	2	2	5	2
Enrique M. Aboitiz	C 1/1	C 7/7	M 5/5	M 2/2	C 2/2	-	-
Mikel A. Aboitiz	VC 1/1	VC 5/7	M 2/5	-	M 2/2	-	-
Erramon I. Aboitiz	M 1/1	M 7/7	M 5/5	-	M 2/2	M 5/5	-
Sabin M. Aboitiz	M 1/1	M 7/7	C 5/5	M 2/2	M 2/2	-	-
Ana Maria A. Delgado	M 1/1	M 7/7	-	-		M 5/5	-
Edwin R. Bautista	M 1/1	M 7/7	M 45/5	-		-	-
Raphael P.M. Lotilla	M 1/1	M 7/7	-	C 2/2	M 2/2	M 5/5	M 2/2
Jose C. Vitug	M 1/1	M 7/7	-	M 2/2	M 2/2	C 5/5	M 2/2
Manuel R. Salak III	M 1/1	M 7/7	-	M 2/2	M 2/2	M 5/5	C 2/2

*C- Chairman; VC – Vice Chairman; M – Member

Board Committees

The different Board committees - Audit, Corporate Governance (now Environmental, Social, and Corporate Governance), Risk and Reputation Management, Related Party Transactions, and Executive Committee - report regularly to the Board and are crucial in maintaining Board oversight in key management areas.

The mandate of each Board committee, including key accomplishments in 2020, are described below:

a. The **Board Environmental, Social, and Corporate Governance Committee** represents the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles, and the various compensation matters. Independent Directors, including the Committee Chairman) comprise the majority of the voting members of the ESCG Committee.

   In 2020, the ESCG Committee continued to (1) review and monitor AEV's compliance with new laws and regulations (the Revised Corporation Code, various SEC and BIR issuances, among others); (2) review and update the Revised Manual to align with the best practices in the Integrated Annual Corporate Governance Report and the ASEAN Corporate Governance Scorecard; and (3) ensure that the nomination, selection, election, remuneration, and assessment of the Company's directors and officers are aligned with the Manual. In the same year, the ESCG Committee amended the Manual and Charters to establish a Board oversight and governance framework to promote and integrate the sustainability and corporate governance initiatives of AEV.

b. The **Board Audit Committee** represents the Board in discharging its responsibility related to audit matters for the Group. Independent Directors comprise the majority of the members of the Board Audit Committee, including its Chairman. In 2020, the Audit Committee updated its Charter to improve Company's control performance by having an adequate and effective control system. The Audit Committee also assessed (i) the performance of the Company's external auditor and (ii) the sufficiency of the Company's internal control and compliance systems.

c. The **Board Risk and Reputation Management Committee** represents the Board in discharging its responsibility relating to risk and reputation management related matters for the Group. In 2020, the Board Risk and Reputation Committees updated its charter to continually identify, monitor, and manage the Group's top risks.

d. The **Board Related Party Transaction Committee** represents the Board in discharging its responsibility relating to transactions entered into between or among the Company or any of its Subsidiaries, Affiliates, directors and officers. In 2020, AEV updated the RPT Certification for Directors and Officers in compliance to the Bureau of Internal Revenue Regulation No. 19-2020 on the reporting guidelines for the transactions of individuals and juridical entities with related parties. The RPT Committee continued to ensure that related party transactions are taken on an arm's-length basis and within market rates, with sufficient documentation, and coursed through the appropriate levels of approval. Except for the presence of the AEV CFO as resource person, management is not invited to and has no participation in the RPT Committee.

e. The **Executive Committee** assists the Board in overseeing the Company's day-to-day operations of the Company. The Committee ensures agility in the management of the Company and in strategic decision-making, as well as compliance with the Company's governance policies, during the intervening period between Board meetings.

For more details on the AEV Board and Board Committees matters, please refer to the 2020 Consolidated Annual and Sustainability Report and the 2020 Integrated Annual Corporate Governance Report, which will be available at *www.aboitiz.com*.

GOVERNANCE PRACTICES

Compliance with Governance Policies

AEV has a Revised Manual and a Code of Ethics and Business Conduct ("Code of Ethics") to guide the attainment of its corporate goals and the implementation of its strategies. The Revised Manual is generally aligned to the principles and recommendations laid down by the SEC under the Corporate Governance Code for Publicly-Listed Companies to further strengthen the Company's corporate governance practices. The Board regularly reviews the Revised Manual to ensure that the same remains relevant and responsive to the needs of the organization. Any amendments to the Revised Manual are promptly submitted to the SEC for confirmation and approval.

The Revised Manual is supported by various company policies that are regularly reviewed and issued by the Board including the Code of Ethics. AEV ensures that its Code of Ethics is cascaded to new team members as part of their onboarding processes. Team members are also required to review the Code and to sign an affirmation that they have read and understood the Code of Ethics. In order to support this annual exercise, an e-learning module on the Group's Code of Ethics was developed and rolled out every year. As part of the Group's commitments in the Code of Ethics, all team members are expected to act professionally, fairly, and with integrity in all of their business dealings, and to comply with all applicable laws and regulations, including those against bribery and corruption.

The Compliance Officer, together with the Human Resources Department, regularly monitors and evaluates compliance by the Board, management and employees to the Revised Manual, the Code, other company policies, and existing laws and regulations. The Compliance Officer also ensures the implementation of AEV's policy against conflicts of interests and the misuse of confidential and proprietary information throughout the organization.

The Compliance Officer regularly reports the Company's compliance status with existing laws and regulations, as well as the Board's, management's and employees' compliance with internal governance policies to the Board ESCG Committee.

In addition, the Company has a Whistleblowing Policy to support the implementation of the Revised Manual and the Code of Ethics. Through this policy, allegations of violations of the Revised Manual, the Code of Ethics, or of other illegal conduct can be reported through an independent whistleblowing portal. Matters reported through the whistleblowing platform are discussed by the Board ESCG Committee and, if necessary, escalated to the entire Board.

There are no major deviations from the Revised Manual as of the date of this report. There were also no corruption-related incidents reported in 2020.

For a full discussion on the Company's corporate governance initiatives, please refer to the 2020 Consolidated Annual and Sustainability Report and the 2020 Integrated Annual Corporate Governance Report, which will be available at www.aboitiz.com.

DISCLOSURE AND TRANSPARENCY

Pursuant to its commitment to transparency and accountability, AEV's website, www.aboitiz.com has its own dedicated corporate governance webpage which serves as a resource center and library for its stakeholders. AEV also annually publishes a consolidated Annual and Sustainability Report and Integrated Annual Corporate Governance Report on its website at www.aboitiz.com.

SUSTAINABILITY AND ENVIRONMENT, SOCIAL, AND GOVERNANCE PRACTICES

Sustainable business practices have enabled the Aboitiz Group to operate commercially for 100 years. The key component of AEV's ESG strategy is anchored on the Group Purpose and Brand Promise *to drive change for a better world by advancing business and communities.* The Company strongly believes that business growth and sustainability can be achieved by balancing the interests of people, planet, and profit, and strengthening its commitment to sustainable ESG practices.

Indices and Ratings

In 2020, AEV continues to be recognized as a constituent company in the S&P Global Corporate Sustainability Assessment (formerly ROBECOSAM CSA). The S&P Global Sustainability Assessment is highly regarded for companies to benchmark their improvements in ESG performance. The company's score improved by 46% compared to last year's rating with a year on year positive 23 points increase in percentile ranking placed us in 66th percentile from previous year's 43rd percentile rank among the industrial conglomerates peer group.

The Sustainalytics ESG Risk Rating of the Company also improved at 37.3 ESG risk rating, a 5.1 decrease of risk exposure from last year. Meanwhile, the company improved its rating from BB to A rating in the MSCI ESG Rating. The company also looks into the CDP reporting framework by including it in the company assessments of its ESG initiatives.

Sustainability Focus

The Company is driven by its Sustainability Vision which is to contribute to the ESG agenda with the Company's redefined OneAboitiz Sustainability Framework, where it manages its economic, environmental, and social impact through strong governance, to truly deliver value to the Company's stakeholders. In the next coming years, the Company will continue to focus on addressing its gaps on various issues and areas of ESG. AEV's goal is to grow profitably while partnering with its stakeholders to create shared value, and minimizing its environmental impact.

The Company's focus areas on its ESG reports are team member engagement, talent development, Occupational Health and Safety , corporate governance, Corporate Social Responsibility ("CSR"), customer focus, disaster resilience, carbon emissions reduction, resource efficiency, renewable energy, waste management, biodiversity and conservation, while ensuring financial growth, implementing risk management, and aligning to global sustainability reporting standards to communicate the Company's progress.

