COVER SHEET

			1	7	5	2	2	2			

S.E.C. Registration Number

P.S.E. Control Number

VIVANT CORPORATION

(Company's Full Name)

9TH FLR. OAKRIDGE IT CENTER 3 OAKRIDGE BUSINESS PARK A.S. FORTUNA ST MANDAUE CITY, CEBU

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

Joan A. Giduquio-Baron
Contact Persons

(032) 232-0283, 234-2256 and 234-2285
Telephone Number of the Contact Person

12 31
Month Day
Fiscal Year

SEC FORM 17-A
FORM TYPE

06 17
Month Day

N/A
Secondary license Type, If Applicable

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

1,404
Total No. of Stockholders

1,023,429,809
Domestic

26,889
Foreign

To be accomplished by SEC Personnel concerned

LCU

Document I.D.

Cashier

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **2023**

2. SEC Identification Number **175222**

3. BIR Tax Identification No. **242-603-734-000**

4. **VIVANT CORPORATION**
   Exact name of issuer as specified in its charter

5. **City of Mandaluyong**
   Province, Country or other jurisdiction of incorporation or organization

   (SEC Use Only)

6. Industry Classification Code:

7. **VIVANT CORPORATION**
   9th Floor, Oakridge IT Center 3, Oakridge Business Park,
   A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu
   Address of principal office

   6014
   Postal Code

8. **(6332) 234-2256; 234-2285**
   Issuer's telephone number, including area code

9. **Not Applicable.**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**1,023,456,698**
Amount of Debt Outstanding	**Php 10,247,470,055**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [x]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange   **Common Stock**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [x] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. Php14.32 x 246,860,153= Php3,535,037,390.96

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1. Business Development

Vivant Corporation (Vivant or the Company) is a publicly listed holding company that, through its subsidiaries and affiliates, has interests in various companies engaged in the electric power generation (renewable and non-renewable energy), electric power distribution, and retail electricity business. The Garcia-Escaño family of Cebu (the Family) collectively owns approximately 76% of the outstanding capital stock of Vivant as of December 31, 2023.

Vivant's history can be traced back to Viuda y Hijos de F. Escaño Incorporada, the successor of the enterprise that Don Fernando Escaño founded in 1879, which came to be known as Hijos de F. Escaño Inc. (HDFE). The entry into the power industry dates back to the early 1900s when the Family diversified its business interests (mainly shipping and trade) to include electricity power distribution when it took over the operations of the Visayan Electric Company, Inc. (VECO). VECO was the power distribution utility serving the electricity requirements of the City of Cebu and its surrounding municipalities.

The Second World War caused significant damage to the facilities of VECO. It was during the close of the war in 1945 that initiatives of VECO, alongside the US Army, allowed the resumption of its operations to its pre-war levels. Staff levels increased, while investments in new machineries and equipment poured in. Currently, VECO stands as the second largest privately-owned electric power distribution utility in the Philippines in terms of annual gigawatt-hour (GWh) sales. As of end-2023, Vivant has an effective equity interest of approximately 35% in VECO.

In 2002, the Family acquired 99% of Philstar.com, a company listed in the Philippine Stock Exchange (PSE). Subsequently, the Family's holdings in HDFE and VECO were infused to this company. Philstar.com was eventually renamed Vivant Corporation.

Starting in 2007, Vivant, through its subsidiaries and affiliates, started its foray into the power generation business via equity investments in the following generation companies:

- Cebu Private Power Corporation (CPPC), owner and operator of a 70 megawatts (MW) diesel-fired power plant located in the island of Cebu;
- Delta P, Inc. (DPI), owner and operator of a 16 MW diesel-fired power plant in Palawan; and
- Cebu Energy Development Corporation (CEDC), a project company that owns and operates a 246 MW coal-fired power plant in Toledo City, Cebu.

The Company likewise participated in the government's privatization efforts conducted by the Power Sector Assets and Liabilities Management (PSALM):

- Acquisition of the 0.8 MW Amlan Hydroelectric Power Plant in Negros Island in 2009; and
- Appointment as the Independent Power Producer (IPP) Administrator of the 70 MW Bakun Hydroelectric Power Plant in Alilem, Ilocos Sur in 2009In 2010, Vivant, through one of its subsidiaries, 1590 Energy Corp. (1590 EC) entered into an agreement with the Provincial Government of La Union (PGLU) for the management and operation of the 225 MW Bauang Diesel-fired Power Plant (BBPP). On April 1, 2022, 1590 EC submitted its bid proposal to PGLU during its Public Auction Sale for the power plant. On April 19, 2022, after evaluation and verification of the bid proposal of 1590 EC and payment in full of the purchase price in the winning bid proposal, a Deed of Transfer and Conveyance was executed between 1590 EC and PGLU over the BDPP and the land where it is located.

In December 2012, Corenergy Inc. (Corenergy), through wholly-owned subsidiary Vivant Energy Corporation (Vivant Energy), was incorporated as the Retail Electricity Supplier (RES) company of Vivant.

In April 2013, the Company, through one of its associates, broke ground for the construction of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. The plants commenced commercial operations in the last quarter of 2014 and have serviced the power requirements of the local distribution utility via a Power Supply Agreement (PSA).

In November 2013, Vivant, through wholly-owned subsidiary Vivant Energy, participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM declared and selected Vivant Energy as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP. This allowed Vivant Energy to sell 17 MW of geothermal power from ULGPP beginning January 1, 2015. In October 2019, the Administration Agreement for the Selection and Appointment of IPP Administrators for the Strips of Energy of the ULGPP between Vivant Energy and PSALM was terminated.

In January 2014, Vivant signed a Notes Facility Agreement (NFA) to issue Php 3 billion (bn) in Fixed Rate Corporate Notes (FRCN). The offering was fully subscribed by a consortium of local banks. Proceeds of the issue, which were in 2 tranches, were earmarked to partly fund the Company's and its subsidiaries' capital projects.

In February 2014, a Memorandum of Understanding was executed by wholly-owned subsidiary Vivant Integrated Generation Corporation (VIGC) and Mindanao Energy Systems, Inc. (Minergy) that involved the possible equity investments by VIGC in Minergy's future power generation projects. Subsequent to this, a Subscription Agreement between VIGC and Minergy Coal Corporation (MCC) was executed, which allowed VIGC to subscribe to 40% of all issued capital and shares of MCC. MCC is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. In 2015, MCC changed its corporate name to Minergy Power Corporation (MPC). The power generation facility started to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns, in September 2017. In 2023, MPC was among those affected by the Decision issued by the Supreme Court in the case filed by Alyansa Para Sa Bagong Pilipinas against the ERC, DOE, Manila Electric Company (MERALCO) and other generation companies[1] (Alyansa Case).

On August 27, 2014, a Shareholders' Agreement between VIGC and Therma Power, Inc. (TPI) was signed. This agreement involved the investment by VIGC in Therma Visayas, Inc. (TVI), the project proponent for the construction and operation of a 2x170 MW coal-fired power generation facility in Toledo City, Cebu. The agreement involved the entry of VIGC into TVI for a 20% equity stake. Construction commenced in the first quarter of 2015. Commercial operations for Unit 1 and Unit 2 commenced within the first half of 2019.

In December 2015, after the successful conduct of a Competitive Selection Process (CSP) by the Palawan Electric Cooperative (PALECO), DPI was declared as the winning proponent and awardee of the 15–year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. The power plant facility started to feed into the PALECO service area in the second quarter of 2017. The 15-year PSA was among the contracts affected by the Decision issued by the Supreme Court in the Alyansa Case.

In September 2016, Corenergy obtained its 5-year RES license from the Energy Regulatory Commission (ERC) and started supplying to retail customers in Luzon starting in 2018. It secured its 5-year RES license renewal in September 2021.

In January 2017, 1590 EC signed a 5-year Ancillary Service Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP). This involved the provision of Dispatchable Reserve on a non-firm basis. The ASPA became effective in May 2017, after obtaining Provisional Approval from the ERC.

In May 2017, Vivant entered into a joint venture with ET Energy Pilipinas Holding Corporation (ET-Pilipinas). The joint venture was established for the purpose of exploring opportunities in the solar rooftop space. Through 100%-owned Vivant Energy and Vivant Renewables Energy Corporation (VREC), the Company initially had 60% ownership in the joint venture company, Vivant Solar Corporation (Vivant Solar). In November 2019, Vivant Energy and VREC bought out ET-Pilipinas, making Vivant Solar a wholly-owned subsidiary of Vivant.

[1] GR No. 227670 (May 3, 2019).

Also in May 2017, a Commencement/Stay Order was issued by the Cebu City Regional Trial Court (RTC) Branch 11 in favor of 48%-owned Vivant-Sta. Clara Northern Renewables Generation Corporation (NR) pursuant to a Petition for Corporate Rehabilitation. NR was the IPP Administrator of the 70MW capacity of the Bakun Hydroelectric Power Plant. In October 2018, North Renewable Energy Corporation acquired all of Vivant Energy's and VREC's shareholdings in NR.

In December 2017, Vivant, through wholly-owned subsidiary VIGC, and Global Business Power Corporation (GBPC) signed a Pre-Development Agreement to jointly participate in a project that involved the construction and operation of a 2x335 MW power plant in La Union. This project will be undertaken through Global Luzon Energy Development Corporation, a special purpose vehicle that was set up where Vivant has an effective ownership of 42.5%.

Also, in December 2017, Vivant Energy and ICS Renewables Holdings, Inc. (ICS Renewables) executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred Vivant's ownership in Amlan Hydroelectric Power Corporation to ICS Renewables by year-end. A Deed of Sale with Assignment of Subscription Rights was likewise executed by Vivant Energy and ICS Renewables, which effectively transferred ICS Renewables' shares in 1590 EC to Vivant Energy. As of year-end 2017, Vivant Energy increased its equity stake in 1590 EC from 52.7% to 55.2%.

In May 2018, Sabang Renewable Energy Corporation (SREC) broke ground for the construction of a hybrid power generation facility in Bgy. Cabayugan, an unelectrified area in Puerto Princesa. The project is composed of a 1.4 MW solar power generation plant, a 2.3 MWh storage facility and a 1.28 MW diesel-fired power generation unit. SREC will be the first to operate a smart hybrid power plant facility in an off-grid area. In addition to generating power, SREC will also be responsible for distributing the electricity produced by the power plant to its consumers through its 14 km line under a Qualified Third-Party (QTP) Subsidy and Service Agreement with the National Power Corporation (NPC) and the Department of Energy (DOE). In November 2021, the Company sold its 30% equity in SREC to Maharlika Clean Power Holding Corp.

In June 2018, Vivant Solar purchased the shares of ET-Pilipinas in special purpose vehicle Corenergy Solar Solution Corp. (CSSC), the special purpose vehicle where all rooftop solar projects of Vivant are currently housed. In November 2019, CSSC declared commerciality for a 1.35MWp Solar Photovoltaic Plant in Mandaue City, Cebu. In the same month, Vivant Energy and VREC bought out ET-Pilipinas, making CSSC a wholly-owned subsidiary of Vivant.

In December 2018, the Company established Vivant Infracore Holdings Inc (VIHI), the holding company that Vivant will use to house its business interests across different segments in infrastructure.

In May 2019, Vivant Hydrocore Holdings Inc. (VHHI) was incorporated as Vivant's water-industry arm, which will invest in and manage a diversified water portfolio in the areas of bulk water supply, wastewater treatment and water distribution.

In June 2019, Vivant, through wholly-owned subsidiary VHHI, entered into an agreement with an Israeli firm, Watermatic International Ltd. (WMI), for the creation of a joint venture company Watermatic Philippines Corporation (WMP). This was part of Vivant's endeavors to diversify its investment portfolio to include infrastructure. WMP was envisioned to engage in the design, supply, installation, commissioning, operation, and maintenance of water treatment and waste water treatment plants. Vivant initially owned 50% of WMP. In November 2019, Vivant increased its stake in WMP to 60% through additional subscription of shares.

In November 2019, the Bantayan Island Electric Cooperative, Inc. (BANELCO) concluded a successful CSP by awarding a 15-year contract to supply 15 MW of the island's energy requirements to the joint venture of Vivant Integrated Diesel Corporation (VIDC), a wholly-owned subsidiary of Vivant Energy, and Gigawatt Power Inc. (GPI). In February 2020, INEC and BANELCO signed the PSA. Vivant owns 65% equity in INEC through wholly-owned subsidiaries. Pending the approval of INEC's PSA application, the ERC issued a directive to BANELCO to "source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area". Thus, in November 2021, INEC and BANELCO signed an Interim Power Supply Agreement (IPSA). With the incorporation of the Special Purpose Vehicle (SPV), Isla Norte Power Corporation (Isla Norte), the PSA with BANELCO was assigned to Isla Norte. Thereafter, as the new SPV and party to the PSA, on May 5, 2022 the ERC issued a provisional authority in favor of Isla Norte to implement the PSA. The provisional authority became effective upon the expiration of the IPSA. The new 23.3 MW power plant has started commercial operations on May 26, 2022.

In February 2020, VHHI acquired a 45% equity stake in Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS), which owns the Puerto Princesa Water Reclamation and Learning Center Inc (PPWRLC) in partnership with the Puerto Princesa City Government. The acquisition resulted in VHHI ultimately owning 40% in PPWRLC. PPWRLC is the owner and operator of a wastewater treatment facility to help rehabilitate the Puerto Princesa Bay.

In November 27, 2020, Pampanga II Electric Cooperative Inc. (PELCO II) awarded a 15-Year PSA for the Supply of 15 MW Peaking Requirement through a Build-Own-Operate Scheme to the consortium of Vivant Energy and GPI. This was a result of a successful CSP that was conducted by the Third-Party Bids and Awards Committee of PELCO II. The consortium invested into La Pampanga Energy Corporation (LPEC) to implement the rights and obligations of the PSA. The PSA was signed between LPEC and PELCO II on June 10, 2021 and is now awaiting approval by the ERC. Pre-development activities are ongoing with the intention to commence construction of the power plant by the last quarter of 2023.

In December 2020, Vivant signed a NFA to issue Php3 bn in FRCN with tenors of 2 years and 5 years. The offering was fully subscribed by a consortium of local banks. Proceeds of the issue will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN that matured in February 2021. As of December 31, 2023, the outstanding Notes amount to Php1.9 bn after a Php50 mn token amortization paid in January 2022 and a Php1.05 bn principal repayment made in January 2023.

In February 2021, Vivant Energy, together with Amberdust Holdings Corp. (AHC) signed a Share Sale Purchase Agreement to acquire 90% of the outstanding shares of Bukidnon Power Corp. (BPC) and Northern Bukidnon Power Corp. (NBPC) from its existing shareholders. BPC owns two diesel-fired power plants with a total installed capacity of 7.3 MW which are contracted to supply the energy requirements of First Bukidnon Electric Cooperative, Inc. (FIBECO). NBPC on the other hand, has a diesel-fired power plant with an installed capacity of 6.56 MW. This capacity is contracted to supply the peaking requirements of Bukidnon Second Electric Cooperative, Inc. (BUSECO).

In March 2021, a Shareholders' Agreement was signed by VREC for its acquisition of up to 34.85% of the total equity in Buskowitz Finance Inc. (BFI). In 2022, BFI changed its name to Buskowitz Energy Inc. (BEI). BEI is a solar engineering, procurement and construction company and is considered as one of the biggest players in the rooftop solar installation market in the Philippines.

In June 2021, VHHI was awarded by the Metropolitan Cebu Water District (MCWD) with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water.

In February 2023, Vivant Energy, through wholly-owned subsidiary San Ildefonso Alternative Energy Corp. (SIAEC), acquired a 22MW peak solar project in San Ildefonso, Bulacan. As of December 31, 2023, the project is 70% complete and is expected to achieve commercial operations by the 2nd half of 2024.

In June 2023, Vivant Energy commenced the acquisition of all the shares of partner Gigawatt Power Inc. (GPI) in companies that own power plants primarily in off-grid areas. GPI owns 50% in DPI, CIPC, LPEC and Culna Renewable Energy Corporation (CREC), as well as 35% in Isla Norte. Once completed, the acquisition will expand Vivant Energy's investment in Small Power Utilities Group (SPUG) to 63.3 MW in attributable installed capacity from 35.2 MW.

In September 2023, Vivant Energy and Vena Energy welcomed AboitizPower Corporation (AP), through its subsidiary Aboitiz Renewables Inc., into a partnership that will develop, construct and operate a 206 MW wind power plant in Samar. The project, which is under construction, is expected to be operational in the 2nd half of 2025.

Similar with MPC, in October 2023, pursuant to an Order issued by the ERC, PALECO and DPI were directed to desist from implementing the PSA executed in 2015.

In December 2023, wholly-owned subsidiary Vivant Energy entered into two bilateral Term Loan Facility Agreements for loan facilities amounting to a total of up to P6.25 bn. Initial loan drawdowns amounting to P600.0 million (mn) were made during the same month. These term loans are unsecured and will mature in December 2028.

2. Business of Issuer

Through its equity interests in its subsidiaries and associates, Vivant is in the business of electric power generation, electric power distribution, retail electricity supply and water infrastructure in the Philippines. (Please see Exhibit "A" for Vivant's Corporate Structure).

POWER GENERATION

As of end-2023, Vivant Energy holds all of Vivant's interests in the electric power generation business. To date, the Company has built a portfolio comprised of non-renewable power generation plants with total attributable capacity of approximately 447 MW. As of December 31, 2023, approximately 54% of Vivant's net income from business segments was accounted for by its power generation business.

The table below summarizes the operating results of the generation companies as of December 31, 2023.

Generation Companies	Energy Sold[1] (in GWh)			Revenue[2] (in Php million)		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**
COAL						
CEDC[3]	1,794.7	1,793.0	1,743.1	8,984.2	14,458.3	12,165.2
MPC[4]	835.3	664.2	714.4	5,652.6	7,447.5	6,695.4
TVI	2,219.7	2,127.2	2,467.8	10,686.0	15,048.9	15,294.8
DIESEL						
1590 EC	129.3	174.5	97.3	2,559.3	2,820.8	1,877.1
CPPC[5]	80.5	93.3	31.5	1,275.3	1,060.2	660.3
Delta P	68.2	91.3	117.0	947.8	1,391.7	1,657.3
CIPC	26.6	35.1	41.4	428.4	644.4	730.8
INEC[6]	10.0	53.6	57.2	92.9	753.8	819.5
BPC/NBPC[7]	0.2	1.5	0.3	154.7	169.5	158.4

Notes:

1. *Figures are at 100%.*
2. *Figures are at 100%.*
3. *Includes billed minimum contracted energy.*
4. *MPC's PSA with CEPALCO and DPI's PSA with PALECO were among the contracts affected by the decision issued by the Supreme Court in the case filed by Alyansa Para sa Bagong Pilipinas against ERC, DOE and MERALCO. As result of the decision and pursuant to an order issued by the ERC, MPC and CEPALCO, and DPI and PALECO were directed to desist from implementing their respective PSAs.*
5. *On August 18, 2023, CPPC's Built-Operate-Transfer contract was concluded with the transfer of assets to VECO.*
6. *The Long-Term Power Supply Agreement with BANELCO commenced in May of 2022. The merger of INEC into Isla Norte was approved by the Securities and Exchange Commission in December 2022.*
7. *Investment in BPC/NBPC started in March 2021.*

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates one of the largest diesel power plants in the island of Cebu – the 10 Caterpillar-MaK-powered 70 MW Bunker C-fired power plant situated on a 1.8-hectare site in the old VECO compound at Brgy. Ermita, Cebu City.

Commissioned in 1998, the CPPC plant was constructed pursuant to a build-operate-transfer (BOT) contract to supply 62 MW of power to VECO.

On April 20, 2007, Vivant acquired from East Asia Utilities Corporation 40% of the outstanding common shares of CPPC. The remaining 60% of the outstanding common shares was acquired by AP.

In December 2010, CPPC started selling its excess capacity to the Wholesale Electricity Spot Market (WESM). In July 2013, CPPC and VECO filed an application for a new 10-year PSA with the ERC. Upon approval and implementation, the new agreement will redound to a slightly lower electricity rate for VECO. In August 2021, the CPPC PSA with VECO was terminated.

In August 2023, CPPC's BOT contract was concluded with the transfer of assets upon the expiration of the contract term.

Delta P, Inc. (DPI)

Established in 1997, DPI is an independent power producer in Palawan operating a 16 MW bunker-fired power plant with 4 units of 4 MW generator sets. In March 2007, GPI acquired the 100% interest of Wärtsilä Technology Oy Ab in DPI. In June 2007, GPI divested and sold a 20% equity stake in DPI to Vivant. Through wholly-owned subsidiary Vivant Energy, Vivant's equity stake increased to 35% in October 2007 through an additional share acquisition from GPI.

The power plant facility of DPI is located on a 25,981 sq.m. parcel of land leased from the City Government of Puerto Princesa at Kilometer 13, North National Highway, Barangay Santa Lourdes, Puerto Princesa, Palawan. Commercial operations started in May 1997 by virtue of a Lease Agreement with NPC, which expired in April 2009. The power generated by the plant served a portion of the electricity requirements of PALECO.

On February 6, 2009, DPI and PALECO signed a PSA for DPI to directly supply PALECO'S power requirements for the next 10 years. DPI and PALECO filed a joint petition with the ERC for the approval of the PSA, which the latter granted on November 9, 2009.

In May 2015, a Share Purchase Agreement was executed between Vivant Energy and GPI, which resulted to a 50:50 equity ownership between the companies.

In December 2015, after the successful conduct of a CSP by PALECO, DPI was declared as the winning proponent and awardee of the 15–year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. In April 2016, DPI and PALECO filed a Joint Application with the ERC for the approval of the PSA. A public hearing was held on February 17, 2017. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

On February 6, 2019, a fire broke out in the old power plant of DPI which damaged 1 (out of 4) of the engines and the surrounding areas of the older facility. After the rehabilitation was completed, 2 engines went back online within 17 days from the incident, and the 3rd engine was running by April 2019.

After successfully supplying PALECO's power requirements for the past 10 years, the PSA of the old plant expired in April 2020. In 2022, DPI commenced with the decommissioning of the old plant. The generating units were completely decommissioned in the same year, while the removal of its auxiliaries excluding the fuel tanks and smoke stacks, were completed in June of 2023. Decommissioning of the fuel tanks are pending proper disposal of remaining fuel in the tanks, while decommissioning of the smokestack is still ongoing.

In June 2023, Vivant Energy entered into an agreement with GPI for the acquisition of the latter's shares in DPI, subject to the completion of the conditions precedent.

The PSA of the new plant with PALECO was among the contracts affected by the Decision issued by the Supreme Court in the case filed by Alyansa Para Sa Bagong Pilipinas against the ERC, DOE, MERALCO and other generation companies[2]. As a result of the said Decision and pursuant to an Order issued by the ERC, PALECO and DPI were directed to desist from implementing the PSA in October 2023. DPI filed a motion for reconsideration of the said Order which remains pending with the ERC.

DPI still supplies a portion of the power requirements of PALECO through a 1-year Emergency Power Supply Agreement (EPSA) which PALECO procured to maintain power stability and to avoid an electricity supply deficit in its franchise area. The EPSA was implemented in October 2023 and is pending approval with the ERC.

Abovant Holdings, Inc. (AHI) and Cebu Energy Development Corporation (CEDC)

AHI was established in 2007 as a joint venture between Vivant and AP. The company's main purpose was to invest in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. AHI is 40% owned by Vivant (currently through wholly-owned VIGC) and 60% owned by AP (currently through wholly-owned TPI).

AHI and Global Formosa Holdings, Inc. (Global Formosa), a joint venture between GBPC then of the Metrobank Group and Formosa Heavy Industries, Inc., formed CEDC in December 2008 to build, own and operate a $450 mn 3 x 82 MW coal-fired power plant located in Toledo, Cebu utilizing the latest Circulating Fluidized Bed technology. Commercial operations commenced in 2011. With AHI's 44% stake in CEDC (Global Formosa owns the remaining 56%), Vivant's effective interest in CEDC is at 17.6%.

In October 2009, CEDC signed an Energy Power Purchase Agreement (EPPA) with VECO for the supply of 105 MW of electricity for 25 years. The application for approval was filed with the ERC in the same year and was approved in February 2010. To date, CEDC has signed other EPPAs with electric cooperatives and distribution utilities in Cebu and Bohol. The company's EPPAs will provide contracted minimum energy offtake with fuel cost as a pass-through.

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[2] GR No. 227670 (May 3, 2019).

In April and June 2023, CEDC's 30MW EPPA with Mactan Economic Zone and its 30MW firm ASPA contract with NGCP respectively concluded. With the freed-up capacity, CEDC participated in the CSP for a 1-year 28MW Power Supply Agreement with PEZA-Cavite Ecozone. Finalization of the PSA is ongoing.

1590 Energy Corporation (1590 EC)

In March 2010, a Memorandum of Agreement (MOA) was entered into between the PGLU, Vivant Energy and GPI wherein the parties agreed to enter into a Sale and Purchase Agreement (SPA) giving Vivant Energy and GPI exclusive right to purchase the BDPP owned by the PGLU until July 25, 2010.

On July 22, 2010, the MOA was amended granting Vivant Energy and GPI the right to an interim management and operation of the BDPP and an extension of the SPA for 6 months or until January 26, 2011. Hence, Vivant Energy and GPI incorporated 1590 EC in July 2010 to undertake all the rights, interests and obligations under the Interim Agreement. On September 10, 2010, Vivant Energy and GPI with the conformity of PGLU transferred all their rights, interests and obligations under the Interim Agreement to 1590 EC.

In December 2010, 1590 EC formally signified its intent to purchase the diesel power plant, thus, a Contract to Sell (CTS) was executed between 1590 EC and the PGLU, the closing of which was subject to certain conditions. In May 2012, a Mutual Rescission Agreement (MRA) was entered into by 1590 EC and the PGLU, thus terminating the CTS. Simultaneously, a MOA was executed by both parties giving 1590 EC the right to preserve, maintain and operate, including the right to use and sell the power generated by the BDPP for a period of one year. In 2013, 1590 EC and the PGLU entered into an agreement to extend the term of the MOA up to end-2015. In February 2015, the parties executed a Second Amendment to the MOA extending the term of the MOA up to end-2018.

In January 2017, 1590 EC signed a 5-year ASPA with NGCP. This involved the provision of Dispatchable Reserve on a non-firm basis. Effectivity of the contract will be upon receipt of a Provisional Approval by the ERC, which was obtained in May 2017.

In December 2017, Vivant Energy and ICS Renewables executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred ICS Renewables' shares in 1590 EC to Vivant Energy. As of year-end 2017, Vivant Energy increased its equity stake in 1590 EC from 52.7% to 55.2%.

In January 2018, through a bidding conducted by the PGLU, 1590EC was awarded the right to operate and maintain the BDPP through a 5-year lease, which commenced in January 2019.

On April 1, 2022, 1590 EC submitted its bid proposal to PGLU during its Public Auction Sale for the BDPP. On April 19, 2022, after evaluation and verification of the bid proposal of 1590 EC and payment in full of the purchase price in the winning bid proposal, a Deed of Transfer and Conveyance was executed between 1590 EC and PGLU over the BDPP and the land where it is located. Thereafter, 1590EC took control over the land and power assets of the BDPP, as well as the operations and generation output of the plant.

Vivant-Malogo Hydropower, Inc. (VMHI)

VMHI was incorporated in June 2012 as the project company to implement a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facility in Barangay Kapitan Ramon in Silay City, located in the north-western section of the Negros Island. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company has finalized the detailed engineering plans of the facility. Construction of the plant is estimated to be completed after a period of 22 to 24 months. Vivant, however, has decided to put the project on hold given the prevailing transmission constraint in the Negros grid, which is expected to be resolved upon the completion of the Cebu-Negros-Panay 230kV backbone project of NGCP.

Vivant Energy holds an effective equity stake of 67% in VMHI.

Calamian Islands Power Corporation (CIPC)

CIPC was established in October 2010 as the project company to undertake the construction and operation of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. Vivant Energy has an equity stake of 50% in CIPC.

In August 2011, CIPC entered into a 15-year PSA with Busuanga Island Electric Cooperative covering the total capacity of the project. CIPC broke ground in April 2013. The Busuanga power station started feeding into the island's grid in the fourth quarter of 2013, while the Coron power station commenced power generation in August 2014.

In May 2023, CIPC and BISELCO entered into a 1-year Emergency Power Supply Agreement which commenced implementation in the same month. This is to meet the growing power demand in the PALECO franchise area. The EPSA is pending approval of the ERC.

Vivant Energy currently has an equity stake of 50% in CIPC. Full ownership is expected upon completion of the conditions to the acquisition of GPI's shares in the company.

Minergy Power Corporation (MPC)

MPC, formerly known as MCC, is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In May 2014, a Subscription Agreement between VIGC and MCC was executed which allows VIGC to subscribe to 40% of all issued capital and shares of MPC.

Construction commenced in the first quarter of 2014. The plant started to feed into the franchise area of CEPALCO, which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

The PSA of Unit 3 of MPC was among the contracts affected by the Decision issued by the Supreme Court in the Alyansa case[3]. As a result of the said Decision and pursuant to an Order issued by the ERC, CEPALCO and MPC were directed to desist from implementing PSA in June 2023. Pending the resolution of the motion for reconsideration of the said Order filed by MPC with the ERC, the Unit 3 capacity will be offered in the WESM.

[3] GR No. 227670 (May 3, 2019).

Therma Visayas, Inc. (TVI)

TVI is the project company that owns and operates the 2x170 MW coal-fired power plant in Barangay Bato, Toledo City, Cebu. The project is intended to address the increasing power demand of the Visayas grid. The plant design includes provisions for the addition of a third generating unit.

In May 2014, TVI signed an Engineering, Procurement, and Construction (EPC) contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc.

An agreement was executed in August 2014 between VIGC and TPI, which allowed VIGC to acquire a 20% equity stake in TVI. TPI, a wholly-owned subsidiary of AP, is the parent company of TVI.

Commercial operations for Unit 1 commenced in April 2019 and Unit 2 commenced commercial operations in August 2019.

Culna Renewable Energy Corporation (CREC)

CREC is the project proponent for the construction and operation of hybrid facilities to supply Culion Island with a guaranteed dependable capacity of 1.96 MW and to supply Linapacan Island with guaranteed dependable capacity of 0.358 MW. The Culion Power Station will have a configuration of 2.42 MW Diesel Genset, 2.80 MWp Solar PV and a battery storage system while the Linapacan Power Station's installed capacity will be composed of 540 kW Diesel Gensets and 325 kWp Solar PV. A Joint Application for the approval of the PSA was filed by CREC and Busuanga Island Electric Cooperative, Inc. (BISELCO) with the ERC on July 17, 2017, which is pending resolution. The Company has an effective ownership of 50% in CREC after acquiring a portion of the shares of WEnergy Global PTE, LTD.

With the intention to own 100% of CREC, in June 2023, Vivant Energy entered into an agreement with GPI for the acquisition of the latter's shares in the company, subject to the completion of certain conditions precedent.

Isla Norte Energy Corporation (INEC)

INEC is the project company that was set up to develop and operate a 23 MW bunker-fired power plant in the island of Bantayan.

In February 2020, INEC entered into a 15-year PSA with BANELCO for the entire capacity of the plant. A Joint Application for the approval of the PSA was filed by INEC and BANELCO with the ERC on October 12, 2020. The power station is composed of 2 x 7.496 MW diesel engines and 3 x 2.773 MW diesel engines.

Pending the commercial operations of the power station, in April 2020, BANELCO signed an Interim Power Supply Agreement with INEC to augment the power requirements of the island of Bantayan through leased containerized diesel generating sets with a total capacity of 3 MW.

The ERC gave its provisional authority for the applied PSA effective May 6, 2022.

Isla Norte Power Corporation (Isla Norte)

Isla Norte is the new special purpose vehicle (SPV) formed by VIDC and GPI to be the intended assignee of the PSA with BANELCO. On December 29, 2022, the Articles of Merger of INEC and Isla Norte were approved by the Securities and Exchange Commission (SEC), with Isla Norte as the surviving entity that will own the assets and liabilities of INEC, including the PSA with BANELCO.

To expand its investments off grid, in June 2023, Vivant Energy entered into an agreement with GPI for the acquisition of the latter's shares in Isla Norte, subject to the completion of certain conditions precedent.

La Pampanga Energy Corporation (La Pampanga)

La Pampanga is the first on-grid joint-venture between Vivant Energy and GPI to construct and operate an embedded 15MW bunker-fired power plant in Porac, Pampanga. The capacity of the embedded plant will supply the peaking power and ancillary requirements of PELCO II pursuant to the 15-year PSA awarded to Vivant Energy and GPI after a successful conduct of CSP by PELCO II in 2020. Construction of the power plant is targeted to commence by the last quarter of 2024.

In June 2023, Vivant Energy entered into an agreement with GPI for the acquisition of the latter's shares in La Pampanga. In March 2024, the transaction was completed with the transfer of GPI's shares to Vivant Energy.

Bukidnon Power Corporation (BPC)

BPC is the project company that owns and operates a 2 x 2.4 MW fuel-fired power plant in Pangantucan, Bukidnon and a 2.5 MW fuel-fired power plant in San Fernando, Bukidnon, which are currently contracted to supply the energy requirements of FIBECO.

North BukidnonPower Corporation (NBPC)

NBPC is the project company that owns and operates a 2 x 3.1 MW fuel-fired power plant in Lantapan, Bukidnon. NBPC supplies 5MW of the peaking power requirement in the franchise area of BUSECO.

Expecting the WESM Mindanao to commence operations in January 2023, NBPC is already registered and compliant with the requirements needed to participate in the Mindanao spot market.

Meridian Power Inc. (MPI)

MPI is the project company that owns a 70 MW Bunker Bunker C-fired power plant in Cebu City. It is currently contracted for ancillary power supply with NGCP. To optimize its operations, MPI also offers part of its capacity to the WESM and the Reserve Market.

Future Projects

VIVANT: Looking Into the Future

Vivant is cognizant of how fast the world is changing and to stay competitive, it must continually grow and evolve. With its vision of becoming a major conglomerate by 2040, the Company believes that the best way forward is by taking a sustainable route in growing the business. Staying true to its mission of improving everyday living, Vivant and its subsidiaries have made a conscious alignment of its projects with the UN's Sustainable Development Goals supporting its environmental and social targets.

Furthermore, Vivant made efforts to classify its strategies into specific markets across different horizons to establish priority of actions and ensure that the core businesses are maintained while pursuing more prospects for growth.

The Company continuously looks for opportunities in both energy and water businesses. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered. These include but not limited to the project's capital requirements, access to the grid, resource availability and arrangements, permits and licenses, competitiveness, presence of potential off-takers, geographical location and community engagement.

Notwithstanding the review and evaluation process undertaken, the Company cannot give the assurance that a project, if implemented, will be successful. There is no assurance that the Company will eventually develop a particular project in the manner planned or at or below the cost estimated by the Company.

ENERGY

Renewable energy will remain a cornerstone of Vivant's strategic direction moving forward. As it continue to explore opportunities in this area, the Company also recognize the need to strengthen its position in conventional energy in the current horizon and achieve operational efficiencies with its existing assets to meet the immediate energy demands with reliability and efficiency while continuing to lay the groundwork for a seamless transition in the long run.

Through its wholly owned power subsidiary, Vivant Energy, the Company will embark on an ambitious roadmap for a more balanced portfolio, which is targeted to have renewable assets that would account for 30% of its generation capacity by 2030.

It will continue to address the energy security requirements of SPUGs by developing the most advantageous energy solutions where balance of cost, quality and sustainability is considered thus supporting economic and livelihood development. To take advantage of the evolving trends in power, it also aims to expand its retail energy offerings and explore solar and wind technologies as part of its thrust towards a greener portfolio.

ELECTRIC POWER DISTRIBUTION

In addition to investments in the power generation sector, the Company has investments in VECO, the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales. As of end-2022, Vivant has a beneficial ownership in VECO of approximately 35%.

Visayan Electric Company, Inc. (VECO)

VECO, through its predecessor, has been in the distribution business since the early 1900s. It is an electric distribution utility engaged in the conveyance, distribution and sale of electric power pursuant to its legislative franchise, Republic Act No. 9339, and serves the electrical needs of four cities (Cebu, Mandaue, Talisay and Naga), and four municipalities (Consolacion, Liloan, Minglanilla, and San Fernando), all located in the Province of Cebu. Its franchise was granted by the Congress of the Philippines and is due to expire in 2030. VECO's service coverage is about 672 square kilometers serving 501,080 customers with a peak demand of 615 MW and electricity sales of 3,549 GWh in 2023.

The table below summarizes the key operating statistics of VECO for 2021 and the past 2 years.

	Electricity Sold (MWh)	Peak Demand (MW)	# of Customers
2021	3,144,768	554	477,732
2022	3,175,656	589	486,414
2023	3,548,720	615	501,080

VECO is among the distribution utilities included in the third group (Group C) of private utilities to shift to Performance Based Regulation (PBR). The ERC issued in May 2010 its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

VECO was scheduled to undergo the PBR reset process in the first quarter of 2014. However, the company was not able to do so given that the ERC has since put on hold all PBR reset processes. As such, VECO has continued to apply the rates approved for the last year of the first regulatory period until such time it is able to undergo the ERC-mandated reset process.

The ERC has started another round of reset process and the Regulatory Period for Group C will be from July 1, 2025 to June 30, 2029. However, this might also be delayed by 1 year because of the delay in the reset process of Groups A and B.

RETAIL ELECTRICITY

With the thrust of providing sustainable solutions to meet the changing needs of its customers, the Company, through wholly-owned subsidiary Vivant Energy, expanded its retail electricity business to include three lines of businesses. These are Retail Electricity Supply, Solar Rooftop and Engineering Services.

Retail Electricity Supply

One of the objectives of the Republic Act No. 9136 otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) is to ensure the competitive supply of electricity at the retail level. With the implementation of the Retail Competition and Open Access (RCOA), large-scale customers will be allowed to source electricity from RES licensed by the ERC. As of December 2021, regulations have allowed electricity consumers with an average peak demand of 500kW and up, and as identified by the ERC, to join the competitive market.

Vivant has prepared its organization for the RCOA with the establishment of 2 RES companies.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009, as a joint venture between Vivant (40%) and AP (60%). The company obtained its five-year RES license in May 2012 which it subsequently renewed and it set to expire in November 2023. Prism Energy is seen to service the requirements of the contestable customers in the Visayas region.

As of year-end 2023, Prism Energy was serving 7 customers with a total average consumption of 4,842,412 kWh per month. The total electricity delivered to its customer base amounted to 58,108,940 kWh in 2023.

Corenergy, Inc. (Corenergy)

Corenergy was incorporated in December 2012 as a wholly-owned subsidiary of Vivant, through Vivant Energy. The company obtained its 5-year RES license renewal in September 2021 and is targeting to contract with contestable customers in Luzon and Visayas regions.

As of year-end 2023, Corenergy served 31 customers with a total average consumption of 17,822,504 kWh per month. The total electricity delivered to its customers amounted to 213,870,046 kWh in 2022.

Solar Rooftop

Vivant Energy, through its subsidiary, started to offer customizable rooftop solar energy solutions, mostly to commercial and industrial customers.

Vivant Solar Corporation[4] (Vivant Solar)

As part of its venture into the retail business, Vivant, through wholly owned subsidiaries Vivant Energy and VREC, entered into a joint venture with ET-Pilipinas to construct and operate solar rooftop generation facilities. In March 22, 2018, Vivant Solar was incorporated with Vivant having a 60% equity stake therein. In November 2019, Vivant Energy and VREC bought out ET-Pilipinas, making Vivant Solar a wholly-owned subsidiary of Vivant.

As of December 2023, Corenergy Solar Solutions Corporation (CSSC), Vivant Solar's wholly owned special purpose vehicle, completed a total of 1.67 MW solar rooftop facilities for industrial customers in Visayas and 2.59 MW solar rooftop facilities in Luzon. 0.40 MW of solar rooftop facilities for commercial and industrial customers in Luzon and Visayas are currently under construction.

Corenergy, Inc. (Corenergy)

In October 2023, Corenergy, Inc. entered into an Omnibus Loan and Security Agreement for a term loan amounting to up to P350 mn. Initial drawdown amounting to P131.35 mn was made during the same month. The loan, which is secured by the Company's shares, assignment of project documents and assignment of insurance proceeds, will mature in October 2033.

As of December 2023, Corenergy[5] completed a total of 1.00 MW solar rooftop facilities for industrial customers in Luzon, 0.04 MW solar rooftop facilities for industrial customers in Visayas and 0.96 MW solar rooftop facilities in Mindanao. 2.77 MW of solar rooftop facilities for commercial and industrial customers all over the country are currently under construction.

Buskowitz Energy Inc. (BEI)[6]

BEI was incorporated on December 10, 2015. to engage in the sale, financing and engineering, procurement and construction (EPC) of rooftop-type solar power systems and is considered as one of the biggest players in the country's rooftop solar installation market.

In March 2021, a Shareholders' Agreement was signed by VREC which will result to its acquisition of up to 34.85% of the total equity in Buskowitz Finance Inc.

As of December 2023, BFI completed a total of 9.2 MW for its Build-Operate-Lease-Transfer (BOLT) solar projects for commercial and industrial customers.

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[4] On November 9, 2020, the Securities and Exchange Commission issued a Certificate of Filing of Amended Articles of Incorporation approving the change of name of the corporation from ET-Vivant Solar Corporation to Vivant Solar Corporation.

[5] On November 18, 2020, the Securities and Exchange Commission issued a Certificate of Filing of Amended Articles of Incorporation approving the amendment of the secondary purpose of the corporation to include construction and operation of solar rooftop generation facilities.

[6] In August 2022, Buskowitz Finance Inc. changed its name to Buskowitz Energy Inc.

Engineering Solutions

Corenergy

In May 2019, Corenergy added to its primary purpose the provision of engineering solutions as an ancillary service to both RES and Solar Rooftop customers.

WATER INFRASTRUCTURE

Vivant continues to grow beyond the power business as it supports industries that improve everyday living. Through its wholly owned subsidiary VHHI, Vivant is on the look-out for opportunities in water infrastructure which relates to the provision of water and wastewater engineering and technological solutions bulk water supply, water distribution and wastewater treatment services.

Water Solutions

As a new entrant with limited knowledge of the industry, Vivant saw the need to enter into a partnership with an entity that has the technical know-how and capability in engineering, design and construction phases.

Watermatic Philippines Corporation (WMP)

WMP was established in July 2019 as the joint venture company of Vivant, through VHHI, and its Israeli partner WMI. Vivant’s 60%-owned subsidiary specializes in providing solutions for water treatment for a variety of needs including for industry, drinking water, and agriculture. WMP’s services include the design, engineering, construction, installation and operations and maintenance of water and wastewater treatment systems. It also assists clients in the project pre-development stage by providing the necessary technical studies and assessment and designing systems that are tailor-fit to the client’s specific needs.

Wastewater Treatment

Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS) and Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWLRC)

FLOWS was formed by its original owners to own PPWRLC in partnership with the Puerto Princesa City Government. In February 2020, VHHI acquired a 45% equity stake in FLOWS, which resulted in VHHI ultimately owning 40% in PPWRLC.

PPWRLC is the owner and operator of a wastewater treatment facility to rehabilitate the Puerto Princesa Bay. It is the Joint Venture Company between the Private Sector Proponent, FLOWS, and the Local Government of Puerto Princesa City.

The facility is located at the City Baywalk in Barangay Matahimik where current outfalls directly discharge untreated sewage into the bay. In addition to treating wastewater, the project also aims to produce treated wastewater for reuse, therefore, helping address the City’s water supply requirements.

In January 2020, the project broke ground. Construction was suspended in March 2020 as a result of the restrictions brought about by the pandemic. In October 2020, the works resumed with a catch-up plan to address the delay. After successful testing and commissioning, the facility started commercial operations in March 2022.

Bulk Water Treatment

Isla Mactan-Cordova Corporation

To alleviate the increasing water supply-demand gap in the Metropolitan Cebu, VHHI has partnered with the Local Government of the Municipality of Cordova (Cordova LGU) through a contractual Joint Venture for the development, construction and operations of a seawater reverse osmosis desalination plant to treat and produce potable water.

Under the Joint Venture Agreement between VHHI and the Cordova LGU, the former will incorporate and register with the Securities and Exchange Commission (SEC) a SPV which will undertake and implement the proposed seawater desalination project in Cordova, Cebu and sell bulk water to its intended offtaker, the MCWD. The SPV, Isla Mactan Cordova Corporation(IMCC), was incorporated with the SEC on August 14, 2020.

In June 2021, VHHI was awarded by MCWD with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water. Development activities for the plant commenced in 2022.

The plant will be located in Barangays Buagsong and Catarman, Cordova, Cebu.

Future Projects

Vivant, through wholly-owned subsidiary, Vivant Infracore, continues to build the organization with focus on water infrastructure. Water plays a crucial role in sustainable development and it is essential, if not the most essential to all forms of life.

With the expected completion of its utility-scale saltwater desalination plant in 2024, the Company is looking to build on this accomplishment by expanding this segment of the business further.

Currently, the Company is working on an expanded project pipeline encompassing not only bulk water supply, but also water distribution and wastewater treatment. The pipeline will be a combination of brownfield and greenfield opportunities. The Company also aims to tap like-minded partners as the opportunity arises. Meanwhile, the Company intends to ramp up its capabilities in line with efforts to expand its interests in water distribution and wastewater treatment.

(ii) Sales

The table below sets forth comparative figures for revenue, profitability and assets.

(in Php mn)	2021	2022	2023
Gross Income	5,059.3	6,518.9	8,275.8
Operating Income	2,431.2	1,917.1	2,761.1
Total Assets	23,427.8	26,440.0	29,885.5

The operations of Vivant, its subsidiaries and associates are based only in the Philippines.

Revenue contribution by business grouping is as follows:

	2021		2022		2023	
	Php mn	%-tot	Php mn	%-tot	Php mn	%-tot
Power Generation	3, 849.4	76	5,004.7	77	5,973.4	72
Power Distribution	814.1[1]	16	755.3	11	1,003.7	12
Retail Electricity	335.7	7	692.4	11	1,157.5	14
Water Infrastructure	37.1	1	6.4	0	18.1	0
Others	23.0	0	60.1	1	123.0	2
Total	5,059.3	100	6,518.9	100	8,275.8	100

Note:

1. *The financial statements as of and for the years ended December 31, 2021 and 2020 were restated to account for the (1) change in accounting policy in applying the equity method with respect to an associate's power distribution utility assets, i.e., from revaluation model to the cost model. This is in compliance to Philippine Accounting Standards (PAS) 8, Accounting Policies, Changes in Accounting Estimates and Errors, wherein the change in accounting policy is accounted for retrospectively; and (2) the finalization of the purchase price allocation for the acquisition, in compliance to the Philippine Financial Reporting Standards (PFRS) 3, Business Combination, of two subsidiaries in 2021 resulted in a fair value adjustment to Property, Plant and Equipment, and the recognition of intangible assets representing the acquirees' power supply agreements with customer electric cooperatives.*

(iii) Distribution Methods of Products and Services

Power Generation

The generation companies sell their electricity either through the WESM or through bilateral PSAs with private distribution utilities, cooperatives, RES and other large end-users.

Most of the generation companies have transmission service agreements with the NGCP for the transmission of electricity to the designated delivery points of their customers. Some have built their own transmission lines to directly connect to their customers.

Electric Power Distribution

The distribution company has an exclusive distribution franchise in the area where it operates. It has its own distribution network consisting of an extensive network of predominantly overhead lines and substations. An agreement with NGCP is likewise entered into to facilitate the use of NGCP's transmission facilities to receive power from its IPPs, NPC and/or PSALM for distribution to its respective customers.

Retail Electricity

Retail Electricity Supply

The RES companies entered into supply contracts with its existing customers. As of year-end, Prism Energy was serving 53 customers with a total average consumption of 15,098,985kWh per month. The total electricity delivered to its customer base amounted to 181,187,826 kWh in 2021. Corenergy on the other hand served 31 customers during the year with a total average consumption of 17,822,504 kWh per month. The total electricity delivered to its customer base amounted to 213,870,046 kWh in 2023.

Solar Rooftop

Vivant Solar, CSSC and Corenergy entered into contracts with various industrial and commercial customers in Luzon, Visayas and Mindanao for the construction and installation of rooftop solar facilities and supply of solar power.

Engineering Solutions

Corenergy entered into services contracts with customers to provide tailored engineering solutions for the individual facilities of the customers.

Water Infrastructure

Water Solutions

WMP provides various services to water and wastewater private developers, private and publicly-run water utilities, and contractors among others. The agreements with the customers of WMP include full (i) engineering and design, procurement, and construction, and (ii) water process design, installations and commissioning, for both water and wastewater treatment.

In August and September 2021, WMP was awarded an A Accreditation License by the Philippine Contractors Accreditation Board (PCAB) and ISO 9001:2015 Certification on Quality Management System, respectively.

Wastewater Treatment

The National Program on Sewerage and Septage Management is founded under Republic Act No. 9275, otherwise known as the “Philippine Clean Water Act of 2004”. Under the said law, water districts were required to provide sewerage or septage management services and LGUs were mandated to share with the local water utilities the responsibility in the management and improvement of water quality within their territorial jurisdictions.

LGUs such as the City of Puerto Princesa in the Province of Palawan have established ordinances on proper sewage and septage management system in their jurisdictions with user fees and funding provisions.

Through the Joint Venture and Service Agreement with the City of Puerto Princesa, PPWRLC will help rehabilitate the Puerto Princesa Bay from wastewater contamination. At the same time, it will provide septage services to the residents of Puerto Princesa City in partnership with the Puerto Princesa City Water District. It will also have a learning center as a venue for environmental advocacy and education on wastewater treatment process.

Bulk Water Treatment

Public-Private Partnership (PPP) initiatives have been implemented by the local government units and water districts through various PPP modalities and legal framework such as joint venture to ensure the availability of safe water for consumers and meet future demand requirements.

To address Metropolitan Cebu's water supply needs, VHHI has partnered with the Cordova LGU through an unincorporated joint venture for the development of a seawater desalination plant that will supply treated and potable water to MCWD.

In June 2021, VHHI was awarded by MCWD with a 25-year Joint Venture Agreement after a successful conduct of a solicited bidding for the Cordova Bulk Water Supply Project. VHHI will build a utility-scale desalination plant that will augment the bulk water supply of MCWD by twenty thousand cubic meters per day of treated and potable water.

(iv) New Products and Services

Neither Vivant, nor its subsidiaries and associates, have any publicly-announced new product or service to date, apart from the ongoing greenfield, rehabilitation or expansion projects being undertaken.

(v) Competition

Power Generation

Vivant, through the facilities of its power generation subsidiaries and associates located in Luzon, Visayas and Mindanao, faces competition from other power developers that supply electricity to these island grids. With the privatization of NPC-owned power generation facilities, the Company also contends with local and multinational IPPs in securing PSAs and trading power through the WESM (where applicable).

The retail competition has further intensified the competitive landscape for securing bilateral contracts. Generation companies set up their RES operations to tap contestable customers, which are currently large end-users with a monthly peak average demand of at least 100 kW for the preceding 12 months. Further competition is brought about by entities that establish RES operations to aggregate demand. This results to customers migrating to the RES which in turn result to a reduction in existing supply contracts of power generation companies with distribution utilities and electric cooperatives. With the heightened competition, negotiations for new contracts may result to less favorable terms compare to existing contracts.

Competition in the development of new power generation facilities, the acquisition of existing power plants and financing these undertakings is expected. Given the robust performance of the industry in the recent years, numerous new investors have expressed interest to participate and have started to explore opportunities in the development of electric power generation projects, both in the renewable and non-renewable energy spectrum.

Vivant, through its subsidiaries and affiliates, is looking at expanding its capacity by acquiring existing projects and partnering with local and foreign partners to develop power projects in strategic locations within the country. On its own, Vivant is also developing a pipeline of greenfield projects for its medium- and long-term growth.

Electric Power Distribution

VECO has an exclusive franchise to distribute electricity in the area covered by its franchise.

Under Philippine law, the franchise of any distribution utility may be renewed by the Congress of the Philippines, provided that requirements relating to the rendering of public services are met. VECO intends to apply for the extension of its franchise upon its expiry. Competition or opposition from third parties may arise while the application for the extension of its franchise is underway. However, under Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain from the ERC a Certificate of Public Convenience and Necessity and shall prove that such party has the technical and financial capability to operate a distribution franchise. Ultimately, it is the Philippine Congress that has absolute discretion in determining whether to issue new franchises or renew existing franchises.

Customer migration has transpired as contestable customers opted to source their electricity requirements via Retail Supply Contracts with licensed RES operators. As of date, the current threshold for voluntary participation of a contestable customer is monthly peak average demand of at least 500 kW for the preceding 12 months. The reduction from 1 MW to 750 kW and 500 kW was implemented through DOE Department Circular No. DC2017-12-0013. In the same circular, the DOE also provided for voluntary demand aggregation of electricity end-users within a contiguous area whose aggregate average peak demand in not less than 500 kW for the preceding 12 months.

Retail Electricity

Retail Electricity Supply

Vivant participates in the retail electricity market through Corenergy and Prism Energy. Competition has increased as more companies register as Retail Electricity Suppliers (RES). As of year-end-2023, there were 47 registered RES companies with the ERC.

Solar Rooftop

The renewable energy industry, particularly distributed generation through solar rooftops, has been sustaining an upward trend for the past 4 years. The entry of regional players in the Philippines made the competitive environment attractive for consumers who are looking for lower levelized cost of electricity.

Engineering Solutions

Vivant provides engineering solutions through Corenergy. The past 3 years have seen an upward trend of demand in engineering solutions services mainly from the energy and industrial sector. Corenergy competes with both local and foreign companies to address varying service demands from testing and maintenance to design and engineering studies. Competition for testing and maintenance works has been tight as more companies are investing in widely-available, low-end test equipment, compared to the high-class test equipment utilized by Corenergy. For design and engineering studies, the main drivers in competition are the results of previous projects and customer satisfaction. Corenergy maintains competitive prices through its shared services and network of consultants.

Water Infrastructure

Water Solutions

The competition in the water EPC for conventional water treatment source from surface waters such as rivers and lakes has been tight even before WMP's entry into the industry. However, with the rising number of water-scarce cities and municipalities, demand for conventional water treatment has slowed down and shifted to more sustainable and innovative treatment technologies, such as seawater desalination. Desalination, although a proven technology worldwide, has not been implemented in the Philippines at the utility scale. It is expected that competition will increase with the entry of international providers with a footprint within the South and Southeast Asian Region due to increase in market demand.

Wastewater Treatment

In the Philippines, with only 10% of the wastewater being treated before reaching waterways, there is a huge unserved market and an opportunity for Vivant to contribute in the implementation of the National Sewerage and Septage Management Program. The demand for septage and sewerage solutions has rapidly increased over the last 5 years due to the increased awareness on the effects of poor sanitation to the waterways, which was highlighted with the wastewater issue in the island of Boracay. To date, there is little competition in the wastewater segment of the industry. However, given the huge requirement for treating wastewater, it is expected that there will be an increase in the number of players in the industry.

FLOWS, through its concept of combined sewerage and septage treatment in one facility, is offering a solution by bridging the gap between septage and sewerage programs thus, fast-tracking the implementation of a full-scale sanitation program for cities and municipalities in accordance with the mandate under the Clean Water Act of 2004.

The PPWRLC is a product of the Public-Private Partnership or Joint Venture Ordinance of the City of Puerto Princesa which serves as the vehicle to implement the combined sewerage and septage treatment program in the city.

Bulk Water Treatment

Access to safe and clean water has been a national priority concern, being a fundamental requirement for life. The Philippines is at risk of a massive water shortage particularly in highly populated areas. The National Water Resources Board (NWRB) has already identified nine water-critical urbanized areas where water is consumed intensively, namely, Metro Manila, Metro Cebu, Davao, Baguio City, Angeles City, Bacolod City, Iloilo City, Cagayan de Oro City and Zamboanga City.

Growing population together with water pollution, saltwater intrusion caused by excessive withdrawal of groundwater, aging water infrastructure, seasonal variations and the changing weather patterns are among the growing challenges facing the country’s water resources. Despite the Philippines’ rapidly growing economy, one in ten people still lack access to safe and clean water.

There have been an increased participation and investment from the private sector in the development of critical water infrastructure to help address the inadequate and intermittent water supply in various parts of the country which presents serious consequences to public health and the environment.

The local government units and the water utilities are on the lookout for solutions and technologies that will be responsive to the changing environment, society and climate.

MCWD, the largest water provider in Cebu, like most of the other providers, is highly dependent on groundwater sources to meet part of their water requirements.

The rapid economic expansion and water scarcity in Metropolitan Cebu contribute to the widening water supply deficit in the island. MCWD urged the public to support in looking for alternative water sources, including desalination of seawater. Due to the increasing demand for potable water, it is expected that there will be an increase in the number of bulk water suppliers in the Metropolitan Cebu.

(vi) Sources of Raw Materials and Supplies

Power Generation

Once operational, the Company’s renewable energy projects will harness the sun’s irradiation or kinetic energy from wind or rivers to generate electricity under relevant service contracts with the government.

For fossil-fired power generation plants, fuel supply contracts with various suppliers are in place. Oil-fired plants have existing medium-term (2-3 years) contracts with local large oil companies and fuel distributors. On the other hand, the coal plants source its fuel requirements via medium to long-term supply contracts with various international suppliers.

Electric Power Distribution

VECO secured the bulk of its electricity requirements by entering into bilateral agreements with various IPPs. These agreements are governed by the ERC regulations. Under current rules, VECO is allowed to purchase up to 90% of its total electricity requirements via bilateral contracts.

Below are the power purchase agreements of VECO in 2023.

Supplier	Contract Demand	Start Date	Expiry Date
CEDC	104.5 MW	Mar 2011	Feb 2036
TVI	150MW	April 2019	March 2034

Given the impact of RCOA on its market, VECO will continue to review its contracts profile and negotiate, if necessary, for the reduction of its bilateral agreements.

Retail Electricity

Retail Electricity Supply

CORENERGY

Supplier	Contracted Capacity	Start Date	End Date
SN Aboitiz Power	5MW	February 26, 2022	February 25, 2023
Therma Visayas, Inc,	5MW	December 26, 2022	December 25, 2024
SEM_CALACA Power Corporation	5MW	November 26, 2023	November 25, 2024

Solar Rooftop

The modules of the photovoltaic (PV) plants are solid-state devices that convert sunlight, the most abundant energy source on the planet, directly into electricity without an intervening heat engine or rotating equipment. Photovoltaic cells are made of various semiconductors, which are most commonly composed of silicon (Si) and compounds of cadmium sulphide (CdS), cuprous sulphide (Cu2S), and gallium arsenide (GaAs). These cells are packed into modules that produce a specific voltage and current when illuminated. The PV systems rely on sunlight, have no moving parts, are modular to match power requirements on any scale, are reliable, and have a long life.

Engineering Solutions

Corenergy's testing equipment are sourced from reputable brands like Omicron and Fluke. Both are multinational companies and leading providers in diagnostic, testing and commissioning tools in their respective categories.

Water Infrastructure
Water Solutions

WMP's equipment and materials are sourced from various manufacturers through supply contracts. It has established a wide network of water and wastewater treatment process equipment manufacturers and materials suppliers that can deliver even purpose-built process equipment based on the client's specific requirements.

Wastewater Treatment

Part of the rehabilitation efforts for Puerto Princesa Bay is the diversion of wastewater to PPWRLC's facility to undergo treatment and therefore, improve the quality of water being discharged into the Puerto Princesa Bay.

A septage component is also incorporated in the wastewater treatment facility, where wastewater siphoned from septic tanks is treated. The septage treatment will primarily be dewatering of the sludge and treating the wastewater thereafter. With this component, the facility will be able to provide septage treatment services in addition to the capture and clean-up of polluted water.

PPWLRC will conduct detailed study on the provision of additional sewerage services to the City of Puerto Princesa with a view to constructing additional sewerage facility in its service area. This is aligned with the City's goal of undertaking various development projects on its coastline and addressing the wastewater issue associated with such developments.

Bulk Water Treatment

IMCC will construct and operate a seawater desalination plant which will process seawater to make it potable as an immediate and sustainable solution to the current water supply shortage in MCWD's service area. Cebu has been experiencing severe water challenges especially during the dry season where water rationing is resorted to. Seawater desalination can provide a climate-independent source of potable water which will also allow the recharge and recovery of Metropolitan Cebu's heavily-stressed groundwater aquifers while MCWD pursues long-term solutions to address the future water needs of its consumers.

(vii) Major Customers

Power Generation

The bulk of the total attributable electricity generated by Vivant, through its subsidiaries and associates, are sold to private distribution utilities, electric cooperatives, NGCP, RES and large industrial users through bilateral agreements. The balance is sold through the WESM. For the year 2023, Vivant had a 85:15 sales mix that was in favor of energy sales covered by sale contracts.

Electric Power Distribution

Vivant's distribution business, on the other hand, has a wide and diverse customer base. The distribution utility's customers are categorized as follows:

- **Industrial customers**: consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.

- **Residential customers**: consist of structures utilized for residential purposes

- **Commercial customers**: include service-oriented businesses, universities and hospitals

- **Other customers**: include streetlights

Retail Electricity

Retail Electricity Supply

- **Industrial customers**: consist of large-scale consumers of electricity such as factories, plantations and, manufacturing.

- **Commercial customers**: include service-oriented businesses, universities and hospitals and shopping malls

Solar Rooftop

- **Industrial customers**: consist of large-scale consumers of electricity such as factories, plantations and, manufacturing.

- **Commercial customers**: include service-oriented businesses, universities and hospitals and shopping malls

Engineering Solutions

- **Power Plants:** HFO Bunker & Diesel Power Plants and Biogas Power Plants

- **Industrial customers**: consist of large-scale consumers of electricity such as factories, plantations and, manufacturing.

- **Commercial customers**: include service-oriented businesses, universities, hospitals and shopping malls

Water Infrastructure

Water Solutions

A substantial portion of WMP's current customer base consists of water and wastewater developers and contractors with whom WMP entered into agreements for synergy as co-developers of water system projects.

Wastewater Treatment

The primary customer for Vivant's wastewater business, through PPWLRC, will be the LGU of Puerto Princesa City for the sewerage services and the customers connected to the Puerto Princesa Water District for the septage services.

Bulk Water Treatment

VHHI's subsidiary, IMCC, will deliver 20,000 cubic meters per day of treated and potable water to MCWD at its identified injection point in Cordova, Cebu pursuant to the awarded 25-year Joint Venture Agreement for the Cordova bulk water supply project.

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

Vivant and its subsidiaries and associates, in their regular conduct of business, have entered into related party transactions where Vivant, as parent company, provides 2 types of professional services: (1) strategic and technical, and (2) corporate center services. All related party transactions were conducted at arm's length basis.

Functions covered would include corporate finance, legal, human resources and information technology, among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2023.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic stand-by letter of credit (SBLC) to comply with the bid security requirement of a water distribution utility.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic SBLC to comply with the bid security requirement for a potential joint venture project.

- Vivant, on behalf of a subsidiary, applied for the issuance of a domestic SBLC to comply with the performance requirement relating to a joint venture project.

- Vivant entered into agreements with Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC), its stockholders, to perform consultancy services for the companies.

- Vivant has an outstanding lease agreement with a certain subsidiary involving rental of its commercial office space.

- Vivant has outstanding a short-term loans to 2 subsidiaries for their working capital requirements.

- Vivant has an outstanding loan facility to a subsidiary for the development of a seawater desalination facility.

(ix) Government Approvals, Patents, Copyrights, Franchises

Power Generation

Under the EPIRA, the power generation business is not considered a public utility operation. However, there are standards, requirements and other terms and conditions set by the ERC that each existing and potential generation company should comply with. Once met, the ERC will issue a Certificate of Compliance (COC) that will allow the operation of the power generation facilities. A COC is valid for a period of 5 years from the date of issuance.

Hydroelectric power generation facilities are also required to obtain water permits from the NWRB. The said permit would indicate the approved water source and allowable volume of water that can be used by these facilities in generating power. The water permits do not have expiry dates and are usually not terminated as long as the holder of the permit is able to meet the terms indicated therein.

Solar and wind power projects must secure service contracts from the DOE to conduct pre-development and development work to determine feasibility. Once a project is deemed feasible, a Certificate of Confirmation of Commerciality is secured from the DOE and the project may proceed to construction

A generation company that operates a facility connected to the Grid must make sure that the technical design and operational criteria of the Philippine Grid Code, while embedded generators are expected to comply with the Philippine Distribution Code, and any amendments thereto are met.

Power purchase agreements signed with both private distribution utilities and electric cooperatives are required to be evaluated and approved by the ERC.

Vivant and its subsidiaries and associates involved in the generation business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Electric Power Distribution

Electricity distribution is a regulated public utility business under the EPIRA. It requires a franchise that can be granted only by the Congress of the Philippines. A Certificate of Public Convenience and Necessity from the ERC is also needed to operate a public utility.

VECO's franchise is set to expire in 2030.

Given that the cost of purchased power is allowed to be passed on to the end-users, all power purchase agreements signed with power generation companies are required to be evaluated and approved by the ERC.

VECO has no pending application for the registration of intellectual property rights for any trademark associated with its corporate name and logo.

Retail Electricity

<u>Retail Electricity Supply</u>

With the implementation of the RCOA, the business of supplying electricity is not considered as a public utility operation under the EPIRA. However, proprietors of this business are required to obtain a license from the ERC in accordance with the ERC's rules and regulations. Vivant has two RES companies:

- Prism Energy, which is 40%-owned by Vivant, was awarded its license in May 2012 which it renewed twice and is set to expire in November 2023.
- Corenergy, which is a wholly-owned subsidiary, was awarded its license in September 2016 which it renewed in September 2021 and is valid until September 2026. Pursuant to the authority granted by the ERC, Corenergy is also a Retail Aggregator for as long as its RES license remains valid. .

Vivant and its subsidiaries and associates involved in the retail electricity supply business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

<u>Solar Rooftop</u>

With the regulatory framework of the Net Metering Program in place, installation of solar facilities in commercial and industrial settings increased over the past years. For the installation, operation and maintenance of rooftop solar facilities, proprietors are required to secure permits and licenses from the ERC and other government agencies. In addition, the proprietor is required to request from its local distribution utility to participate in the Net Metering Program.

Vivant and its subsidiaries and associates involved in the solar rooftop business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Water Infrastructure
Water Solutions

There is an increase in participation and investment from the private sector to address the infrastructure gap in the water sector for the provision of bulk water supply, sewerage and water distribution services.

Some of the relevant regulatory agencies in the industry include the NWRB, the Local Water Utilities Authority (LWUA), the Department of Environment and Natural Resources (DENR), the Department of Health (DOH), the various LGUs, and the special regulatory units such as the Metropolitan Waterworks and Sewerage System (MWSS).

Private entities that develop bulk water treatment plants and enter into bulk water supply agreements with water districts are required to secure a water permit from the NWRB.

For private entities that provide water distribution services, a Certificate of Public Convenience issued by NWRB and a concession agreement with a LGU is required.

Vivant and its subsidiaries and associates involved in the water treatment engineering and design business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Wastewater Treatment

Another area where the private sector may engage in is the treatment of wastewater through Public-Private Partnership models with the LGU to develop, operate and maintain wastewater treatment systems.

Vivant and its subsidiaries and associates involved in the wastewater septage and sewerage treatment business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Bulk Water Treatment

The national government through the Public-Private Partnership (PPP) Center along with its mother agency National Economic and Development Authority (NEDA), has encouraged private sector participation in infrastructure development including water supply and sanitation services at the national and local government unit level.

PPP initiatives have been implemented by the local government units and water districts through various PPP modalities such as joint venture to ensure the availability of safe water for consumers and meet future demand requirements.

Government Owned and Controlled Corporations which includes the Water Districts shall refer to the Office of the Government Corporate Counsel (OGCC) for review and issuance of the corresponding counsel opinion of its proposed contracts and agreement prior to execution. OGCC is the principal law office of all government corporations whether incorporated under the law or created by a charter.

(x) Effect of Existing or Probable Governmental Regulations

Ease of Paying Taxes (EOPT Act)

On January 5, 2024, Republic Act No. 11976 Ease of Paying Taxes Act (otherwise known as the EOPT Act) was signed into law. This aims to modernize tax administration and improve efficiency and effectiveness.

The EOPT Act was effective on January 22, 2024. The Department of Finance (DOF), in consultation with the Bureau of Internal Revenue (BIR), is given ninety (90) calendar days from the effectivity of this Act (April 21, 2024) to issue the implementing rules and regulations. Moreover, taxpayers are given until October 21, 2024 to comply with the VAT and Other percentage provisions.

The salient features are as follows:

1. The creation of taxpayer classification for purposes of responsive tax administration.
    a. Micro – those with gross sales of less than Php 3 million (mn)
    b. Small – those with gross sales of Php 3 mn to less than Php 20 mn
    c. Medium - those with gross sales of P20M to less than P1billion
    d. Large - those with gross sales of P1billion and above

    Micro and Small taxpayers are allowed a reduced rate of penalties (10% for surcharge, 6% for interest and 50% reduction on compromise penalty rates) and reduced number of pages in its Income Tax Return (ITR) form.

2. Taxpayers are now allowed to file and pay taxes anywhere and not bound to a specific Revenue District Office (RDO).

3. For income tax deduction purposes, withholding tax requirement has been repealed. Previously, expenses which were not subjected to the appropriate withholding tax are disallowed as deduction.

4. The timing of withholding arises at the time the income has become payable. Previously, it arises when the income has been paid, payable or accrued, whichever comes first.

5. On VAT

    a. VAT on sales of services and use/lease of properties shall now be based on gross sales and be covered by a sales invoice. This effectively adopts the same rules on sale of goods.
    b. Business style is not required on invoices.
    c. Should the VAT invoice lack necessary information, the input VAT shall still be allowed provided that lacking information do not pertain to the amount of sales, VAT amount, name and TIN of issuer/purchaser, description of goods, and date of transaction. On the other hand, the seller who failed to provide the information shall be liable for noncompliance.
    d. Sales allowances & discounts for sale of service shall be deductible from gross sales for VAT purposes provided that these are granted at the time of sale, indicated in the invoice and does not depend on future event.

e. Seller may deduct the output VAT on uncollected receivable from next quarter's output VAT, provided the seller fully paid the VAT on the transaction; and the VAT component was not claimed as allowable deduction. However, should there be recovery, output VAT thereon should also be paid.
f. Claims for VAT refund are now classified into 3 categories, namely: low, medium, and high-risk. These are based on the amount of VAT refund claim, tax compliance history, frequency of filing VAT refund claims, among others. Moreover, medium and high-risk categories shall be subjected to audit.

6. On preservation of books of accounts including the subsidiary books and other accounting records, it clarified that these shall be preserved for a period of 5 years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the books of accounts.

7. On claims for refund of erroneously paid taxes, the Commissioner shall decide within 180 days from the date of submission of complete documents. If denied, the legal basis should be stated.

The annual registration fee of P500 is removed.

Corporate Recovery and Tax Incentives for Enterprises (<u>CREATE Act</u>)

On March 26, 2021, Republic Act No. 11534 otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act" was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines by introducing reforms to the corporate income tax and incentives systems.

Taking effect on April 11, 2021, the following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

1. Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 mn and with total assets not exceeding Php100 mn (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

2. Minimum corporate income tax rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

3. Effective January 1, 2021, income tax rate for non-resident foreign corporation is reduced from 30% to 25%.

4. Preferential income tax rate for proprietary educational institutions and hospitals which are non-profit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.

5. Effective January 1, 2022, regional operating headquarters currently enjoying 10% preferential income tax rate shall be subject to RCIT.

6. Imposition of improperly accumulated earnings tax is repealed.

7. Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:

    - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
    - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
    - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

8. Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).

9. Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.

10. For investments prior to effectivity of CREATE:

    - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
    - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The Bayanihan to Recover as One Act (BAYANIHAN Act II)

On September 11, 2020, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act" (Bayanihan Act II), was signed into law which provides a P165-billion economic stimulus and relief package to sustain the government's efforts against the Corona Virus Disease 2019 (COVID-19) pandemic. Section 4 (bbbb) of the BAYANIHAN Act provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next 5 consecutive taxable years immediately following the year of such loss.

Tax Reform for Acceleration and Inclusion Law (TRAIN Law)

On 19 December 2017 Republic Act No. 10963 otherwise known as the "TRAIN Law" was enacted which in effect amended several provisions of the National Internal Revenue Code of 1997. The TRAIN Law aims to make the tax system of the country simpler, fairer, and more efficient in order to promote investment, reduce poverty and create jobs.

The salient revisions made under the TRAIN Law are as follows:

1. Donor's Tax – The donor's tax new rate is 6% of total gifts in excess of Php250,000.00 which is also applicable if the donee is a stranger. The TRAIN Law likewise provides that a bona fide at arm's length and donative-intent free sale, exchange, or other transfer of property made in the ordinary course of business shall be considered as made for an adequate and full consideration in money or money's worth and is therefore not subject to the donor's tax.

2. Excise Tax on Petroleum Products – The tax rates on petroleum products were increased which would be implemented in 3 tranches starting January 1, 2018 to January 2020.

3. Excise Tax on Mineral Products – The excise tax rate on domestic or imported coal and coke was likewise increased in 3 tranches at Php50.00 on 2018, Php100.00 on 2019, and Php150.00 on 2020.

4. Value Added Tax - The TRAIN Law broadened the Value Added Tax (VAT) base by adding several VAT exempt transactions. The VAT exempt threshold was likewise increased from Php1,919,500.00 to Php3 mn. Sale of electricity by electric cooperatives are now subject to VAT. Furthermore, the foreign currency denominated sales were removed from VAT zero-rating.

5. Documentary Stamp Tax – Most of the documentary stamp tax (DST) rates were increased by 100% except for the DST on debt instruments which was only increased by 50%. Meanwhile, the DST on policies of insurance upon property, fidelity bonds and other insurance, indemnity bonds, and deeds of sale, conveyances, and donation of real property remained unchanged.

6. Foreign Currency Deposit Unit – The final tax imposed on interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system was increased from 7.5% to 15%.

The TRAIN Law also repealed Section 9 of Republic Act No. 9511 otherwise known as the "National Grid Corporation of the Philippines Act" which in effect removed the VAT exemption of concession agreements with the PSALM.

Revised Corporation Code (RCC)

Republic Act No. 11232 otherwise known as the Revised Corporation Code was signed into law by President Rodrigo Duterte on February 20, 2019 and became effective on February 23, 2019.

The salient provisions in the RCC are as follows:

1. Corporate Perpetual Term – Corporations are now allowed to exist beyond the 50-year term provided in the old Corporation Code.

2. Participation via Remote Communications in Absentia – Remote communication such as videoconferencing and teleconferencing during stockholders' meetings are now allowed. Moreover, the stockholders may now participate and vote in absentia.

3. Emergency Board – The RCC allows an emergency board when a vacancy in a corporation's board of directors prevents the remaining directors from consulting a quorum and consequently from making emergency action required to prevent grave, substantial, and irreparable loss or damage.

4. One-Person Corporation – The RCC removed the absolute requirement of having a minimum of 5 individuals in the formation of corporations. The law now allows a One-Person Corporation (OPC) composed of a single stockholder, who may be a natural person, a trust or an estate.

The RCC likewise imposed addition requirements to corporations which are vested with public interest. The following corporations are considered vested with public interest under the RCC:

1. Corporations covered by Section 17.2 of Republic Act No. 8799, otherwise known as the "Securities Regulation Code" (SRC), including those whose securities are registered with the SEC, corporations listed with an exchange or with assets of at least Php50,000,000.00 and have two hundred (200) or more holders of shares, each holding at least one hundred (100) shares of a class of its equity shares;

2. Banks and quasi-banks, NSSLAs, pawnshops, corporations engaged in money service business, preneed, trust and insurance companies, and other financial intermediaries; and

3. Other corporations engaged in businesses vested with public interest similar to the above, as may be determined by the SEC.

The foregoing corporations vested with public interest must:

1. Elect independent directors constituting at least twenty percent (20%) of the board as well as a compliance officer.

2. Submit to their shareholders and the SEC an annual report of the total compensation of each of their directors/trustees and directors/trustees' appraisal or performance report with the standards or criteria used to assess each director/trustee.

3. Material contracts involving dealings of its directors, trustees, or officers 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.

Furthermore, the RCC provides that the Congress may set a maximum limit for stock ownership of individuals or groups of individuals related to each other by consanguinity, affinity, or by close business interests, in corporations declared to be vested with public interest pursuant to the RCC, or whenever necessary to prevent anticompetitive practices as provided in Republic Act No. 10667 otherwise known as the "Philippine Competition Act", or to implement national economic policies designed to promote general welfare and economic development, as declared in laws, rules, and regulations.