The Company's key performance indicators are aligned with the United Nations Sustainable Development Goals to address ESG concerns of the company and the communities where it operates. This focus provides the Company a direction on its commitment and targets in its journey to advance business and communities.

United Nations Sustainable Development Goals

The Aboitiz Group is one of the first Philippine businesses to support the United Nations' 17 Sustainable Development Goals and in 2020 became a participant in the United Nations Global Compact ("UNGC"). In the

Company's first year of participation AEV assessed its alignment with the UNGC's 10 business principles. The Company is committed to continuously improve its policies, business processes and initiatives putting at the forefront its commitment to have an environmentally sound business strategy and relevant processes, uphold human rights by continuously conducting human rights assessment in the different value chain processes of the company, create a safe, engaged and inclusive labor environment for the AEV's team members, and operate with high ethical standards of corporate governance and citizenship.

The Company provides its annual Sustainability Report to disclose information on its ESG practices and submits Communication of Progress to UNGC. AEV began publishing its first Sustainability Report in 2009, being one of the few Philippine publicly-listed companies to publish and submit a report on its sustainability impacts and performances to SEC.

Sustainable Finance

In February 2016, Asian Development Bank provided a credit enhancement to AP Renewables, Inc., a Subsidiary of AboitizPower, for its Tiwi-MakBan geothermal energy facilities. The issuance by APRI of the ₱10.7 bn (U.S.$225 mn) local currency bond was in addition to a direct loan from ADB of ₱1.8 bn (U.S.$37.7 mn). ADB's credit enhancement was in the form of a guarantee of 75% of the principal and interest on the bond. The Climate Bond, which was certified by the Climate Bonds Initiative, was the first issuance of its kind in Asia.

Corporate Social Responsibility

AEV and its Business Units contribute to social development programs in education, enterprise development, and environment implemented by the Aboitiz Group through its social development arm, Aboitiz Foundation, Inc. These CSR program projects are also aligned with the Aboitiz Group's core competencies and are made scalable nationwide to deliver long-term benefits to targeted communities and beneficiaries. The Aboitiz Group, through AboitizFoundation, invested a total of ₱423 mn in CSR projects and initiatives to support its communities in 2020, of which ₱266 mn was committed for its environmental programs, ₱106 mn for education, ₱8 mn for enterprise or livelihood programs, and ₱43 mn for other initiatives. All these are consistent with the Group's commitment to protecting and enriching the planet and uplifting the well-being of its communities. Through responsible operations and the implementation of various sustainability and CSR projects, the Company is constantly advancing business and communities by exploring opportunities to create shared value whenever possible.

Moreover, the AboitizPower provides additional funds for the communities through its compliance with the Energy Regulations No. 1-94 ("ER 1-94"). The ER 1-94 program is a policy under the Department of Energy Act of 1992 and EPIRA, which stipulates that host communities will get a share of one centavo for every kilowatt-hour (₱0.01/kWh) generated by power plants operating in its area. The funds generated can be used by host beneficiaries for the electrification of areas or households that have no access to power, development, and livelihood programs, as well as reforestation, watershed management, health, and environmental enhancement initiatives. In 2020, due to the COVID-19 Pandemic, the Department of Energy released a new circular which repurposed the ER 1-94 funds for projects that would help alleviate the COVID-19 situation in the country. AboitizPower has successfully downloaded about ₱153 mn worth of ER 1-94 funds to about 150 host beneficiaries. About ₱504 mn worth of outstanding ER 1-94 funds was also remitted by the Department of Energy to AboitizPower's beneficiaries. The remitted funds were used by the beneficiaries to build isolation facilities and purchase relief goods, medical supplies or equipment, and COVID-19 testing kits. AboitizPower continues to extend assistance to its communities to ensure the full utilization of the available ER 1-94 funds.

Beyond Compliance

The Aboitiz Group's brand promise of advancing business and communities extends beyond compliance with government laws and regulations. The Aboitiz Group is committed to stakeholder-focused environmental management projects, such as (a) A-Park nationwide reforestation program, (b) Aboitiz Cleanergy Park in Davao City, (c) Cleanergy Center in Laguna and Energy Education Center in Davao.

(a) A-Park Program

The A-Park Program is the Aboitiz Group's partnership with DENR's Expanded National Greening Program. To promote reforestation and forest protection, the program targets to plant 9 million trees by 2020. AboitizPower supports the A-Park Program through the watershed management and carbon sink programs of its Subsidiaries. In 2020, the Aboitiz Group has already planted about 11 million seedlings across the country under the said program.

(b) Aboitiz Cleanergy Park

The Aboitiz Cleanergy Park is an eight-hectare ecological preserve located in Sitio Punta Dumalag, Matina Aplaya, Davao City that showcases a mangrove reforestation site, nursery, and botanical garden for the propagation of 29 native tree species and is home to 100 species of birds. Aside from helping reduce carbon emissions, the Park is also actively promoting habitat conservation and biodiversity management in an urban setting. Most importantly, the Park serves as a sanctuary and safe nesting ground for the hawksbill sea turtles, commonly called pawikan. Since 2014, the park has already released more than 4,939 hawksbill hatchlings to the sea, planted 13,992 mangroves, and rescued 16 pawikans.

(c) Cleanergy Center and Energy Education Resource Center

The Cleanergy Center, located within the compound of the Tiwi-Makban geothermal power plant, showcases interactive displays and learning materials devoted to sustainable ways of generating and consuming energy. To date, the center has welcomed more than 56,000 visitors, mostly students, government officials, and representatives of foreign institutions.

The Cleanergy Center is the first energy education facility of AboitizPower, which focuses on environmental awareness and renewable energy education through the use of audio-visual presentations, interactive displays, and a tour of a working geothermal power plant. Through AboitizPower, the Aboitiz Group aims to provide energy solutions that leave a lighter impact on the Earth's climate and its limited resources.

AboitizPower also opened the Energy Education Center in 2016 located at Therma South's Davao baseload power plant. The center features interactive and informative displays on the Philippine energy sector and various power-generating technologies. As of 2020, the center has already accommodated about 3,500 visitors.

ANNEX "A"

EXPLANATION OF AGENDA ITEMS
(including Agenda Items requiring Stockholders' Approval)

ITEM NO. 1: The Chairman will formally open the meeting at approximately 4:00 P.M.

ITEM NO. 2: **Proof of Notice of Meeting and Determination of Quorum**

RATIONALE: *To inform the stockholders that notice requirements for the 2021 Annual Stockholders' Meeting (ASM) have been complied with in accordance with the Company's By-Laws and the Revised Corporation Code of the Philippines, and that quorum exists for the transaction of business.*

The Corporate Secretary will certify the date when notices for the 2021 ASM were sent out to the stockholders of record, including the dates of publication and the newspapers where the notice was published. The Corporate Secretary will also certify to the existence of a quorum, as verified and confirmed by the Board of Election Inspectors. Stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Voting shall be through proxy or remote communication or *in absentia*. Pursuant to Section 4, 5 and 6 of the Company's Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code which allow voting through remote communication or *in absentia*, stockholders may access the link: *http://www.aboitiz.com/2021asm* (the "ASM Portal"), to register and vote on the matters at the meeting beginning on 23 March 2021. A stockholder voting in absentia shall be deemed present for the purpose of quorum.

Votes may be cast by registered stockholders until 3:00 p.m. of 26 April 2021, which will be tabulated and presented during the 2021 ASM. Stockholders may still vote after the cut-off, and the final total votes received through proxy and through the ASM Portal will be included in the minutes of the 2021 ASM.

The following are the rules of conduct and procedures for voting and participation in the meeting through remote communication:

1. Stockholders may register and vote at the Company's ASM Portal beginning on 23 March 2021 until 12:00 p.m. on 26 April 2021. Only stockholders who registered before the cut-off time will be counted for quorum purposes.
2. Votes cast by registered stockholders until 3:00 p.m. of 26 April 2021, will be tabulated and presented during the 2021 ASM. Stockholders may still vote after the cut-off, and the final total votes received through proxy and through the ASM Portal will be included in the minutes of the 2021 ASM.
3. The conduct of the 2021 ASM will be livestreamed and registered stockholders may participate through the Company's ASM Portal.
4. Stockholders may send in their remarks or questions in advance, or during the meeting, through the ASM Portal. The moderator shall read out the remarks or questions, and direct them to the relevant director or officer.
5. Each of the proposed resolutions for approval will be shown on screen at the time they are being taken up at the meeting.
6. All votes received within the cut-off shall be tabulated by the Office of the Corporate Secretary and the results shall be validated by Luis Cañete & Company, an independent auditing firm which has been appointed as the Board of Election Inspectors.
7. The Corporate Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for all items for approval, as of the cut-off time, will be flashed on the screen.