Philippine Competition Act

In July 2015, Republic Act No. 10667 or the Philippine Competition Act (PCA) was enacted in order to regulate or prohibit monopolies when the public interest so requires, and to ensure that there will be no unfair competition. It promotes free and fair competition in trade industry and all commercial economic activities. To implement the PCA, the Philippine Competition Commission (PCC) was created.

PCA provides for prohibited acts such as Anti-Competitive Agreements and Abuse of Dominant Position. Further, under the PCA, PCC was granted the power to review mergers and acquisitions based on factors it deemed relevant. Furthermore, PCA requires parties to merger or acquisition agreement to notify the PCC in accordance with the PCA and the thresholds set by the PCC.

Securities Regulation Code (SRC)

Republic Act No. 8799 otherwise known as the SRC was enacted on July 19, 2000. The SRC aims to establish a socially conscious and free market that regulates itself and encourage the participation of ownership in enterprises. It likewise seeks to protect the interest of the public by eliminating insider trading and other fraudulent or manipulative devise and practices which create distortions in the free market.

Under the SRC, any corporation listed in the exchange or with assets in excess of Php50,000,000.00 and having two hundred (200) or more holders, at least of two hundred (200) of which are holding at least one hundred (100) shares or which has sold a class of equity securities to the public shall have at least two (2) independent directors or such independent directors shall constitute at least twenty percent (20%) of the members of such board whichever is the lesser.

An independent director has been defined under the SRC as a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgement in carrying out the responsibilities of a director.

Data Privacy Act (DPA)

On July 25, 2011 Republic Act No. 10173 otherwise known as the "Data Privacy Act" was enacted in order to protect the fundamental human right of privacy and communication. The DPA seeks to protect all forms of information, personal, private, or sensitive of both natural and juridical persons. The National Privacy Commission (NPC), an independent body, was tasked to administer and implement the DPA and monitor and ensure compliance thereof.

The DPA laid out the following general data privacy principles that must be complied with in the processing of personal information:

1. Collected for specified and legitimate purposes determined and declared before, or as soon as reasonably practicable after collection, and later processed in a way compatible with such declared, specified and legitimate purposes only;

2. Processed fairly and lawfully;

3. Accurate, relevant and, where necessary for purposes for which it is to be used the processing of personal information, kept up to date; inaccurate or incomplete data must be rectified, supplemented, destroyed or their further processing restricted;

4. Adequate and not excessive in relation to the purposes for which they are collected and processed;

5. Retained only for as long as necessary for the fulfillment of the purposes for which the data was obtained or for the establishment, exercise or defense of legal claims, or for legitimate business purposes, or as provided by law; and

6. Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected and processed.

The DPA further requires the Personal Information Controller[7] (PIC), to do the following:

1. Registration of personal data processing systems operating in the country that involves accessing or requiring sensitive personal information of at least 1,000 individuals, including the personal data processing system of contractors, and their personnel, entering into contracts with government agencies;

2. Notification of automated processing operations where the processing becomes the sole basis of making decisions that would significantly affect the data subject;

3. Annual report of the summary of documented security incidents and personal data breaches; and,

4. Compliance with other requirements that may be provided in other issuances of the NPC.

[7] This refers to a natural or juridical person, or any other body who controls the processing of personal data, or instructs another to process personal data on its behalf.

However, PIC or Personal Information Processor[8] (PIP) that employs fewer than 250 persons shall not be required to register unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes sensitive personal information of at least 1,000 individuals.

The DPA also requires the PIC and PIP to: 1) designate a protection officer who shall be accountable for ensuring compliance with the applicable laws and regulations for the protection of data privacy and security; 2) implement appropriate data protection policies that provide for organization, physical, and technical security measures of the data; 3) maintain records that sufficiently describe its data processing system, and identify the duties and responsibilities of those individuals who will have access to personal data; and 4) review the data protection policies.

The DPA likewise allows data sharing in the following instances:

1. Data sharing is expressly authorized by law and adequate safeguards for data privacy and security, and processing adheres to the principle of transparency, legitimate purpose and proportionality.

2. Data sharing in the private sector if the data subject consents to the data sharing with certain conditions indicated in the DPA that should likewise be complied with

3. Data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available, or has the consent of the data subject for purpose of research. It should likewise be ensured that adequate safeguards are in place, and no decision directly affecting the data subject shall be made on the basis of the data collected or processed. The rights of the data subject shall be upheld without compromising research integrity.

4. Data sharing between government agencies for the purpose of a public function or provision of a public service shall be covered a data sharing agreement.

On March 14, 2017, the NPC issued NPC Advisory No. 2017-01 entitled “Designation of Data Protection Officers” which mandated the PIC or PIP to designate an individual/s who shall function as a Data Protection officer (DPO). The DPO shall be accountable for ensuring the compliance by the PIC or PIP with the DPA, its Implementing Rules and Regulations (IRR), issuances of NPC, and other applicable laws and regulations to privacy and data protection. To ensure that the data subjects may able to reach out to the DPO, the PIC or PIP must publish the DPO’s contact details (title/designation, postal address, telephone number and email address) in, at least, the following materials:

1. Website
2. Privacy Notice
3. Privacy Policy
4. Privacy Manual or Privacy Guide

[8] Refers to any natural or juridical person or any other body whom a personal information controller may outsource or instruct the processing of personal data pertaining to a data subject.

Transfer Pricing Guidelines

In order to prescribe the guidelines in determining the appropriate revenues and taxable income in transactions by and between related parties, the Bureau of Internal Revenue (BIR) on January 23, 2013 issued Revenue Regulations (RR) No. 2-2013 entitled "Transfer Pricing Guidelines." The provisions in the guidelines are mainly based on the arm's length methodologies set forth under the Organisation for Economic Cooperation and Development (OECD) Transfer Pricing Guidelines.

In order to ensure that the proper disclosures of related party transactions (RPT) are made and conducted at arm's length the BIR issued RR No. 19-2020 requiring the submission of the BIR Form No. 1709 and its supporting documents. The BIR then issued RR No. 34-2020 which prescribes for the guidelines and procedures for the submission of the BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents.

Under RR No. 34-2020, the following taxpayers are required to file and submit the RPT Form together with the Annual Income Tax Return (AITR): 1) Large Taxpayers; 2) Taxpayers enjoying tax incentives; 3) Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and 4) A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (a), (b) or (c).

The said taxpayers are likewise required to submit TPDs if it has an annual gross sales/revenue for the subject taxable period exceeding Php150 mn and the total amount of RPT with foreign and domestic related parties exceeds Php90 mn.

Moreover, the TPDs should also be submitted if the RPT meets the following thresholds: 1) if the transaction involves sale of tangible goods in the aggregate amount exceeding Php60 mn within the taxable year; 2) if the transaction involves service transaction, payment of interest, utilization of intangible goods or other RPT in the aggregate amount exceeding Php15 mn within the taxable year; or if TPD was required to be prepared during the immediately preceding taxable period for exceeding either 1 or 2.

Sustainability Report

On February 15, 2019, the SEC issued SEC Memorandum Circular No. 4 which provides for the Sustainability Reporting Guidelines for Publicly-Listed Companies (PLC) ("Guidelines"). The Guidelines is intended to help PLCs to assess and manage non-financial performance across Economic, Environmental, and Social aspects of their organization and enable the same to measure and monitor its contributions in achieving the universal targets of sustainability.

The Sustainability Report shall be submitted together with the PLC's Annual Report. The Guidelines shall be adopted on a "comply or explain" approach for the first three (3) years from implementation. Non-attachment of the Sustainability Report to the Annual Report shall be subject to the penalty for Incomplete Annual Report provided under SEC Memorandum Circular No. 6, Series of 2005.

Policies related to the Power Industry

Given the changing landscape of the power industry brought about by the enactment of the EPIRA law in 2001, the following have had, will have or may have considerable impact on Vivant's businesses:

Wholesale Electricity Spot Market (WESM)

The WESM is a spot market for the buying and selling of electricity. This was established to enable competition to influence the production and consumption of electricity. The mechanism in place allows market forces to determine prices. The WESM provides another option for power generation companies that have no bilateral contracts on how to sell the energy generated by their power plants. Likewise, the WESM serves as a platform for distribution utilities, suppliers and wholesale consumers to purchase electricity even without a bilateral contract.

The WESM began operations in Luzon in June 2006, in the Visayas in December 2010 and in Mindanao on June 2021.

In December 2013, an amended Joint Resolution No. 2 was issued by the DOE, ERC and Philippine Electricity Market Corporation (PEMC) adjusting the WESM Offer Price Cap from Php 62,000.00 per MWh to Php 32,000.00 per MWh. This price cap is provisional and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, the ERC issued Resolution No. 8, Series of 2014, to implement an interim secondary price cap of Php 6,245.00 per MWh, which will be imposed when the rolling average market price over a 72-hour period (3 days) equal to or exceed Php 8,186.00 per MWh. In December 2014, this was adopted as a permanent pre-emptive mitigating measure where imposition of such will be triggered when the rolling average market price over a 168-hour period (or 7 days) equal to or exceed Php 9,000.00 per MWh. A Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and Writ of Preliminary Injunction has been filed by the Philippine Independent Power Producers Association, Inc. (PIPPA) with the RTC of Pasig on the ground that the resolutions made by ERC are invalid and void. The Regional Trial Court of Pasig denied the Application for TRO. On November 6, 2014, PIPPA withdrew its application for the issuance of a Writ of Preliminary Injunction and submitted the case for decision. In May 2017, the ERC issued Resolution No. 04, series of 2017 entitled "A Resolution Adopting Amendments to the Pre-emptive Mitigating Measure in the WESM". Under this resolution, the ERC approved and adopted the setting of a recalculated Cumulative Price Threshold level at Php1,080,000.00 equivalent to the Generated Weighted Average Prices over a rolling 5-day period or one hundred twenty (120) – hour trading interval in WESM. In 2021, the ERC issued Resolution No. 7, series of 2021 which amended ERC Resolution No. 4, Series of 2017. Under this 2021 Resolution, the ERC approved and adopted a shorter rolling average period from one hundred twenty (120) hours or five (5) days to seventy-two (72) hours or three (3) days.

WESM operations in Mindanao was officially launched by the DOE in May 2017 through Department Circular NO. DC2017-05-0009. Effective June 26, 2017, all electric power industry participants in the Mindanao Grid were considered WESM Participants and were required to comply with the WESM registration requirements. Pursuant to DOE Department Circular No. DC2022-12-0039, the Commercial Operations Date of WESM Mindanao was declared on January 26, 2023.

In July 2017, through the initiative of the DOE, the Transition Committee for PEMC was created through Department Order No. DO2017-07-0010, which was tasked among others to propose a way forward for the WESM. Consistent with the intention of the EPIRA, the Transition Committee formulated a transition proposal for an Independent Market Operator ("IMO") which provides for the formation of an independent entity separate from the PEMC to become the IMO, while PEMC remains the governance arm of the WESM. Before the functions of the market operator can be transferred to the IMO, a joint endorsement of the DOE and the power industry participants is required. Hence, on January 17, 2018, the DOE promulgated policies for the efficient transition of the WESM to the IMO. Thereafter, on February 6, 2018, a Special Membership Meeting was held by PEMC to vote for the endorsement of the Plan for Transition to the IMO of the PEMC and the transfer of the market operations function from PEMC to the IMO.

The Independent Electricity Market Operator of the Philippines Inc. (IEMOP) was thereafter organized as a non-stock, non-profit private corporation that is separate from PEMC. The IEMOP was incorporated to become the IMO, and as such, in September 2018, it formally took over the operations of the WESM from PEMC.

PEMC remains the governing body of the WESM and continues to perform the WESM governance functions.

The DOE adopted further amendments to the WESM Rules when it issued Department Circular No. DC2020-10-0021 on October 22, 2020, particularly on the provisions for the implementation of the IMO. Under the said circular, the scope of the WESM Rules now covers the Market Operator (MO) and System Operator (SO). The MO was likewise required to report any non-compliance with WESM Rules and Market Manuals and commission of other acts by any WESM member to the ERC, DOE, and the Governance Army.

Similarly, the DOE also amended the WESM Market Manual on Dispatch Protocol, Issue No. 13 on October 06, 2020 as it issued Department Circular No. DC2020-10-0020. The circular amended the Day-Ahead Projection, Hour-Ahead Projection, and the Real-Time Dispatch Schedule under the WESM Timetable. On the same day, Department Circular No. DC2020-10-0019 was likewise issued by the DOE which provided that WESM Member that has a new load facility and intends to withdraw energy from the grid through a separate marketing trading node shall register the said load facility with the MO. In addition, the WESM Member is likewise required to provide an additional security commensurate to the load profile of the new load facility prior to energization.

On June 3, 2021, the DOE issued Department Circular No. 2021-06-0012 entitled "Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules, Retail Rules and Various Market Manuals for the Implementation of Enhancements to WESM Design and Operations (Provisions to Promote Participation in the Retail Competition)".

On June 25, 2021, DOE issued DC2021-06-0015 entitled Declaring the Commercial Operations of Enhanced Wholesale Electricity Spot Market (WESM) Design and Providing Further Policies. Under the said circular, the commercial operation of Enhanced WESM Design and Operations (EWDO) was effective on June 26, 2021 in Luzon, Visayas, and Mindanao.

On July 09, 2021, the DOE issued DC2021-07-0024 entitled "Adopting Further Amendments to the Wholesale Electricity Spot Market (WESM) Rules for the Operation of the Renewable Energy Market". Under the said circular, the Market Operator shall make available to the Renewable Energy Registrar all pertinent information to facilitate the participation and transaction with the RE Market of the WESM members, for their compliance to the Renewable Portfolio Standards, pursuant to RE Act.

On July 20, 2023, the DOE issued DC No. 2023-07-0023 to adopt further amendments to the WESM Rules and Market Manuals to set the penalty framework for test and commissioning. The said policy sets out the applicable, financial, and escalated financial penalty for any WESM member which (1) fails to apply for a Commercial Operations Registration after receiving its COC from the ERC or its Final Certificate of Approval to Connect (FCATC) from the NGCP and (2) continues to inject power to the Grid after the expiry of its authorized testing and commissioning period.

On August 2, 2023, the DOE issued DC No. 2023-08-0024 to adopt further amendments to the WESM Market Manual on Billing and Settlement in order to define the Additional Compensation (AdComP) formula during market intervention/suspension. Section 8.3 of the WESM Manual on Price Determination Methodology and Section 10 of the WESM Market Manual on BIlling and Settlement provide that a Trading Participant is entitled to additional compensation:

1. During Market Suspension or Market Intervention;
2. Designated as constrained-on or must-run unit;
3. Scheduled and dispatched as constrained-on unit during price substitution methodology; and
4. Scheduled and dispatched when ERC imposes price mitigation measure.

Retail Competition and Open Access (RCOA)

Among the significant mandates under the EPIRA is a system of open access to transmission and distribution wires whereby the National Transmission Corporation (TRANSCO), its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. The following are the conditions for the commencement of the RCOA:

1. Establishment of the WESM;

2. Approval of unbundled transmission and distribution wheeling charges;

3. Initial implementation of the cross-subsidy removal scheme;

4. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and

5. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

In 2011, the ERC initiated proceedings through the conduct of public hearings to determine whether or not the RCOA may already be declared in Luzon and Visayas. Initially, the ERC declared December 26, 2011 as the date when full operations of the RCOA in Luzon and Visayas should commence. Under this initial phase, all electricity end-users that are certified by the ERC to be Contestable Customers with an average monthly peak demand of 1MW for the 12 months preceding December 26, 2011 were given the right to choose their own electricity suppliers. However, on October 24, 2011, the ERC deferred the implementation of the RCOA in Luzon and Visayas citing the inadequacy of rules, systems, preparations and infrastructure required therefor. This was in response to the request of MERALCO, Private Electric Power Operators Association, and Philippine Rural Electric Cooperatives Association, Inc. for a re-evaluation of the feasibility of the December 26, 2011 RCOA implementation date.

In December 2012, the ERC issued the Transitory Rules to govern the initial implementation of the RCOA. The Transitory Rules were arrived at by the ERC together with the DOE and the PEMC. Under the Transitory Rules, the new implementation date of the RCOA was set on December 26, 2012. The period from December 26, 2012 to June 25, 2013 was declared as the Transition Period to allow the following: (1) development and finalization of the required infrastructure for systems, processes and information technology relating to RCOA, and (2) the registration into the WESM database of RES and Contestable Customers into the WESM database. The initial commercial operations of the RCOA were scheduled during the period from June 26, 2013 to December 25, 2013. Full implementation of the RCOA will then commence from December 26, 2013 onwards. During the said time, PEMC will act as the Central Registration Body and will be responsible for the development and management of the required systems, processes and information technology structure and the settlement of transactions in the WESM relating to the RCOA.

The implementation of the RCOA in Mindanao may take some time given that the conditions for a competitive environment has yet to be met. However, the prevailing supply conditions have led to the Interim Mindanao Electricity Market to commence operations in December 2013. To address the supply shortfall in the grid, all registered generating facilities were mandated to fully account for their capacities in the market.

The ERC issued revised regulations involving the issuance of RES licenses in December 2013. Included in the rules change was the non-issuance of RES licenses to generating companies, IPPA and affiliates of distribution utilities during a transition period or until after market condition allows it. Moreover, there were additional licensing restrictions imposed, which are: (1) the inclusion of the RES' contracted capacity in the grid limitations involving total capacity controlled by affiliate generation companies; (2) imposition of a 50% cap on supply by a RES to its affiliate end-users; (3) imposition of a 50% cap on supply from an affiliate generation company to a RES.

As a result of these additional licensing restrictions, the Retail Electricity Suppliers Association of the Philippines, Inc. filed a Petition for Declaratory Relief with an urgent application for an injunction with the RTC of Pasig City on the ground that the revised rules were unconstitutional and invalid.

In October 2014, the ERC issued Resolution No. 17, Series of 2014, which held in abeyance the evaluation of RES license applications and suspended the issuance of RES licenses pending the promulgation of the amended RES Licensing Rules. Currently, ERC is reviewing the RES Licensing Rules and the Rules for Contestability.

On 12 May 2016, the ERC issued Resolution No. 11, Series of 2016 (ERC Resolution No. 11-16), which disallowed distribution utilities from engaging in the supply of electricity to end-users in the contestable market, unless as a Supplier of Last Resort (SOLR). Local RES are also mandated to wind down business within 3 years from the effectivity of ERC Resolution No. 11-16. Thus, Retail Supply Contracts (RSC) that have already been executed by a Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provides that no RES is allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the Competitive Retail Electricity Market (CREM). Further, RES is not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which established the conditions and eligibility requirements for end-users to be part of the contestable market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No.4149-PSG, with a prayer for the issuance of a TRO and/or Writ of Preliminary Injunction to (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the Revised Rules for Contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void.

On 13 July 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailed the jurisdiction of the RTC and separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by the DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo De Manila University, and Riverbanks Development Corporation filed a petition, this time with the Supreme Court, to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On 21 February 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

The DOE and the ERC filed a Motion for Reconsideration before the Supreme Court to lift the TRO. Both likewise filed an Omnibus Motion seeking clarification on the scope and coverage of the TRO. To date, both have remained unresolved.

In November 2017, the DOE issued DOE Circular No. DC2017-12-0013 to address policy and regulatory gaps resulting from the abovementioned cases. In the said circular, the DOE provided for voluntary participation of Contestable Customers and lowered the threshold to from 1 MW to 750 kW and 500 kW. Voluntary Demand Aggregation was also permitted by December 2018 allowing electricity End-users within a contiguous area whose average peak demand is not less than 500 kW for the preceding 12-month period to aggregate their demand to be part of the Contestable Market and to enter into retail supply contracts with Aggregators.

On July 29, 2019, the DOE issued Department Circular No. DC2019-07-0011 which provided for the amendments of various issuances on the implementation of the RCOA. Based on this particular circular Contestable Customers are no longer automatically integrated into the WESM and its participation therein shall be on a voluntary basis. Moreover, the same circular provided that participating Contestable Customers should source its electric supply requirements from ERC-licensed/authorized suppliers.

On O3 December 2020, the ERC issued Resolution No. 12, Series of 2020 which prescribes the timeline for the implementation of RCOA. The said ERC Resolution likewise provided that the coverage of RCOA was expanded for end-users with an average monthly peak demand of at least 500 kW in the preceding twelve (12) months. Moreover, the monthly billing statement from the Network Service Provider (NSP) shall be considered as proof of contestability and shall be the basis for contestable customers' retail market transaction in lieu of the Certificates of Contestability. NSPs are thus required to notify qualified end-users by indicating in their monthly bill that they are qualified Customer Customers and can now choose their preferred supplier of electricity.

On March 2, 2021, the Supreme Court promulgated its decision granting the petition of Philippine Chamber of Commerce and Industry, et al., and declaring DOE DC2015-06-0010, series of 2015, and ERC Resolution Nos. 5,10,11, and 28, all series of 2016 void for being bereft of legal issue. The said decision directed the ERC to promulgate the supporting guidelines to DOE's Department Circular Nos. 2017-12-0013 and DC2017-120014.

In light of the Supreme Court decision, on November 17, 2021, the ERC issued Resolution No. 9, series of 2021 revoking its Resolution no. 17, series of 2014 (RES License Moratorium) as there will be eight (8) RES, with a total of 265 contestable customers, who were expected to file for the renewal of their respective licenses within 2021 and that these customers would be left without a supplier and may be exposed to the higher prices of the SOLR should the ERC fail to issue RES licenses.

On January 17, 2023, the ERC issued Resolution No. 1 Series of 2023 to amend the ERC rules supplementing the switching and billing process and adopting a disconnection policy for contestable customers. Under the said regulation, no contestable customer shall be allowed to switch to a new RES if it has an outstanding balance with its Network Service Provider. Upon satisfaction of such condition, the Contestable Customer shall be allowed to choose a new RES and enter into a new Retail Supply Contract (RSC) with its supplier of choice.

On April 12, 2023, the DOE issued DC No. 2023-04-0006 to provide supplemental policy for the systematic management of RES reportorial requirements. Moving forward, RES shall now submit their reportorial requirements through the DOE Web Portal.

The 2016 Philippine Grid Code

Under the EPIRA, the ERC was tasked to promulgate and enforce a national grid code. Enacted in December 2001, The Philippine Grid Code established and documented the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the high-voltage backbone transmission system of the Philippines. The Philippine Grid Code identified and recognized the responsibilities and obligations of 3 key independent functional groups, namely the (a) Grid Owner, (b) SO and (c) MO.

On October 5, 2016, the ERC through ERC Resolution No. 22, Series of 2016 approved the publication of the approved Philippine Grid Code 2016 Edition (the 2016 Grid Code). Among the objectives in the 2016 Grid Code were to harmonize the provisions of the Philippine Grid Code with the issuances of the DOE and the ERC and to adopt and fully implement the connection and operational requirements for Variable Renewable Energy (VRE) Generating Facilities consistent with the Renewable Energy Act.

Among the salient points of the 2016 Grid Code are as follows:

The inclusion of the connection and operational requirements for VRE facilities; setting the requirements pertaining to the connection and operational requirements of embedded generators were to be consigned to the Philippine Distribution Code; the provision for changes on frequency controls and responses; the introduction of a new way of classifying reserves from Contingency Reserve, Regulating Reserve and Dispatchable Reserves into Primary Reserve, Secondary Reserve and Tertiary Reserve, respectively; as regards ancillary services, the 2016 Grid Code provided a Frequency Reserve Obligation on the SO mandating it to contract for the Reserve or suffer penalty. The drafting of revisions and updates on the Ancillary Service Procurement Plan are on-going in accordance with the new ancillary structures based on the 2016 Grid Code.

From the time the 2016 Grid Code was enacted, developments in the WESM and other ancillary-related issuances have come up including proposed amendments to the Ancillary Services Cost Recovery Mechanism filed by the NGCP with the ERC. These prompted the DOE to issue Department Circular No. DC2019-12-0008 which (i) set up the General Framework Governing the Provision and Utilization of Ancillary Services in the Grid pending harmonization of ancillary service-related issuances and review of the relevant provisions of the 2016 Grid Code; and (ii) constituted the Ancillary Service Technical Working Group (AS-TWG) for the cost-recovery mechanism.

To date, the existing cost-recovery mechanism for AS shall continue to be implemented until a new mechanism is recommended by the AS — TWG and adopted by the DOE and/or the ERC.

Consistent with the provisions of EPIRA and the 2016 Grid Code, the ERC, on January 21, 2016 issued Resolution No. 17 Series of 2013 entitled “A Resolution Adopting and Approving the Rules and Procedures to Govern the Monitoring of Reliability Performance of Generating Units and Transmission Units and the Transmission System.” The rules initially apply to all Generation Companies with Generating Plants connected to the Grid, Embedded Generating Plants which have an aggregated capacity of 20MW and above, SO, Grid Owner or its Concessionaire and MO. On November 16, 2020, however, the ERC issued Resolution No. 11, Series of 2020 which amended the rules and lowered the aggregated capacity of Embedded Generating Plants from 20MW and above to 5MW and above.

In May 3, 2023, ERC promulgated Resolution no. 4 Series of 2023 to constitute an interim Grid Management Committee (GMC) for a specific purpose and perform limited functions under the Philippine Grid Code. Such limited functions include the following:

1. Monitor the implementation of the Philippine Grid Code;
2. Monitor, evaluate, and make recommendations on Grid planning and Grid operations;
3. Review and recommend standards, procedures, and requirements for Grid connection, operations, maintenance, and development; and
4. Other tasks that the Commission may specifically delegate other than the regulatory power of the ERC

The Renewable Energy Act of 2008 (RE Act)

The RE Act was signed into law in December 2008 and became effective in January 2009.

The RE Act was designed to promote and develop the use of the country's RE resources with the intention of reducing the country's dependence on fossil fuels and improving the overall condition of the environment.

The RE Act offers fiscal and non-fiscal incentives to RE developers, subject to a certification issued by the DOE, in consultation with the Board of Investments. These incentives include:

1. ITH for the first 7 years of commercial operations

2. Duty-free importation of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided said machinery, equipment and materials are directly, exclusively and actually used in RE facilities

3. Special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value

4. Net operating loss carry over

5. Corporate tax rate of 10% after the 7th year

6. Accelerated depreciation

7. Zero percent VAT on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities

8. Cash incentives for RE developers for missionary electrification

9. Tax exemption on carbon emission credits.

10. Tax credit on domestic capital requirement and services.

All fiscal incentives apply to all RE capacities upon effectivity of the RE Act.

To boost investments in the RE sector, the DOE issued Department Circular No. DC2022-11-0034 which amended Section 19(B) of the Implementing Rules and Regulations of RE Act. Effectively, foreign nationals may now engage in the exploration, development, and utilization of inexhaustible renewable energy sources. The relaxation of the nationality restriction was issued following a legal opinion by the Department of Justice.

Due to the intermittent or variable nature of certain Renewable Energy (RE) resources, RE generating units that utilize the same are declared in the RE Act as 'must dispatch' based on available energy and shall be given priority dispatch. In 2015, the DOE promulgated the Framework for the Implementation of Must Dispatch and Priority Dispatch of Renewable Energy Resources in the WESM[9] where "Must Dispatch" and "Priority Dispatch" facilities were classified in accordance with the predictability of the RE resource. To enjoy the "Must Dispatch" status, a facility must be utilizing an intermittent RE resource that is difficult to predict in terms of availability such as wind, solar, ocean, run-of-river hydro, or ocean energy. "Priority Dispatch" on the other hand was limited to biomass plants under the feed-in-tariff (FIT) system.

To further accelerate the utilization and development of indigenous RE resources, on October 05, 2022, the DOE expanded the definition of "Priority Dispatch" to include geothermal, and impounding hydro plants, and biomass plants that are not covered by the FIT system through Department Circular No. DC 2022-10-0031.

In a resolution issued in 2012, the ERC adopted the following FIT for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding digression rates.

	FIT Rate (Php/kWh)	Degression Rate
Wind	8.53	0.5% after 2^{nd} year of FIT effectivity
Solar	9.68	6% after 1^{st} year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2^{nd} year of FIT effectivity
Biomass	6.63	0.5% after 2^{nd} year of FIT effectivity

9 DOE Department Circular No. DC2015-03-0001.

On May 26, 2020 the ERC issued Resolution No. 06, Series of 2020 which adjusted the FIT as follows:

Technology		2014	2015	2016	2017
		(Yr 1 Entrant)		(Yr 2 Entrant)	(Yr 3 Entrant)
Biomass	2014 – 2015	6.6300		-	-
	2016	6.6502		6.6300	
	2017	6.8539		6.6502	6.5969
	2018	7.1097		6.8539	6.6170
	2019	7.4132		7.1097	6.8197
	2020	7.6629		7.4132	7.0742
ROR Hydro	2014 – 2015	5.9000		-	-
	2016	5.9218		5.9000	
	2017	6.0710		5.9218	5.8705
	2018	6.2798		6.0710	5.8922
	2019	6.5392		6.2798	6.0406
	2020	6.7772		6.5392	6.2484
Solar		Solar 1	Solar 2		
	2014 – 2015	9.6800	8.6900	-	-
	2016	9.7015	8.7093	8.6900	-
	2017	10.0661	9.0366	8.7093	-
	2018	10.4788	9.4071	9.0366	-
	2019	10.9441	9.8248	9.4071	-
	2020	11.2758	10.1226	9.8248	-
Wind		Wind 1	Wind 2		
	2014 – 2015	8.5300	7.4000	-	-
	2016	8.5525	7.4195	-	-
	2017	8.8442	7.6725	-	-
	2018	9.1905	7.9730	-	-
	2019	9.5907	8.3202	-	-
	2020	9.8976	8.5864	-	-
Bangui 1 & 2	2014 – 2015	5.9600	-	-	-
	2016	5.9757	-	-	-
	2017	6.1795	-	-	-
	2018	6.4215	-	-	-
	2019	6.7011	-	-	-
	2020	6.6156	-	-	-

The Net Metering Program (NMP) for RE was issued by the ERC in 2013, which is designed to, among others, encourage end-users to participate in the RE generation. The distribution utilities are required to enter into a net metering agreement with an end-user with installed RE system, subject to technical considerations.

The ERC amended several provisions of the rules enabling the NMP for RE through ERC Resolution No. 06, Series of 2019. The following are the salient revisions made:

1. RE systems that run of river hydropower and those capable of being installed in the qualified end-user's premises with or without battery are now eligible to participate in the net metering program.

2. All qualified end-users are required to apply for a COC and distribution utilities are required to assist the qualified end-users in their COC application by receiving and transmitting to the ERC all documentary requirements including the Net Metering Agreement (NMA) and informing the qualified end-user of the ERC's decision.

3. Distribution utilities are likewise required to furnish and install a bi-directional meter at the qualified end-user's premises, the expenses of which shall be for the account of the qualified end-user, except in the case of new customers and the qualified end-users with existing separate meters required to be replaced with a bi-directional meter.

Similarly, ERC Resolution No. 06, Series of 2019 likewise amended the net metering interconnection standards. RE systems with a maximum capacity of 100kW AC per qualified end-user to its distribution system except for Solar Photovoltaic (PV) which shall be 100kW DC are already allowed interconnection of the RE systems. In line with the foregoing amendments, the NMA template has been updated by the ERC accordingly.

On February 27, 2020 the ERC issued ERC Resolution No. 05, Series of 2020 which provides for the clarifications on the amended Net-Metering Rules. For purposes of Net-Metering Applications "good credit standing" has been defined as an end-user with no unsettled or outstanding obligation with the distribution utility at the time of application. Moreover, the cost of Renewable Energy Certificate (REC) meter and the installation thereof shall be shouldered by the distribution utility while the wiring cost from the facility to the REC meter shall be for the account of the qualified end-user. The ERC resolution also provides that the REC meter should be located at the connection point or at least near the connection point.

Meanwhile on October 22, 2020 the DOE issued Department Circular No. DC2020-10-0022 which prescribes the following policies and guidelines to provide complementary enhancements to the net metering program:

1. Implementation of the one (1) -year period for the banking of net metering credits of existing and new applications;

2. Application of Off-Grid or Island Grid Systems;

3. Publication of the distribution utilities NMP including their respective hosting capacities of Distribution Systems for net metering purposes; and

4. Development of a net metering guidebook that aims to prescribe the guidelines and procedures for net metering arrangements from offer to after sales services by the net metering installers and practitioners as well as prescribing the minimum standards for all net metering installations, in collaboration with all concerned government agencies.

The guidelines for the collection of the FIT-Allowance (FIT-All) and the disbursement of the FIT-All Fund by Transco were issued by the ERC in early 2014. The FIT-All is a uniform charge that will be collected from end-users by distribution utilities and RES entities. This will comprise the FIT-All Fund, whereby Transco serves as the Administrator. The FIT-All Fund is for the guaranteed payment of the FIT for actual energy delivered by RE generators. In an order dated October 10, 2014 ERC Case No. 2014-109RC, the ERC issued a provisional approval for the applied FIT-All of Php 0.0406 per kWh filed by Transco. Collection from end-users shall commence starting January 2015.

On November 16, 2022, the ERC issued Resolution No. 12, Series of 2022 which approved and adopted the temporary suspension of collection of the FIT-All for a period of three (3) months, starting from December 2022 until February 2023 billing months.

In December 2017, the DOE promulgated the rules and guidelines governing the establishment of the Renewable Portfolio Standards (RPS) for On-Grid Areas through Department Circular No. DC2017-12-0015. The RPS Rules were adopted to mandate electric industry participants to source a portion of their electricity requirements from eligible RE sources in order to develop indigenous and environmentally friendly energy sources. With the minimum annual increment requirement of 1% to be applied to the Net Electricity Sales of the mandated participants, the DOE targets to increase the utilization of RE and reach a 35% RE share in the Energy Mix by 2030.

In July 2018, Department Circular No. DC2018-07-0019 containing the Rules Governing the Establishment of the GEOP in the Philippines became effective. General rules and procedures were set out to guide end-users, RE supplier and network service providers in facilitating the options taken by end-users to choose RE Resources for their energy requirements. Similarly, on April 22, 2021, the ERC issued ERC Resolution No. 8, series of 2021 which adopted the Rules for the GEOP.

In August 2018, the DOE promulgated the rules and guidelines governing the establishment of the RPS for Off-Grid Areas through Department Circular No. DC018-08-0024. The RPS Off-Grid Rules was adopted to contribute to the growth of the RE Industry in the Off-Grid and Missionary Areas by mandating electric power industry participants to source or produce a specified portion of their electricity requirements from eligible RE resources. It was intended to rationalize the efficient use of the Universal Charge – Missionary Electrification and improve the self-sufficiency in power generation through integration of RE in the supply mix in Off-Grid Areas.

On October 1, 2019, the DOE harmonized and enhanced all existing guidelines and procedures regulating the transparent and competitive system of awarding RE Contracts and the registration of RE projects through Department Circular No. DC2019-10-0013 otherwise known as the "Omnibus Guidelines Governing the Award and Administration of Renewable Energy Contracts and the Registration of Renewable Energy Developers".

On December 4, 2019, the DOE promulgated the Renewable Energy Market (REM) Rules to facilitate the compliance of mandated participants with the RPS Rules (both on-grid and off-grid). The rules govern all electric power industry participants in all grids, both on-grid and off-grid areas, and tasked the PEMC to establish the REM and the development of the REM System.

On June 10, 2022, the DOE declared the Interim Commercial Operations of the REM until such time that the Commercial Operations is declared by the DOE[10].

[10] DOE Department Circular No. DC2022-06-0019.

On May 23, 2023 the DOE issued DC No. 2023-05-0014 to promulgate the revised rules and guidelines governing the operationalization of the RPS for Off-Grid Areas. Under the new rules, the obligation to determine the optimal supply mix and submit an RPS Compliance Plan has been decentralized to the mandated participants (i.e. Distribution Utilities, Generation Companies, etc.) depending on the“Case” of an Off-Grid Area:

Case #	Arrangement	Required Entity
Case 1	1 DU, 1 GenCo	Generation Company
Case 2	1 DU, >1 GenCos	Distribution Utility
Case 3	>1 DU, >1 GenCos	NEA/TransCo

Off-grid Mandated Participants may comply with the RPS requirement through the following:

1. Procure power from RE generation from NPC-SPUG, MGSP, or NPP (contracted or own facility);
2. Procure power from RE generation from embedded facilities of the DUs; and
3. Procure RE Certificates from the RE Market.

On December 7, 2023, the DOE issued DC No. 2023-12-0032 to set the rules and regulations on administrative actions for violations of the RPS Rules. Such penalty should in no case be less than PhP 100,000.00 to PhP500,000.00 or the total amount of damages caused or the costs avoided for non-compliance, whichever is higher. Other sanctions include the cancellation or suspension of any permit, license, authority, or registration granted by the DOE.

The DOE is set to conduct a series of trainings in 2024 for off-grid mandated participants to discuss the consideration and parameters in formulating the optimal supply mix and in setting the procedures and deadlines for the submission of the RPS Compliance Plan.

On December 1, 2023, the Philippine Renewable Energy Market (PREM) started accepting the registration of Off-Grid Mandated Participants as an initial set to prepare their compliance with the RPS Rules.

On May 23, 2023, the DOE also issued DC No. 2023-05-0015 to prescribe the amendments to DC No. 2017-12-0015 or the RPS Rules for On-Grid Areas. Under the amended rules, the minimum annual incremental RE percentage for all mandated participants has been set to 2.52% from 2023 onwards.

On April 19, 2023, President Ferdinand R. Marcos Jr. signed Executive Order No. 21 Series of 2023 which directs the establishment of the policy and administrative framework for offshore wind development (OSW). DOE responded to this marching order by issuing DC2023-05-0013 on May 18, 2023 to promulgate the implementing guidelines of Executive Order No. 21. The said policy defines the OSW policy and administrative framework anchored on the Energy Virtual One-Stop Shop (EVOSS) to ensure streamlined requirements and procedures for the application of OSW Energy Service Contract (OsWESC).

The DOE further defined the OSW policy and administrative framework through DC No. 2023-06-0020 which was issued on June 16, 2023. The said policy adopts a "Whole-of-Government" approach to streamline and expedite the approval process of permitting agencies for the issuance of permits, licenses, and clearances for OSW projects, and eliminate unnecessary delays in every stage of the project development.