ITEM NO. 3: **Reading and Approval of the Minutes of the Previous Stockholders' Meeting held on 27 April 2020**

RATIONALE: *To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.*

The minutes of the meeting held on 27 April 2020 was posted at AEV's website, www.aboitiz.com, on 28 April 2020. Copies of the 2020 ASM minutes will also be part of the Information Statement provided to the stockholders.

A resolution approving the minutes of the 27 April 2020 ASM will be presented to the stockholders for approval.

ITEM NO. 4: **Presentation of the President's Report**

RATIONALE: *To apprise the stockholders of the Company's operating performance, financial condition and outlook.*

The President and Chief Executive Officer, Mr. Sabin M. Aboitiz, shall deliver a report to the stockholders on the 2020 operating and financial performance of the Company, as well as its outlook for 2021.

ITEM NO. 5: **Approval of the 2020 Annual Report and Financial Statements**

RATIONALE: *To present to the stockholders the results of the Company's operations in 2020, in accordance with Section 74 of the Revised Corporation Code.*

The Company's audited financial statements as of 31 December 2020 will be integrated and made part of the Company's Information Statement that will be sent to the stockholders at least 15 business days prior to the 2021 ASM. The Information Statement and the Company's 2020 Annual report will be posted on the Company's website at www.aboitiz.com.

A resolution approving the 2020 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

ITEM NO. 6: **Appointment of the Company's External Auditor for 2021**

RATIONALE: *To appoint an auditing firm which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board Audit Committee and the Board of Directors will endorse an external auditor for 2021 for the shareholders to appoint.*

The Company's Board Audit Committee endorsed, and the Board of Directors approved for the stockholders' consideration the election of Sycip Gorres Velayo & Co. (SGV) as the Company's external auditor for 2021.

SGV has been AEV's Independent Public Accountant for more than 26 years. Ms. Maria Veronica Andresa R. Pore has been AEV's audit partner since audit year 2017. AEV complies with the requirement of Sec 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

There was no event in the past 26 years wherein AEV and SGV or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the appointment of the Company's external auditor for 2021, and ratifying the fees shall be presented to the stockholders for approval.

ITEM NO. 7: **Election of the Members of the Board of Directors**

RATIONALE: *To allow stockholders to elect the Company's Board of Directors in accordance with Section 24 of the Revised Corporation Code and the Company's By-Laws.*

A stockholder may submit his or her nominee to the Company's Board of Directors in accordance with the deadlines set forth in the Company's Amended By-Laws. Under the Amended Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on 1 January 2021 and the table of nominations closed on 15 February 2021, unless the Board Environment, Sustainability, and Corporate Governance ("ESCG") Committee, acting as the Nominations Committee, unanimously agrees to extend the deadline for meritorious reasons. The stockholders who nominated the Independent and other directors are disclosed in the Company's Information Statements. The Board ESCG Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are (i) disclosed to the Securities and Exchange Commission, the Philippine Stock Exchange, and the Philippine Dealing Exchange, (ii) included in the Company's Information Statements, and (iii) uploaded in the Company's website for examination by the stockholders.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The nine nominees receiving the highest number of votes will be declared elected as directors of the Company.

ITEM NO. 8: Approval of the Increase in the Per Diem of the Chairmen of the Board and Board Committees

RATIONALE: *To approve the increase in the per diem of the Board and Board Committees*

During its 16 February 2021 meeting, the ESCG Committee, which performs the function of the Nomination and Compensation Committee, upon the recommendation of the Company's management proposed an increase in the per diem of Board and Board Committee Chairmen for every meeting as follows:

PER DIEM PER BOARD MEETING	**DIRECTORS**		**CHAIRMAN OF THE BOARD**	
	From	To	From	To
	₱150,000.00	No change	₱200,000.00	**₱225,000.00**

PER DIEM PER COMMITTEE MEETING (OTHER THAN AUDIT COMMITTEE)	**DIRECTORS**		**CHAIRMAN OF THE BOARD**	
	From	To	From	To
	₱100,000.00	No change	₱130,000.00	**₱150,000.00**
PER DIEM PER AUDIT COMMITTEE MEETING	₱100,000.00	No change	₱130,000.00	**₱200,000.00**

The per diems for the Board and Committee chairpersons were last increased in 2019. As noted by management, since then the Company's businesses have expanded in scope and became more complicated in nature, particularly taking into account the challenges caused by the COVID-19 pandemic. As a matter of effective corporate governance, these challenges have led to a corresponding increase in the responsibilities of the Board and Committee chairpersons. The proposal by management to increase the per diems of the Board and Board Committee Chairmen was made after a review of the Board compensation structures of comparable companies with the same Board size, revenue, assets, and market capitalization.

During its Board Meeting dated 5 March 2021, the Board of Directors reviewed the proposed increases in the per diems for the Board and Committee chairpersons, and, having considered the rationale provided for the proposed increases and greater responsibilities of the chairpersons, endorsed the same for stockholders' approval.

There are no proposed changes to the monthly allowance and per diem of other members of the Board.

A resolution approving the proposed increase in per diem of the Board and Committee chairpersons shall be presented to the stockholders for approval.

ITEM NO. 9: Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2020 up to 26 April 2021

RATIONALE: The acts and resolutions of the Board of Directors, Corporate Officers and Management were those adopted since the 2020 ASM last 27 April 2020 until 26 April 2021. These included the approval of contracts and agreements and other transactions in the ordinary course of business. A summary of these acts and resolutions are enumerated in the Information Statement. The Company also regularly discloses material transactions approved by the Board of Directors. These disclosures are available for viewing and download at the Company's website at *www.aboitiz.com*.

A resolution ratifying the acts and proceedings of the Board of Directors, Corporate Officers and Management will be presented to the stockholders for approval.

ITEM NO. 10: Other Business

The Chairman will open the floor for comments or queries by the stockholders. Stockholders are given the opportunity to address the members of the Board, ask questions, and raise matters which may be properly taken up during the 2021 ASM.

---end---

ANNEX "B-1"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MANUEL R. SALAK III,** Filipino, of legal age and a resident of 8 Eagle St. Capitol Hills, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Equity Ventures Inc. ("AEV") and have been its Independent Director since May 21, 2018.

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Alpha Primus Advisors Inc.	Founder and Managing Director	July 1, 2017 to present
Maxicare Philippines	Independent Director	December 2017 to present
World Surgical Foundation Philippines	Trustee	February 2020 to present
Asian Institute of Management	Adviser for Special Projects	September 2019 to present
Ateneo Center for Economic Research Development	Director	February 2020 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. No conflict of interest exists between my being an Independent Director of AEV and my other affiliations as defined and stated in the AEV Guidelines for the constitution of the Nomination Committee (now referred to as "Board Environmental, Social, and Corporate Governance Committee") and the nomination and election of the Independent Directors.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 7 March 2021 at Quezon City, Philippines.

MANUEL R. SALAK III
Affiant

SUBSCRIBED AND SWORN to before me this 1 5 FEB 2021 at _____________. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Philippine Passport No. EC7143379 issued at DFA Manila on March 17, 2016.

Doc. No. 460;
Page No. 93;
Book No. IX;
Series of 2021.

STRELLA MARIE G. SACDALAN
ROLL NO. 63289
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until June 30, 2021
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-5025311, January 6, 2021 Taguig City
IBP OR No. 144348, January 6, 2021
Roll No. 63289
MCLE Compliance No. VI-0011090

ANNEX "B-2"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ROMEO L. BERNARDO**, Filipino, of legal age, with business address at Unit 6, Forest Hills Townhomes, 20 Mariposa Street, Cubao Quezon City. after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Equity Ventures Inc. ("AEV").

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Foundation for Economic Freedom	Vice Chairman & Founding Fellow	1997 to present
Lazaro Bernardo Tiu & Associates, Inc.	Managing Director	2000 to present
ALFM Family of Funds	Chairman	2003 to present
Philippine Stock Index Fund, Inc.	Chairman of the Board	2007 to present
GlobalSource Partners	Advisor	2008 to present
World Bank Philippine Advisory Group	Member	2011 to present
Bank of the Philippine Islands	Director	2019 to present
Globe Telecom, Inc.	Director	2019 to present
RFM Corporation	Independent Director	2019 to present
PHINMA, Inc.	Independent Director	2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. No conflict of interest exists between my being an Independent Director of AEV and my other affiliations as defined and stated in the AEV Guidelines for the constitution of the Nomination Committee (now referred to as "Board Environmental, Social, and Corporate Governance Committee") and the nomination and election of the Independent Directors.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this __________________ at __________________.

ROMEO L. BERNARDO
Affiant

SUBSCRIBED AND SWORN to before me this 15 FEB 2021 at TAGUIG CITY. Affiant, who is personally known to me, personally appeared before me and exhibited to me his Driver's License No. X01-96-030504 with expiration date September 5, 2023.

Doc. No. 459;
Page No. 93;
Book No. IX;
Series of 2021.

STRELLA MARIE G. SACDALAN
ROLL NO 63289
NOTARY PUBLIC
TAGUIG CITY, PHILS.

Atty. Strella Marie G Sacdalan
Notary Public for Taguig City
Notarial Commission No 99
Until June 30, 2021
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR No. A-5025311, January 6, 2021 Taguig City
IBP OR No. 144348, January 6, 2021
Roll No 63289
MCLE Compliance No. VI-0011090

ANNEX "B-3"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JOANNE DE ASIS,** Filipino, of legal age and a resident of Regent Parkway, 21st Drive, Bonifacio Global City, Taguig City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Aboitiz Equity Ventures Inc. (AEV).

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Morgan Stanley & Co.	Senior Adviser	2010 to present
Globe Capital Partners LLC	Founder and Chairman	1998 to present
Easycall Communications Philippines, Inc.	Independent Director	2017 to present
Anneberg Foundation Trust at Sunnylands, U.S.A	Advisory Board Member	2011 to present
The International Institute for Strategic Studies, U.K	Advisory Council Member	2012 to present
APEC Business Advisory Council	Advisor	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AEV, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of AEV and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. No conflict of interest exists between my being an Independent Director of AEV and my other affiliations as defined and stated in the AEV Guidelines for the constitution of the Nomination Committee (now referred to as "Board Environmental, Social, and Corporate Governance Committee") and the nomination and election of the independent directors.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AEV of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this ___________________ at __________________.

JOANNE DE ASIS
Affiant

SUBSCRIBED AND SWORN to before me this February 15, 2021 at Taguig City. Affiant, who is personally known to me, personally appeared before me and exhibited to me her Philippine Passport No. P188673A issued at DFA Manila on February 10, 2017.

Doc. No. 461;
Page No. 94;
Book No. IX;
Series of 2021.

ATTY. STRELLA MARIE G. SACDALAN
ROLL NO. 63289
NOTARY PUBLIC
TAGUIG CITY, PHILS

Atty. Strella Marie G. Sacdalan
Notary Public for Taguig City
Notarial Commission No. 99
Until June 30, 2021
NAC Tower, 32nd St. Bonifacio Global City, Taguig City
PTR NO. A-5025311; January 6, 2021, Taguig City
IBP OR No. 144348; January 6, 2021
Roll No. 63289
MCLE Compliance No. VI – 0011090

ANNEX "C"

SUMMARY OF THE MINUTES OF THE 2020 ANNUAL STOCKHOLDERS' MEETING

The meeting was called to order on 27 April 2020 at 4:00 p.m. by Director and President & Chief Executive Officer, Mr. Sabin M. Aboitiz, who acted as Chairman of the Meeting. The Corporate Secretary certified that notices for the 2020 Annual Stockholders' Meeting of AEV were duly sent out on 2 April 2020 to all stockholders of record as of close of business on March 23, 2020. Through the notice, the stockholders were informed that due to the Enhanced Community Quarantine ("ECQ") in effect in Luzon, the Company will be conducting its 2020 ASM online through live streaming available at the Company's website. In addition, the notice informed the stockholders that they could cast their votes through proxies or *in absentia* using the Company's online voting portal, votingportal.aboitiz.com. The Corporate Secretary further reported that notices of the meeting were distributed to stockholders through the following: (i) dislosed to the PSE including any amendments thereof; (ii) published in Philippine Daily Inquirer, Philippine Star, and Business World on 26 March 2020; (iii) uploaded on the Company's website; (iv) sent to stockholders electronically via email; and (v) broadcasted through the PDTC platform for the stockholders under PCD/Broker accounts.

The Corporate Secretary certified to the existence of a quorum, there being a total of 22,710,830 shares participating remotely or *in absentia* and 4,714,639,406 shares represented by proxy, or a total of 4,737,350,236 shares which constitute at least a majority of, or 84.14% of the total outstanding capital stock of 5,630,225,457 entitled to vote, or more than two-thirds (2/3) of the total outstanding shares entitled to vote.

Upon motion duly made and seconded, the minutes of the previous Annual Stockholders' Meeting last 22 April 2019 was approved.

The body passed the following resolutions:

1) Approval of the 2019 Annual Report and Audited Financial Statements
2) Appointment of the Company's External Auditor for 2020
3) Election of the Members of the Board of Directors
4) Amendment of the Articles of Incorporation to:
   (a) Include in the Primary Purpose the Power to Act as Guarantor or Surety for the Loans and Obligations of its Affiliates and Associates
   (b) Amend the Corporate Term to Perpetual Existence
   (c) Amend the Features of the Preferred Shares
5) Ratification of the Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2019 up to 27 April 2020

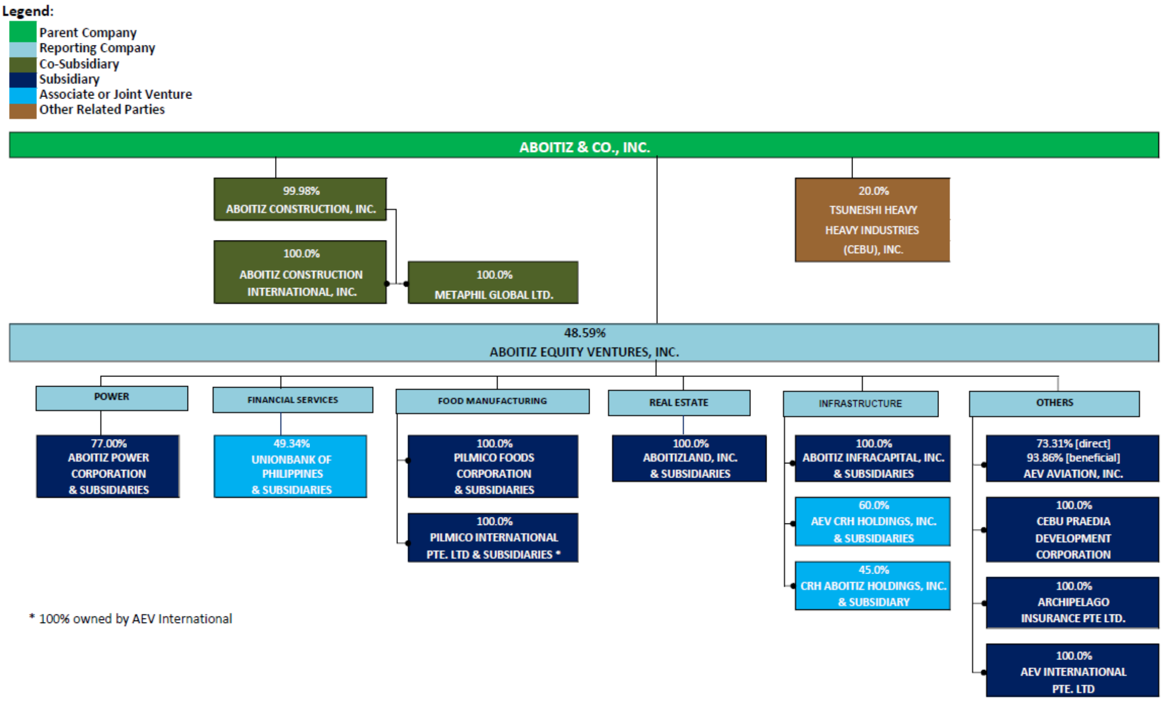
After the approval of the proposed resolutions, the meeting was duly adjourned.