In December 14, 2023, the DOE issued DC No. 2023-12-0035 to prescribe the policy and general framework on the expanded roof-mounted solar program in the Philippines. The said policy only affects those with roof-mounted solar facilities (RSF) with a capacity of above one-hundred kilowatt peak (100 kWp), intended for own-use and/or export of energy to its host DU. Aside from the development, maintenance, and connection requirements for affected facilities, the said circular also recognized different business models in operating RSF such as the (1) Supply Contingency Option, (2) Lease-to Generate Option, and the (3) Restricted Peer-To-Peer Energy Trading. the Transmission Network Provider, which is the NGCP at present, is also required to conduct a timely System Impact Study (SIS) for grid-connected RSF (>20MW in Luzon, >5MW in Visayas and Mindanao) prior to construction and commercial operations. A Distribution Impact Study and Distribution Asset Study are also required to be maintained by Distribution Utilities to ensure the reliability and stability of their distribution systems to accommodate the entry of RSFs. The said policy was issued in support of the government's target to attain 35% RE share in the power generation mix by 20230 and 50% by 2040. It also aims to attract more investors in RE that will provide additional supply of electricity, empower electricity-end users in using or hosting rooftop solar PV systems, and offer alternative compliance to designated establishments with obligations under the Energy Efficiency and Conservation Act.

The DOE is also in the process of revising DC 2019-10-0013 which prescribes the Omnibus Guidelines for the Award and Administration of RE Contracts and the Registration of RE developers. The proposed amendments include the process and requirements for securing OsWESC.

Off-grid Area System Operator

On November 09, 2021 the DOE issued Department Circular No. DC2021-11-0039 entitled "Mandating the National Transmission Corporation as Small Grid System Operator in Specific Off-Grid Area". Under the said circular, the TRANSCO shall serve as the Small Grid SO in any of the following Small Grid classifications:

1. More than one (1) DU utilizing a High Voltage line to transmit power generated by more than one (1) Generation Company (GenCo);

2. Only one (1) DU utilizing a High Voltage line to transmit power generated by more than one (1) GenCo; and

3. Only one (1) DU utilizing its Medium Voltage line to transmit power generated by more than one (1) GenCo.

Reduction in Systems Loss

The ERC issued the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency (Resolution No. 20, Series of 2017), which set distribution feeder loss cap for private distribution utilities at 6.50% for 2018, 6.25% for 2019, 6% for 2020, and 5.50% for 2021 up to 2022.

Under the new regulations, the actual electricity usage of the distribution company will be treated as an Operations and Maintenance expense in its Performance Based Incentives in its PBR applications.

Competitive Selection Process (CSP)

In June 2015, the DOE issued Department Circular No. DC2015-06-008 mandating all distribution utilities to undergo a CSP in securing PSAs, through a Third-Party expert duly recognized by the DOE and ERC. Under the circular, the CSPs for the procurement of PSAs shall observe the aggregation for the un-contracted demand of the distribution utilities and shall be conducted annually. The terms and conditions of the PSAs shall be in accordance with the template PSA to be issued by the ERC in coordination with the DOE. The ERC and DOE were given 120 days from the effectivity of the circular to issue the implementing guidelines and procedures for the circular.

In September 2015, the DOE together with the ERC posted for comments the first draft of the implementing guidelines of Department Circular No. DC2015-06-008. After conducting public hearing and receiving opposition from industry stakeholders, the ERC and DOE deferred issuing a decision on the mandatory implementation of the CSP.

Pending the issuance by the ERC of a prescribed CSP, the ERC issued in October 2015 Resolution No. 13 (CSP Resolution) directing all distribution utilities to conduct CSP in the procurement of their supply to the captive market. In the Resolution, a CSP is deemed successful if the distribution utility receives at least two (2) qualified bids. Direct negotiation may be conducted after at least two (2) failed CSPs.

In ERC Resolution No. 1, Series of 2015 dated 15 March 2016, the ERC restated the effectivity of the CSP Resolution to be April 30, 2016.

In February 2018, the DOE finally prescribed the "Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreement for the Captive Market" through Department Circular No. DC2018-02-0003. Governing all DUs in both grid and off-grid areas, the policy mandates the procurement of all PSAs for the captive market through CSP. In the said Circular, the CSP may be conducted by a Third-Party Bids and Awards Committee (TPBAC) composed of 5 members, where 3 members will come from the DU and 2 from the captive customers. In lieu of the TPBAC, the DU may also opt to engage a Third-Party Auctioneer. Direct negotiation with generation companies is allowed after at least 2 failed CSPs and there is no outstanding dispute in the conduct of the CSP.

On September 24, 2021, the DOE issued DC2021-09-0030 amending certain provisions and supplementing DC2018-02-0003. Under the said issuance, the following shall warrant a Certificate of Exemption from the conduct of CSP (COE-CSP) from the DOE:

1. Any generation projects funded by grants or donations, and will become fully-owned, operated, and controlled by the DU within its franchise area, subject to ownership and market-share limitations as provided under relevant laws and issuances. The DU may be allowed to infuse internally generated funds; Provided, that the amount shared by the DU shall not exceed thirty percent (30%) of the total project cost excluding taxes to be paid by the DU; Provided also, that the generation project or facility shall be structurally and financially unbundled from the DU's business segment such that the generation rate from such project or facility can clearly be distinguished from the distribution rates of the DU; Provided finally, that the generation project shall not be transferred or assigned to an affiliate or subsidiary Power Supplier of the DU.

2. Negotiated procurement of emergency power supply wherein the cooperation period of the corresponding Emergency Power Supply Agreement (EPSA) shall not exceed one (1) year, and such EPSA shall be filed immediately before the ERC upon the issuance and within the effectivity of the COE-CSP; Provided, that the DU shall prove and certify that it has performed all the necessary and required due diligence, and solicited proposal from at least one (1) power supplier for EPSA to address the emergency situation and to avert and/or mitigate its consequences, and the offer/s from the available Power Supplier/s shall be attached in the request for COE-CSP; Provided also, that the procurement of emergency power supply shall be not entitled to any form of subsidy. Provided finally, that the rate shall be equivalent to or lower than the latest ERC-approved generation tariff for same or similar technology in comparable areas.

3. Any generating plant to be embedded in the DU, utilizing indigenous energy resources in the franchise area of the DU, subject to ownership and market-share limitations as provided under relevant laws and issuances, unless it intends to sell generated power outside of the embedded area, in which case, it shall undergo CSP with respect to its excess power. The size of the generation plant shall have a maximum capacity of 10 MW per Luzon DU and 5 MW per Visayas and Mindanao DU.

4. The provision for power supply by the NPC in off-grid areas prior to and until the entry of New Power Providers and in emergency circumstances, in which case, a copy of the PSA between the Electric Cooperative (EC) and the NPC shall be submitted to the DOE and the National Electrification Administration (NEA), in case of ECs.

5. The provision for power supply by the PSALM Corporation or its successor-in-interest through bilateral contracts for the power produced from the undisposed generating assets and independent Power Producer contracts. Request for exemption must be submitted to the DOE at least three (3) months prior to the expiration of the Contract of Supply of Electric Energy (CSEE) or intended cooperation period. Upon its execution, the DU or EC shall furnish the DOE and NEA, respectively, with a copy of the CSEE between the DU and the PSALM.

Further, under DC2021-09-0030 DUs may resort to alternative methods of procurement exclusively for New Technology such as Unsolicited Proposals and Competitive Challenge. New Technology refers to a technology that is novel or a novel use or arrangement of existing technology that has not yet been commercially operating or applied in the country.

On June 30, 2023, the DOE released DC No. 2023-06-0021 entitled, "Prescribing the Policy for the Mandatory Conduct of the Competitive Selection Process by the Distribution Utilities for the Procurement of Power Supply for their Captive Market" (the "2023 CSP Circular"). The 2023 CSP circular did not include several provisions from its predecessors such as the requirement of a TPBAC or Third Party Auctioneer and the Alternative Mode of Procurement through Unsolicited Proposals. Under the 2023 CSP circular, the maximum capacity for CSP-exempted DU-embedded renewable energy projects has been changed to 10MW contracted capacity per each DU regardless if they are from Luzon, Visayas, or Mindanao.

On October 3, 2023, ERC promulgated Resolution No. 16 Series of 2023 (the "2023 CSP Resolution") which prescribes the implementing guidelines for the conduct of Competitive Selection Process (CSP) in accordance with the 2023 CSP Circular, the latest DOE policy requiring the Distribution Utilities to conduct a transparent, fair, and non-discriminatory public bidding in procuring power supply for its captive market.

The 2023 CSP Resolution's major provisions include the following:

1. Timeline, requirements, and approval process for Power Supply Agreements (PSAs);
2. Streamlined approval timeline for Emergency PSAs;
3. Setting the maximum cooperation period for PSAs (10 years for Financial PSAs; 15 years for Physical PSAs; and 20 years for RE PSA)
4. Fixed pricing requirement for financial PSAs;
5. Protest and blacklisting mechanism for contracting DUs; and
6. Template PSAs

On November 21, 2023, the National Electrification Administration (NEA) released Memorandum No. 2023-057 to Electric Cooperatives for the adoption of its guidelines on the implementation of the 2023 CSP Circular and the 2023 CSP Resolution.

Framework for Embedded Generators

In February 2019, the DOE promulgated the "Framework Governing the Operations of Embedded Generators" through Department Circular No. DC2019-02-0003. Covering generation units that are indirectly connected to the Grid through distribution systems, the guidelines require all Embedded Generators to comply with the connection and operational requirements of the 2016 Grid Code and to secure a COC from the ERC. Embedded Generators with material impact to Grid operations are also mandated to register with the WESM based on the criteria provided in the guidelines.

Energy and Efficiency Conservation Act

On April 12, 2019, Republic Act No. 11285 otherwise known as the "Energy Efficiency and Conservation Act" was signed into law with the primary goal of institutionalizing energy efficiency and conservation, enhancing efficient use of energy, and granting incentives to energy efficiency and conservation projects.

As the lead implementing agency, the DOE is responsible for planning, formulating, implementing, enforcing and monitoring of energy management policies and other plans and programs related to energy efficiency of all government agencies, including government-owned and controlled corporations which are mandated to ensure efficient use of energy in their respective offices, facilities, transportation units, and the discharge of their functions.

Under the law, the DOE will develop the following systems, standards and guidelines:

1. a system for certification and assessment of energy conservation officers and energy managers to raise the standards of those engaged in energy management;

2. energy performance standards for commercial, industrial and transport sectors, including energy-consuming products;

3. labelling system for all energy-consuming product, devices and equipment;

4. mandatory energy-efficiency rating and labelling system for identified energy consuming products such as room air-conditioners, refrigeration units, and television sets to promote energy efficient appliances and raise public awareness on energy saving; and,

5. fuel efficiency testing guidelines for the conduct of fuel efficiency tests to validate information provided by vehicle manufacturers, importers and dealers.

The DOE shall also conduct regular examination, testing and verification of energy-consuming products and their models to determine the product's energy efficiency.

Designated establishments, such as private or public entities in the commercial, industrial, transport, power, agricultural, public works and other sectors identified by the DOE as energy intensive industries based on their annual energy consumption, have the following obligations under the law:

1. Integrate energy management system policy into the business operations based on ISO 50001 or a similar framework;

2. Set up systems and programs to promote energy efficiency, conservation and sufficiency that may include installation of RE technologies;

3. Keep records of monthly energy consumption data;

4. Improve average specific energy consumption in according with annual targets of DOE

5. Submit annual Energy Consumption and Conservation Report;

6. Conduct energy audit once every 3 years and submit a report to the DOE; and

7. Employ a Certified Energy Conservation Officer or a Certified Energy Manager.

The IRR of the Energy Efficiency and Conservation Act was issued by the DOE on November 22, 2019 through Department Circular No. DC2019-11-0014. On May 11, 2021, the DOE issued Department Circular No. 2021-05-0011 providing for the “Guidelines for the Endorsement of Energy Efficiency Projects to the Board of Investments for Fiscal Incentives”.
On May 25, 2023, the DOE signed DC 2023-05-0018 for the adoption of the 2023-2050 National Energy Efficiency and Conservation Plan (NEECP) and Roadmap. According to DOE, the NEECP is a comprehensive framework and plan that institutionalizes energy efficiency and conservation (EEC) in the country across key sectors of the economy pursuant to the EEE Act. It also sets out the governance structure and programs for EEC aligned with national targets and with defined feasible strategies, monitoring, and evaluation system, subject to annual review by the DOE.

The NEECP aims to:

1. Provide a national framework to institutionalize the ECC Act.
2. Define and outline all ECC programs to be implemented, their objectives, and associated emission reduction targets over various time horizons.
3. Provide a governance structure that brings together all key stakeholders and define their respective roles in fulfilling the provisions of EEC Act.
4. Provide a Monitoring and Evaluation (M&E) framework against the strategic directions of the National EEC Roadmap 2023-2050 to track performance against predefined targets and provide a basis for learning and improvement.

To further encourage EEC measures, the DOE issued DC No. 2023-10-0030 on October 27, 2023 to adopt the guidelines for the Energy Efficiency Excellence (EEE) Awards. The EEE Awards aims to promote, recognize, and incentivize energy management systems and best practices on energy efficiency in all establishments including local and national government facilities.

On December 18, 2023, the following circulars to reclassify and adjust the thresholds of Designated Establishments (DE) depending from their respective sector:
1. DC2023-12-0037 - DEs in the Commercial Sector
2. DC2023-12-0037 - DEs in the Industrial Sector
3. DC2023-12-0038 - DEs in the Transport Sector

Under Section 19 of the EEC Act, DEs are initially classified as follows:

Type 1 DE	with an annual energy consumption of 500,000 kWh to 4,000,000 kWh for the previous year
Type 2 DE	with annual energy consumption of more than 4,000,000 kWh for the previous year

The same provision also empowers DOE to review and adjust the same as it deems necessary. As such, by virtue of the above-enumerated circulars, the DOE reclassified the DEs and adjusted their thresholds depending from the sector of origin, to wit:

	Commercial	Industrial	Transport
Others	50,000 kWh and below	50,000 kWh and below	50,000 kWh and below
Type 1	50,001 kWh to 500,000 kWh	50,001 kWh to 1,000,000 kWh	50,001 kWh to 500,000 kWh
Type 2	500,001 kWh to 4,000,000 kWh	1,001,000 kWh to 8,000,000 kWh	500,001 kWh to 4,000,000 kWh
Type 3	4,000,001 kWh or more	8,000,0001 or more	4,000,000 kWh or more

Under the said circular, Type 1, 2, and 3 DE are now automatically required to have a Certified Energy Manager (CEM).

Energy Virtual One-Stop Shop (EVOSS)

On May 28, 2019, the DOE prescribed the "Rules and Regulations Implementing Republic Act No. 11234" through the issuance of Department Circular No. DC2019-05-0007. Aimed at ensuring the timely completion of permits and licenses of power generation, transmission and distribution projects, the rules eliminate the redundancies and overlapping mandates in documentary submissions and processes and mandates the establishment of an online platform for government agencies, and for a paperless electronic application and processing system. Under the circular, the EVOSS Steering Committee was tasked to create a detailed process flow for each phase of the permitting process for each kind of power generation, transmission and distribution project.

Energy Storage System (ESS)

The DOE recognizes the application and the benefits of ESS as an emerging technology in the improvement of the electric power system.[11] As such, the DOE issued Department Circular No. DC2018-08-0022 which amended the WESM Rules and the Market Manuals to take into consideration of the participation of Battery Energy Storage Systems and Pumped Storage Units in the WESM.

The DOE likewise issued DC2019-08-0012 on August 01, 2019 which provides for the framework for ESS in its operation within the electric power industry. The circular laid out the process of securing the permit and licenses of the ESS as well as the requirements for connection and operations.

[11] Department of Energy, Department Circular No. DC2019-08-0012.

The circular applies to the following electric power industry participants: 1) generation companies owning and/or operating ESS which include, but is not limited to, the following technologies: a) Battery Energy Storage System (BESS); b) Compressed Air Energy Storage (CAES); c) Flywheel Energy Storage (FES); d) Pump-Storage Hydropower (PSH); e) Other emerging technologies that may be identified, qualified, and approved by the DOE as ESS, 2) - 3) directly Connected Customers owning and operating ESS, 4) end-users owning and operating ESS, 5) QTPs, 6) Transmission Network Provider, 7) SO, and 8) MO.

Pursuant to the circular, ESS proponents shall apply and register their ESS for one or more of the following purposes:

1. Provision of Ancillary Services
2. Provision of Energy through Bilateral Supply Contracts or Trading in the WESM
3. Manage the Penetration of RE
4. Auxiliary Load Management for Generation Companies
5. Transmission/Distribution Facility Upgrades Deferment
6. Transmission Congestion Relief
7. End-User Demand Management
8. Distribution Utility Demand Management
9. Distribution Utility Power Quality Management

On April 20, 2023, the DOE issued DC No. 2023-04-0008 (the “2023 ESS Policy”) which will serve as the new governing policy for the utilization and operations of energy storage systems in the country’s electric power industry.

Similar to the DOE’s policy in 2019, the 2023 ESS Policy still recognizes several ESS technologies such as the BESS, CAES, FES, PSH, and other technologies that may later on be determined by the DOE. Its scope remained the same except for the recognition of the Microgrid Service Provider (MGSP) as the new term for QTPs.

The 2023 ESS Policy expands the responsibilities of Generation Companies, Distribution Utilities, the System and Market Operator, Transmission Service Provider and Small Grid Owners, MGPs, and End-users. Generation Companies are now required to have a separate metering and monitoring facility for the ESS component of a hybrid generation facility to monitor its energy import and export from the Grid. GenCos owning an ESS facility are also required to submit technical requirements to DOE such as Single Line Diagram, nameplate capacities, and specifications of metering facilities for the DOE’s determination of the configuration of the system. GenCos owning ESS facilities, except for those integrated with an RE or Non-RE plant, are required to register in the WESM including embedded generators intending to export energy to the Grid. Any entity intending to own and operate an ESS facility shall also secure a Certificate of Compliance (COC) by the ERC.

Under the 2023 ESS policy, the Transmission Service Provider and System Operator are now allowed to own and operate an ESS facility. The 2023 ESS policy repeals DC No. 2019-08-0012.

Spot Market for Ancillary Services (AS)

As defined in the EPIRA, AS are services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid Code. Under the WESM Rules Section 10.3.2.3 the DOE shall declare the commencement of the spot market for AS.[12] In line with this, the DOE issued Department Circular DC2010-06-0007 entitled "Directing the Preparation for the Trading of Ancillary Services in the Philippines Wholesale Electricity Spot Market" which made the spot market for AS an integral part of the WESM.

On August 01, 2019 the DOE issued Department Circular DC2019-12-0018 entitled "Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid". The intention of the circular was to ensure the reliability, quality, and security of supply of electric power. The circular required all generating facilities, except those with valid and existing AS capability accreditation, to undergo an AS capability testing and shall be certified according to their respective capabilities. The SO is mandated under the circular to ensure optimal procurement of the required AS.

Prior to the commercial operation of the Reserve Market, SO shall ensure compliance with its obligation to procure the required level and specification of AS in line with the following:

1. Regulating, Contingency, and Dispatchable Reserves shall be procured through firm contracts only;

2. Reactive Power Support AS and Black Start AS shall be procured through firm contracts only; and

3. 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 commercial operation of the Reserve Market, the following shall govern the procurement of AS:

1. 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:

    - Regulating Reserve — Equivalent to 50% of the Regulating Reserve requirement;

    - Contingency Reserve — Equivalent to 50% of the dependable capacity of the largest generating unit;

    - Dispatchable Reserve — Equivalent to 50% of the dependable capacity of the second largest generating unit;

2. Generating units shall submit energy and reserve offers to the WESM with respect to their maximum available capacities, which shall include contracted and uncontracted capacities;

[12] Department of Energy, Department Circular No. DC2010-06-0007.

3. All energy and reserve offer shall be co-optimized and subjected to central scheduling, dispatch, spot pricing and settlement of the MO and SO; and

4. Reactive Power Support AS and Black Start AS shall be procured through firm contracts only.

The AS-TWG was likewise created to assist the DOE in implementing the framework and render technical assistance and advice in developing further policies on AS. Among others, the AS-TWG was also tasked to review the 2016 Grid Code to address the issues on the implementation of the new AS categories.

On May 7, 2021, the DOE issued DC 2021-03-009 entitled “Adopting a General Framework Governing the Operationalization of the Reserve Market in the Wholesale Electricity Spot Market and Providing Further Policies to Supplement DC2019-12-0018”. Under the circular, the implementation of the WESM Reserve Market shall adhere to the following principles:

1. The continuing development and operationalization of the Reserve Market shall take into account key policies stipulated in the DOE Roadmap, among others, RE Market, Electricity Derivatives Market, Demand-Side Bidding, and exploratory studies on Capacity Market as applicable;

2. The WESM shall provide the optimal solution for all available capacities when scheduling reserve and energy capacities through co-optimization while adhering to grid reliability requirements;

3. The SO and MO shall allow for non-discriminatory participation of all capable AS providers, including demand-side resources, in various reserve categories, provided that all participants shall comply with the certification of AS capability issued by the SO or any qualified third-party AS testing entity duly accredited by the ERC;

4. A single buyer system shall be implemented for the procurement of AS requirements whether sourced through the Reserve Market or AS procurement agreements (ASPA). Pending the DOE’s promulgation of CSP for ASPAs, the SO may continue to enter into ASPAs through its existing procedure.

5. Recovery of reserves cost among grid users shall be implemented in accordance with the guidelines on AS cost-recovery to be promulgated by the ERC; and

6. Sufficiency of reserves in the Grid shall be ensured through procurement of reserves through ASPAs and the WESM;

On September 20, 2023, the DOE issued DC2023-09-0026 entitled “Declaring the Commercial Operations of the Reserve Market and Providing Further Policies” which will mark the co-optimization of the energy and reserve in the WESM. Under the said circular, the Market Operator (MO) has been mandated to conduct the Final Preparations Stage and the Limited Live Dispatch Operations of the Reserve Market on 25 December 2023.

On January 26, 2024, the Reserve Market went into full commercial operations which allowed generation companies to offer and sell ancillary services to the System Operator of the National Grid, the National Grid Corporation of the Philippines. The same transaction can be fulfilled without the need of an Ancillary Service Procurement Agreement (AS).

Competitive Selection Process for Ancillary Services

On October 04, 2021, the DOE issued DC No. 2021-10-00313 entitled "Prescribing the Policy for the Transparent and Efficient Procurement of Ancillary Services by the System Operator" (AS-CSP Circular). The DOE, through the said circular, promulgated the CSP in the procurement of ASPA by the SO. Under the said circular, within six (6) months of the effectivity of the circular, the SO is mandated to conduct a CSP for the procurement of ASPA for a contract period of a maximum of five (5) years. The CSP shall be spearheaded by a TPBAC to be established by the Board of Directors of the SO.

Following the issuance of the AS-CSP Circular, the NGCP conducted a CSP to procure Ancillary Services from January to April 2023. Out of the fifty five (55) eligible bidders that participated in NGCP's CSP, thirty-eight (38) bidders have been awarded with ASPA depending on the type of service they will provide (i.e. Regulating, Contingency, Dispatchable, Reactive Power Support, or Blackstart).

Qualified Third-Party (QTP) Participation / Microgrid System Providers

Section 59 of the EPIRA authorized the provision of electric service in remote and unviable villages that the franchised utility is unable to service for any reason shall be opened to a QTP. As such, the DOE issued Department Circulars Nos. DC2004-06-006 and DC2005-12-011 on June 18, 2004 and December 12, 2005 respectively. Such circulars prescribe for the qualification criteria and guidelines for the participation of QTPs in providing electric service in unviable areas.

In order to meet the total electrification target of the government, the existing guidelines of the participation of QTPs were revised to provide a policy and regulatory environment that is more conducive to the participation of the private sector. Thus, on 22 November 2019, the DOE issued Department Circular No. DC2019-11-0015 otherwise known as the "Revised Guidelines for QTP".

Under the revised guidelines, the DOE shall declare unviable, unserved, and underserved areas that are open for the QTP Program and the distribution utilities were required to:

1. Submit its Distribution Development Plan together with the Total Electrification Master Plan. The distribution utilities shall prepare and submit its comprehensive Total Electrification Master Plan and shall contain detailed inventory of all unviable, unserved and underserved areas within its franchise;

2. Conduct the Competitive Bidding for the QTPs to serve the QTP Service Areas; and

3. Execute the QTP Service Contract (QSC) with the selected QTP.

Meanwhile, the QTP proponents must secure the necessary permits and licenses from the relevant government agencies and comply with all provisions, including the financial, technical, environmental and other performance standards for the QTP and the requirement of a Service Contract with the DOE, if applicable.

On January 21, 2022, Republic Act No. 11646 entitled, “An Act Promoting the Use of Microgrid Systems to Accelerate the Total Electrification of Unserved and Underserved Areas Nationwide” also known as the “Microgrid Systems Act” was enacted into law. Under this new law, the QTP has been renamed to “Microgrid System Providers” or “MGSP”. Such providers are not required to secure a franchise from Congress, but shall secure an Authority to Operate (ATO) from the ERC prior to its operations. MGSPs, similar to QTPs, may provide integrated power generation and distribution services in identified unserved and underserved areas. The DOE is mandated to conduct a CSP in selecting the MGSP for identified serviceable areas for MGSPs.

On May 4, 2022, the DOE issued DC No. 2022-05-0017 which sets out the Implementing Rules and Regulations (IRR) of the Microgrid Systems Act. In the IRR, all DUs are required to submit their Local Total Electrification Roadmap (LTER) which shall serve as a comprehensive 10-year strategic plan with an annual work plan to accelerate the total electrification of its franchise area. The LTER shall enumerate the DU’s unserved and underserved areas.

On December 27, 2023, the DOE conducted the opening of bid proposals for the 1st MGSP CSP. Out of the nine (9) pre-qualified bidders, only one (1) bidder, the Maharlika Consortium, submitted a proposal to provide service to unserved areas in the Provinces of Cebu, Quezon, and Palawan. A total of six (6) bid proposals form Maharlika Consortium were marked “passed” and endorsed for bid evaluation which the DOE expected to be completed on February 20, 2024.

Renewable Energy Market (REM)

Pursuant to the RE Act, the DOE is mandated to establish a REM which would be an avenue for the trading of RECs which is equivalent to an amount of power generated from RE sources and a facility for mandated participants to comply with the RPS. In line with this, the DOE promulgated the RE Market Rules through Department Circular No. DC2019-12-0016 which in turn kicked off the compliance of the RPS by the mandated participants. The REM Rules applies to all electric power industry participants in Luzon, Visayas, and Mindanao, both in the On-Grid and Off-Grid Areas.

The REM Rules established the basic rules, requirements, and procedures to govern the operations of the REM which mainly aims to facilitate the efficient operation of the REM, specify the terms and conditions to which entities may be authorized to participate in the REM as well as the authority and governance framework for the REM, provide sanctions in cases of violations of the REM Rules and a timely and cost-effective framework for resolution of disputes among the REM Members and the Renewable Energy Registrar.

Registration in the REM is mandatory for the following:

1. Mandated Participants obligated by RPS to comply with their RPS requirements.

2. Entities with RE Generation Facilities that are registered in the WESM. In case of Mindanao Grid which is not yet connected to the Luzon and Visayas Grid, includes RE Generation Facilities that are connected to the main grid.

3. Entities with RE Generation Facilities who are operating in Off-Grid Systems obligated to comply with RPS requirements.

DOE in its Advisory dated 18 August 2020 provided for the recalibration of the commercial operations of the REM from June 2020 to June 2021 due to the impact of the COVID 19 pandemic.

On June 10, 2022, the DOE issued DC No. 2022-06-0019 to declared the interim commercial operations (ICOD) of REM. During the ICOD, the REM shall not yet involve any financial transactions until such time that the commercial operations of the REM has been declared by the DOE.

On July 28, 2022, the REM ICOD had its ceremonial launch spearheaded by the Philippine Market Corporation. Following the REM ICOD launching event, the RE Registrar actively participated in the Information and Education Campaign (IEC) on Various Renewable Energy Policies and Mechanisms and Focus Group Discussions (FGD) on Renewable Portfolio Standards (RPS) with REM Participants in Luzon, Visayas, Mindanao, and Metro Manila in August and September 2022. The RE Registrar provided updates on the REM implementation as well as hands-on training to the participants on the use of the Philippine Renewable Energy Market System during the said events

In 2023, the Philippine Electricity Market Corporation (PEMC) issued a series of advisories to provide guidance on the issuance, validation, and transaction of Renewable Energy Certificates (RECs). PEMC also clarified on the review and re-submission of Gross Electricity Sales Date for 2018 and 2020-2021 of RPS Mandated Participants.

On December 1, 2023, the Philippine Renewable Energy Market started accepting the registration of Off-Grid Mandated Participants as an initial set to prepare their compliance with the RPS Rules.

In January 2024, the DOE declared the full commercial operations of the REM.

Green Energy Option Program (GEOP)

Consistent with the RE Act, the government aims to accelerate the exploration and development of the RE resources in order to achieve energy self-reliance through the adoption of sustainable energy development strategies. Section 9 of the RE Act mandated the DOE to establish a GEOP which would provide end-users the option to choose RE resources as their sources of energy.

On July 18, 2018, the DOE issued Department Circular No. DC2018-07-0019 which promulgated the rules and guidelines governing the establishment of the GEOP Rules. All of the RE Facilities are eligible to participate in the GEOP subject to the following rules:

1. Entities that shall utilize RE Facilities to supply power under the GEOP shall secure an operating permit from the DOE as RE Suppliers.

2. RE Facilities covered by the GEOP shall have the necessary Certificates of Compliance from the ERC.

3. Distributed energy resources and/or generation facilities specifications and standards shall conform with the rules prescribed by the ERC.

Under the DOE Department Circular No. DC2018-07-0019, all end-users with a monthly average peak demand of 100 kW and above for the past 12 months may opt to participate in the GEOP after the DOE, in consultation with the National Renewable Energy Board (NREB) and industry stakeholders, determines the technical requirements and standards are already met. Meanwhile end-user with new connection and whose estimated average monthly peak demand for the next 12 months based on the load profiling is 300 kW or above may likewise participate in the GEOP. An end-user that has been in operation for less than 12 months from the effectivity of the GEOP Rules may also participate in the GEOP.

The end-user and its RE Supplier shall execute a GEOP Supply Contract which will govern the participation of the End-User in the GEOP. The energy sales from the GEOP shall be part of the Net Electricity Sales of the distribution utilities for its RPS compliance requirement. Moreover, the RECs generated from the energy supplied to the end-users under the GEOP shall be for the account of the distribution utilities. However, for RE Facilities installed within the end-user's premises, the distribution utilities have the option to install a third kilowatt-hour meter or use the RE Facility's built-in meter to monitor the total RE generation supplied to the End-User.

The circular likewise provides that a dual billing system may be adopted by the End-User availing of the GEOP, RE Supplier and the distribution utility.

In August 2021, the ERC promulgated the regulatory framework for GEOP that sets the technical and interconnection requirements as well as the wheeling fees of RE facilities. The said GEOP Rules aimed to guide all concerned stakeholders including (a) GEOP End-users; (b) RE Suppliers; (c) Distribution Utilities (DUs); (d) Economic Zone Developers; '(e) Economic Zone Utility Enterprises; (f) National Transmission Corporation (TransCo) or its successors-in interest; (g) Philippine Electricity Market Corporation (PEMC)/Market Operator (MO); (h) Supplier of Last Resort (SOLR); (i) Central Registration Body (CRB); (j) RE Registrar; and the (k) Metering Service Providers authorized by the ERC.

Under the GEOP Rules, there are two types of end-users who may qualify to avail of the GEOP: (a) All end-users with a monthly average peak demand of 100 kW and above, for the past twelve (12) months; and (b) An end-user that has been in operation for less than twelve (12) months upon effectivity of the GEOP Rules.

In May 2023, the DOE called for comments on its proposed policy to declare the implementation of GEOP in Mindanao. Under the proposed policy, all eligible and interested electricity end-users may participate based on the existing threshold level reviewed and approved by the ERC. They may voluntarily enter into a GEOP Supply Contract with RE Supplier, subject to the procedures provided in the WESM Rules, GEOP Rules, Retail Rules, Market Manuals, and other relevant laws and issuances by the DOE and ERC.

As of February 2023, there are already nineteen (19) GEOP Renewable Energy Suppliers.

Green Energy Auction Policy (GEAP)

On July 14, 2020, the DOE issued Department Circular No. DC2020-07-0017 entitled "Promulgating the Guidelines Governing the Policy for the Conduct of Green Energy Auction in the Philippines" which provides for the GEAP. Subsequently, on November 03, 2021, the DOE issued Department Circular No. DC20201-11-0036 entitled "Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines" or the "GEAP Guidelines". This circular repealed DC2020-07-0017.

The GEAP Guidelines was promulgated to establish the implementation framework for the GEAP and provide clarity on the roles of implementing agencies/entities. This circular also supports and/or facilitate immediate and timely investments in new or additional RE capacities to ensure provision of adequate supply and competitive rates of electricity in the country. Likewise, it supports the development of new RE projects under a competitive process, together with long-term contracts. Lastly, this circular was promulgated to implement the mandate of giving preference to RE sources for a cleaner and sustainable environment.

There are two (2) components set forth in the GEA Policy namely:

1. *Green Energy Tariff (GET)* – to provide price signals on the commercial value of electricity generated from the RE facilities, resulting from a competitive process, and set the benchmark price for DUs under the Opt-in Mechanism; and

2. *Green Energy Auction* – to facilitate the determination of RE facilities that are eligible under the GEAP. To this end, the Green Energy Auction shall be administered by the DOE through the Green Energy Auction Committee (GEAC).

GET shall reflect the value of electricity, resulting a competitive process that Qualified Bidders are capable of supplying the prescribed capacity volume and delivery periods. The Winning Bidder/s shall have the most competitive bid price offered based on the Terms of Reference for a particular ARP, as determined by the Green Energy Auction Committee.

On the other hand, in the conduct of the GEA and the development of specific Terms of Reference for each auction round, the following principles shall be observed:

a. The auction shall be conducted for New and Existing RE Capacities, as defined in this Circular, and are duly registered with the DOE with no existing power purchase agreement/power supply agreement with any DU or end0user at the time of the agreed delivery date's;

b. Participating entities shall be allowed full recovery of prudent and reasonable economic costs incurred, *Provided,* that the Winning Bidders' bid offer shall be considered their prudent and reasonable economic costs;

c. Efficiency and competitive prices of electricity shall be prompted;

d. Fair and transparent processes will be observed in all stages of the GEAP; and

e. Clean and sustainable forms of energy will be harnessed.

DC2021-11-0036 also introduced the Opt-in Mechanism in order to reduce FIT-All charges to the electricity end-users, and to meet any DU supply and RPS Requirements. Under the Opt-in Mechanism, any DU shall have the option to procure from the GEAP pool of a Winning Bidder under a particular auction round and thereby carve out of such DU-procured volumes from the pool compensable by the FIT-All.

It should be emphasized that the Green Auction including the Opt-in Mechanism shall serve as compliance with CSP requirements for DUs.

In 2022, the DOE conducted the first GEA round (GEA-1) which auctioned a total of 2000MW of RE capacity broken down as follows:

RE Resources	Luzon	Visayas	Mindanao
	Target Capacity (MW)		
Hydro	80	-	50
Biomass	60	120	50
Solar	900	260	100
Wind	360	20	-
Total	**1400**	**400**	**200**

On June 24, 2022, the DOE issued a Notice of Award to the GEA-1 Winning Bidders which covered a total of 100MW for Hydro, 1490MW for Solar, 3.4MW for Biomass, and 374MW for Wind Energy.

In April 4, 2023, the DOE issued a Notice of Auction for the 3rd Round of GEA (GEA-3) with the objective of achieving an RE installation target of 3,600 MW in 2024, 3,600 MW in 2025, and 4,400MW in 2026. In July 12, 2023, the DOE culminated GEA-3 through a Notice of Award to the GEA-3 Winning Bidders who will be responsible for fulfilling an additional RE capacity of over 500 MW in 2024, 750 MW in 2025, and 2100 MW in 2026.

On June 14, 2023, the ERC promulgated Resolution No. 6 Series of 2024 to adopt the GEAR Price for GEA-2, to wit:

RE Resource	GEAR Price for GEA-2 (PhP/kWh)
Rooftop Solar	4.8738
Ground-mounted Solar	4.4043
Floating Solar	5.3948
Onshore Wind	5.8481
Biomass	5.4024
Biomass Waste-to-Energy	6.2683

On September 26, 2023, to aid the Winning Bidders applying for a COC with the ERC, the DOE clarified that the Certificate of Endorsement for the Green Energy Tariff (COE-GET) that it issues to a Winning Bidder shall be considered, interpreted, and accepted as the same Certificate of Endorsement for FIT Eligibility (COE-FIT) issued by the DOE to eligible facilities under FIT. DOE likewise clarified that the Winning Bidder's GET shall be considered as the FIT due to the same during its availment from the FIT-All fund.

On December 12, 2023, the DOE issued DC No. 2023-10-0029 to provide specific GEAP auction policy and guidelines for Non-FIT-eligible RE technologies. Under the said policy, the payment and settlement of the Non-Fit Green Energy Tariff (GET) to the Non-FIT eligible RE facilities of the winning bidders shall be collected and administered through the WESM by the Market Operator. In all cases, the winning bidders shall be paid with the total GET amount without regard to their Energy Trading Amount in the WESM.

Open and Competitive Selection Process for Renewable Energy Service Contract

On October 20, 2020, the DOE issued Department Circular No. DC2020-11-0024 entitled "Adopting the Guidelines Governing the 3rd Open and Competitive Selection Process (OCSP3) in the Award of Renewable Energy Service Contract, and for Other Purposes." The circular governs the determination of legal, financial, and technical qualifications of RE Applicants, the evaluation of its applications, and the award of the RE Contracts under the OCSP3.

The eligible RE Applications under the said guidelines are Filipinos and Filipino corporation at least 60% owned and controlled by Filipinos, duly registered with SEC with purpose of engaging in renewable energy exploration, development, and utilization. Foreign-owned corporations may likewise qualify provided that the RE Contract involved is a financial or technical assistance agreement signed by the President and either technical or financial assistance for large-scale exploration, development, and utilization of geothermal resources pursuant to Section 2, Article XII of the Philippine Constitution.

On June 8, 2023, the DOE issued DC No. 2023-06-0019 to adopt the guidelines for the 4th OCSP (OCSP4). Similar to their previous issuance, the policy sets out the eligibility requirements for interested RE developers. Under this round, the DOE is opening a total of twenty (20) Pre-Determined Areas (PDAs) for Geothermal, Hydropower, and Wind Energy Resources with a potential capacity of over 300MW.

On October 27, 2023, the DOE released the result of OCSP4 wherein only three (3) winning bidders were selected covering two (2) PDAs each for Geothermal and Wind Energy Resource. Pursuant to the OCSP4 guidelines, the DOE opened the rest of the PDAs to direct applications of RE contracts by interested parties.

Energy Conserving Design of Building

Pursuant to the Energy Efficiency and Conservation Act the DOE issued Department Circular No. DC2020-12-0026 on December 22, 2020 otherwise known as "Adoption of the Guidelines on Energy Conserving Design of Building." The guidelines prescribed for the minimum requirements for the energy conserving design of new buildings and major renovation of existing buildings. It likewise aims to encourage and promote the energy conserving design of buildings and their services in order to reduce use of energy without compromising the cost effectiveness, building function, as well as the comfort, heath, safety, and productivity of the building's occupants.

The said guidelines shall apply to new buildings and its systems as well as any expansion and/or modification of existing buildings or systems designed with at least 112.5 kVA of total connected electrical loads or has at least 10,000 square meters total gross floor area.

Bayanihan to Heal as One Act (BAYANIHAN Act I)

Due to the spread of the to the COVID 19 virus in the Philippines, Presidential Proclamation No. 922-2020 was issued declaring a State of Public Health Emergency throughout the country During the same period, Presidential Proclamation No. 929-2020 was likewise issued which placed the entire Philippines under a State of Calamity and imposed an Enhance Community Quarantine (ECQ) throughout Luzon. On March 24, 2020, Republic Act No. 11469 otherwise known as the "Bayanihan to Heal as One Act" (Bayanihan Act I) was enacted placing the whole country under a state of national emergency.

Under the Bayanihan Act I, all banks, quasi-banks, financing companies, lending companies, and other financial institutions were directed to implement a minimum of a thirty (30)-day grace period for the payment of all loans falling due within the period of the ECQ without incurring interests, penalties, fees, and other charges.

In line with Bayanihan Act I, the ERC, in its Advisory dated April 15, 2020 issued guidelines and directives for the electric power industry stakeholders. The said guideline directed distribution utilities and RES to provide a grace period to all captives and Contestable Customers through the deferment of their electricity bill falling due within the period of the ECQ or from March 16, 2020 to April 30, 2020, without interest, penalties, fees, and other charges. Such period was extended to May 15, 2020 by ERC Advisory dated 05 May 2020. In addition, the updated advisory also imposed for the amortization of payment in four (4) equal monthly installments, payable in the 4 succeeding billing months following the end of the ECQ. In addition, payments by customers in areas covered by the ECQ extension until May 15, 2020 should commence no earlier than May 30, 2020.

The DOE, on the other hand, in its Department Circular No. DC 2020-004-0008, rationalized the utilization of the Energy Regulation (ER) 1-94 Funds by the host LGU in response to COVID 19 public health emergency. This provided for a framework for the host LGU to follow in utilizing the ER 1-94 Funds to bolster their combat in mitigating, if not contain, the transmission of COVID 19 in their respective areas.

On September 11, 2020, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act" (Bayanihan Act II), was signed into law which provides a P165-billion economic stimulus and relief package to sustain the government's efforts against the COVID-19 pandemic.

Pursuant to the Bayanihan Act II, the ERC in its Advisory dated October 29, 2020 issued an updated directive directing the DUs not to implement any disconnection on account of non-payment of bills until December 31, 2020 for consumers with monthly consumption not higher than twice the ERC approved maximum lifeline consumption level. All DUs, and RES were directed to implement a minimum 30-day grace period on all payments falling due within the period of the ECQ and Modified Enhanced Community Quarantine (MECQ) without incurring interest, penalties, and other charges. Any unpaid balance after the lapse of the 30-day period shall be payable in 3 equal monthly installments without incurring interest, penalties, and other charges. Similarly, the DOE likewise issued an Advisory dated September23, 2020 indicating that the 30-day grace period and staggered payment without interests, penalties and other charges are applicable to all power sector billings falling due during the period of the Community Quarantine (CQ).

The Bayanihan Act II likewise directed all banks, quasi-banks, financing companies, lending companies, and other financial institutions to implement a one-time minimum sixty (60)-day grace period for the payment of all existing, current, and outstanding loans falling due, or any part thereof, on or before December 31, 2020. The said law likewise provided for staggered payment without interest on interest, penalties, and other charges until December 31, 2020, or as may be agreed upon by the parties.

ERC Revised Rule of Practice and Procedure

On December 17, 2020, the ERC issued Resolution No. 1, Series of 2021 entitled "A Resolution Adopting the Revised Rules of Practice and Procedure of the ERC". The Revised Rules aim to aid anyone who wishes to appear before the ERC and participate in any proceeding before it.

Revised Guidelines for the Financial Capability Standards of Generation Companies

In November 2020, the ERC issued Resolution No. 3, Series of 2021 entitled "A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies". The said Guidelines sets out the minimum financial capability standards to ensure that Generation Companies meet the required standards to protect the public interest.

<u>Policies related to the Water Infrastructure</u>

The Philippine Water Code (P.D. 1067)

The 1976 Presidential Decree provides the framework and basic principle relating to appropriation, control and conservation of water resources to achieve optimum development and rational utilization of the water resources of the country.

The main principle of the decree provides that all waters, be it a river, natural bed, spring, natural lakes, lagoons, subterranean or ground water, atmospheric water and seawater even if found within private lands belong to the state and that the same may allow the use or development of waters by administrative concession but subject to the control and regulation of the government through the National Water Resourced Board as the lead agency. Water may be appropriated according to its beneficial use through the grant of water permit by the same agency.

On September 12, 2002, NWRB was reconstituted through the declaration of Executive Order No. 123 aligning the agency previously administered under the Department of Public Works and Highways to the Department of Environment and Natural Resources. Local Water Utilities and Administration shall likewise cease with its practice of regulating the water tariffs of Water Districts and shall be undertaken by the National Water Resources Board. The former may still continue reviewing the rates of water districts where it has risk of financial exposure.

Local Government Code (R.A. 7160)

The 1991 policy defines the functions, responsibility, extent of authority and resources of LGUs which includes effective provision of basic services and facilities such as infrastructures related to sanitation and sewerage, communal irrigation, small water impounding projects and other similar projects, artesian wells, spring development, rainwater collection and water supply systems. This policy facilitated the LGUs to fast-track implementation its infrastructure projects through public-private partnerships.

Provincial Water Utilities Act (PD 198)

On May 25, 1973, a national policy was declared and signed favoring local operation and control of water systems and authorizing the formation of local water districts chartered by the national administration to facilitate improvement of local water utilities under LWUA. The Act promulgated the role of the water district in the development, operation and maintenance of water and wastewater services within a franchise area. The water district shall be under the authority of a LGU either municipality, city or province depending on the number of water service connections.

Public-Private Partnership (PPP) Code of the Philippines (RA 11966)

Projects relating to water supply, water and wastewater treatment, and sewage treatment infrastructure are undertaken through PPP. It is broadly defined as a contractual agreement between the Government and a private firm targeted towards financing, designing, implementing and operating infrastructure facilities and services that were traditionally provided by the public sector. It embodies optimal risk allocation between the parties – minimizing cost while realizing project developmental objectives. Thus, the project is to be structured in such a way that the private sector gets a reasonable rate of return on its investment.

On December 23, 2023, the PPP Code of the Philippines took effect. It consolidated and harmonized the then-prevailing PPP legal frameworks. It strengthened the PPP Governing Board that will serve as the Implementing Rules and Regulations Committee tasked with issuing the IRR within 90 calendar days from effectivity of the law. The PPP Law reinforced the need for competitive selection initiated by solicited and unsolicited proposals from the private sector. In its efforts to consolidate and harmonize the fragmented PPP legal frameworks, it repealed Republic Act No. 6957 (the Built-Operate-Transfer Law) and the amending law Republic Act No. 7718. Moreover, the PPP Code provides that “no other JV guidelines, PPP guidelines, codes or ordinances shall be enacted, issued, and/or used by any government entity to enter into PPPs, except those that are enacted, issued and/or used in accordance with this Code and its IRR.”

Executive Order No. 423 and the National Economic and Development Authority (NEDA) Joint Venture Guidelines

On April 30, 2005, President Gloria Macapagal Arroyo signed Executive Order No. 423 to prescribe the rules and procedures on the review and approval of all government contracts to conform with Republic Act No. 9184, otherwise known as the Government Procurement Reform Act. Among the salient provisions of EO 423 is the requirement of approval of government contracts entered into through alternative methods of procurement, including but not limited to the approval from the Director-General of the NEDA. Relative to joint ventures between government and private entities, EO 423 specifically mandated that NEDA “issue guidelines with the objective of promoting transparency, competitiveness, and accountability in government transactions, and, where applicable, complying with the requirements of an open and competitive public bidding” *(Section 8, EO 423).*

Thus, in April 2008, the NEDA issued the Guidelines and Procedures for Entering into Joint Venture Agreements Between Government and Private Entities (NEDA JV Guidelines). On May 2013, the NEDA JV Guidelines was revised, which was further revised by the 2023 NEDA JV Guidelines that was published on April 24, 2023. The NEDA JV Guidelines, as amended, allowed joint ventures as a form of PPP. It also contained the detailed process for competitive selection and negotiation.

National Water Crisis Act (RA 8041)

Approved on June 7, 1995, the National Water Crisis Act declared the policy of the government to adopt urgent and effective measures to address the nationwide water crisis which adversely affects the health and well-being of the population, food production and industrialization process.

RA 8041 provides for the creation of a Joint Executive-Legislative Water Crisis Commission chaired by the Executive Secretary. The purposes and objectives of the Commission are: to undertake nationwide consultations on the water crisis and a study of the entire water supply and distribution structure; to enhance and facilitate coordination between Congress and the executive department in formulating and implementing the government's water crisis management policy and strategy; to recommend measures to ensure continuous and effective monitoring of the entire water supply and distribution systems; and to conduct studies on policy options and strategies to resolve the water crisis and recommend remedial legislative measures.

There is also a provision for the reorganization of the Metropolitan Waterworks and Sewerage System and the Local Waterworks and Utilities Administration in order to make them more effective and innovative in handling the water crisis.

Lastly, RA 8041 provides includes an anti-pilferage provision declaring certain activities as unlawful, such as prohibited acts that may affect the quantity and quality of water; as well as the introduction of penalties for committing such activities.

Clean Water Act (RA 9275)

Approved on March 22, 2004, the Philippine Clean Water Act declared the State's policy of the State to of economic growth in a manner consistent with the protection, preservation and revival of the quality of our fresh, brackish and marine waters. The Act shall apply to water quality management in all water bodies, particularly the abatement and control of pollution from land-based sources.

RA 9275 also provides for a comprehensive and integrated strategy to prevent and minimize pollution through a multi-sectoral and participatory approach involving all the stakeholders. This shall be undertaken under the auspices of the Department of Environment and Natural Resources. Furthermore, the RA9275 sets various charges, penalties, and incentives for certain acts as defined under the law.

(xi) Estimate of Amount Spent for Research and Developmental Activities

Vivant has not allocated any specific amount of funds for research and developmental activities. Research and development activities are done on a per project basis and allocation of funds may vary depending on the nature of the project.

(xii) Costs and Effect of Compliance with Environmental Laws

Vivant's generation and distribution business units are subject to extensive and stringent safety, health and environmental laws and regulations. The Company's subsidiaries and associates have incurred, and expect to incur, operating costs to comply with these laws and regulations. Annual capital expenditures relating to the compliance with safety, health and environmental laws and regulations are expected to be made by Vivant's subsidiaries and associates.

(xiii) Employees

In 2019, the Company's power subsidiary, Vivant Energy, was operationalized to allow it to focus on growing the business. Following the lead of Vivant Energy, in 2021, the Company's infrastructure subsidiary, Vivant Infracore, was operationalized to focus on its independent business strategy and existing projects.

Vivant, in the meantime, will continue to provide shared services and serve as an incubator for new businesses. At the parent company level, Vivant has a total of 95 employees as of December 31, 2023, composed of executive, supervisory and rank-and-file staff.

The table below provides a breakdown of the total employee headcount.

	Headcount
Executive	18
Managers	22
Rank & File	55
Total	**95**

The Company has no existing collective bargaining agreement with its employees.

(xiv) Major Risks Involved in the Business

Below is a brief discussion on the risks that Vivant, through its subsidiaries and associates, might encounter in the businesses in which it is involved in. Certain risks, however, are inherent to the nature of the business that are beyond Vivant's or its subsidiary's or associate's control.

Regulatory Risk

Vivant Corporation, operates in a highly regulated environment across multiple jurisdictions. While its diversified portfolio and market position have contributed to the Company's growth, it also exposes the company to various regulatory risks. The Company recognizes the importance of effectively managing regulatory risks to safeguard shareholder value, maintain investor confidence and sustain long-term growth and profitability. It remains committed to effectively navigate the regulatory landscape by prioritizing compliance, maintaining good relationships with regulators and actively participating in industry organizations.

Heightened Market Competition

The Company aspires to grow and thrive in the-energy and water businesses. However, the journey forward is not without its risks and challenges, particularly amidst heightened market competition. The Company recognizes the importance of addressing this risk while leveraging its strengths to improve the Company's position in the market. Vivant proactively responds to changes in market dynamics through continuous improvements in capabilities and increase in capacity. It likewise equips itself with updated market knowledge through participation in industry organizations and by conducting benchmarking activities and market research.

Talent Risk

Talent plays a fundamental role in shaping the success, growth and sustainability of an organization. Vivant is cognizant of the risks involving human capital, which include challenges in the recruitment, development and retention phases of the employee lifecycle. To manage talent risk and ensure organizational resilience, the Company has taken proactive measures in 2023, which included the formulation of an Employee Value Proposition (EVP). The EVP clearly defines focus areas that shall address and enhance the overall employee experience in Vivant, which include the following: (1) Growth, (2) Compensation and Benefits, (3) Health, Wellness and Safety, (4) Relationship and Overall Experience. Culture initiatives are likewise a key tool that the Company utilizes to ensure core values and core competencies are preserved as the organization grows.

Reputation Risk

In today's interconnected and transparent world, reputation risk emerges as a threat to an organization where information spreads rapidly through various channels amplifying the impact of negative incidents or perceptions. Reputation risk may often be triggered by adverse events and if not properly handled may result in negative publicity which can tarnish the brand image, erode customer trust and deteriorate stakeholder confidence.

Inherent to the nature of the businesses that the Company is involved in, its visibility to the public sphere exposes the organization to public scrutiny. To anticipate issues related to the risk, the Company has implemented strategies, including but not limited to strengthening stakeholder relationships, building a strong brand image, establishing and maintaining good relations with media partners. Furthermore, the Company, through its Corporate Communication, has established crisis management protocols that enable it to readily respond when the need arises.

Increasing Market Volatility

The Company, through its expansion efforts may increase its exposure to market volatility, presenting both challenges and opportunities. Driven by the increase in its merchant and traded capacity coupled with changing market conditions, the Company's financial performance is subject to some level of uncertainty. Having a dedicated market and trading team, coupled with proactive risk management, allows the Company to anticipate and react to changes in the market conditions. Moreover, a diversified portfolio counters the potential downside risk in earnings brought about by market volatility.

Project Financing Risk

Driven by changes in regulations, policies and trends, Vivant could face challenges in securing project financing for its expansion initiatives in both the energy and water businesses. Business environment may likewise adversely influence lenders' appetite, which could result to less favorable financing terms. In such a scenario, Vivant could miss out on certain investment opportunities or could result to lower project returns due to inefficient project capitalization. Through the Company's Treasury department, the risk is being managed by continuously engaging banking partners and staying abreast of new developments in the capital markets. Developing new banking relationships, exploring and evaluating alternative financing options are likewise being carried out.

Item 2. Properties

Vivant's head office is located at the 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

On a consolidated basis, the Company's 2023 total Property, Plant and Equipment were valued at Php8,272.5mn as compared to Php5,877.6 mn in 2022. The breakdown is as follows:

	2023 (Php mn)	2022 (Php mn)
Land	688.8	494.2
Plant Machineries & Equipment	4,395.7	3,313.6
Condominium Units, Building, and Improvements	164.0	138.7
Transportation Equipment	59.7	43.1
Office Furniture, Fixtures and Equipment	22.4	24.1
Tools and Other Assets	278.6	148.5
Leasehold & Land Improvements	24.7	37.3
Construction in Progress	2,638.7	1,678.1
TOTAL	**8,272.5**	**5,877.6**

Item 3. Legal Proceedings

Material Pending Legal Proceedings

I. 1590 EC

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the ERC and MERALCO, et al. to enjoin MERALCO from implementing its power rate increase that was approved by the ERC and to hold certain provisions of Republic Act No. 9136, otherwise known as the EPIRA, as unconstitutional. As a result of the Petitions, the Supreme Court En Banc ordered several generation companies to be included as additional parties-respondents to the cases, including 1590 EC, its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. On August 3, 2021, the Supreme Court rendered a Decision declaring the March 3, 2014 Order of the ERC as null and void. This is the Order that voided the WESM prices. The Supreme Court affirmed the December 9, 2013 Order of the ERC on the staggered payment of generation charge. Motions for Reconsideration were filed by the petitioners. In a Resolution dated October 11, 2022, the Supreme Court resolved to deny with finality the Motions for Reconsideration and an Entry of Judgment was rendered, certifying that the Decision became final and executory on the same date.

C.A. G.R. No. 138105
Petition for Review With Application for Injunction and Temporary Restraining Order

1590 Energy Corporation vs. Energy Regulatory Commission And Philippine Electricity Market Corporation

On November 7, 2017, the Court of Appeals (CA) issued a Decision that declared as null and void the March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 Orders of the ERC and reinstated the prices for the November and December 2013 supply months in the WESM (the CA Decision). According to the CA, there was simply no justification, legal or factual, to substantiate the ERC's issuance of the March 3, 2014 Order which was effectively an intervention of WESM's operations. The ERC and Intervenor Meralco filed their respective Motions for Reconsideration to the CA Decision. Numerous other consumers and organizations also filed their respective Motions for Leave to Intervene in the case for the purpose also of seeking a reconsideration of the CA Decision. In an Omnibus Resolution dated March 29, 2019, the CA denied the Motions for Reconsideration.

Thereafter, the ERC filed a Petition for Review on Certiorari with the Supreme Court under Rule 45 of the CA's Decision dated November 8, 2017 and the Omnibus Resolution dated March 29, 2019. The Petition for Review remains pending.

ERC Case No. 2015-042 MC
Violation of Section 45 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act No. 2001" (EPIRA), Rule 11, Sections 1 of the Implementing Rules and Regulations (IRR) of the EPIRA (Commission of an Anti-Competitive Behavior, Particularly Economic Withholding ATTY. ISABELO JOSEPH P. TOMAS II vs. 1590 Energy Corporation

On June 10, 2015, Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the ERC pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, filed a Complaint against 1590 EC for alleged Anti-Competitive Behavior, particularly, the Physical Withholding in relation to the bid offers of 1590 EC at WESM during the November and December 2013 billing months. 1590 EC filed its Answer to the Complaint within the reglementary period. On August 11, 2016 1590 EC received an "Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]" from the Investigating Officer, to which 1590 EC filed its "Comment/Opposition to the Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]." On June 13, 2017, the ERC denied the Motion for Consolidation.

On March 29, 2021, the ERC held a virtual hearing to apprise the parties of the status of the case, in view of the resignation of the members of the Investigatory Unit. 1590 EC awaits further orders from the ERC.

III. Delta P
Civil Case No. 5778
Heirs of Laurentino Ylaya represented by Fe Ylaya and Glenn C. Gacott
Vs. City Government of Puerto Princesa represented by
Mayor Lucilo Bayron and Delat P, Inc.

On August 31, 2018, DPI received Summons for a Complaint for "Quieting of Title, Recovery of Possession, Declaration of Nullity of Contract of Lease (with Prayer for TRO and Injunction)" filed by Fe Ylaya and Glenn Gacott. The City Government of Puerto Princesa ("CGPP") was made a co-defendant. The Complaint claimed that the expropriation proceedings by the CGPP was incomplete because of failure to promptly pay just compensation. The properties subject of the Complaint is the site of DPI's power plant over which DPI signed a Contract of Lease with CGPP. Complainants alleged to be the previous owners of the properties and prayed for CGPP and DPI to peacefully surrender and vacate the properties, declare the CGPP Contract of Lease to be void, demanded payment of rental and damages in the total amount of Php774,413.00.

On May 17, 2023, the Court rendered a Decision that dismissed the complaint due to plaintiffs' failure to prove by preponderance of evidence that a cloud exists on the title of CGPP. On May 23, 2023, Fe Ylaya and Glenn Gacott filed their Notice of Appeal. In an Order dated May 29, 2023, the RTC directed the transmittal of the case record to the Court of Appeals. Delta P awaits further order from the Court of Appeals.

IV. INEC
Civil Case No. MAN-8450
Bantayan Island Power Corporation and Container Corporation
of the Philippines (Consortium) vs. Bantayan Island Electric
Cooperative, Inc. (BANELCO), BANELCO Third-Party Bids and
Awards Committee, and Consortium of Vivant Integrated
Diesel Corporation and Gigawatt Power, Inc.

On November 13, 2019, Bantayan Island Power Corporation and Container Corporation of the Philippines (Petitioner) filed a Petition for Injunction (with Application for Issuance of a 72-hour Restraining Order, TRO and/or Writ of Preliminary Injunction) against BANELCO, BANELCO Third-Party Bids and Awards Committee, and Consortium of VIDC and GPI (Consortium). This case is docketed as Case No. 3450 with the Mandaue City RTC Branch 84. The RTC Branch 84 has recognized the legal standing of INEC to be joined as a party to the case, being the incorporated Consortium.

On November 13, 2019, the RTC Executive Judge found no basis to grant an ex-parte restraining order. On November 29, 2019, the RTC denied the application for issuance of TRO. On December 21, 2020, the RTC denied the application for issuance of preliminary injunction.

The case was re-raffled to another RTC Branch (Branch 88) following the failure of the mandatory mediation and Judicial Dispute Resolution. On February 14, 2022, RTC Branch 88 issued an Order declaring that it has no jurisdiction over the subject matter, and considered the case archived, without prejudice to its revival. Thereafter, with the decision of the ERC granting provisional authority to the PSA of BANELCO and Isla Norte, RTC Branch 88 issued a Joint Resolution on November 8, 2022 dismissing the case because the ERC has already settled the issue on the failure of bidding raised in the Petition. Petitioner then filed a Motion for Reconsideration on December 22, 2023 that was opposed by Respondents. This was also dismissed by RTC Branch 88 in an Order dated March 30, 2023.

CA-G.R. No. 13695 and CA-G.R. No. 13995
Eighteenth Division, Court of Appeals-Cebu City

On June 16, 2020, Bantayan Island Power Corporation and Container Corporation of the Philippines (Petitioner) filed a Petition for Certiorari with the Court of Appeals (Cebu City) (CA-Cebu), alleging grave abuse of discretion on the part of RTC for its alleged partiality and bias. This is docketed as CA-G.R. No. 13695 with the Twentieth Division of CA-Cebu. In a Notice from the CA-Cebu that was received on January 8, 2021, the defendants were required to file their Comment to the Petition for Certiorari. VIDC and INEC were able to file their Joint Comment within the reglementary period.

On September 20, 2020, INEC received a Petition for Certiorari with Application for Issuance of a Temporary Restraining Order (TRO) and/or writ of preliminary injunction (WPI), which was docketed at CA-G.R. SP No. 13995. This Petition was filed as a result of the denial by RTC 84 of Petitioner's application for TRO and a WPI.

In a Minute Resolution dated March 8, 2021, CA-G.R. Nos. 13695 and 13995 were consolidated.

In a Resolution dated September 8, 2021, CA-Cebu City denied the application for issuance of a TRO and/or WPI in SP No. 13995.

CA-G.R. No. 13698
Eighteenth Division, Court of Appeals-Cebu City

On February 17, 2021, INEC received from the Petitioner a Motion to Withdraw (Petition for Certiorari dated June 29, 2020) (the 2nd Petition), which INEC has yet to receive. The 2nd Petition is against the same defendants that is docketed as CA-G.R. No. 13698 with the Eighteenth Division of CA-Cebu. The 2nd Petition remains pending as CA-Cebu has yet to act on the Motion to Withdraw.

CA-G.R. No. SP-15291
Nineteenth Division, Court of Appeals – Cebu City

On July 11, 2022, the Petitioner filed a Petition for Certiorari to assail the Order dated February 14, 2022 and the Omnibus Order dated May 2, 2022 issued by RTC Branch 88 in the Civil Case No. MAN-8450.

In a Resolution dated November 29, 2023, CA-Cebu City resolved, among others, to note the Compliance with Manifestation filed by INEC that they have not received a copy of the Petition for Certiorari.

INEC is waiting for further orders or resolutions from CA-Cebu City.

CA-G.R. No. CV No. 09152
Court of Appeals-Cebu City

On January 24, 2024, INEC received the Notice to File Briefs and Pay Fees dated January 9, 2024 issued by CA-Cebu City, directing the company to file three (3) copies of legibly printed Appellee's Brief within forty-five (45) days from receipt of the Appellant's Brief of the Petitioner, and to pay Php1,000.00 as Mediation Fee.

On January 29, 2024, INEC filed its Compliance with Manifestation to allege that it has not yet received a copy of the Appellant's Brief which will be the reckoning point to file the Appellee's Brief and that it has paid the Mediation Fee.

INEC is waiting to receive the Appellant's Brief and further order or resolution from CA-Cebu City.

Appeal-Court of Appeals

As a result of the Joint Resolution on November 8, 2022 dismissing the case and the Order dated March 30, 2023 that dismissed the Motion for Reconsideration, the Petitioner filed a Notice of Appeal on April 24, 2023. In an Order dated April 25, 2023, RTC Branch 88 directed the transmittal of the case record to CA-Cebu City.

INEC awaits further orders or resolutions from CA-Cebu City.

Item 4. Submission of Matters to A Vote of Security Holders

During the June 15, 2023 Annual Meeting of the Stockholders, the following actions were taken:

(1) Approval and adoption of the minutes of the June 16, 2022 Annual Stockholders' Meeting
(2) Annual Report of Officers
(3) Approval of the 2022 Annual Report and Financial Statements
(4) Appointment of External Auditor for 2023
(5) Election of Directors for the year 2023-2024

Regular Directors

Mr. Ramontito E. Garcia
Mr. Arlo Angelo G. Sarmiento
Mr. Jose Marko Anton G. Sarmiento
Mr. Charles Sylvestre A. Garcia
Mr. Francis Damasus A. Garcia
Mr. Emil Andre M. Garcia
Ms. Brigette Cecil N. Garcia

Independent Directors

Mr. Carmelo Maria L. Bautista
Mr. Jose Carlitos G. Cruz
Atty. Jose M. Layug, Jr.
Atty. Laurence R. Rogero

(6) Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2022

Below is the summary of votes taken:

	ITEM	APPROVE	DISSENT	ABSTAIN
1	Minutes of the June 16, 2022 Annual Stockholders' Meeting	867,272,141	0	0
2	2022 Annual Report and Financial Statements	867,272,141	0	0
3	Appointment of External Auditor for 2023	867,272,141	0	0
4	Directors for the year 2023-2024			
	• Mr. Ramontito E. Garcia	867,272,141	0	0
	• Mr. Arlo Angelo G. Sarmiento	867,272,141	0	0
	• Mr. Emil Andre M. Garcia	867,272,141	0	0
	• Mr. Francis Damasus A. Garcia	867,272,141	0	0
	• Mr. Charles Sylvestre A. Garcia	867,272,141	0	0
	• Mr. Jose Marko Anton G. Sarmiento	867,272,141	0	0
	• Ms. Brigette Cecile N. Garcia	867,272,141	0	0
	• Mr. Carmelo Maria L. Bautista	867,272,141	0	0
	• Mr. Jose Carlitos G. Cruz	867,272,141	0	0
	• Atty. Jose M. Layug, Jr.	867,272,141	0	0
	• Atty. Laurence R. Rogero	867,272,141	0	0
5	Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2022	867,272,141	0	0

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

The Company's common shares are listed and traded at the Philippine Stock Exchange. The high and low stock prices of Vivant's common shares for each quarter of 2022 and 2023 were as follows:

	2022		2023	
	High	Low	High	Low
First Quarter	16.72	14.02	15.90	12.80
Second Quarter	16.74	14.04	19.80	13.16
Third Quarter	18.38	14.14	19.48	14.22
Fourth Quarter	16.94	12.82	15.96	14.20

As of March 31, 2024, the common shares outstanding were 1,023,456,698 shares. The last traded price of Vivant's common shares as of the same period was at Php15.28 per share.

2. Security Holders

As of March 31, 2024, Vivant has 1,404 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). The top 20 shareholders with the number of shares respectively held and the percentage of total shares outstanding held by each are as follows:

	NAME	NO. OF SHARES	%
1	Mai-I Resources Corporation	464,831,568	45.42
2	JEG Development Corporation	311,524,642	30.44
3	PCD Nominee Corporation (F)	185,681,370	18.14
4	Popsivan Holdings Corporation	31,498,212	03.08
5	Malacapas Holdings, Inc.	27,677,848	02.70
6	Eulalio C. Arce	343,750	00.03
7	Alfredo A. Cruz	34,062	00.00
8	Marietta P. Lavin	27,750	00.00
9	EBC Securities Corporation	20,265	00.00
10	Consortium Industries, Inc.	20,500	00.00
11	Rose Marie R. Lopez	19,687	00.00
12	PCD Nominee Corporation (NF)	16,827	00.00
13	Marino Olondriz Y Cia	16,000	00.00
15	Rosario Paje Rivera	15,625	00.00
14	Rodulfo Sevilla	15,625	00.00
15	Jun M. Borres	15,000	00.00
15	Anita Te &/or Oscar Te	15,000	00.00
18	Ocar O. Martinez	13,437	00.00
19	Sia Phoa A. Hon	12,625	00.00
20	World Wide Paper Mills	12,500	00.00
	TOTAL NO. OF SHARES	**1,021,812,293**	**99.84**

3. Dividends

The Company's By-laws allow dividends to be declared and paid out of unrestricted retained earnings, which may be payable in cash, property or stock to all stockholders on the basis of the outstanding stock held by the stockholder, as often and at such times as the Company's Board of Directors may determine and in accordance with the requirements of the Corporation Code and applicable laws.

The cash dividends declared by Vivant to its common shareholders from 2022 to 2023 are shown in the table below.

Year	Cash Dividend Per Share		Total Declared		Record Date
	Regular	Special	Regular	Special	
2022	Php 0.4341	-	Php 444.3 mn	-	May 13, 2022
2023	Php 0.3897	-	Php 398.8 mn	-	June 1, 2023

4. Recent Sales of Unregistered Securities

On January 29, 2014, the Company signed a NFA to issue Php 3 bn in FRCN, which were issued in two tranches: Php 1 bn on February 3, 2013 and Php 2 bn on March 31, 2014 (2014 Notes). The net proceeds of the issue were used for general corporate purposes, including but not limited to, capital expenditures for existing assets and investments in power generation projects.

On December 4, 2020, the Company signed a NFA to issue Php3 bn worth of FRCN with tenors of two (2) years and five (5) years (2020 Notes). The proceeds from the issuance of the 2020 Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year 2014 Notes which matured in February 2021. The Company made full drawdown in January 2021. As of December 31, 2023, the outstanding Notes amount to Php1.9 bn after a Php50 mn token amortization paid in January 2022 and a Php1.05 bn principal repayment made in January 2023.

Item 6: Management's Discussion and Analysis or Plan of Operation

1. Plan of Operation

For the next 12 months, the Company will continue to oversee its investments in the investee companies.

As a holding company, it shall satisfy its cash requirements through (1) dividends declared and paid by its investee companies, and (2) management and service fees paid by investee companies as compensation for consultancy, management, shared and other ancillary services provided.

Vivant, through its subsidiaries' business development groups, is continuously on the lookout for opportunities in the energy and water industries. The Company has several projects that are in various stages of development.

2. Management's Discussion and Analysis

Management uses the following key performance indicators for the Company and its investee companies:

(i) Equity in Net Earnings (or Loss) of Associates. Equity in net earnings or (loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is calculated by taking operating income and adding back to it interest, depreciation, and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

iii) Cash Flow Generated. Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing, and financing activities.

(iv) Debt-to-Equity Ratio (DER). DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

(v) Current Ratio. Current ratio is computed by dividing current assets with current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

On June 1, 2023, 100%-owned Vivant Energy signed a Share Sale and Purchase Agreement (SSPA) to acquire all of the shareholdings of its joint venture partner in 50%-owned CIPC, DPI and LPEC. On the same date, Vivant Energy and 100%-owned VREC signed an SSPA to acquire from the joint venture partner the latter's 50% equity stake in CREC. Moreover, Vivant Energy and 100%-owned VIDC signed an SSPA to acquire the minority shareholder's 35% equity stake in then 65%-owned Isla Norte. As a result, CIPC, DPI, Isla Norte (Vivant Energy and VIDC gained further control)[13], LPEC and CREC are classified as 100%-owned subsidiaries[14].

In view of the above, the accounting for the investments in DPI, CIPC, LPEC and CREC is changed from Philippine Accounting Standards (PAS) 8, *Investment in Associate and Joint Ventures* to Philippine Financial Reporting Standards (PFRS) 10, *Consolidated Financial Statements.* As it is, the consolidated financial statements of the Company as of end-December 2023 include the following:

1. Equity share in the net earnings (losses) of these four investees from January 2023 to May 2023 in the consolidated statement of comprehensive income; and
2. Full consolidation starting June 2023 in the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows.

The acquisition of the additional 35% equity stake in Isla Norte did not affect the accounting for this investment, i.e., PFRS 10, *Consolidated Financial Statements*.

The table below shows the comparative figures of the key performance indicators for the years 2023 and 2022.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2023**	**2022**
Equity in Net Earnings of Associates and Joint Ventures	2,044,342	1,941,357
EBITDA	3,269,605	2,380,990
Cash Flow From / (Used in)	(501,200)	(810,510)
Net cash flows from (used in) operating activities	201,964	(255,655)
Net cash flows from (used in) investing activities	(627,513)	(1,572,793)
Net cash flows from (used in) financing activities	(75,651)	1,017,938
Debt-to-Equity Ratio (x)	0.52	0.48
Current Ratio (x)	1.80	1.87

The Company's share in the net earnings of associates and joint ventures as of end-December 2023 amounted to Php 2.0 billion (bn), representing a 5% year-on-year (YoY) increase from Php 1.9 bn. This was a result of the following:

[13] Under PFRS 10, *Consolidated Financial Statements*, transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control is reflected as being a transaction between owners and recognized directly in equity.

[14] Under PFRS 3, *Business Combination*, a business combination is defined as a transaction or other event in which an acquirer (an investor entity) obtains control of one or more businesses. It requires the entity to determine whether assets acquired and any liabilities assumed constitute a 'business'. 'Business' is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets and liabilities are not considered to be a 'business', then the transaction should be accounted for as an asset acquisition.

1. VECO, the Company's electricity distribution utility, posted Php 1.0 bn in income contribution as of end-2023, 33% higher YoY. This was mainly attributed to the 12% YoY increase in the volume of electricity sold. VECO's bottomline contribution during the year in review was net of the one-time refund to its customers for the over-recoveries of pass-through charges covering the first semester of 2023, in compliance with the Energy Regulatory Commission (ERC) Resolution No. 14[15]. As of end-2022, electricity sales volume was significantly affected by the prolonged power outage in Cebu that resulted from the devastation caused by Typhoon Odette in December 2021.

2. 40%-owned AHI posted an 8% increase in its income contribution to Php 414.0 million (mn) as of end-2023 from Php 382.4 mn as of end-2022. This was driven by the increase in profitability of its associate, CEDC. CEDC's improved performance during the year in review was attributed to higher profit on its sales to the WESM (up by 195% YoY) as volume of energy sold went up by 49% YoY. Also, CEDC saw a reduction in debt service due to principal loan payments during the year in review. However, CEDC's profits from ancillary services dropped by 64% YoY due to the expiration of the contract in April 2023.

3. 40%-owned CPPC brought in Php 66.8 mn in income contribution as of end-2023 vis-a-vis Php 31.6 mn in net loss contribution as of end-2022. This was mainly attributable to the recognition of a non-recurring revenue pertaining to the collection of additional compensation related to prior year sale of energy to the WESM. In 2022, power generation companies, including CPPC, were entitled to additional compensation upon implementation of the secondary price cap by the IEMOP.

4. 45%-owned FLOWS, through its 89.6%-owned subsidiary, PPWRLC, shored in an income contribution of Php 8.4 mn during the year in review, up by 32% YoY, which was mainly driven by the 14% YoY increase in PPWRLC's profits. During the year in review, PPWRLC posted higher earnings from septage operations (mainly driven by increased desludging services) and booked 12-months' worth of earnings from sewage operations. Septage and sewage operations went online in the first and third quarter of 2022, respectively.

The above improvements in earnings contributions were tempered by the following:

1. 20%-owned TVI recorded an income contribution of Php 277.4 mn as of end-2023, which was 27% lower YoY. This was mainly a consequence of reduced profit from RES contracts (down by 9% YoY) due to a 12% YoY drop in the volume of energy sold. However, the impact was cushioned by higher profits from WESM (up by 30% YoY) as volume of energy sold increased by 31% YoY, increased profits from bilateral contracts (up by 10% YoY) as volume sales rose by 22% YoY, profits from ancillary services (versus nil as of end-2022), and reduced debt service. Meanwhile, TVI's income contribution as of end-2022 was largely on account of the recognition of one-off gains resulting from the company's fuel cost management. In January and February 2022, TVI experienced plant downtime related to Typhoon Odette that brought down generated and sold energy for the comparable period.

[15] ERC Resolution No. 14 is also known as A Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities

2. 40%-owned MPC brought in earnings contribution of Php 243.0 mn as of end-2023, 35% lower vis-à-vis Php 373.4 mn as of end-2022. As of year-end, MPC posted an 11% YoY drop in gross profit as topline performance dropped by 10% YoY, which was a consequence of the termination of the PSA for Unit 3[16] with an electric cooperative. Also, its operating and maintenance costs rose by 7% YoY.