A Copy of the Minutes of the 2020 ASM is available at the Company's website at: *https://s3-ap-southeast-1.amazonaws.com/aboitizsite-mediafiles/wp-content/uploads/2020/04/28213023/AEV-Minutes-2020-04.27.2020-Annual-Stockholders-Meeting-DRAFT-1.pdf*

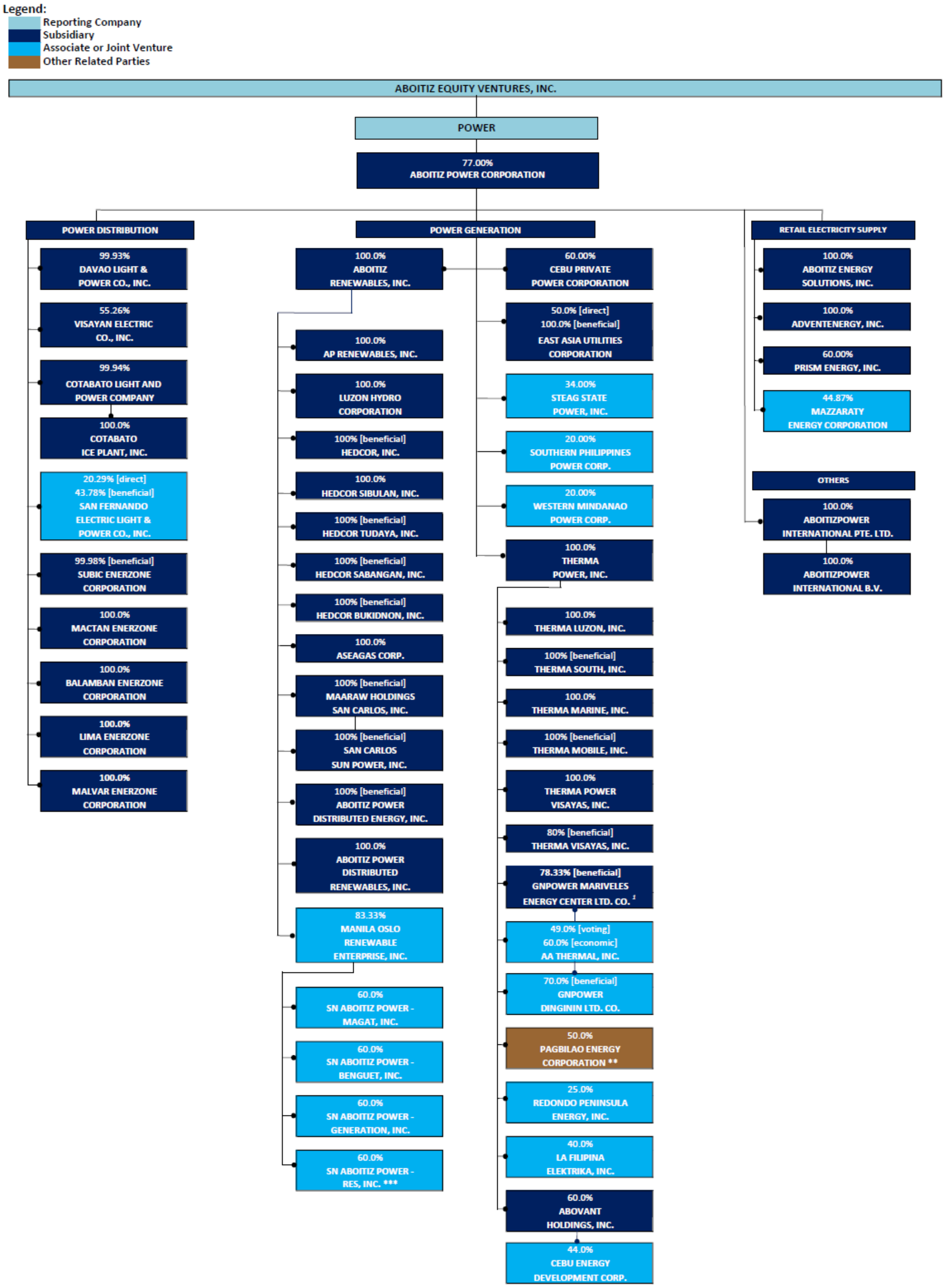
ANNEX "D"