3. 100%-owned CIPC[17] recorded an income contribution of Php 23.7 mn for the period covered January to May 2023, i.e., prior to Vivant Energy's acquisition of the 50% equity shareholding of its joint venture partner on June 1, 2023. This compares to the Php 47.5 mn as of end-2022. As of end-2023, CIPC's total energy sales volume grew by 12% YoY.

4. 100%-owned DPI[18] recorded an income contribution of Php 15.8 mn for the period covered January to May 2023, i.e., prior to Vivant Energy's acquisition of the 50% equity shareholding of its joint venture partner on June 1, 2023. This compares to the Php 36.5 mn as of end-2022. As of end-2023, DPI's energy sales volume was 28% higher YoY.

5. 40%-owned Prism Energy, a RES company, posted a net loss contribution of Php 853.00 as of end-2023 from Php 4.9 mn in net income contribution as of end-2022. Prism Energy saw a 68% YoY decline in the volume of energy sold due to the non-renewal of customer contracts.

EBITDA as of end-2023 rose by 37% YoY to Php 3.3 bn from Php 2.4 bn. This was mainly an outcome of the 44% YoY expansion in operating income to Php 2.8 bn, which stemmed from:

1. Sale of power went up by 26% YoY to Php 5.5 bn. This was primarily from the improved revenue contribution by the Company's investments in oil-fired power plants, RES and solar rooftop business.

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[16] The PSA of Unit 3 of MPC was among the contracts affected by the Decision issued by the Supreme Court in the case filed by Alyansa Para Sa Bagong Pilipinas against the ERC, DOE, MERALCO and other generation companies (GR No. 227670 (May 3, 2019). As a result of the said Decision and pursuant to an Order issued by the ERC, CEPALCO and MPC were directed to desist from implementing PSA. MPC filed a motion for reconsideration of the said Order which remains pending with the ERC.

[17] Equity stake in CIPC is increased from 50% to 100% after acquiring the shareholding of the joint venture partner through the execution of an SSPA on June 1, 2023. Consequently, the investment in CIPC is accounted for under PFRS 10*, Business Combination*, from PAS 28, *Investment in* Associate, as described above.

[18] Equity stake in DPI is increased from 50% to 100% after acquiring the shareholding of the joint venture partner through the execution of an SSPA on June 1, 2023. Consequently, the investment in DPI is accounted for under PFRS 10*, Business Combination*, from PAS 28, *Investment in* Associate, as described above.

Oil-fired Power Plants

- Wholly owned DPI and CIPC brought in fresh revenue contributions covering June[19] to December 2023 in the amount of Php 1.1 bn and Php 437.9 mn, respectively.

- 100%-owned Isla Norte shored in a revenue contribution of Php 819.6 mn (up by 9% YoY) during the year in review. This was driven by a 7% YoY increase in the volume of energy sold.

- 100%-owned MPI contributed fresh revenue of Php 0.8 mn during the year in review. It is currently contracted for ancillary services with NGCP.

On the other hand, the following offset the revenue expansion:

- 55.2%-owned 1590 EC saw a 34% YoY drop in its topline performance as of the year in review. This was mainly driven by the 51% YoY decline in revenue from ancillary services as a result of the termination of its contract in March 2023 (volume down by 72% YoY). Moreover, the volume of energy sold to the WESM was 51% lower YoY. However, the impact was softened by the revenue from a bilateral contract that started in April 2023, and a non-recurring revenue pertaining to the collection of additional compensation on its sale of energy to the WESM in 2022.

- 90%-owned BPC's revenue decreased by 13% YoY due to lower dispatch resulting to an 84% YoY decline in volume sold. In the same period last year, BPC booked a non-recurring revenue from the dispatch of emergency power.

Retail Electricity Supply (RES)

- 100%-owned Corenergy showed higher RES revenue (up by 92% YoY) as of end-2023. This strong showing was due to the increased volume sold (up by 155% YoY) and improved customer base.

Solar Rooftop

- The solar rooftop business of 100%-owned Corenergy contributed revenue of Php 8.8 mn, 142% higher YoY. This was mainly attributed to the 97% YoY rise in volume sold on the back of increased number of customers.

- 100%-owned CSSC, posted a 32% YoY expansion in its topline performance on account of an improved customer base and increased total contracted capacity (up by 36% YoY) during the year in review.

- 100%-owned VSC contributed Php 5.1 mn in revenue as of end-2023 from Php 3.5 mn as of end-2022 as energy volume sales grew by 50% YoY.

[19] This was a result of the acquisition of the 50% equity stake from the joint venture partner, as described above.

2. 529% YoY increase in management and service fees to Php 546.0 mn from Php 86.8 mn that mainly stemmed from a non-recurring technical services contract of Vivant Energy, and non-recurring corporate services contracts of Vivant during the year in review.

3. 5% YoY expansion in equity earnings resulting from the increase in the income contributions of four associates as of end-2023. This was tempered by the reduced income contributions from three associates, and from DPI and CIPC due to the change in accounting for these investments from associates to subsidiaries[20] starting June 2023.

4. Interest income significantly increased by 105% YoY, which was driven by higher interest rates for short-term money market placements.

However, the expansion in EBITDA was tempered by the following:

1. Engineering service revenue as of end-2023 was at Php 17.2 mn, 44% lower than end-2022's Php 30.1 mn. Corenergy's engineering solutions business saw a 77% YoY decline in topline contribution on contracts with non-related parties during the year in review. In 2022, Corenergy had engineering service contracts which were completed in the same year. However, 60%-owned WMP posted higher revenue contribution of Php7.4 mn as of end-2023 from Php 0.8 mn as of end-2022 on service engineering contracts with non-related parties.

2. Generation cost rose by 21% YoY to Php 4.5 bn due to the following:

   Oil-fired Power Plants

   - Take-up of the generation costs of DPI and CIPC for the period June 2023 to December 2023 in the amount of Php 943.5 mn and Php 356.7 mn, respectively. This was a result of the acquisition of the 50% equity stake of the joint venture partner in both investee companies.

   - 100%-owned Isla Norte incurred higher generation cost (up by 12% YoY) on the back of a 7% YoY increase in volume of energy sold. The early payment of real property tax for the power plant assets covering taxable year 2024 also contributed to the cost expansion during the year in review.

   - 100%-owned MPI booked Php 11.1 mn in direct costs incurred during the year for the operation and maintenance of the power plant.

[20] Under PFRS 10, *Consolidated Financial Statements*, consolidated financial statements pertain to the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of its subsidiaries.

The cost expansion was tempered by the following:

- 1590 EC's generation cost declined by 42% YoY as a consequence of the reduced energy sold to the WESM and ancillary services as of end-2023 (down by 51% YoY and 72% YoY, respectively). The decline in cost occurred amid reporting 12 months' worth of plant repairs and maintenance and depreciation during the year in review following the acquisition of the BDPP in April 2022.

- 90%-owned BPC booked a 19% YoY decline in generation cost since its energy sales volume was lower by 84% YoY.

Retail Electricity Supply

- Increased customer base and volume sales of Corenergy's RES business (up by 155% YoY) led to higher cost of purchased power (up by 94% YoY).

Solar Rooftop

- The solar rooftop operations of Corenergy booked higher depreciation expense as of end-2023. This was on account of the increased acquisition of solar panels and tools to service additional customers.

- Direct costs incurred by 100%-owned CSSC went up by 10% YoY given additional customers with new solar energy supply contracts (sales volume up by 36% YoY).

- 100%-owned VSC recorded a 59% YoY rise in its cost of services on the back of the 50% YoY growth in energy sales volume.

3. Engineering service fees was higher by 111% YoY to Php 52.5 mn as of end-2023. This was mainly attributed to higher direct costs incurred by WMP to service its on-going engineering service contracts during the year in review.

4. Operating expenses rose by 13% YoY.

The Company ended the year in review with a net decrease in cash and cash equivalents, before considering the effect of changes in the foreign exchange rates, in the amount of Php 501.2 mn. This was 38% lower than the net decrease in cash and cash equivalents as of end-2022 in the amount of Php 810.5 mn. Investing activities made up 125% of the total net cash outflow as of end-2023 in the amount of Php 627.5 mn. The net cash flows used in financing activities in the amount Php 75.7 mn further contributed to the reduction in cash level as of the year in review. However, operating activities as of end-2023 generated net cash flows of Php 202.0 mn.

Operating activities showed a net cash inflow of Php 202.0 mn as of end-2023, which was mainly attributed to the improved operating results before working capital changes (up by 175% YoY). In addition, cash was generated from the collection of trade receivables (mostly by 1590 EC and CIPC). However, outflows pertaining to the rise in prepayments (higher creditable withholding taxes (CWTs) and input VAT booked by the Company, Vivant Energy, Isla Norte, and Corenergy, and input VAT booked by IMCC from importation and domestic purchase of goods and services related to the development of a seawater desalination facility), payment of trade payables (mostly by 1590 EC for purchased power) and increased income tax payments offset the operating cash inflows during the year in review. As of end-2022, the Company was in a net cash outflow position of Php 255.7 mn.

The year in review ended with a net cash outflow for investing activities at Php 627.5 mn, which was mainly on account of Vivant Energy's investment in a solar plant facility in Bulacan and acquisition initiatives for its on-grid and off-grid generation business segments. The development costs incurred by IMCC for the construction of a seawater desalination facility likewise contributed to the reduced consolidated cash level. These were offset by dividends received from five associates. Meanwhile, the Company posted a net cash outflow of Php 1.6 bn as of end-2022, which was significantly on account of 1590 EC's acquisition of the BDPP.

Financing activities as of end-2023 showed a net cash outflow of Php 75.7 mn, a reverse of the net cash inflow of Php 1.0 bn as of end-2022. This was mainly attributed to the principal amortization payment made by the Company for its fixed rate corporate note. During the period in review, Corenergy, CIPC, DPI, Isla Norte, BPC and NBPC also made principal amortization payments for their respective short-term and/or long-term loans. Moreover, payments of cash dividends by the Company, NBPC, BPC, DPI & CIPC, and finance lease payments by the Company, WMP, DPI and CIPC contributed to the use of cash as of end-2023. These were tempered by the proceeds from the short-term and long-term loans drawn by Vivant Energy and long-term loan drawn by Corenergy, and collections from an associate for its full payment of an interest-bearing loan from the Company.

Financial Ratios

Debt-to-Equity ratio went up to 0.52x as of end-2023, vis-à-vis as of end-2022 level of 0.48x. Total equity increased by 10%, which was mainly attributed to the earnings net of the dividends declared by the Company as of end-2023. Meanwhile, total liabilities went up by 20%, which stemmed from the following:

1. Short-term and long-term loans drawn by Vivant Energy;
2. Long-term loan drawn by Corenergy, net of the full settlement of its short-term loan;
3. Consolidation of the liabilities of newly-acquired subsidiaries, SIAEC, DPI and CIPC;
4. Higher trade and other payables, which were mainly attributed to the amount due to the joint venture partner on the acquisition of shares in subsidiaries, and Corenergy's trade liabilities on the back of improved RES operations;
5. Accrual of income taxes by seven subsidiaries;
6. Accrued pension booked by the Company, and six wholly-owned subsidiaries;
7. Accrual of deferred tax liabilities resulting from the fair value remeasurement of the investment properties booked by three subsidiaries; and
8. Take-up of the finance lease liabilities of DPI and CIPC following the business combination, and lease extension of office spaces by the Company and a subsidiary

These additions were offset by the principal amortization payments made by the Company, DPI, CIPC, BPC, NBPC and Isla Norte.

The Company's current ratio went down to 1.80x as of the year in review from the year-end 2022 level of 1.87x. Current liabilities rose by 6% YoY. This was brought about by the short-term loans drawn by Vivant Energy, and the take-up of the current liabilities of newly-acquired subsidiaries, SIAEC, DPI and CIPC. This was offset by the principal amortization payments made by the Company, CIPC, DPI, Isla Norte, BPC, and NBPC, full settlement of the short-term loan of Corenergy, payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years. Meanwhile, current assets increased by 2% YoY. The increase in trade receivables (mostly from the newly acquired subsidiaries, DPI and CIPC, attributed to their power generation operations), inventories (mostly from DPI and CIPC) and prepayments (attributed to the input VAT booked by IMCC from importation and domestic purchases of goods and services related to the development of a seawater desalination facility, by SIAEC on the development of a solar plant facility and by Corenergy on the installation of new solar facilities) mainly accounted for the current asset expansion.

Material Changes in Line Items of Registrant's Income Statement

As of end-2023, the Company's total revenues amounted to Php 8.3 bn, recording a 27% YoY rise from Php 6.5 bn. The topline performance was attributable to the following:

1. Sale of power went up by 26% YoY to Php 5.5 bn. This was primarily from the improved revenue contribution by the Company's investments in oil-fired power plants, RES and solar rooftop business.

   Oil-fired Power Plants

   - Wholly owned DPI and CIPC brought in fresh revenue contributions covering June to December 2023 in the amount of Php 1.1 bn and Php 437.9 mn, respectively.

   - 100%-owned Isla Norte shored in a revenue contribution of Php 819.6 mn (up by 9% YoY) during the year in review. This was driven by a 7% YoY increase in the volume of energy sold.

   - 100%-owned MPI contributed fresh revenue of Php 0.8 mn during the year in review. It is currently contracted for ancillary power supply with NGCP.

   On the other hand, the following offset the revenue expansion:

   - 55.2%-owned 1590 EC saw a 34% YoY drop in its topline performance as of the year in review. This was mainly driven by the 51% YoY decline in revenue from ancillary services as a result of the termination of its contract in March 2023 (volume down by 72% YoY). Moreover, the volume of energy sold to the WESM was 51% lower YoY. However, the impact was softened by the revenue from a bilateral contract that started in April 2023, and a non-recurring revenue pertaining to the collection of additional compensation on its sale of energy to the WESM in 2022.

   - 90%-owned BPC's revenue decreased by 13% YoY due to lower dispatch resulting to an 84% YoY decline in volume sold. In the same period last year, BPC booked a non-recurring revenue from the dispatch of emergency power.

Retail Electricity Supply (RES)

- 100%-owned Corenergy showed higher RES revenue (up by 92% YoY) as of end-2023. This strong showing was due to the increased volume sold (up by 155% YoY) and improved customer base.

Solar Rooftop

- The solar rooftop business of 100%-owned Corenergy contributed revenue of Php 8.8 mn, 142% higher YoY. This was mainly attributed to the 97% YoY rise in volume sold on the back of increased number of customers.

- 100%-owned CSSC, posted a 32% YoY expansion in its topline performance on account of an improved customer base and increased total contracted capacity (up by 36% YoY) during the year in review.

- 100%-owned VSC contributed Php 5.1 mn in revenue as of end-2023 from Php 3.5 mn as of end-2022 as energy volume sales grew by 50% YoY.

2. Management and service fees went up by 529% YoY to Php 546.0 mn as of end-2023. This mainly stemmed from a non-recurring technical services contract of Vivant Energy, and non-recurring corporate services contracts of Vivant during the year in review.

3. Engineering service revenue as of end-2023 was at Php 17.2 mn, 44% lower than end-2022's Php 30.1 mn. Corenergy's engineering solutions business saw a 77% YoY decline in topline contribution on contracts with non-related parties during the year in review. In 2022, Corenergy had engineering service contracts which were completed in the same year. However, 60%-owned WMP posted higher revenue contribution of Php7.4 mn as of end-2023 from Php 0.8 mn as of end-2022 on service engineering contracts with non-related parties.

4. The Company's share in the net earnings of associates and joint ventures as of end-December 2023 amounted to Php 2.0 bn, representing a 5% YoY increase from Php 1.9 bn. This was a result of the following:

    - VECO, the Company's electricity distribution utility, posted Php 1.0 bn in income contribution as of end-2023, 33% higher YoY. This was mainly attributed to the 12% YoY increase in the volume of electricity sold. VECO's bottomline contribution during the year in review was net of the one-time refund to its customers for the over-recoveries of pass-through charges covering the first semester of 2023, in compliance with the ERC Resolution No. 14. As of end-2022, electricity sales volume was significantly affected by the prolonged power outage in Cebu that resulted from the devastation caused by Typhoon Odette in December 2021.

- 40%-owned AHI posted an 8% increase in its income contribution to Php 414.0 mn as of end-2023 from Php 382.4 mn as of end-2022. This was driven by the increase in profitability of its associate, CEDC. CEDC's improved performance during the year in review attributed to higher profit on its sales to the WESM (up by 195% YoY) as volume of energy sold went up by 49% YoY. Also, CEDC saw a reduction in debt service due to principal loan payments during the year in review. However, CEDC's profits from ancillary services dropped by 64% YoY due to the expiration of the contract in April 2023.

- 40%-owned CPPC brought in Php 66.8 mn in income contribution as of end-2023 vis-a-vis Php 31.6 mn in net loss contribution as of end-2022. This was mainly attributable to the recognition of a non-recurring revenue pertaining to the collection of additional compensation related to prior year sale of energy to the WESM. In 2022, power generation companies, including CPPC, were entitled to additional compensation upon implementation of the secondary price cap by the IEMOP.

- 45%-owned FLOWS, through its 89.6%-owned subsidiary, PPWRLC, shored in an income contribution of Php 8.4 mn during the year in review, up by 32% YoY, which was mainly driven by the 14% YoY increase in PPWRLC's profits. During the year in review, PPWRLC posted higher earnings from septage operations (mainly driven by increased desludging services) and booked 12-months' worth of earnings from sewage operations. Septage and sewage operations went online in the first and third quarter of 2022, respectively.

  The above improvements in earnings contributions were tempered by the following:

- 20%-owned TVI recorded an income contribution of Php 277.4 mn as of end-2023, which was 27% lower YoY. This was mainly a consequence of reduced profit from RES contracts (down by 9% YoY) due to a 12% YoY drop in the volume of energy sold. However, the impact was cushioned by higher profits from WESM (up by 30% YoY) as volume of energy sold increased by 31% YoY, increased profits from bilateral contracts (up by 10% YoY) as volume sales rose by 22% YoY, profits from ancillary services (versus nil as of end-2022), and reduced debt service. Meanwhile, TVI's income contribution as of end-2022 was largely on account of the recognition of one-off gains resulting from the company's fuel cost management. In January and February 2022, TVI experienced plant downtime related to Typhoon Odette that brought down generated and sold energy for the comparable period.

- 40%-owned MPC brought in earnings contribution of Php 243.0 mn as of end-2023, 35% lower vis-à-vis Php 373.4 mn as of end-2022. As of year-end, MPC posted an 11% YoY drop in the gross profit as topline performance dropped by 10% YoY, which was a consequence of the termination of the PSA for Unit 3 with an electric cooperative. Also, its operating and maintenance costs rose by 7% YoY.

- 100%-owned CIPC recorded an income contribution of Php 23.7 mn for the period covered January to May 2023, i.e., prior to Vivant Energy's acquisition of the 50% equity shareholding of its joint venture partner on June 1, 2023. This compares to the Php 47.5 mn as of end-2022. As of end-2023, CIPC's total energy sales volume grew by 12% YoY.

- 100%-owned DPI recorded an income contribution of Php 15.8 mn for the period covered January to May 2023, i.e., prior to Vivant Energy's acquisition of the 50% equity shareholding of its joint venture partner on June 1, 2023. This compares to the Php 36.5 mn as of end-2022. As of end-2023, DPI's energy sales volume was 28% higher YoY.

- 40%-owned Prism Energy, a RES company, posted a net loss contribution of Php 853.00 as of end-2023 from Php 4.9 mn in net income contribution as of end-2022. Prism energy saw a 68% YoY decline in the volume of energy sold due to the non-renewal of customer contracts.

5. Interest income significantly increased by 105% YoY to Php 123.0 mn, which was driven by higher interest rates for short-term money market placements.

Total cost of services and operating expenses as of end-2023 went up by 20% YoY to Php 5.5 bn from Php 4.6 bn.

1. Total cost of services rose by 21% YoY to Php 4.5 bn. This was mainly attributed to the following:

    a) Generation costs went up to Php 4.5 bn, 21% higher YoY, on account of:

    Oil-fired Power Plants

    - Take-up of the generation costs of DPI and CIPC for the period June 2023 to December 2023 in the amount of Php 943.5 mn and Php 356.7 mn, respectively. This was a result of the acquisition of the 50% equity stake of the joint venture partner in both investee companies.

    - 100%-owned Isla Norte incurred higher generation cost (up by 12% YoY) on the back of a 7% YoY increase in volume of energy sold. The early payment of real property tax for the power plant assets covering taxable year 2024 also contributed to the cost expansion during the year in review.

    - 100%-owned MPI booked Php 11.1 mn in direct costs during the year for operation and maintenance of the power plant.

The cost expansion was tempered by the following:

- 1590 EC's generation cost declined by 42% YoY as a consequence of the reduced energy sold to the WESM and ancillary services as of end-2023 (down by 51% YoY and 72% YoY, respectively). The decline in cost occurred amid reporting 12 months' worth of plant repairs and maintenance and depreciation during the year in review following the acquisition of the BDPP in April 2022.

- 90%-owned BPC booked a 19% YoY decline in generation cost since its energy sales volume was 84% lower YoY.

Retail Electricity Supply

- Increased customer base and volume sales of Corenergy's RES business (up by 155% YoY) led to higher cost of purchased power (up by 94% YoY).

Solar Rooftop

- The solar rooftop operations of Corenergy booked higher depreciation expense as of end-2023. This was on account of the increased acquisition of solar panels and tools to service additional customers.

- Direct costs incurred by 100%-owned CSSC went up by 10% YoY given additional customers with new solar energy supply contracts (sales volume up by 36% YoY).

- 100%-owned VSC recorded a 59% YoY rise in its cost of services on the back of the 50% YoY growth in energy sales volume.

b) Engineering service fees was higher by 111% YoY to Php 52.5 mn as of end-2023. This was mainly attributed to higher direct costs incurred by WMP to service its on-going engineering service contracts during the year in review.

2. Salaries and employee benefits went up by 6% YoY to Php 414.8 mn from Php 390.2 mn. Increase in headcount and upward adjustment in salary rate mainly accounted for the cost expansion. Also, employees had more trainings and engagement activities during the year in review.

3. Professional fees dropped by 40% YoY to Php 100.3 mn. This was mainly attributable to lower consultancy fees incurred for project development during the year.

4. Taxes and licenses increased by 29% YoY to Php 101.7 mn. Documentary stamp taxes for the short-term and long-term loans drawn by Vivant Energy and Corenergy, and various infusions made to subsidiaries to fund various power and water infrastructure projects were incurred during the year in review. Real property tax incurred by 1590 EC pertaining to the BDPP also contributed to the cost expansion.

5. Depreciation and amortization was 16% higher YoY to Php 62.9 mn. This can be attributed to the depreciation of newly purchased fixed assets during the year in review.

6. Management and directors’ fees went up by 50% YoY to Php 43.8 mn. The increased frequency of board and committee meetings and directors’ per diem, and fees paid for management consultancy services accounted for the cost expansion.

7. Outside services amounted to Php 102.0 mn, 416% higher YoY. This was mainly attributed to the non-recurring cost incurred by Vivant Energy in relation to the acquisition of a solar plant facility in Bulacan, and by the Company for an operational technology risk assessment engagement during the year in review. Costs pertaining to marketing services incurred by a subsidiary, and the expenses related to security services and outsourced personnel incurred by three subsidiaries further contributed to higher costs as of end-2023.

8. Travel expenses rose by 59% YoY to Php 47.2 mn. This can be mainly attributed to the increased frequency of business travels for meetings with partners and stakeholders, and site visit for project development. Furthermore, fuel expenses for fleet cars went up since the number of units, frequency of fieldwork and employees working on premises increased during the year in review.

9. Rent and association dues as of end-2023 dropped to Php 5.2 mn, 19% lower YoY. Lower assets rental of two subsidiaries during the year in review mainly accounted for the decline in cost.

10. Other operating expenses was at Php 103.2 mn as of end-2023, a 15% increase vis-à-vis Php 89.5 mn as of end-2022. This increase was mainly attributed to higher cost on subscriptions to the Enterprise Resource Planning (ERP) system software, work management and communication tools and insurance premium driven by headcount.

Vivant booked Php 186.8 mn in other charges as of end-2023, recording a 52% increase from last year’s Php 122.8 mn. This was an outcome of the following account movements:

1. Finance costs on loans was higher by 40% YoY at PhP 363.7 mn. Debt servicing from seven subsidiaries account for the cost expansion, namely:
    a. Isla Norte from its short-term and long-term loans drawn as of the second semester of 2022.
    b. Vivant Energy from its short-term loans drawn in February, March and June 2023, and long-term loan drawn in December 2023.
    c. BPC and NBPC from the refinancing of its long-term loans in the second quarter of 2022, which had higher loan amounts and interest rates.
    d. Corenergy from its short-term loan drawn in February 2023 and was fully paid in October 2023, and long-term loan drawn in October 2023.
    e. The take-up of the finance costs of the term loans of CIPC & DPI.

2. Unrealized foreign exchange loss stands at Php 9.6 mn as of end-2023, a reversal of the unrealized foreign exchange gain of Php 53.8 mn as of end-2022. This pertains to the translation of the US Dollar and Euro cash balances of the Company and its subsidiaries.

The increase in other charges were offset by the following:

1. Vivant Energy booked a gain on bargain purchase of Php 64.7 mn as a result of the purchase price allocation under PFRS 3, *Business Combination*[21], related to its acquisition of the 50% equity stake in DPI from the joint venture partner.

2. The gain of Php 121.4 mn was earned as of end-2023 as a result of the increase in the fair value of investment properties of three subsidiaries. This was 101% higher than the Php 60.4 mn in fair value gain for the same investment properties booked in 2022.

3. Finance cost on lease liabilities went down to Php 1.1 mn as of end-2023, 90% lower than last year's finance cost of Php 10.8 mn. As of end-2022, 1590 EC derecognized the finance cost resulting from the purchase of the BDPP.

4. Other income-net amounted to Php 1.4 mn as of end-2023. This was mainly attributed to the interest income booked by the Company from an interest-bearing loan to an associate and additional collection by Vivant Energy on the sale of a subsidiary in prior years.

As of end-2023, the Company booked a consolidated provision for income tax of Php 180.4 mn, which was 101% higher than previous year's Php 89.6 mn. This was mainly due to the higher taxable income of 1590 EC and Corenergy, and the take-up of the accrued income taxes of DPI and CIPC. Deferred income tax from the fair value remeasurement of the investment properties of three subsidiaries also contributed to the expansion in tax expense.

Taking all of the above into account, the Company recorded a total net income of Php 2.4 bn for the period ending December 31, 2023, which was 40% higher than end-December 2022's net income of Php 1.7 bn. Net income attributable to parent grew by 43% to Php 2.3 bn as of end- 2023 from Php 1.6 bn as of end-2022.

During the year in review, the Company recognized other comprehensive loss (OCL), net of tax, of Php 95.1 mn, a reverse of the other comprehensive income of Php 30.5 mn booked as of end-2022. This was mainly attributable to the remeasurement losses on employee benefits booked by the Company, Vivant Infracore, Vivant Energy and five operating subsidiaries, share in the remeasurement loss on employee benefits of two associates and impact of the foreign exchange translation booked by a subsidiary. This was offset by the unrealized valuation gain on financial asset at FVOCI booked by a wholly-owned subsidiary.

The total comprehensive income as of end-2023 was at Php 2.3 bn. Out of the said amount, Php 2.3 bn was attributable to the equity holders of the parent, which was 35% higher compared to last year's Php 1.6 bn.

[21] As allowed by PFRS 3, the assets recognized and liabilities assumed were based on provisional assessment of their fair value. The valuation had not been completed by the date of this report. Hence the determination of final amount of property, plant and equipment, intangible assets, trade and other payables, long-term notes payable, goodwill, gain on bargain purchase, and non-controlling interest are subject to change within one (1) year of measurement period after the acquisition date.

<u>Changes in Registrant's Resources, Liabilities, and Shareholders' Equity</u>

The Company's total assets grew by 13% to Php 29.9 bn from end-2022 level of Php 26.4 bn. The following are the material movements in the consolidated assets of the Company as of end-2023.

1. Cash and cash equivalents was reduced to Php 4.4 bn as of end-2023. Cash usage for investing activities in the amount of Php 627.5 mn and financing activities in the amount of Php 75.7 mn during the year in review mainly drove the decline in cash. This was offset by the cash inflows from operating activities amounting to Php 202.0 mn.

2. Trade and other receivables went up by 21% YoY to Php 1.6 bn. This was mainly attributed to the take-up of the receivables of the then joint ventures turned subsidiaries, DPI and CIPC. The improved operations of Corenergy, the granting of extended payment term to BPC's customer, and timing of collection of receivables by Vivant and Vivant Energy for non-recurring service contracts further contributed to the asset expansion.

3. Advances to associates, joint ventures, and stockholders declined by 45% YoY to Php 162.2 mn. This was mainly on account of the collection from an associate for the full settlement of its interest-bearing loan from the Company. Moreover, with the then three joint ventures and one associate becoming subsidiaries starting June 1, 2023, Vivant Energy's advances to these entities, which were outstanding as of year-end 2022, were eliminated for financial reporting purposes. The said elimination of related party advances also contributed to the asset contraction. This was offset by a short-term loan extended by Vivant Energy to an associate.

4. Inventories increased by 105% to Php 364.7 mn as of end-2023, mainly from the take-up of the inventories of DPI and CIPC resulting from the business combination. This was tempered by the fuel consumption of 1590 EC, Isla Norte, BPC, NBPC, DPI and CIPC, and the use of personal protective equipment by WMP for project site safety.

5. Prepayments and other current assets were higher by 74% to Php 778.3 mn. This was significantly driven by the input VAT booked by IMCC for its importation and domestic purchase of goods and services related to the development of its seawater desalination plant, and by SIAEC related to the development of its solar plant facility. Further, improved operations of Isla Norte and Corenergy resulted to higher CWTs and deferred input VAT, and Corenergy saw an increase in its security deposits as new RES customers were energized.

6. Property, plant and equipment increased by 41% to Php 8.3 bn, which was mainly attributed to the take-up of the assets of newly-acquired subsidiary, SIAEC, costs for the on-going construction of a seawater desalination plant (Construction-in-Progress) by wholly-owned IMCC, acquisition of solar panels and tools by Corenergy to service additional customers, and land acquisition by 90%-owned BPC. Moreover, new diesel-fired on-grid and off-grid generation assets were acquired by Vivant Energy during the year in review on account of the expansion of its interests in the power generation business. The purchase of various fixed assets by the Company and Vivant Energy further contributed to the asset expansion.

7. Right-of-use assets (ROU) decreased by 11% YoY to Php 24.5 mn, which was mainly attributed to the take-up of the ROU assets of DPI and CIPC starting June 1, 2023, and the lease extension of the Company's and a subsidiary's office space. This was tempered by the depreciation for the period.

8. Investment properties amounted to Php 1.0 bn, a 13% YoY increase from Php 924.0 mn. This movement is mainly attributable to the gain recorded from the fair valuation of the investment properties in three subsidiaries.

9. Deferred income tax assets increased by 122% to Php 30.5 mn as a result of the take up of the assets of DPI.

10. Other non-current assets amounted to Php 2.6 bn, 40% higher than end-2022's Php1.9 bn. This was mainly attributed to the prepayments for the development of the solar plant facility in Bulacan. The take-up of the noncurrent assets of DPI, CIPC, LPEC and CREC related to the business combination, take-up of input VAT of newly-acquired subsidiary, SIAEC, rise in noncurrent VAT booked by 1590 EC and Isla Norte, and the take up of goodwill[22] from acquiring additional 50% shareholding in CIPC also contributed to the expansion of this account.

Total consolidated liabilities amounted to Php 10.2 bn as of end-2023, 20% higher than previous year's level of Php 8.5 bn. This was mainly attributed to the 70% increase in short-term notes payable, which was on account of the loans drawn by Vivant Energy in various periods within the year in review. This was offset by the full settlement of short-term notes of Isla Norte and Corenergy as of end-2023.

Other factors that contributed to the expansion of liabilities include:

1. Trade and other payables increased by 19% from Php 1.5 bn to Php 1.8 bn mainly from the take-up of trade and non-trade payables of newly-acquired subsidiary, SIAEC, and newly-consolidated subsidiaries, DPI, CIPC, CREC & LPEC. This is further increased by the outstanding payable related to the acquisition of shares in DPI, CIPC, Isla Norte, CREC and LPEC.

2. Current and non-current long-term loans grew by 9% YoY to Php 5.0 bn. This was mainly attributed to the take up of the term loan of DPI, and long-term loans drawn by Vivant Energy in December 2023 and by Corenergy in October 2023. However, this was offset by the principal amortization payments made by the Company, Isla Norte, BPC and NBPC.

3. Total finance lease liabilities (current and noncurrent portions) amounted to Php 29.8 mn, or 11% higher YoY. This was mainly attributed to the take-up of the finance lease liabilities of DPI and CIPC starting June 1, 2023, and lease extension of the Company's and a subsidiary's office space.

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[22]As allowed by PFRS 3, the assets recognized and liabilities assumed were based on provisional assessment of their fair value. The valuation had not been completed by the date of this report. Hence the determination of final amount of property, plant and equipment, intangible assets, trade and other payables, long-term notes payable, goodwill, gain on bargain purchase, and non-controlling interest are subject to change within one (1) year of measurement period after the acquisition date.

4. Income tax payable significantly rose to Php 34.7 mn from Php 7.5 mn. This was mainly attributed to higher taxable earnings of Corenergy and NBPC on the back of improved operations, and higher taxable earnings in 1590EC related to the non-recurring revenue, i.e., additional compensation on its sale of energy to the WESM in 2022. The take-up of the accrued income taxes of CIPC, DPI, and income tax on the rental income of 100%-owned Vivant Realty Ventures Corporation (VRVC) also contributed to the increase in tax liability.

5. Pension liability as of end-2023 was at Php 185.5 mn, a significant increase from the end-2022 level of Php 64.2 mn. Accrual of pension expenses booked by the Company, and six wholly-owned subsidiaries mainly accounted for the expansion of this account.

6. Deferred income tax liabilities was higher by 11% YoY to Php 296.4 mn as of end-2023. This was mainly attributed to the recognition of deferred taxes on the fair value remeasurement of the investment properties of three subsidiaries, and unrealized valuation gain on a financial asset at FVOCI booked by a wholly-owned subsidiary.

The above expansion in consolidated liabilities was offset by the 78% YoY reduction in the advances from related parties to Php 2.4 mn as of year-end. This was attributed to the payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years.

Other components of equity were higher by 115% YoY to Php 184.2 mn as of end-2023, which can be attributed to the significant movements discussed below.

1. The Company and seven subsidiaries recorded re-measurement loss on the employee benefits in the amount of Php 79.9 mn during the year in review. This was a reverse of the remeasurement gain of Php 7.1 mn as of end-2022.

2. As of end-2023, the Company booked its share in the remeasurement loss on the employee benefits of two associates amounting to Php 125.2 mn. This was 33% higher than end-2022's level of Php 94.0 mn.

3. The Company, through a subsidiary, booked an unrealized valuation gain on financial assets at FVOCI during the year in review. This resulted to an unrealized valuation gain of Php 51.1 mn as of end-2023, 93% higher than Php 26.5 mn as of end-2022.

4. Equity reserves increased by 20% to Php 30.3 mn, which was attributed to the acquisition of the 35% non-controlling interest in Isla Norte. Equity reserves pertain to the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control.

As a result of the net income generated, net of the dividends declared during the year in review, total stockholders' equity increased by 10% to Php 19.6 bn as of end-2023 from Php 17.9 bn as of end-2022. Meanwhile, equity attributable to parent ended higher by 11% YoY at Php 18.3 bn as of end-2023.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were lower by 10% from Php 4.9 bn as of end-2022 to Php 4.4 bn as of end-2023.

The Company ended the year in review with a net decrease in cash and cash equivalents, before considering the effect of changes in the foreign exchange rates, in the amount of Php 501.2 mn. This was 38% lower than the net decrease in cash and cash equivalents as of end-2022 in the amount of Php 810.5 mn. Investing activities made up 125% of the total net cash outflow as of end-2023 in the amount of Php 627.5 mn. The net cash flows used in financing activities in the amount Php 75.7 mn further contributed to the reduction in cash level as of the year in review. However, operating activities as of end-2023 generated net cash flows of Php 202.0 mn.

Operating activities showed a net cash inflow of Php 202.0 mn as of end-2023, which was mainly attributed to the improved operating results before working capital changes (up by 175% YoY). In addition, cash was generated from the collection of trade receivables (mostly by 1590 EC and CIPC). However, outflows pertaining to the rise in prepayments (higher CWTs and input VAT booked by the Company, Vivant Energy, Isla Norte, and Corenergy, and input VAT booked by IMCC from importation and domestic purchase of goods and services related to the development of a seawater desalination facility), payment of trade payables (mostly by 1590 EC for purchased power) and increased income tax payments offset the operating cash inflows during the year in review. As of end-2022, the Company was in a net cash outflow position of Php 255.7 mn.

The year in review ended with a net cash outflow for investing activities at Php 627.5 mn, which was mainly on account of Vivant Energy's investment in a solar plant facility in Bulacan and acquisition initiatives for its on-grid and off-grid generation business segments. The development costs incurred by IMCC for the construction of a seawater desalination facility likewise contributed to the reduced consolidated cash level. These were offset by dividends received from five associates. Meanwhile, the Company posted a net cash outflow of Php 1.6 bn as of end-2022, which was significantly on account of 1590 EC's acquisition of the BDPP.

Financing activities as of end-2023 showed a net cash outflow of Php 75.7 mn, a reverse of the net cash inflow of Php 1.0 bn as of end-2022. This was mainly attributed to the principal amortization payment made by the Company for its fixed rate corporate note. During the period in review, Corenergy, CIPC, DPI, Isla Norte, BPC and NBPC also made principal amortization payments for their respective short-term and/or long-term loans. Moreover, payments of cash dividends by the Company, NBPC, BPC, DPI & CIPC, and finance lease payments by the Company, WMP, DPI and CIPC contributed to the use of cash as of end-2023. These were tempered by the proceeds from the short-term and long-term loans drawn by Vivant Energy and long-term loan drawn by Corenergy, and collections from an associate for its full payment of an interest-bearing loan from the Company.