As of December 31, 2020

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2020

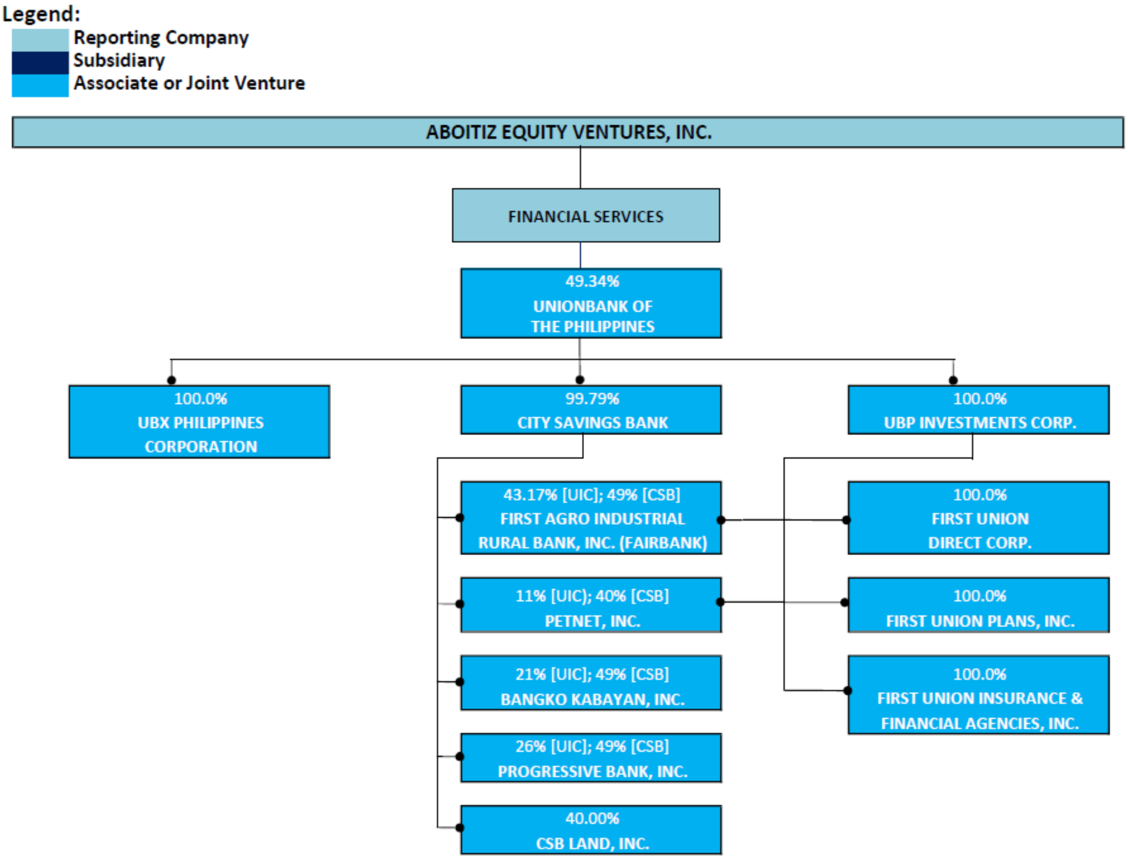


ABOITIZ EQUITY VENTURES, INC. - POWER
CONGLOMERATE MAPPING
As of December 31, 2020

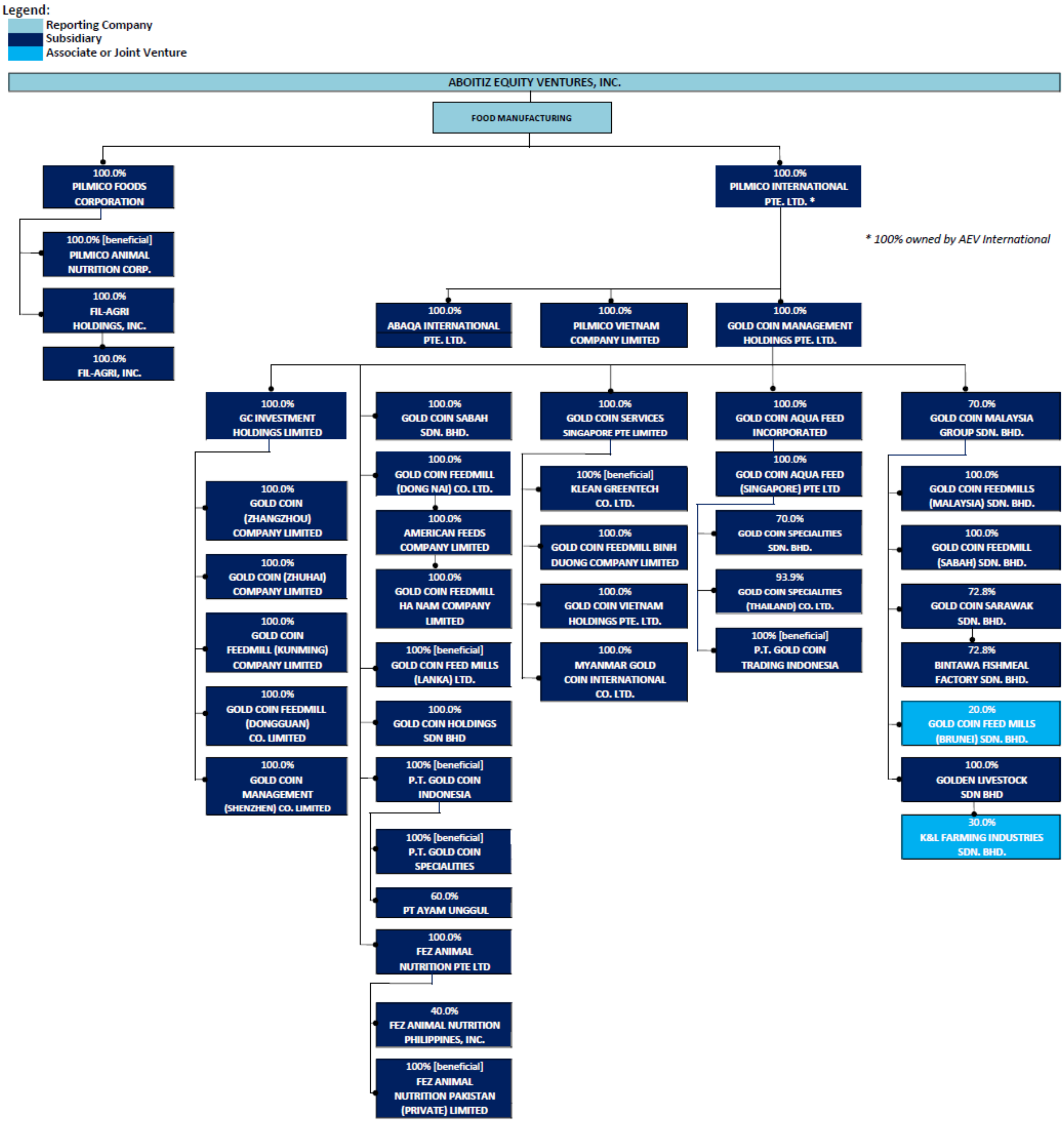


** Joint Operations
*** Engages in retail electricity supply business
1 Formerly, GNPower Mariveles Coal Plant Ltd. Co.

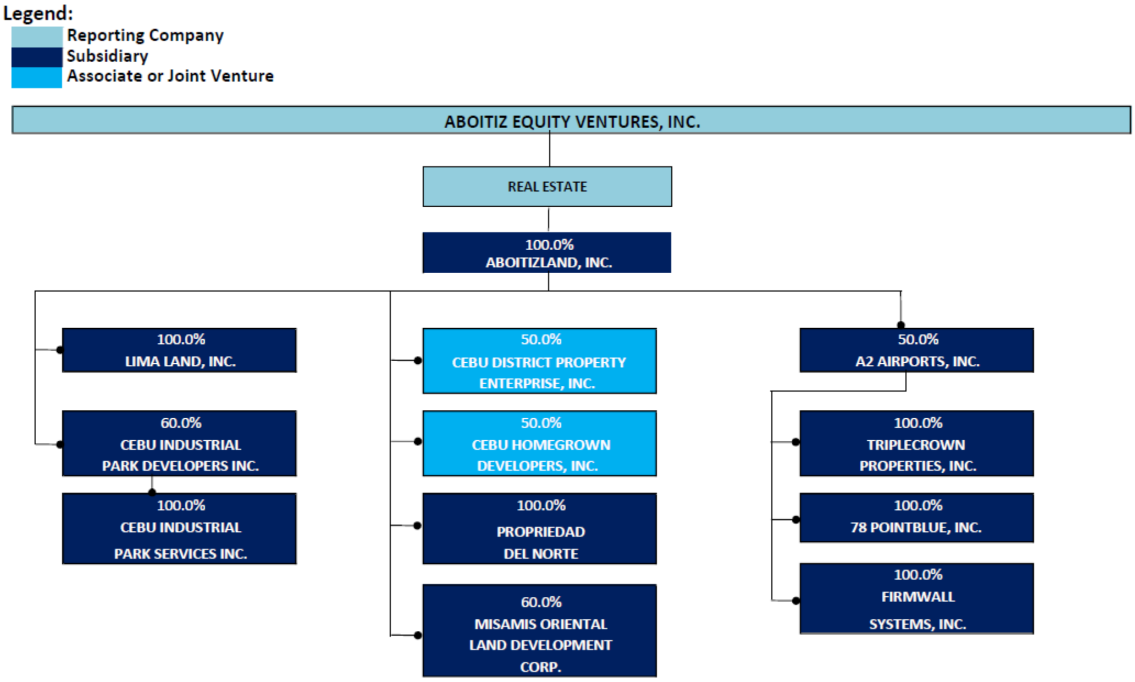
ABOITIZ EQUITY VENTURES, INC. - FINANCIAL SERVICES
CONGLOMERATE MAPPING
As of December 31, 2020



ABOITIZ EQUITY VENTURES, INC. - FOOD MANUFACTURING
CONGLOMERATE MAPPING
As of December 31, 2020

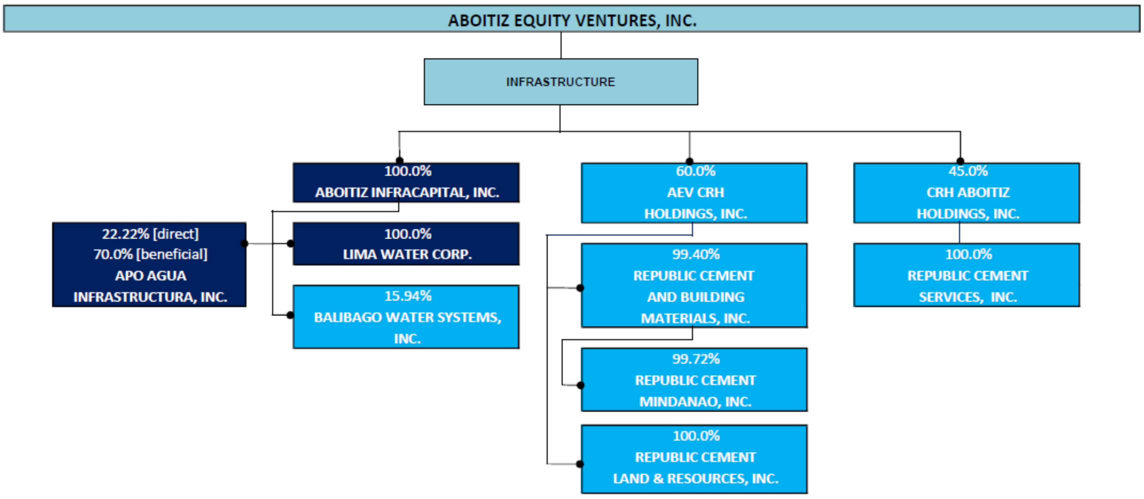


ABOITIZ EQUITY VENTURES, INC. - REAL ESTATE
CONGLOMERATE MAPPING
As of December 31, 2020



ABOITIZ EQUITY VENTURES, INC. - INFRASTRUCTURE
CONGLOMERATE MAPPING
As of December 31, 2020

Legend:
Reporting Company
Subsidiary
Associate or Joint Venture



The Board Audit Committee Report to the Board of Directors

Aboitiz Equity Ventures, Inc.

The Board Audit Committee is pleased to present its report for the financial year ended December 31, 2020.

Audit Committee Responsibility

In giving effect to its duly approved charter, the Audit Committee assisted the Board of Directors in fulfilling its oversight responsibility to the public, governmental and/or regulatory bodies and other stakeholders in helping:

a) Ensure the integrity of the Company's financial reporting processes, including ensuring the integrity of financial reports and other financial information provided by the Company to the public, governmental and/or regulatory bodies;
b) Ensure excellence in the Company's control performance by having an adequate and effective internal control system, governance processes and risk management processes and reviewing the performance on the Company's internal audit function;
c) Review the annual independent audit of the Company's financial statements and the external auditors' qualifications and independence;
d) Ensure compliance with applicable laws and regulations which may represent material financial exposure to the Company; and
e) Provide an avenue of communication among the Company's independent auditors, management, the internal auditing department and the Company.

The Committee has established a constructive and collaborative relationship with the Company's senior leadership to give support, but not to pre-empt any responsibility in making final audit-related decisions.

Committee Membership

The Audit Committee is composed of five (5) members, three (3) of whom are independent directors including its Chairman.

Jose C. Vitug, a retired Justice of the Supreme Court (an Independent Director) is the Chairman of the Committee. Other members of the committee are Atty. Raphael P. M. Lotilla (Independent Director), Manuel R. Salak III (Independent Director), Erramon I. Aboitiz (Non-Executive Director) and Ana Maria A. Delgado (Non-Executive Director).