Financial Ratios

Debt-to-Equity ratio went up to 0.52x as of end-2023, vis-à-vis as of end-2022 level of 0.48x. Total equity increased by 10%, which was mainly attributed to the earnings net of the dividends declared by the Company as of end-2023. Meanwhile, total liabilities went up by 20%, which stemmed from the following:

1. Short-term and long-term loans drawn by Vivant Energy;
2. Long-term loan drawn by Corenergy, net of the full settlement of its short-term loan;
3. Consolidation of the liabilities of newly-acquired subsidiaries, SIAEC, DPI and CIPC;
4. Higher trade and other payables, which were mainly attributed to the amount due to the joint venture partner on the acquisition of shares in subsidiaries, and Corenergy's trade liabilities on the back of improved RES operations;
5. Accrual of income taxes by seven subsidiaries;
6. Accrued pension booked by the Company, and six wholly-owned subsidiaries;
7. Accrual of deferred tax liabilities resulting from the fair value remeasurement of the investment properties booked by three subsidiaries; and
8. Take-up of the finance lease liabilities of DPI and CIPC following the business combination, and lease extension of office spaces by the Company and a subsidiary

These additions were offset by the principal amortization payments made by the Company, DPI, CIPC, BPC, NBPC and Isla Norte.

The Company's current ratio went down to 1.80x as of the year in review from the year-end 2022 level of 1.87x. Current liabilities rose by 6% YoY. This was brought about by the short-term loans drawn by Vivant Energy, and the take-up of the current liabilities of newly-acquired subsidiaries, SIAEC, DPI and CIPC. This was offset by the principal amortization payments made by the Company, CIPC, DPI, Isla Norte, BPC, and NBPC, full settlement of the short-term loan of Corenergy, payment made by a subsidiary to a minority shareholder for an interest-bearing loan, and payment made by another subsidiary to its minority shareholder for advances made in prior years. Meanwhile, current assets increased by 2% YoY. The increase in trade receivables (mostly from the newly acquired subsidiaries, DPI and CIPC, attributed to their power generation operations), inventories (mostly from DPI and CIPC) and prepayments (attributed to the input VAT booked by IMCC from importation and domestic purchases of goods and services related to the development of a seawater desalination facility, by SIAEC on the development of a solar plant facility and by Corenergy on the installation of new solar facilities) mainly accounted for the current asset expansion.

Item 7. Financial Statements

The audited consolidated financial statements of the Company for the years ended December 31, 2023, December 31, 2022, and December 31, 2021 are attached hereto as Exhibits “B”, “C” and “D”, respectively.

Item 8. Information on Independent Accountant and other Related Matters

1. External Audit Fees and Services

During the Annual Stockholders Meeting last June 15, 2023, the stockholders confirmed the appointment of SyCip Gorres Velayo & Co. (SGV) as its external auditor for fiscal year 2023.

The table below sets forth the aggregate fees billed to the Company for professional services rendered by SGV in fiscal year 2023.

Fee Type	2023 (in Php)
Audit Fees[1]	1,007,090.00
Tax Fees[2]	330,000.00
Transfer Pricing Study	318,500.00
All Other Fees[2]	309,071.00
Total	1,964,661.00

Notes:

1. *Includes a non-recurring audit fee for the change in accounting policy, i.e., in accounting for the investment in VECO. This change was disclosed in the SEC 17A for the year ended December 31, 2022.*
2. *Tax consultancy services*
3. *In-house seminar on Sustainability-related reporting standards and public seminars on tax and accounting matters, and out-of-pocket expenses related to the abovementioned services*

Both management and the Audit Committee evaluated the audit fee of SGV. This was recommended to and approved by the Board of Directors.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no event in the past year where Vivant and SGV or the handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial disclosures or auditing scopes or procedures.

PART III: CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. <u>Directors, Independent Directors and Executive Officers</u>

<u>(i) Board of Directors for 2023-2024</u>

The Corporate Governance Committee (CGCom) of the Company oversees the process for the nominations to the Board of Directors. The CGCom pre-screens and reviews the qualifications of all candidates nominated to become a member of the Board of Directors. The Board of Directors are elected annually by the stockholders from the final list of candidates for independent directors and non-independent directors.

The Company currently has eleven (11) directors, four (4) of whom are independent directors. Below are the directors who have held offices as such since their election last June 15, 2023:

MR. FRANCIS DAMASUS A. GARCIA
MR. RAMONTITO E. GARCIA
MR. EMIL ANDRE M. GARCIA
MR. CHARLES SYLVESTRE A. GARCIA
MR. ARLO ANGELO. G. SARMIENTO
MR. JOSE MARKO ANTON G. SARMIENTO
MS. BRIGETTE CECILE N. GARCIA
MR. CARMELO MARIA LUZA BAUTISTA (Independent Director)
MR. JOSE CARLITOS G. CRUZ (Independent Director)
ATTY. JOSE M. LAYUG, JR. (Independent Director)
ATTY. LAURENCE R. ROGERO (Independent Director)

They shall serve as directors for a term of one (1) year and until their successors are duly elected and qualified.

For the year 2023, Vivant held seven (7)regular meetings of the Board, specifically, on January 31, 2023, March 16, 2023, May 18, 2023, June 15, 2023, July 21, 2023, September 26, 2023 and November 24, 2023. The Board was also convened for four (4) special meetings on February 13, 2023, February 15, 2023, August 14, 2023 and October 16, 2023.

The following summarizes the attendance of the Board of Directors (2023-2024) as of December 31, 2023:

Director	Designation[1]	Board Meetings	Annual Stockholders' Meeting
Francis Damasus A. Garcia	Chairman	6[1]	Y
Ramontito E. Garcia	Vice Chairman	9	N
Arlo A. G. Sarmiento	Chief Executive Officer	11	Y
Emil Andre M. Garcia	President	10	Y
Charles Sylvestre A. Garcia	Director	11	Y
Jose Marko Anton G. Sarmiento	Director	11	Y
Brigette Cecile N. Garcia	Director	9	Y
Laurence R. Rogero	Lead Independent Director	6[1]	
Jose Carlitos G. Cruz	Independent Director	11	Y
Carmelo Maria L. Bautista	Independent Director	7	Y
Jose M. Layug, Jr.	Independent Director	11	Y

Note:

1. *Reckoned from the June 15, 2023 Annual Stockholders' Meeting of the Company.*

Below are Vivant's directors for 2023-2024 with their corresponding ages, citizenship, positions, periods of service and offices held for the past five (5) years:

FRANCIS DAMASUS A. GARCIA *65 years old, Filipino* *Years served (end of 2023): 0.5* Director Chairman Chairman – Executive Committee Member – Finance Committee	Mr. Garcia is a first-time Director to the Vivant Board. On June 16, 2023, he was elected as Chairman of the Vivant Board and the Executive Committee. Currently, he is a Director of Mai-I Resources Corporation and Vivant's wholly-owned subsidiary, Vivant Energy Corporation. Prior to this, he was President and owner of Associated Computer Specialists, Inc. in Washington State for 34 years until 2019.
RAMONTITO E. GARCIA *67 years old, Filipino* *Years served (end of 2023): 21* Director Vice Chairman Vice Chairman – Executive Committee Member – Related Party Transaction Committee	Mr. Garcia has been a Director and member of the Executive Committee of the Company since December 20, 2002. He assumed the role of the Vice Chairman of both the Vivant Board and Executive Committee on June 15, 2023. Prior to this, he was elected as Chairman and CEO of the Company from April 2020 until his resignation on February 2022 and held the position of President of the Company from September 2003 to April 2020. For Vivant Energy Corporation, he was the Chairman from April 2022 to May 2022, CEO from April 2022 to February 2022, President from May 2012 to May 2014 and Chief Operating Officer from May 2008 to May 2014. He was the Chairman of Minergy Power Corporation from 2014 to June 2022 and of Vivant Foundation, Inc. from April 2022 to September 2022. Mr. Garcia was also a Director of Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings Inc. from 2019 to 2021, Vivant Malogo Hydropower Inc. from 2012 to 2021, and Isla Mactan-Cordova Corporation from 2020 to 2021. Other positions currently held are as follows: Chairman - JEG Development Corporation; President - JEGVEG Realty, Inc., JDC Tomodachi, Inc. and JDC One Acacia Corporation.

ARLO A. G. SARMIENTO *48 years old, Filipino* *Years served (end of 2023): 5.5* Director Chief Executive Officer Member – Executive Committee	Mr. Sarmiento has been a Director and member of the Executive Committee of the Company since June 15, 2017. He assumed the role of CEO of the Company and Chairman of the Board and CEO of Vivant Energy Corporation on February 2022. Prior to this, he held the positions of the President from April 2020 to February 2022 and Executive Vice President from 2003 to April 2020. He concurrently holds the following positions: Chairman & CEO of Vivant Energy Corporation; Vice Chairman - Visayan Electric Company, Inc.; Chairman - Hijos De F. Escano Inc., Lihangin Wind Energy Corporation, Vivant Foundation Inc.,, Vivant Infracore Holdings, Inc., Vivant Hydrocore Holdings, Inc., Vivant Transcore Holdings, Inc., Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation and Watermatic Philippines Corporation; Director and Chief Executive Officer - JEG Development Corporation; Director and Treasurer - JEGVEG Realty, Inc.; and Director - Minergy Power Corporation, La Pampanga Energy Corp., North BukidnonPower Corporation, and BukidnonPower Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.

EMIL ANDRE M. GARCIA *46 years old, Filipino* *Years served (end of 2023): 14.5 years* Director President Member – Executive Committee	Mr. Garcia has been a Director of the Company since June 18, 2009. He assumed the role of President of the Company on February 2022. Prior to this, he was the Vice Chairman of the Board from October 2021 until June 2023, the Senior Vice President – Power from July 2020 to February 2022, the Vice President for Operations from December 2012 to February 2019 and the Assistant Vice President for Corporate Planning and Development of the Company from February 2011 to December 2011. In 2019, he moved to Vivant Energy Corporation as its Executive Vice President and Chief Operation Officer, before moving back to Vivant in 2020. Other positions currently held are as follows: President and COO - Vivant Energy Corporation; Vice President, Treasurer and Director of Visayan Electric Company, Inc. since 2010; Chairman - Vivant Foundation Inc., Calamian Islands Power Corporation, Delta P, Inc., 1590 Energy Corp., La Pampanga Energy Corporation, Vivant Solar Corporation, Corenergy Solar Solutions Corporation, Amberdust Holding Corporation, Isla Norte Power Corporation, Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Renewable Energy Corporation, Delta P Hybrid Inc. *(formerly Vivant Isla Inc.),* Southern Powercore Holding Corporation, Vivant Geo Power Corporation, San Ildefonso Alternative Energy Corp., Culna Renewables Energy Corp. and Minergy Power Corporation; Vice Chairman - Cebu Private Power Corporation; Director, President and Chief Executive Officer – Vivant-Malogo Hydropower Inc.; Director and Vice Chairman - Global Luzon Energy Development Corporation and Lunar Powercore Inc.; Director and Chief Finance Officer of EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; and Director - Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Hijos de F. Escaño, Inc. Cebu Energy Development Corporation, Therma Visayas, Inc., Lihangin Wind Energy Corporation, North BukidnonPower Corporation, and BukidnonPower Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.

CHARLES SYLVESTRE A. GARCIA *63 years old, Filipino* *Years served (end of 2023): 19* Director Member – Executive Committee Member – Audit Committee Member – Risk and Sustainability Committee	Mr. Garcia is a Director of the Company and Member of the Company's Executive Committee since September 30, 2004. In June 2022, he assumed the role of the Chairman of the Company until June 2023. Prior to this, Mr. Garcia was a director of Visayan Electric Company, Inc. from 2007 to 2020 and Vice Chairman of the Company from June 2021 until October 2021. Other positions currently held are as follows: Director of Vivant Energy Corporation and Mai-I Resources Corporation
JOSE MARKO ANTON G. SARMIENTO *46 years old, Filipino* *Years served (end of 2023): 15* Director Member – Executive Committee Member – Finance Committee Member – Audit Committee Member – Risk and Sustainability Committee	Mr. Sarmiento has been a Director and Member of the Executive Committee of the Company since 2008. He is currently a Director (since 2005) and President (since 2009) of JEG Development Corporation and of JEG Realty, Inc.. Prior to this, he was the Treasury Manager of JEG Development Corporation from 2006 to 2010 and was the Vice President for Manufacturing at Detalia Aurora, Inc. from 1999 to 2010. Other positions currently held are as follows: Director - Vivant Infracore Holdings, Inc.Mr. Sarmiento holds a degree in Bachelor of Science in Business Administration from Methodist University in North Carolina, USA. He obtained his Advanced Professional Training in Innovation Management in Product Development from Inwent - Capacity Building International in Bonn, Germany in 2004.
BRIGETTE CECILE N. GARCIA *37 years old, Filipino* *Years served (end of 2023): 1.5* Director Member – Executive Committee	Ms. Garcia has been a Director and Member of the Executive Committee since June 16, 2022. In November 2020, she assumed the position of Senior Assistant Vice President for Corporate Planning of the Company. Prior to this, she was the Assistant Vice President for Corporate Planning from February 2018 to October 2020, and the Corporate Planning Senior Manager of the Company from 2016 to 2018. She concurrently holds the following positions: Director - Southern Grove Properties and Development Corporation; Vivant Corporate Center, Inc., Vivant Realty Ventures Corporation, Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings Inc. Before joining Vivant, she worked for a year as a Management Trainee for Utility Economics at Visayan Electric Company, Inc. and for three (3) years as an Investment Consultant for Family Offices Private Banking at Credit Suisse AG in Singapore. Ms. Garcia graduated from Singapore Management University with a double degree (Summa Cum Laude) in Bachelor of Science in Economics and Bachelor of Business Management in 2009. She was also the school Salutatorian and recipient of the Top Student of the School of Economics Award and the Monetary Authority of Singapore Academic Excellence Award. She obtained a Master's of Science degree in Accounting and Finance from London School of Economics in 2013.

CARMELO MARIA L. BAUTISTA *66 years old, Filipino* *Years served (end of 2023): 6.5* Independent Director Directorship in other listed companies: GT Capital Holdings Incorporated	Mr. Bautista has been an Independent Director of the Company since June 15, 2017. He assumed the role of Director and President of GT Capital Holdings Incorporated in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for over 39 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Master's Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista has no directorships in other listed companies aside from GT Capital. He is currently serving as Chairman of Toyota Financial Services Philippines Corporation; Director of Federal Land Inc., Toyota Motor Philippines Corporation, AXA Philippines, GT Capital Auto and Mobility Holdings, Inc., Toyota Subic, Inc., Toyota Manila Bay Corporation and GT Mobility Ventures Inc. He is also an Adviser to the Board of Trustees of GT Foundation, Inc.

JOSE CARLITOS G. CRUZ *63 years old, Filipino* *Years served (end of 2023): 2.5* Independent Director Chairman – Audit Committee Member – Finance Committee Member – Related Party Transaction Committee Member – Corporate Governance Committee Independent Directorship in other listed companies: SM Prime Holdings, Inc.	Mr. Cruz has been an Independent Director of the Company since June 17, 2021. Prior to this, he was the Chairman and Managing Partner of Sycip Gorres Velayo & Co. from 2017 to 2019; Vice Chairman and Deputy Managing Partner from 2013 to 2016; Deputy Managing Partner and Head of Assurance from 2010 to 2012; and Head of Assurance from 2007 to 2009. He is currently serving as Independent Director and Chairman of the Audit Committee of Federal Land, Inc., Independent Director and Co-Chairman of Risk and Compliance Committee of Transnational Diversified Ventures, Inc., Independent Director and a member of the Audit and Risk Oversight Committee of MarCoPay Inc. and Independent Director of Solar Philippines Project Holdings, Inc., MPIC Beneficial Trust Fund, SM Prime Holdings, Inc., Asialink Finance Corporation, Global Dominion Financing Incorporated, South Asialink Finance Corporation, MCP Finance, Inc., MCP Insurance Management and Agency, Inc.; Lead Independent Director of Solar Philippines New Energy Corporation. He is also currently a Board Trustee of the Makati Business Club and a member of the Management Association of the Philippines, Association of CPAs in Public Practice and the Philippine Institute of Certified Public Accountants; and Co-Chairman of the Philippines-Thailand Business Council. Mr. Cruz completed the Advanced Management Program at the Harvard Business School in Boston in 2007 and Advanced International Program in Oil and Gas Management at the University of Texas at Dallas in 1994. He graduated from the University of Santo Tomas in 1981 with a Bachelor of Science in Commerce degree, Major in Accounting, in 1981, and passed the licensure examination for Certified Public Accountants in 1982.

JOSE M. LAYUG, JR. *53 years old, Filipino* *Years served (end of 2023): 1.75* Independent Director Chairman – Related Party Transaction Committee Chairman – Corporate Governance Committee Member – Risk and Sustainability Committee Member – Audit Committee Independent Directorship in other listed companies: Citicore Energy REIT Corp.	Atty. Layug has been an Independent Director of the Company since March 18, 2022. Currently, he is a Senior Partner at Divina Law Office and serving as Independent Director of Citicore Energy REIT Corp., Oriental Petroleum and Minerals Corporation, Upgrade Energy Philippines, Inc. and Phinma Solar Corporation; Trustee and President of Developers of Renewable Energy for AdvanceMent, Inc.; and Director of Philippine Energy Research & Policy Institute. He is also a professor of law at the University of the Philippines College of Law, teaching Philippine Project Development and Finance, Banking, Property, Administrative Law, Local Government and Sales since 2002. Atty. Layug has published works and is a contributor to the following publications: (a) Capital Asia, published in Hongkong by ISI Publications Ltd. And (b) In-House Briefing, Asia-Pacific, published in Hongkong by Pacific Business Press. Previously, he served as Chairman of the National Renewable Energy Board from 2016-2018. Prior to this, he was the Undersecretary of the Philippine Department of Energy (DOE) from 2010-2012 and headed the Renewable Energy Management Bureau, Energy Resources Development Bureau, Energy Utilization Management Bureau, Oil Industry Management Bureau and Legal Services. He was primarily responsible for the revival of various sectors in the Philippine energy sector with the successful launching of the National Renewable Energy Program, the Philippine Energy Contracting Rounds for Petroleum and Coal and the Public Transport Assistance Program of Pantawid Pasada. Prior to his DOE position, he was a Senior Counsel for the Negotiations and Legal Department of the Australian Strategic Business Unit of Chevron Corporation and served as the Malampaya Legal Manager of Chevron Malampaya LLC located in Manila, Philippines from 2007-2010. As Chevron counsel, he received the first ever William T. Coleman Award in 2008 – the highest recognition given by Chevron Corporation to a Chevron in-house counsel worldwide – besting all other Chevron lawyers worldwide. Before joining Chevron, Atty. Layug acted as international legal consultant of the Asian Development Bank and was a Senior Associate at SyCip Salazar Hernandez & Gatmaitan handling banking and finance, project development and financing relating to mining, energy, power and transportation industries. From 2000- 2002, he practiced law in New York and worked as a Foreign Lawyer at Sullivan & Cromwell in New York. Atty. Layug obtained his Bachelor of Science in Business Economics with cum laude honours in 1992 and his Bachelor of Laws (1996) from the University of the Philippines. He finished his Master of Laws degree with honors in 2000 (fall semester) from Cornell Law School in New York, USA. He is licensed to practice law both in the Philippines (since 1997) and in New York (since 2000).

LAURENCE R. ROGERO *51 years old, Filipino* *Years served (end of 2023): 1.25*	Atty. Rogero was elected as Independent Director on June 17, 2023. He was previously elected as Independent Director of Vivant from June 17 2021 until his resignation in February 2022. He was President (2015-2018) and Director (2015-2021) of MetroPac Water Investments Corporation. Atty. Rogero has a background in infrastructure finance and law, and has advised Philippine and foreign sponsors, lenders, and construction and other project contractors of local and international projects. After working with the Quisumbing Torres, and the Romulo Mabanta Law Offices, he took on various executive and consulting positions. Some highlights of his other work experience include: Vice-President and Head – General Counsel, Strategic Planning and M&A Groups of Mirant Philippines Corporation (now Team Energy Corp.); Consultant – the Asian Development Bank, the World Bank, Cagayan Electric Power and Light Company, Mindanao Energy Systems, and Phoenix Petroleum; President and Director – Metro Iloilo Bulk Water Supply Corporation and Metropac Cagayan de Oro Water Supply Corporation; Vice-President and Director – PT Acuatico Air Indonesia; Commissioner – PT Aetra Air Jakarta (Eastern Jakarta water concessionaire); Director – Acuatico Services Vietnam; General Counsel – Acuatico Pte. Ltd. Singapore; Supervisory Board – VIWASUPCO Vietnam, among others. Atty. Rogero has a Bachelor of Science In Business Economics degree (magna cum laude) from the UP School of Economics. He completed his Bachelor of Laws degree (Academic Excellence Medal) from the UP College of Law, and as vice-chairman of the Philippine Law Journal. He has a Master of Laws (with Distinction) from Georgetown University, attending as a Fulbright Scholar. He has also taken the Global Strategic Leadership Program of the Wharton School of the University of Pennsylvania.

BOARD COMMITTEES

The Chairmen and the members of the respective Board Committees were also appointed as follows:

Executive Committee

Vivant's Executive Committee exercises the powers of the Board of Directors in the management of the business and affairs of the Company when the Board is not in session, except with respect to those matters that are exclusively delegated to the Board by law. The significant discussions and actions undertaken by the committee are found in Exhibit "E" the Executive Committee Report to the Board of Directors

For the year 2023, Vivant held eleven (11) regular meetings of the Executive Committee.

Members	Designation	Meetings Attended
Francis Damasus A. Garcia[1]	Chairman	7 of 12
Ramontito E. Garcia	Vice Chairman	12 of 12
Arlo Angelo G. Sarmiento	Member	12 of 12
Emil Andre M. Garcia	Member	12 of 12
Ramontito E. Garcia	Member	12 of 12
Charles Sylvestre A. Garcia	Member	12 of 12
Jose Marko Anton G. Sarmiento	Member	10 of 12
Brigette Cecile N. Garcia	Member	7 of 12

Note:

1. *Elected as Director on June 15, 2023.*

Audit Committee

Vivant's Audit Committee assists the Board in fulfilling its oversight responsibility relating to the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations and the code of conduct. The significant discussions and actions undertaken by the committee are found in Exhibit "F" the Audit Committee Report to the Board of Directors

For the year 2023, Vivant held four (4) regular meetings of the Audit Committee.

Members	Designation	Meetings Attended
Jose Carlitos G. Cruz	Chairman – *Independent Director*	4 of 4
Jose M. Layug, Jr.	Member- *Independent Director*	4 of 4
Laurence R. Rogero[1]	Member- *Lead Independent Director*	2 of 4
Charles Sylvestre A. Garcia	Member	4 of 4
Jose Marko Anton G. Sarmiento	Member	4 of 4

Note:

1. *Appointed as member on June 15, 2023.*

Finance Committee

Vivant's Finance Committee assists the Board in fulfilling its oversight responsibility relating to financial governance, except for financial reporting. It Oversees the formulation and implementation of Vivant's financial policy and strategy, including capital structure, dividend policy, treasury policies and activities, and capital allocation decisions that may be brought to the Board for approval. The significant discussions and actions undertaken by the committee are found in Exhibit "G" the Finance Committee Report to the Board of Directors

For the year 2023, Vivant held five (5) regular meetings of the Finance Committee and two (2) joint meeting with the other committees

Members	Designation	Meetings Attended
Laurence R. Rogero[1]	Chairman – *Lead Independent Director*	2 of 7
Jose Carlitos G. Cruz	Member - *Independent Director*	7 of 7
Jose Marko Anton G. Sarmiento	Member	7 of 7
Francis Damasus A. Garcia[1]	Member	2 of 7

Note:
1. *Appointed as member on June 15, 2023.*

Corporate Governance Committee

Vivant's Corporate Governance Committee assists the Board in fulfilling its oversight function relating to the implementation of corporate governance and compliance program, which includes sustainability reporting among others. The Committee is responsible for the determination of the nomination and election process for Vivant's directors, and establishment of a remuneration policy for directors and officers. It is also responsible for evaluating the candidates nominated to become members of the Board. The significant discussions and actions undertaken by the committee are found in Exhibit "H" the Corporate Governance Committee Report to the Board of Directors

For the year 2023, Vivant held two (2) regular meetings of the Corporate Governance Committee.

Members	Designation	Meetings Attended
Jose M. Layug, Jr.	Chairman – *Independent Director*	2 of 2
Jose Carlitos G. Cruz	Member – *Independent Director*	2 of 2
Laurence R. Rogero[1]	Member – *Lead Independent Director*	1 of 1

Note:
1. *Appointed as Member on June 15, 2023.*

Risk and Sustainability Committee

Vivant's Sustainability Committee assists the Board in fulfilling its oversight function relating to risk governance. The Committee oversees the formulation and implementation of the Board-approved company-wide Enterprise Risk Management policy, which covers risk management practices, including regulatory and ethical compliance monitoring. In 2022, the committee changed its name from the "*Board Risk and Oversight Committee"* to the *"Risk and Sustainability Committee"*, consistent with the Company's efforts to integrate sustainability practices within the organization. This resulted to an amendment in the charter of the Risk and Sustainability Committee to include oversight functions related to sustainability such as, but not limited to, climate-related risks and opportunities. The significant discussions and actions undertaken by the committee are found in Exhibit "I" the Risk and Sustainability Committee Report to the Board of Directors.

For the year 2023, Vivant held four (4) regular meetings of the Board Risk and Sustainability Committee and two (2) joint meeting with the other committees.

Members	Designation	Meetings Attended
Laurence R. Rogero[1]	Chairman – *Independent Director*	2 of 6
Jose M. Layug, Jr.	Member – *Independent Director*	6 of 6
Jose Marko Anton G. Sarmiento	Member	6 of 6
Charles Sylvestre A. Garcia[1]	Member	2 of 6

Note:

1. *Appointed as Member on June 15, 2023.*

Related Party Transaction Committee

Vivant's Related Party Transaction Committee assists the Board in reviewing all material related party transactions of Vivant. The significant discussions and actions undertaken by the Committee are found in Annex "J" the Related Party Transaction Committee Report to the Board of Directors.

For the year 2023, Vivant held one (1) meeting of the Related Party Transaction Committee.

Members	Designation	Meetings Attended
Jose M. Layug, Jr.	Chairman – *Independent Director*	1 of 1
Jose Carlitos G. Cruz	Member – *Independent Director*	1 of 1
Charles S.A. Garcia	Member	1 of 1

Nominees for Election as Members of the Board of Directors

The Corporate Governance Committee conveyed to the Corporate Secretary that as of February 10, 2024, the committee received the nominations of following as candidates for the Directors of the Company for the year 2024-2025:

Regular Directors

MR. FRANCIS DAMASUS A. GARCIA
MR. RAMONTITO E. GARCIA
MR. EMIL ANDRE M. GARCIA
MR. CHARLES SYLVESTRE A. GARCIA
MR. ARLO ANGELO G. SARMIENTO
MR. JOSE MARKO ANTON G. SARMIENTO
MS. BRIGETTE CECILE N. GARCIA

Independent Directors

MR. CARMELO MARIA LUZA BAUTISTA
MR. JOSE CARLITOS G. CRUZ
ATTY. JOSE M. LAYUG, JR.
ATTY. LAURENCE R. ROGERO

Procedure for Nomination

In accordance with the Company's 2017 Revised Manual on Corporate Governance and Nomination and Election Policy, the Corporate Governance Committee had pre-screened the list of candidates nominated to become a member of the Board of Directors in accordance with the procedures, qualifications, disqualifications and guidelines specified in the said Manual and policy.

Nominations for Independent Directors and Procedure for Nomination

Compliance with SRC Rule 38 (Guidelines on the Nomination and Election of Independent Directors)

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the SRC (SRC Rule 38) and the Nomination and Election Policy of the Company. The By-Laws of Vivant have not been amended to incorporate the requirements of SRC Rule 38. In approving the nominations for Independent Directors, the Corporate Governance Committee has pre-screened the qualifications of all nominated candidates, resulting in the above list of candidates with their respective nominating stockholders and all pertinent information, who have been nominated by Mr. Emil Andre M. Garcia and Mr. Arlo Angelo G. Sarmiento, who have no relationship to the nominees.

In consonance with SEC Memorandum Circular No. 16 Series of 2002, no nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, Independent Directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected. The nominees 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.

The shareholdings of the above-nominees for independent directors of Vivant are merely qualifying shares and, individually or added together, does not exceed 5% of Vivant's outstanding shares. Vivant does not have any commitment to the nominees with respect to the issuance of the new common shares of Vivant.

Term of Office of a Director

Pursuant to the Company By-laws, the directors are elected at each regular annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected unless he resigns, dies or is removed prior to such election.

The eleven (11) directors, who should be stockholders of the Company, shall be elected annually by the stockholders during the annual stockholders' meeting, where at least a majority of the outstanding capital stock should be present in person or by proxy. The Directors shall serve for a term of one (1) year and until the election and qualification of their successors.

Any vacancy occurring in the Board of Directors may be filled by the remaining members of the Board, if they still constitute a quorum, by a majority vote; and the director so chosen shall serve for the unexpired term or until his successor is duly elected and qualified.

(ii) Executive Officers for 2023-2024

After the election of the Board of Directors, the following persons were elected as officers:

Name	Position
Mr. Francis Damasus A. Garcia	Chairman of the Board
Mr. Ramontito E. Garcia	Vice Chairman
Mr. Arlo Angelo G. Sarmiento	Chief Executive Officer
Mr. Emil Andre M. Garcia	President
Ms. Minuel Carmela N. Franco	Treasurer
Atty. Catherine S. Bringas	Corporate Secretary
Atty. Maila Lourdes G. De Castro	Assistant Corporate Secretary
Atty. Joan A. Giduquio-Baron	Assistant Corporate Secretary
Atty. Laurence R. Rogero	Lead Independent Director

The Board also confirmed the following to their respective positions:

Name	Position
Ms. Minuel Carmela N. Franco	Executive Vice President Chief Corporate Officer Group Chief Finance Officer Chief Risk Officer
Atty. Jess Anthony N. Garcia	Sr. VP – Infrastructure
Mr. Peter C. Buenaseda[1]	Chief Human Resource Officer
Mr. Mark D. Habana	Vice President
Mr. Al Douglas Villaos[2]	Vice President
Mr. Shem Jose W. Garcia[3]	Vice President
Atty. Maila Lourdes G. De Castro	VP – Legal and Compliance Officer
Mr. Allan A. Cuevas[4]	VP – Corporate Communications
Ms. Brigette Cecile N. Garcia	Sr. AVP – Corporate Planning
Atty. Catherine S. Bringas	Sr. AVP –Legal and Compliance and Data Protection Officer
Mr. Ronnel Vergel E. De Leon	Sr. AVP – Treasury
Mr. Carlos F. Bargamento, Jr.	AVP – Internal Audit Chief Audit Executive
Ms. Dyan Ramona S. Olegario	AVP – Accounting
Ms. Denise Mae D. Blanco	AVP – Human Resources
Mr. Nilo M. Arribas, Jr.	AVP – Information Technology and Chief Information Officer
Ms. Debbie C. Artiaga-Arradaza	AVP – Treasury and Operations
Ms. Rhesel Joan R. Tompong	AVP – Corporate Planning
Mr. Patrick Joel M. Cinco[5]	AVP – Risk Management and Sustainability
Ms. Myla D. Lumibao[6]	AVP – Internal Audit

Notes:

1. *Mr. Peter C. Buenaseda was appointed as Chief Human Resource Officer effective February 1. 2024.*
2. *Mr. Al Douglas A. Villaos resigned from the Company effective September 30, 2023.*
3. *Mr. Shem Jose W. Garcia was promoted from SAVP – Corporate Communications to Vice President effective January 1, 2024.*
4. *Mr. Allan A. Cuevas was appointed as VP – Corporate Communications effective January 16, 2024.*
5. *Mr. Patrick Joel M. Cinco was appointed as AVP – Risk Management and Sustainability effective June 27, 2023.*
6. *Ms. Myla D. Lumibao was appointed as AVP – Internal Audit effective December 4, 2023.*

The term of office of all officers shall be for 1 year and until their successors are duly elected and qualified. The above officers of the Company shall serve only for the unexpired term of their predecessors and until their successors are duly elected/appointed.

Below are the Company's officers for 2023-2024 with their corresponding positions and offices held for the past five (5) years.

FRANCIS DAMASUS A. GARCIA *65 years old, Filipino* Director Chairman Chairman – Executive Committee Member – Finance Committee	Mr. Garcia is a first-time Director to the Vivant Board. On June 16, 2023, he was elected as Chairman of the Vivant Board and the Executive Committee. Currently, he is a Director of Mai-I Resources Corporation and Vivant's wholly-owned subsidiary, Vivant Energy Corporation. Prior to this, he was President and owner of Associated Computer Specialists, Inc. in Washington State for 34 years until 2019.
RAMONTITO E. GARCIA *67 years old, Filipino* Director Vice Chairman Vice Chairman – Executive Committee Member – Related Party Transaction Committee	Mr. Garcia has been a Director and member of the Executive Committee of the Company since December 20, 2002. He assumed the role of the Vice Chairman of both the Vivant Board and Executive Committee on June 15, 2023. Prior to this, he was elected as Chairman and CEO of the Company from April 2020 until his resignation on February 2022 and held the position of President of the Company from September 2003 to April 2020. For Vivant Energy Corporation, he was the Chairman from April 2022 to May 2022, CEO from April 2022 to February 2022, President from May 2012 to May 2014 and Chief Operating Officer from May 2008 to May 2014. He was the Chairman of Minergy Power Corporation from 2014 to June 2022 and of Vivant Foundation, Inc. from April 2022 to September 2022. Mr. Garcia was also a Director of Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings Inc. from 2019 to 2021, Vivant Malogo Hydropower Inc. from 2012 to 2021, and Isla Mactan-Cordova Corporation from 2020 to 2021. Other positions currently held are as follows: Chairman – JEG Development Corporation; President – JEGVEG Realty, Inc., JDC Tomodachi, Inc. and JDC One Acacia Corporation.

ARLO A. G. SARMIENTO *48 years old, Filipino* Director Chief Executive Officer Member – Executive Committee	Mr. Sarmiento has been a Director and member of the Executive Committee of the Company since June 15, 2017. He assumed the role of CEO of the Company, and Chairman of the Board and CEO of Vivant Energy Corporation on February 7, 2022. Prior to this, he held the positions of the President from April 2020 to February 2022 and Executive Vice President from 2003 to April 2020. He concurrently holds the following positions: Chairman & CEO of Vivant Energy Corporation; Vice Chairman - Visayan Electric Company, Inc.; Chairman - Hijos De F. Escano Inc., Lihangin Wind Energy Corporation, Vivant Foundation Inc.,, Vivant Infracore Holdings, Inc., Vivant Hydrocore Holdings, Inc., Vivant Transcore Holdings, Inc., Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation and Watermatic Philippines Corporation; Director and Chief Executive Officer - JEG Development Corporation; Director and Treasurer - JEGVEG Realty, Inc.; and Director - Minergy Power Corporation, La Pampanga Energy Corp., North BukidnonPower Corporation, and BukidnonPower Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.

EMIL ANDRE M. GARCIA *46 years old, Filipino* Director President Member – Executive Committee	Mr. Garcia has been a Director of the Company since June 18, 2009. He assumed the role of President of the Company on February 2022. Prior to this, he was the Vice Chairman of the Board from October 2021 until June 2023, the Senior Vice President – Power from July 2020 to February 2022, the Vice President for Operations from December 2012 to February 2019 and the Assistant Vice President for Corporate Planning and Development of the Company from February 2011 to December 2011. In 2019, he moved to Vivant Energy Corporation as its Executive Vice President and Chief Operation Officer, before moving back to Vivant in 2020. Other positions currently held are as follows: President and COO - Vivant Energy Corporation; Vice President, Treasurer and Director of Visayan Electric Company, Inc. since 2010; Chairman - Vivant Foundation Inc., Calamian Islands Power Corporation, Delta P, Inc., 1590 Energy Corp., La Pampanga Energy Corporation, Vivant Solar Corporation, Corenergy Solar Solutions Corporation, Amberdust Holding Corporation, Isla Norte Power Corporation, Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Renewable Energy Corporation, Delta P Hybrid Inc. *(formerly Vivant Isla Inc.),* Southern Powercore Holding Corporation, Vivant Geo Power Corporation, San Ildefonso Alternative Energy Corp., Culna Renewables Energy Corp. and Minergy Power Corporation; Vice Chairman - Cebu Private Power Corporation; Director, President and Chief Executive Officer – Vivant-Malogo Hydropower Inc.; Director and Vice Chairman - Global Luzon Energy Development Corporation and Lunar Powercore Inc.; Director and Chief Finance Officer of EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; and Director - Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Hijos de F. Escaño, Inc. Cebu Energy Development Corporation, Therma Visayas, Inc., Lihangin Wind Energy Corporation, North BukidnonPower Corporation, and BukidnonPower Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.

MINUEL CARMELA N. FRANCO *52 years old, Filipino* Treasurer Executive Vice President Chief Corporate Officer Group Chief Finance Officer Chief Risk Officer	Ms. Franco has been the Executive Vice President & Chief Corporate Officer since June 2022 and concurrently the Treasurer, Group Chief Finance Officer and Chief Risk Officer of the Company. Prior to this, she held the position of Senior Vice President for Corporate and Shared Services from 2019 to 2022, and Vice President for Finance position of the Company from 2013 to 2018. Ms. Franco also currently holds the following positions: Director, President and CEO – Southern Grove Properties and Development Corporation, Vivant Corporate Center, Inc., and Vivant Realty Ventures Corporation; Treasurer – Vivant Energy Corporation; Director - Southern Powercore Holding Corporation, Vivant Geo Power Corporation, Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation, Amberdust Holding Corporation, Vivant Integrated Diesel Corporation, Vivant Renewable Energy Corporation, Corenergy Inc., Vivant Integrated Generation Corporation and Delta P Hybrid Inc., San Pablo Renewable Energy Corporation, San Ildefonso Alternative Energy Corp., South Cebu Energy Corporation, Spark Grid Corporation, SolEnergy Generation Corporation, Adequate Power Inc., Bai Energy Corporation, Avant Energy Corporation; Treasurer & Chief Finance Officer - Vivant Infracore Holdings Inc.; Director and Treasurer & Chief Finance Officer – Vivant Hydrocore Holdings Inc., and Vivant Transcore Holdings Inc.; Board of Trustee and Treasurer – Vivant Foundation, Inc.; Treasurer and CFO -– Faith Lived Out Visions 2 Ventures Holdings, Inc., Puerto Princesa Water Reclamation and Learning Center Inc. and Lunar Power Core Inc.; and Treasurer -– Culna Renewable Energy Corp. Past positions held were as follows: Trader, Associate and Credit Analyst at Multinational Investment Bancorporation and Capital One Equities Corporation from 1992 to 1994; Investment Analyst at Kim Eng Securities Inc. and ING Barings (Phils.), Inc. from 1994 to 1997; Investment Officer at Standard Chartered Bank's Investment Services Group from 1998 to 2000; Project Analyst at Newgate Management, Inc. from 2000 to August 2002, Investor Relations Officer and Senior Project Analyst (Corporate Planning Group) at San Miguel Corporation from September 2002 to June 2007; Head of Investor Relations at Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation from July 2007 to December 2012. Ms. Franco holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.