Meetings and Attendance

The Audit Committee carried out its function through its meetings with management, internal auditors, independent external auditors, advisers, and others where appropriate.

The audit charter provides for the Committee to hold at least four (4) regular meetings a year, with the authority to convene special meetings when deemed required. It also holds an annual joint meeting with the Board Risk and Reputation Committee.

In 2020, five (5) meetings were held. The attendance by each member of the committee is as so indicated below:

Committee Composition	Mar 3, 2010 Regular Meeting	Apr 29, 2020 Regular Meeting (Virtual)	July 27, 2020 Regular Meeting (Virtual)	Oct 28, 2020 Regular Meeting (Virtual)	Oct 26, 2020 Joint with Risk (Virtual)
JOSE C. VITUG Chairman, Independent Director	✓	✓	✓	✓	✓
RAPHAEL P. M. LOTILLA Independent Director	✓	✓	✓	✓	✓
MANUEL R. SALAK III Independent Director	✓	✓	✓	✓	✓
ERRAMON I. ABOITIZ, JR. Non-Executive Director	✓	✓	✓	✓	✓
ANA MARIA A. DELGADO Non-Executive Director	✓	✓	✓	✓	✓

Attendees to these meetings also include the Group Internal Audit Head and, by invitation, the Chief Risk Officer, the Chief Financial Officer, Controller and other key leaders whenever deemed necessary or appropriate.

One-on-one sessions with between the Board Audit Committee Chairman and the AEV Group Internal Audit head are held as needed.

Financial Reports

The Board Audit Committee reviewed, discussed, and approved for public disclosure the 2020 quarterly unaudited consolidated financial statements. The Committee endorsed for approval by the full Board the 2020 annual audited financial statements of Aboitiz Equity Ventures, Inc., its subsidiaries and alliances. Included in the review were the Management Discussion and Analysis of Financial Condition and Results of Operations following prior review and discussion with management, accounting, and the company's independent external auditor, SyCip Gorres Velayo & Co. (SGV)—member practice of Ernst & Young (EY) in the Philippines.

The activities of the Audit Committee are performed in the context—

- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That the company's independent external auditor is responsible for expressing an unqualified opinion on the conformity and consistency of application of the Company's audited financial statements with Philippine Financial Reporting Standards.

External Auditors

Upon the endorsement of the Audit Committee to the Board which, in turn, sought the approval of the shareholders of Aboitiz Equity Ventures, Inc., during its Annual General Stockholders Meeting held last April 27, 2020, SyCip Gorres Velayo & Co. (SGV) was re-appointed as the independent external auditor for 2020 with Maria Veronica Andresa R. Pore as the signing partner for SGV.

The overall scope and audit plan of SGV were reviewed and approved during the October 28, 2020 regular Audit Committee meeting. The audit plan, fees and terms of engagement which covers audit-related services provided by SGV were also reviewed and found to be reasonable.

The results of the SGV audits and its assessment of the overall quality of the financial reporting process were presented and discussed during the first Audit Committee meeting the following year, March 3, 2021. SGV presented the effects of changes in relevant accounting standards and presentation of financial statements that impact on the reported results.

Non-audit services were provided by SGV in 2020 but limited to the conduct of trainings with regard to the adoption of new accounting standards and tax regulations.

The Board Audit Committee, after evaluation of the performance of the external auditor in 2020 and finding it to be in accordance with the Standards, favorably endorsed to the full Board the re-appointment of SGV as external auditor for 2021.

Internal Auditors

The Audit Committee is satisfied with the internal audit function and has assessed that it is operating effectively and to generally cover the risks pertinent to the company in its audits. The Committee has reviewed and approved the annual audit program for the year which also covers the adequacy of resources, qualifications and competency of the staff and independence of the internal auditor.

With reference to the IPPF Attribute Standard 1100 which states that "*The Internal Audit Activity must be independent, and internal auditors must be objective in performing their work.*", the Committee confirms that the function is executed effectively and internal auditors have conducted their responsibilities objectively and in an unbiased manner. The Committee further confirms that, to the best of its knowledge and belief, the auditors have no personal or other impediments that would prevent them from objectively planning, conducting, reporting, or otherwise participating and reaching independent conclusions in their audit assignments in 2020. Internal audit is organizationally positioned to be independent— functionally reporting to the Board Audit Committee and administratively to the President and Chief Executive Officer.

The Board Audit Committee is satisfied with the content and quality of reports prepared and issued by the internal auditors during the year under review.

The Group Internal Audit (GIA) remains to be the single-point-of-contact for the Audit Committee. It takes the lead in setting the standards, initiatives and overall direction of the group audit teams which, in turn, focus their reviews on the top risks of their respective business units. Except for the banks and other financial business units, information systems and technology-related risks however, still remain to be an area covered by the Aboitiz Equity Ventures, Inc. group information systems auditors.

Based on audit reports and highlights presented to the Committee and with the contribution provided by management and other key leaders on the issues raised to their attention, the Committee concurs with internal audit's assessment that, generally, there is reasonable assurance that the existing system of internal controls, risk management and governance allow for a generally adequate management of identified risks and effectively supports the improvement of the management of the Company as a whole. There is a need, however, to improve and further strengthen governance and controls over the implementation of security standards for information systems and related technologies particularly in relation to cybersecurity risks.

In its meeting held March 3, 2021, the Committee brought to the attention of the board the seriousness of cybersecurity risks to the group. The Committee discussed the performance of a full independent external cybersecurity review for AEV in 2021. This was endorsed to the full board and approved in its meeting held March 5, 2021. Relatedly, learning sessions with management and the board on cybersecurity will be conducted to further complement initiatives of the company in this area.

External Quality Assessment

The Internal Audit team of Aboitiz Equity Ventures, Inc., after undergoing an External Quality Assessment (EQA) review by the authorized validators of the Institute of Internal Auditors (IIA) Philippines that are duly accredited by the Institute of Internal Auditors (IIA) International, received the official EQAR results in 2017.

It is the opinion of the IIA that on the overall, the internal audit team of Aboitiz Equity Ventures, Inc., "**Generally Conforms**" to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for internal audit practitioners. **Generally Conforms** is the highest rating awarded in connection with an EQA and the internal audit team has been commended for this achievement.

The EQA, much like any global certification is not required**.** Acquiring it helps build the reputation not just of internal audit but of Aboitiz as a company that not only conforms, complies and follows but adopts and implements the *Standards* and best practices of the internal audit function. The EQA certification is valid for 5 years till 2022. Until then, internal audit will ensure that it continually works on its Quality Assurance Improvement Program and apply it across the group.

Review of the Audit Charters

Annual review and updating of the Board Audit Committee charter was conducted. Changes were discussed by the Committee in its October 28, 2020 quarterly meeting. The Committee endorsed the revised charter for full Board approval. The AEV Board approved the revised Board Audit Committee charter in its meeting held on November 4, 2020. The changes reinforced the oversight responsibilities of the Board Audit Committee in helping ensure excellence in control performance by having an adequate and effective internal control system, governance and risk management processes. It likewise include among its oversight duties and responsibilities the establishment of a fraud response plan.

Additionally, these changes are in compliance with the latest governmental issuances.

The review and updating of the charters are done at least once a year, endorsed by the Audit Committee, approved by the Board and included in the report to the stockholders.

Self-Assessment

The Committee conducted its annual self-assessment in accordance with the guidelines of SEC Memo Cir. No. 4, series of 2012. The assessment result showed that it fully complied with the requirements set forth in the Audit Charter and met the necessary and most important requirements set by global standards and best practices.

Risk Management

The partnership between the functions of risk management and internal audit has remained solid. In order to continuously provide objective assurance to the board on the effectiveness of risk management, a joint audit and risk committee meeting is held at least once a year.

Presented in the October 26, 2020 joint meeting are the top strategic risks, emerging risks and project risks that present a significant impact to the Company's ability to execute its plans, strategies and business objectives for the following year. These top risks serve as an input for the preparation of internal audit's master plan for the following year.

The joint meeting between the Board Audit and Risk Committees also provide an avenue to present the annual results of the Risk Management Plan validation reviews conducted by the internal audit teams across the group. The reviews give an assurance to management and the Board on the status of the risk treatments planned to address the identified risks for the year.

After considering, analyzing and reviewing all pertinent information on the integrity of financial reporting, effectiveness of internal controls, risk management, governance and compliance within the Aboitiz group of companies, the Committee is of the view that, in all material aspects, the duties and responsibilities as so outlined in its Charter have been satisfactorily performed.

In behalf of the Board Audit Committee,

Jose C. Vitug
(Retired Justice, Supreme Court/Independent Director)
Board Audit Committee Chairman

Internal Control Compliance and Attestation

aboitiz
Equity Ventures

Internal Control and Compliance System Attestation
For the year ended, December 31, 2020

Aboitiz Equity Ventures, Inc.'s (AEV) corporate governance system includes a combination of internal and external mechanism such as the structure of the board of directors and our committees, the oversight it exercises over management, and the formulation of sound policies and controls.

- The Board of Directors is responsible for providing governance and overseeing the implementation of adequate internal control mechanism and risk management processes;
- Management has the primary responsibility for designing and implementing an adequate and effective system of internal controls and risk management processes to ensure compliance with rules and regulations, and the law;
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external auditor is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual work plan and conducts reviews to assess the adequacy of the Company's internal control system;
- The Company's Group Internal Audit Head that acts as the equivalent of a Chief Audit Executive reports functionally to the Board Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfil its responsibilities; and
- Internal Audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Based on the above assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that AEV's internal control and compliance system, which covers governance, risk, and control processes, are generally adequate.

DocuSigned by:
6E3CB719CB994B7...

Sabin M. Aboitiz
President & Chief Executive Officer

Maria Lourdes Y. Tanate
Group Internal Audit Head

ANNEX "E"

Requirements and Procedures for Voting and Participation in the
2021 Annual Stockholders' Meeting (ASM)
of Aboitiz Equity Ventures Inc.
(the "Company")

In light of the continuing COVID-19 global pandemic and government-imposed restrictions on mass gathering, the Company will once again conduct a virtual ASM on 26 April 2021, Monday at 4:00 p.m. ("2021 ASM"). The meeting will be conducted *via* livestream at the link provided in the Company's website at https://aboitiz.com/2021asm (the "ASM Portal") on 23 March 2021.

Stockholders of record as of 23 March 2021 are entitled to participate and vote in the 2021 ASM.

The following procedures and requirements provide the ways in which the Company's stockholders can participate and vote in the 2021 ASM.

I. VOTING BY PROXY

1. For Individual stockholders holding certificated shares in the Company - Download the file Proxy Form for Individual Stockholder. For the Special Power of Attorney ("SPA"), refer to the Sample SPA uploaded in the website.

2. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker - Download the file Proxy Form for PCD Participant/Broker. Stockholders must coordinate with their brokers for the execution of this type of proxy. A stockholder may instruct his broker to directly send a scanned copy of the executed proxy to the Company, or he may send the scanned copy of the executed proxy.

3. For Corporate Stockholders - Download the file Proxy Form for Corporate Stockholder. For the secretary's certificate, refer to the Sample Secretary's Certificate uploaded in the website.

4. General instructions on Voting through Proxy:
   (a) Download and fill up the appropriate Proxy Form. Follow the instructions on how to cumulate or allocate votes in the election of directors. The Chairman of the meeting, by default, is authorized to cast the votes pursuant to the instructions in the proxy.
   (b) Send a scanned copy of the executed proxy through email to *aboitiz.shareholder.services@aboitiz.com*.
   (c) Stockholders must send a hard copy of the signed proxy once the Quarantine has been lifted and operations normalizes, to: The Corporate Secretary at 18th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City 1634
   (d) Deadline for the submission of proxies is on 19 April 2021, to give time for the Proxy Validation Committee to review and validate the proxies received in accordance with the Company's Amended By-Laws.

II. ELECTRONIC VOTING OR VOTING *IN ABSENTIA*

1. Instead of voting by proxy, stockholders may choose to vote for the matters set out in the Agenda for the 2021 ASM (including casting votes in the election of directors) through the online voting platform available at the ASM portal. Votes cast until 3:00 p.m. on 26 April, 2021 will be tabulated and presented during the 2021 ASM. Stockholders may still vote after the cut-off time, and the final votes received through proxy and through the ASM Portal after the adjournment of the meeting will be included in the minutes of the 2021 ASM. Stockholders must provide the information required and upload the documents needed to complete their registration and to cast their votes, which are then subject to verification and validation by the Office of the Corporate Secretary.

2. Stockholders will need the following documents to register at the online voting platform:

   (a) Individual Stockholders

i. Valid email address and active contact number (landline or cellphone);
ii. Any valid identification cards (ID);[18]
iii. Any valid stock certificate issued by the Company in the name of the individual stockholder, or stock certificate number that matches with the name provided in the registration form, if such stock certificate is lost.

(b) Stockholders with Joint Accounts
i. An authorization letter signed by other stockholders indicating the person among them authorized to cast the votes;
ii. Documents required under Items 2.a.(i) and 2.a.(ii) for the authorized stockholder; and
iii. Any valid stock certificate issued by the Company in the name of the joint stockholders, or stock certificate number that matches with the name provided in the registration form, if such stock certificate is lost.

(c) Stockholder under PCD Participant/Brokers Account or "Scripless Shares"
i. Coordinate with the broker and request for the full account name and reference number or account number they provided to the Company; and
ii. Items 2.a.(i) and 2.a.(ii) above.

(d) Corporate Stockholders
i. Secretary's certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
ii. Any valid stock certificate in the name of the corporate stockholder; and
iii. Documents required under Items 2.a.(i) and 2.a.(ii) above for the authorized representative.

3. The ASM Portal contains the Agenda items for approval as set out in the Notice and Agenda for the 2021 ASM.

(a) For items other than the election of directors, stockholders have the option to vote: In Favor of, Against, or Abstain.
(b) For the election of Directors, stockholders have the option to vote his shares for all nominees, not vote for any nominees, or vote for one or some nominees only, in such number of shares as the stockholder prefers, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The system will automatically compute the total number of votes the stockholder is allowed to cast, based on the number of shares he owns.
(c) Once the stockholder finalizes his votes, he can proceed to submit the accomplished form by clicking the 'Submit' button.
(d) After the ballot has been submitted, the stockholder may no longer change his/her vote.

4. Thereafter, the Office of the Corporate Secretary will send a confirmation email to the stockholder once his/her account has been verified and his/her vote has been recorded.

If the registration cannot be verified due to unreadable, lacking, or incomplete documents or information, an automatic email notification as well as a subsequent email shall be sent by the Company through the email address *aboitizboardsecretariat@aboitiz.com* to inform the stockholder of the actions required to complete the registration. Stockholders may contact *aboitizboardsecretariat@aboitiz.com* for queries regarding the online voting and registration.

If the account of a stockholder cannot be verified, then the votes cast by the non-verified stockholder shall not be recorded

5. The Office of the Corporate Secretary shall tabulate all valid and confirmed votes cast through the ASM Portal, together with the votes cast through proxies. The Board of Election Inspectors will thereafter validate the results.

[18] *Acceptable Valid IDs: Driver's License, Passport, Unified Multi-Purpose ID (UMID), GSIS ID, company ID, PRC ID, IBP ID, iDOLE Card, OWWA ID, Comelec Voter's ID, Senior Citizen's ID, or Alien Certificate of Registration/Immigrant Certificate of Registration.*

6. Votes cast until 3:00 p.m. of 26 April 2021. will be tabulated and presented during the ASM. Stockholders may still vote at *https://aboitiz.com/2021asm* after the cut-of time and the final votes received through the proxy and through the ASM Portal after the adjournment of the meeting will be included in the minutes of the 2021 ASM.

III. ATTENDANCE IN THE 2021 ASM BY REMOTE COMMUNICATION

1. Stockholders who intend to participate in the 2021 ASM remotely may register using the link *https://aboitiz.com/2021asm* until 12:00 noon of 26 April 2021.

2. To register, stockholders will need the requirements under Item II.2 above, depending on the type of ownership. Stockholders will also need to upload a valid ID as proof of identity.

3. Upon successful registration, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2021 ASM livestream.

   If the registration cannot be verified due to unreadable, lacking, or incomplete documents or information, an automatic email notification as well as a subsequent email shall be sent by the Company through the email address *aboitizboardsecretariat@aboitiz.com* to inform the stockholder of the actions required to complete the registration. Stockholders may contact *aboitizboardsecretariat@aboitiz.com* for queries regarding the online voting and registration.

4. Stockholders may send questions or remarks before the ASM and until the adjournment of the ASM via the ASM portal.

5. The proceedings during the 2021 ASM will be recorded.

For more questions and clarifications, stockholders may visit the Company's website at https://aboitiz.com/ or contact:

The Corporate Secretary at *governanceandcompliance@aboitiz.com*
Marinel Mangubat – (632) 8886-2800 local 21757 or *aboitiz.shareholder.services@aboitiz.com*
Michael Capoy - (632) 8403-3798 or *mccapoy@stocktransfer.com.ph*