CATHERINE S. BRINGAS *40 years old, Filipino* Corporate Secretary SAVP – Legal and Compliance Data Protection Officer	Atty. Bringas has been the Senior Assistant Vice President for Legal and Compliance since April 2022. In June 2023, she was appointed as Corporate Secretary and Data Protection Officer of the Company. Prior to this, she was the Assistant Corporate Secretary from June 2022 to June 2023, Assistant Vice President for Legal from January 2017 to April 2022 and Legal Senior Manager of the Company from January 2013 to December 2016. Concurrently, Atty. Bringas holds the following positions: Director and Corporate Secretary - Southern Grove Properties and Development Corporation and Vivant Corporate Center Inc.; Corporate Secretary - Vivant Energy Corporation, Amberdust Holding Corporation, Corenergy Solar Solutions Corporation, Corenergy Inc., 1590 Energy Corp., Calamian Islands Power Corp., Delta P, Inc., Delta P Hybrid Inc., Isla Norte Energy Corporation, La Pampanga Energy Corporation, Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Solar Corporation, Vivant Infracore Holdings Inc., Vivant Geo Power Corp., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Vivant Integrated Diesel Corporation, Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., Vivant Renewable Energy Corporation, Minergy Power Corporation, BukidnonPower Corporation, North BukidnonPower Corporation, San Ildefonso Alternative Energy Corp., Isla Mactan-Cordova Corporation, Northern Metro Cebu Water Corporation, Visayan Electric Company, Inc., San Pablo Renewable Energy Corporation, San Ildefonso Alternative Energy Corp., South Cebu Energy Corporation, Spark Grid Corporation, SolEnergy Generation Corporation, Adequate Power Inc., Bai Energy Corporation, and Avant Energy Corporation; and Assistant Corporate Secretary - Abovant Holdings, Inc., and Hijos de F. Escaño, Inc.. Prior to joining Vivant, Ms. Bringas worked at the Power Sector Assets and Liabilities Management Corporation as a Corporate Attorney under the Office of the President and CEO. She holds a degree in Legal Management from De La Salle University and obtained her Juris Doctor from the Ateneo de Manila University School of Law in 2008. She has been a member of the Philippine Bar since 2009.

MAILA LOURDES G. DE CASTRO *48 years old, Filipino* Assistant Corporate Secretary VP – Legal Compliance Officer	Atty. De Castro has been the Vice President for Legal of the Company since February 2023. In June 2023, she was appointed as Assistant Corporate Secretary and Compliance Officer. Before joining Vivant, she was the Vice President and Head of Legal for Marcventures Holdings,Inc. and its Subsidiaries and Affiliates, with oversight functions over IT and Human Resources, and likewise served as Co-Compliance and Data Privacy Officer, from August 2019 to January 2023. She held similar positions in BrightKindle Resources and Investments, Inc. during the same period and was Corporate Secretary for Prime Media, Inc. from August 2019 to December 2021. She started her legal and corporate career as Legal Associate and Special Projects Counsel at Belo Gozon Elma Parel Law Offices, with secondment to GMA Network, Inc. and Subsidiaries reporting directly to the President, Chief Executive Officer, and the Board. After 6 years with the company, she fulfilled the roles of Corporate Counsel and Vice President/Head of Legal and Corporate Planning of UNITEL Productions, Inc. and Subsidiaries for 7 years. She then acted as an independent consultant for various companies in the Content, Entertainment, and Technology sectors while concurrently heading the Rules Change Committee of the Philippine Electricity Market Corporation (PEMC) for the Wholesale Electricity Spot Market, as its Chairperson until the end of her term in the 3rd quarter of 2021. She was subsequently appointed as Chairperson for the PEMC Audit Committee up until her joining the Vivant Group. Atty. de Castro earned her Master's Degree in Business Administration from the Asian Institute of Management (AIM) in 2006 and her Juris Doctor from the Ateneo de Manila School of Law in 2000 and was admitted to the Integrated Bar of the Philippine in year 2001. She completed her Bachelor of Arts in Mass Communications Major in Film and Audio-Visual Communications from the University of the Philippines in 1996.

JOAN A. GIDUQUIO-BARON *53 years old, Filipino* Assistant Corporate Secretary	Atty. Baron was appointed as the Assistant Corporate Secretary of the Company in June 2023. Prior to this, she held the position of Corporate Secretary from June 2022 to June 2023 and Assistant Corporate Secretary from 2003 to 2022. Ms. Baron also holds the following positions: Acting Corporate Secretary of Visayan Electric Company, Inc.; Director and Assistant Corporate Secretary - Southern Grove Properties and Development Corporation; Assistant Corporate Secretary of Vivant Energy Corporation, 1590 Energy Corp., Abovant Holdings, Inc., Amberdust Holding Corporation, Corenergy, Inc., Hijos de F. Escaño, Inc., Vivant Solar Corporation, Isla Norte Power Corporation, Southern Powercore Holding Corporation, Vivant Corporate Center, Inc., Vivant Geo Power Corporation, Vivant Infracore Holdings Inc., Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Northern Metro Cebu Water Corporation, Isla Mactan-Cordova Corporation, Vivant Integrated Diesel Corporation, Vivant Realty Ventures Corporation, Vivant Renewable Energy Corporation, Vivant Isla Inc., Delta P Hybrid Inc., Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., BukidnonPower Corporation, North BukidnonPower Corporation, San Ildefonso Alternative Energy Corporation San Pablo Renewable Energy Corporation, South Cebu Energy Corporation, Spark Grid Corporation, SolEnergy Generation Corporation, Adequate Power Inc., Bai Energy Corporation, Avant Energy Corporation and Sun Star Publishing, Inc.; Corporate Secretary - JEG Realty, Inc., JEG Development Corporation, JDC Tomodachi, Inc. and Watermatic Philippines Corporation. She obtained her Juris Doctor from the Ateneo de Manila University School of Law in 1996 and her Master in Management degree from the Asian Institute of Management in 2001. Ms. Baron has been a member of the Philippine Bar since 1997 and a Director of the Alumni Association of the Asian Institute of Management-Cebu Chapter. She is a Partner at J.P. Garcia and Associates. Prior to this, she was an Associate Attorney at Puno and Puno Law Offices from 1997 until 2001.

JESS ANTHONY N. GARCIA *51 years old, Filipino* Sr. VP – Infrastructure	Atty. Garcia has been the Senior Vice President - Infrastructure since 2019. Prior to this, he held the position of Corporate Secretary of the Company from 2003 to 2022 and Vice President for Legal from 2015 to 2018. Atty. Garcia concurrently holds the following positions: Corporate Secretary – Vivant Foundation, Inc. and SunStar Publishing, Inc.; Director, President and Chief Executive Officer – Watermatic Philippines Corporation, Vivant Hydrocore Holdings Inc., Vivant Transcore Holdings Inc., Isla Mactan-Cordova Corporation, and Northern Metro Cebu Water Corporation; and Director, President and COO – Vivant Infracore Holdings Inc. He obtained his Juris Doctor degree from the Ateneo de Manila University School of Law and has been a member of the California Bar since 2002 and of the Philippine Bar since 1998.

PETER C. BUENASEDA *57 years old, Filipino* Chief Human Resource Officer	Mr. Buenaseda assumed the position of Chief Human Resource Officer in February 2024. He is a multi-awarded HR and general management executive with a professional career spanning more than 30 years with global companies across the technology, knowledge processing, telecoms, semiconductor, and banking industries. He was formerly the CHRO of AC Energy and the Chief Operating Officer of TDS Global Solutions. For more than a decade that he was with Thomson Reuters Manila as Head of HR and later on as Country Head, he demonstrated visionary, strategic, hands-on, and inspirational leadership growing and transforming the organization into an employer of choice, quality and innovation role model, diversity champion and thought leader in the industry with best in class HR and talent development practices. He has also served as Country Manager and HR Manager of global companies such as Philips, Motorola, and ABN AMRO. He completed his Bachelor of Arts degree majoring in Behavioral Science at the University of Santo Tomas and his Master in Business Management degree at the Asian Institute of Management. He is taking up courses leading to a Certificate in Human Resources Management at UCLA and has completed the Dave Ulrich Academy Program of the RBL Group, the Human Resources Executive Program of the University of Michigan, the Thomson Reuters-INSEAD Asia Leadership Program, and the Six Sigma Black Belt Training of Motorola University. In 2016, he was named the People Manager of the Year by the People Management Association of the Philippines, and the following year, Thomson Reuters was recognized as the Employer of the Year also by PMAP. He was conferred the highest status of Diplomate in People Management (DPM) in the Philippine Society of Fellows of the People Management Association of the Philippines in 2019. During his stint at Thomson Reuters, he received more than 10 awards for himself and on behalf of the Company for its employer brand, talent and development initiatives, quality and innovation program, and business excellence. He is a Certified Senior Professional of the Society for Human Resources Management (SHRM-SCP), a Graduate Fellow of the Institute of Corporate Directors, and a Certified Executive Coach of the People Management Association of the Philippines and Door International. He was formerly a Board Trustee of the Global In-House Center Council of the Philippines (GICC) and Chairman of its HR Committee. He was a Founding member and Past President of the Nagcarlan "Ana Kalang" Jaycees and a delegate to the Ship for Southeast Asian Youth Program.

MARK D. HABANA *47 years old, Filipino* Vice President	Mr. Habana assumed the position of Vice President of Vivant in March 2021. Mr. Habana first joint Vivant as the Vice President for Commercial Affairs of Vivant in April 17, 2017. In 2019, Mr. Habana moved to Vivant Energy Corporation as its VP – Subsidiary Operations and Chief Risk Officer, before moving back to Vivant in 2021. He currently holds the following positions: Director, President and CEO - 1590 Energy Corporation, Calamian Islands Power Corp., Delta P, Inc., Southern Powercore Holding Corp., La Pampanga Energy Corp., Vivant Integrated Diesel Inc., Vivant Integrated Generation Corporation, Delta P Hybrid, Inc., Amberdust Holding Corp., Isla Norte Power Corporation, Vivant Renewable Energy Corporation San Ildefonso Alternative Energy Corporation, Meridian Power Inc., San Pablo Renewable Energy Corporation, San Ildefonso Alternative Energy Corp., South Cebu Energy Corporation, Spark Grid Corporation, SolEnergy Generation Corporation, Adequate Power Inc., Bai Energy Corporation, Avant Energy Corporation; Director - Corenergy Solar Solutions Corp., Vivant Solar Corporation, Minergy Power Corporation, and Vivant Malogo Hydropower Inc.; Director and President of BukidnonPower Corporation and North BukidnonPower Corporation; and Director and Vice President – Cebu Private Power Corporation. Before joining the Company, he was AVP at Energy Development Corporation (EDC) since May 2014. He ran Operations of the BacMan Geothermal Business Unit and led EDC's Technology Innovation efforts. Prior to this, he was in the oil & gas industry from March 2007 to April 2014 as Manager of Business Development for Occidental Petroleum and Venoco Inc.; both in Denver, Colorado. From September 2002 to March 2007, he took on risk management and deal structuring roles at energy trading firms: Sempra Energy Solutions in California and Constellation Energy in Maryland. He graduated from the University of the Philippines with a Bachelor of Science degree in Mechanical Engineering (Cum Laude). In June 2002, Mr. Habana earned his Master of Science in Petroleum Engineering from Stanford University in California, and, in January 2009, he completed the Executive Management Program from the Harvard Business School in Massachusetts.

AL DOUGLAS VILLAOS[23] *46 years old, Filipino* Vice President	Mr. Villaos assumed the position of Vice President of Vivant in December 15, 2021. He concurrently holds the position of President and CEO of Corenergy Inc., Vivant Solar Corporation and Corenergy Solar Solutions Corporation. Prior to joining Vivant, he worked as Associate Director – Investments and Deal Sourcing Manager with IDI Infrastructures, Inc. Philippines Representative Office from May 2018 to July 2021. IDI is an energy sector fund manager majority-owned by Daiwa Securities Group of Japan. He was a member of the investment team in Southeast Asia managing ASEAN-focused US$ funds until IDI infrastructures exited from Southeast Asia. Prior to IDI infrastructures, Mr. Villaos was a consultant to Philippines and European companies. He supported these companies on business and project development, and on financing activities in Indonesia and the Philippines. From 2007 to 2012, before venturing into the energy and infrastructure sector, Mr. Villaos was a coverage banker with Citibank N.A. Philippines (2007-2008), Mizuho Corporate Bank – Manila Branch (2008-2009), and Australia and New Zealand Banking Group – Philippines (2009-2012). Mr. Villaos supported leading Philippine energy and infrastructure sector companies through advisory and debt financing engagements such as project financing and syndications. He helped achieve financial close on approximately USD1.95 billion of energy and infrastructure debt financing. In 2005, Mr. Villaos earned his MBA with a Concentration in Finance from Asian Institute of Management (Dean's List) and attended Copenhagen Business School's International Study Program as a grant recipient of the European Union's Asia-Link Programme, in the same year. He obtained his bachelor's degree in 1998 from Ateneo de Manila University with an AB in Political Science, where he also completed units in MA in Economics.

[23] *Mr. Al Douglas A. Villaos resigned from the Company effective September 30, 2023.*

SHEM JOSE W. GARCIA *43 years old, Filipino* Vice President[24]	Mr. Garcia assumed the position of Vice President in January 2024. Prior to this, he was the Senior Assistant Vice President for Corporate Communications from April 2021 to December 2023, and Assistant Vice President for Corporate Communications from February 2018 to April 2021. He also serves as the Executive Director of the Vivant Foundation, Inc. He previously served as a Director of Vivant Corporation from 2005-2008. He joined as a full-time employee of Vivant as the Senior Manager for Corporate Social Responsibility in 2014. He has a Bachelor's Degree with Honors from the London College of Communications, University of the Arts London. He previously served as the Business Development Officer for JEG Development Corporation, where he currently serves in the Board of Advisors. He also serves as the President of the Board of Trustees for the Dominus Pascit Me Foundation and Corporate Secretary for Mon Y Liza Holdings.

[24] *Mr. Shem Jose W. Garcia was promoted from SAVP – Corporate Communications to Vice President effective January 1, 2024.*

ALLAN A. CUEVAS *47 years old, Filipino* VP – Corporate Communications	Mr. Cuevas assumed the position of Vice President for Corporate Communications in January 2024. He is a senior communications practitioner with close to 25 years of experience in public relations, communications management and marketing. He was previously connected with Optum, a US-based information and technology-enabled health services company and a subsidiary of UnitedHealth Group. As its Director for Corporate Communications he managed internal communications, leadership visibility and employee interactions for its Philippines, Puerto Rico and Colombia operations. Prior to Optum, he was Head and Manager of Corporate Communications at Australia and New Zealand Banking Group Limited (ANZ Bank) from 2017-2022, assigned in the Manila Capability Center. Mr. Cuevas also served as Lead of External Affairs and Communications at UnitedHealth Group from 2013 to 2017. Prior to this role, he was the Marketing and Communications Assistant Vice President and Senior Associate of JPMorgan Chase and Co. under its global service center in the Philippines from 2010 to 2013. Mr. Cuevas joined the business process management industry in 2008 as Head and Senior Manager for Corporate Communications of Canadian outsourcing company TELUS International. He started his career in the corporate world when he joined the Ayala-owned telecommunications company Globe Telecom in 1999. Mr. Cuevas stayed with Globe for a decade managing public relations, media affairs, publications, events, crisis and issues management, corporate and product marketing, external affairs, employee engagement and sustainability/corporate social responsibility. In the later part of his stint at Globe, he moved to its subsidiary Innove Communications to lead is communications and external affairs group. Mr. Cuevas graduated cum laude with a degree in Mass Communications from the Pamantasan ng Lungsod ng Maynila. He earned some post-graduate units in Communication Management from the Asian Institute of Journalism and Communications (AIJC) and is a member of the International Association of Business Communicators – Philippines (IABC).

BRIGETTE CECILE N. GARCIA *37 years old, Filipino* Director Member – Executive Committee Sr. AVP – Corporate Planning	Ms. Garcia has been a Director and member of the Executive Committee since June 2022. In November 2020, she assumed the position of Senior Assistant Vice President for Corporate Planning of the Company. Prior to this, she was the Assistant Vice President for Corporate Planning from February 2018 to October 2020, and the Corporate Planning Senior Manager of the Company from 2016 to 2017. She concurrently holds the following positions: Director – Southern Grove Properties and Development Corporation; Vivant Corporate Center, Inc., Vivant Realty Ventures Corporation, Vivant Hydrocore Holdings Inc. and Vivant Transcore Holdings, Inc. Before joining Vivant, she worked for a year as a Management Trainee for Utility Economics at Visayan Electric Company, Inc. and for three (3) years as an Investment Consultant for Family Offices Private Banking at Credit Suisse AG in Singapore. Ms. Garcia graduated from Singapore Management University with a double degree (Summa Cum Laude) in Bachelor of Science in Economics and Bachelor of Business Management in 2009. She was also the school Salutatorian and recipient of the Top Student of the School of Economics Award and the Monetary Authority of Singapore Academic Excellence Award. She obtained a Master's of Science degree in Accounting and Finance from London School of Economics in 2013.
RONNEL VERGEL E. DE LEON *37 years old, Filipino* SAVP – Treasury	Mr. De Leon assumed the position of Sr. Assistant Vice President for Treasury in May 2023. Prior to this, he was the Assistant Vice President for Treasury from February 2020 to February 2023. He concurrently holds the following positions: Treasurer and CFO of Corenergy Inc., Isla Mactan-Cordova Corporation and Northern Metro Cebu Water Corporation. Before joining Vivant, Mr. De Leon was with Manila Water Company, Inc.'s Treasury Department from October 2011 to January 2020, where he held the Treasury Head position for two (2) years. Prior to this, he worked as Research Associate and Management Trainee at the Philippine Dealing System from 2007 to 2009. Mr. De Leon obtained his bachelor's degree in Economics (Magna Cum Laude) from the University of the Philippines-Diliman in 2007 under the Philippine Geothermal Inc scholarship for UP students. In 2011, he earned his master's degree in European Finance and Banking from the University of Warsaw in Poland under the European Commission's Erasmus Mundus scholarship. Mr. De Leon is a Certified Treasury Professional by the Ateneo-BAP Institute of Banking.

CARLOS F. BARGAMENTO, JR. *42 years old, Filipino* AVP – Internal Audit Chief Audit Executive	Mr. Bargamento has been the Assistant Vice President for Internal Audit since April 2020. In June 2022, he was appointed as the Chief Audit Executive of the Company. Prior to this, he was the Internal Audit Senior Manager from 2013 to 2020. He joined the Company in 2004 as an Accounting Assistant and became a Finance Manager in 2008. He concurrently holds the following positions: Director and President – Hijos de F. Escaño, Inc.; and Internal Auditor – Vivant Foundation, Inc. Mr. Bargamento obtained his degree in Bachelor of Science in Accountancy (Cum Laude) and Bachelor of Laws in University of San Jose-Recoletos. He is a Certified Public Accountant and also holds certification as a Certified Forensic Accountant (CrFA) and a Certified Internal Control Auditor (CICA).
DYAN RAMONA S. OLEGARIO *39 years old, Filipino* AVP - Accounting	Ms. Olegario has been the Assistant Vice President for Accounting since April 2020. Prior to this, she was the Accounting Senior Manager of the Company from October 2013 to 2020 and Treasury Manager from March to October 2013. She concurrently holds the following positions: Treasurer and CFO of Southern Grove Properties and Development Corp., Vivant Corporate Center Inc., and Vivant Realty Ventures Corp. Prior to joining Vivant, Ms. Olegario held the following positions: Business Development Manager in 2012 at Aboitizland Inc., Accounting Head at Taft Property Ventures Development Corporation from 2010 to 2012 and Senior Associate for Tax Services at SGV & Co from 2007 to 2010. Ms. Olegario is a Certified Public Accountant. She holds a degree in Bachelor of Science in Accountancy (Magna Cum Laude and recipient of the Most Outstanding Graduate Award) from the University of San Jose-Recoletos in 2005. In 2016, Ms. Olegario earned a certificate in Management Program from the Asian Institute of Management.

DENISE MAE B. BLANCO *45 years old, Filipino* AVP – Human Resources	Ms. Blanco has been the Assistant Vice President for Human Resources since April 2021. Prior to this, she was the HR Senior Manager of the Company from September 2015 to April 2021. Before joining Vivant, Ms. Blanco held the following positions: Senior HR Business Partner at Convergys Singapore Holding, Inc. – ROHQ from 2011 to 2015, HR Manager at Convergys Philippines Services from 2009 to 2011, and various Human Resources roles at Convergys Philippines Services from 2006 to 2009. Ms. Blanco is a Certified Associate Fellow in People Management (AFPM) by the People Society of Fellows, People Managers Association of the Philippines (PMAP) – National, Certified Leadership Development & Succession Strategist by the Human Capital Institute, Board of Director of St. Theresa's College Alumni Association, former Vice-Chair for Membership & Retention Committee PMAP Cebu Chapter, The Outstanding Cebuano Youth Leaders (TOCYL) Awardee of 1998 given by the Cebu City Youth Development Commission. She holds a degree in Bachelor of Arts in Psychology (recipient of the Campus Leadership Award) from St. Theresa's College in 1999, and a Juris Doctor degree from the University of San Carlos in 2004.
DEBBIE ARTIAGA-ARRADAZA *51 years old, Filipino* AVP – Treasury Operations	Ms. Artiaga-Arradaza assumed the position of AVP for Treasury Operations in May 2023. Prior to this, she was the Sr. Manager for Treasury from 2019 to May 2023 and the Manager for Treasury Operations when she first joined the Company in 2015. Before joining Vivant, she worked with the banking industry for 17 years and held various positions in the bank. She worked as a Relationship Managerfrom 2008 to 2015 and a Treasury Trader from 2006-2008. Prior to working in the Treasury Department, she was a Loan Officer, handling Remedial Loans in a universal bank, from 2001-2006. While working in the bank, she also held a part-time teaching position in the University of San Carlos – Business Administration Dept. from 2000-2006. Ms. Artiaga-Arradaza finished her Bachelor's Degree in Business Management from the University of the Philippines – Cebu Campus. She earned her MBA from Ateneo Graduate School of Business in Rockwell, Makati City in the year 2000. She is a Certified Treasury Professional by the Ateneo-BAP Institute of Banking.

NILO M. ARRIBAS, JR. *52 years old, Filipino* AVP – Information Technology Chief Information Officer	Mr. Arribas assumed the position of Assistant Vice President for Information Technology in June 2022. In June 2023, he was appointed as the Chief Information Officer of the Company. Before joining Vivant, he was an independent consultant providing professional services in information technology and management from 2020 to 2022. Prior to this, he was in the real estate industry from 2014 to 2019 as Director for IT shared services of Oakridge Realty Development Corporation catering to corporate headquarters, real estate, subsidiaries in printing, events and food businesses. He assumed an additional role as Director for Operations with responsibilities over the Oakridge Business Park, property management of industrial facilities and construction of technology enabled mixed-use buildings from 2016 to 2019. Mr. Arribas was an information technology and management consultant from 2008 to 2014 proving services to clients in manufacturing, business process outsourcing, insurance, services, and education industries including non-profit organizations. He also held the position Information Asset Manager at a US-based Publishing and Print-on-Demand company, Xlibris, for 3 years. From 1999 to 2004, he was Assistant Director of the Management Information Systems (MIS) office or a tertiary educational institution, Lyceum of the Philippines in Manila. Earlier in his career, from 1995 to 1999, he was systems administrator and technical specialist of the Naval Intelligence, a Division of the Philippine Navy. He graduated from De La Salle University – College of Saint Benilde in 1999 with a Bachelor of Science in Commerce major in Business Management (Dean's List). In 2000, he completed Network and Internet Systems Development Course in the Center of the International Cooperation for Computerization (CICC) in Tokyo, Japan as a scholar of Hitachi, Ltd. and the Ministry of International Trade and Industry of Japan. Mr. Arribas completed the IT Project Management under the Executive Development Program of the Asian Institute of Management in 2003.

RHESEL R. TOMPONG *36 years old, Filipino* AVP – Corporate Planning	Ms. Tompong assumed the position of AVP for Corporate Planning in May 2023. Prior to this, she was the Corporate Planning Senior Manager from March 2020 to May 2023. Before joining Vivant, Ms. Tompong held the following positions in the Aboitiz Group: Microfinance Financial Controller at City Savings Bank in 2019, Supervisor for Accounting, Tax and Regulatory Compliance at Aboitiz Power Corporation from 2014 to 2019, Senior Specialist in SN Aboitiz Power in 2013 and Senior Internal Auditor from 2009 to 2012 at Aboitiz Equity Ventures Inc. Ms. Tompong is a Certified Public Accountant, Certified Internal Auditor and Certified Tax Technician. She graduated Magna Cum Laude from the University of San Carlos with a Bachelor of Science degree in Accountancy. In 2017, she earned her Master of Internal Audit from the same university.
JOEL PATRICK M. CINCO *41 years old, Filipino* AVP – Risk and Sustainability	Mr. Cinco assumed the position of AVP for Risk and Sustainability in June 2023. Before joining Vivant, he was in the fulfillment and logistics business of the Ayala Group as Senior Manager of Risk and Insurance Management at Entrego Fulfillment Solutions, Inc. leading the development and implementation of Risk Management programs of the company from February 2021 to April 2022. Prior to this, he was with AC Energy, Inc., from December 2017 to November 2020 as Manager for Risk Management. From December 2011 to December 2017, he took on Operational Risk Management and Business Continuity Management roles at Aboitiz Power Corporation. Other past companies include Anchor Insurance Brokerage Corporation (a subsidiary of San Miguel Corp) and BDO Insurance Brokers, Inc. as a Risk Engineer. Mr. Cinco holds a degree in Bachelor of Science in Manufacturing Engineering and Management from De La Salle University.
MYLA DE-GUZMAN LUMIBAO *48 years old, Filipino* AVP – Internal Audit	Ms. Lumibao assumed the position of AVP for Internal Audit in November 2023. Prior to joining Vivant, Ms. Lumibao was the Internal Audit Head in CIS Bayad, Inc. from January to June 2023 and in D.M. Consunji, Inc. from 2021 to 2023. She was previously connected with the Aboitiz Group where she assumed various roles in the Internal Audit function and Finance. She was the Internal Audit Manager in Aboitiz Equity Ventures, Inc. from 2013 to 2021 and Aboitiz Transport System Corporation from 1998 and 2012. She also had a stint as the Finance Manager in Aboitiz Logistics, Inc. from 2005 to 2007. She is a Certified Internal Auditor and a Certified Public Accountant. She holds a degree in Bachelor of Science in Accountancy from De La Salle University.

2. Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

(i) Family Relationships

Messrs. Charles Sylvestre A. Garcia and Francis Damasus A. Garcia are brothers, or related within the second civil degree of consanguinity.

Mr. Ramontito E. Garcia is related within the fourth civil degree of consanguinity (cousin) to Messrs. Charles Sylvestre A. Garcia and Francis Damasus A. Garcia.

Mr. Emil Andre M. Garcia is related within the third civil degree of consanguinity to Messrs. Charles Sylvestre A. Garcia, Francis Damasus A. Garcia; and related within the fourth civil degree of consanguinity (cousin) to Ms. Brigette Cecile N. Garcia. He is also related within the fifth civil degree of consanguinity to Mr. Ramontito E. Garcia; and related within the sixth civil degree of consanguinity to Mr. Arlo Angelo G. Sarmiento, Jose Marko Anton G. Sarmiento and Mr. Shem Jose W. Garcia.

Mr. Arlo Angelo G. Sarmiento is related within the third civil degree of consanguinity (nephew) to Mr. Ramontito E. Garcia. He is also related within the fifth civil degree of consanguinity to Mssrs. Charles Sylvestre A. Garcia and Francis Damasus A. Garcia. He is also related within the fourth civil degree of consanguinity to Mr. Shem Jose W. Garcia; and related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia and Ms. Brigette Cecile N. Garcia.

Mr. Jose Marko Anton G. Sarmiento is the brother of Mr. Arlo A. G. Sarmiento; thus, they are related within the second civil degree of consanguinity. He is related within the third civil degree of consanguinity (nephew) to Mr. Ramontito E. Garcia and is related within the fourth civil degree of consanguinity Mr. Shem Jose W. Garcia. He is also related within the fifth civil degree of consanguinity to Mssrs. Charles Sylvestre A. Garcia and Francis Damasus A. Garcia. He is also related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia and Ms. Brigette Cecile N. Garcia.

Mr. Shem Jose W. Garcia is the son of Mr. Ramontito E. Garcia and is related within the fourth civil degree of consanguinity (cousin) to Messrs. Arlo Angelo G. Sarmiento and Jose Marko Anton G. Sarmiento. He is also related within the fifth civil degree of consanguinity to Mssrs. Charles Sylvestre A. Garcia and Francis Damasus A. Garcia; and related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia and to Ms. Brigette Cecile N. Garcia.

Ms. Brigette Cecile N. Garcia is related within the third civil degree of consanguinity (niece) to Messrs. Charles Sylvestre A. Garcia, and Francis Damasus A. Garcia; and is related within the fourth civil degree of consanguinity (cousin) to Mr. Emil Andre M. Garcia. She is also related within the sixth civil degree of consanguinity to Messrs. Arlo Angelo G. Sarmiento, Jose Marko Anton G. Sarmiento, and Shem Jose W. Garcia

Other than the foregoing, there are no other family relationships (of consanguinity or affinity) known to Vivant.

(ii) Involvement in Certain Legal Proceedings

To the knowledge and/or information of Vivant, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last 5 years, been 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 violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past 5 years and the preceding years until December 31, 2023 which would put to question their ability and integrity to serve Vivant and its stockholders.

To the knowledge and/or information of Vivant, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.

To the knowledge and/or information of the Company, the said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the preceding years until December 31, 2023.

Item 10. Executive Compensation

1. Compensation of top five (5) executive officers

Information as to the aggregate compensation paid and accrued during the last two calendar years to the Company's Chief Executive Officer and the four (4) most highly compensated executive officers and directors are as follows:

SUMMARY COMPENSATION TABLE
Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Compensation
Top Five Highly Compensated Executives 1. Ramontito E. Garcia[1] – Chairman & CEO 2. Arlo A.G. Sarmiento – Chief Executive Officer 3. Emil Andre M. Garcia – Vice Chairman and President 4. Minuel Carmela N. Franco – Treasurer, Executive Vice President, Chief Corporate Officer, Group Chief Finance Officer, Chief Risk Officer, Compliance Officer 5. Jess Anthony N. Garcia – SVP- Infrastructure, Chief Information Officer 6. Mark D. Habana[2] – Vice President				
All above-named officers as a group	2023	Php 47.8 Mn	Php 28.8 Mn	-
	2022	Php 61.9Mn	Php29.1 mn	-
All other directors and officers as a group unnamed	2023	Php 38.3 Mn	Php 9.6 Mn	Php 4.9 Mn
	2022	Php33.1Mn	Php 10.0 mn	Php 4.9 mn

Notes:

1. *Mr. Ramontito E. Garcia is part of the 2022 Top 5 Summary Compensation Table until his retirement in February 2022.*
2. *Mr. Mark D. Habana is part of the 2022 Top 5 Summary Compensation Table beginning February 2022.*

i. Compensation of Directors

(i) Standard Arrangements

The Executive Directors of the Company do not receive remuneration for attending Board and Committee meetings. Each Non-Executive Director and Independent Director of the Board and Board Committees received a per diem for every meeting attended as follows:

Engagement	Directors	Chairman of the Board or Committee
Board Meeting	Php 100,000.00	Php 150,000.00
Committee Meeting	Php 50,000.00	Php 75,000.00
In-house Trainings or workshops	PhP50,000.00	PhP 75,000.00
Strategic Planning Sessions	Php100,000.00	Php 150,000.00

In 2023, the following Non-Executive Directors and Independent Directors received gross remuneration as follows:

Non-Executive / Independent Director	Board Meetings (in Php)	Committee Meetings (in Php)	Trainings (inPhp)	Strategic Planning (in Php)	Gross Remuneration (in Php)
Francis Damasus A. Garcia[1]	583,333.00	550,000.00	75,000.00	525,000.00	**1,733,333.00**
Ramontito E. Garcia	666,666.65	500,000.00	100,000.00	200,000.00	**1,466,666.65**
Charles Sylvestre A. Garcia	1,116,666.65	1,050,000.00	100,000.00	350,000.00	**2,616,666.65**
Gil A. Garcia II[2]	399,999.99	383,333.33	-	-	**783,333.32**
Jose Marko Anton G. Sarmiento	966,666.65	1,216,666.66	50,000.00	350,000.00	**2,583,333.31**
Carmelo Maria L. Bautista	633,333.32	133,333.33	-	300,000.00	**1,066,666.65**
Jose Carlitos G. Cruz	899,999.98	791,666.66	50,000.00	350,000.00	**2,091,666.64**
Laurence R. Rogero[1]	499,999.99	450,000.00	50,000.00	350,000.00	**1,349,999.99**
Jose M. Layug, Jr.	899,999.98	700,000.00	100,000.00	350,000.00	**2,049,999.98**
Joseph Lee Sullivan[2]	199,999.99	283,333.33	-	-	**483,333.32**

Notes:
1. *Reckoned from the June 15, 2023 Annual Stockholders' Meeting.*
2. *Up to June 15, 2023.*

(ii) Other Arrangements

Other than honoraria for meetings, trainings or workshops attended, 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, including any additional amounts payable for committee participation or special assignments for the last completed fiscal year and the ensuing year.

3. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

In compliance with applicable labor laws and regulations, Vivant has employment contracts with its officers which state their specific job functionalities. The salaries and bonuses of the named officers and other directors and officers as a group are included in the compensation table above.

Vivant has no existing compensatory plan or arrangement with any of its executives in case of resignation or any other termination of an officer's employment with the Company or its subsidiaries or from a change in the management control of the Company, or a change in an executive officer's responsibilities following a change in control.

4. Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the named executive officers, and all officers and directors as a group, as identified in Part III, Item 9. Moreover, at no time during the last completed fiscal year did the Company adjust or amend the exercise price of stock warrants or options previously awarded to the aforementioned officers and directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners (more than 5%)

As of March 31, 2024, the following are the persons known to the Company to be the direct or indirect record or beneficial owner of more than 5% of any class of the Issuer's voting securities:

Title of class	Name and address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Held
Common Shares	Mai-I Resources Corporation 375-G Acacia St., Lahug, Cebu City / Stockholder	Mai-I Resources Corporation[1]	Filipino	464,831,568	45.42%
Common Shares	JEG Development Corporation Advent Business Center Lahug, Cebu City / Stockholder	JEG Development Corporation[2]	Filipino	311,524,642	30.44%
Common Shares	PCD Nominee (Filipino) Participants are stockholders of the Company	Various PCD participants	Filipino	185,690,743	18.14%
Common Shares	All directors (as a group)	All directors	Filipinos	220,405	0.00%

Notes:

1. *Either Mr. Emil Andre M. Garcia or Mr. Charles Sylvestre A. Garcia, Directors of MAI-I Resources Corporation (MRC) will vote for the shares of MRC in Vivant in accordance with the directive of the MRC Board of Directors.*
2. *Either Mr. Ramontito E. Garcia or Mr. Jose Marko Anton G. Sarmiento, Chairman and Chief Operating Officer of JEG Development Corporation (JDC), respectively, will vote for the shares of JDC in Vivant in accordance with the directive of the JDC Board of Directors.*
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. Vivant has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, GT Capital Holdings Inc., one the beneficial owners under a PCD participant, owns 8.88% of Vivant Corporation.*

2. Security Ownership of Management

As of the date of preparation of this report, the following are the amount and nature of ownership of each member of the Board of Directors and Officers:

Name of Beneficial Owners and Position	Nature of Ownership	# of shares as of		
		March 31, 2024	December 31, 2023	January 1, 2023
Francis Damasus A. Garcia[1] Chairman of the Board	Direct	1 0.0%	1 0.0%	- -
	Indirect	0 0.0%	0 0.0%	- -
Ramontito E. Garcia Vice Chairman	Direct	48,501 0.0%	48,501 0.0%	48,501 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Arlo A. G. Sarmiento Director Chief Executive Officer	Direct	107,100 0.0%	107,100 0.0%	107,100 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Emil Andre M. Garcia Director President	Direct	35,801 0.0%	35,801 0.0%	35,801 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Charles Sylvestre A. Garcia Director	Direct	1 0.0%	1 0.0%	1 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Jose Marko Anton G. Sarmiento Director	Direct	28,501 0.0%	28,501 0.0%	28,501 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Brigette Cecile N. Garcia Director Sr. AVP – Corporate Planning	Direct	100 0.0%	100 0.0%	100 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Laurence R. Rogero[2] Lead Independent Director	Direct	100 0.0%	100 0.0%	- -
	Indirect	0 0.0%	0 0.0%	- -
Jose Carlitos G. Cruz Independent Director	Direct	100 0.0%	100 0.0%	100 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Carmelo Maria L. Bautista Independent Director	Direct	100 0.0%	100 0.0%	100 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Jose M. Layug, Jr. Independent Director	Direct	100 0.0%	100 0.0%	100 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Minuel Carmela N. Franco Treasurer Executive Vice President Chief Corporate Officer Group Chief Finance Officer Chief Risk Officer	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Atty. Catherine S. Bringas Corporate Secretary Sr. AVP – Legal and Compliance Data Protection Officer	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%

Atty. Maila Lourdes G. De Castro[3] Assistant Corporate Secretary VP – Legal Compliance Officer	Direct	0 0.0%	0 0.0%	- -
	Indirect	0 0.0%	0 0.0%	- -
Atty. Joan A. Giduquio-Baron Assistant Corporate Secretary	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Atty. Jess Anthony N. Garcia Sr. VP – Infrastructure	Direct	12,200 0.0%	12,200 0.0%	12,200 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Mark D. Habana Vice President	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Mr. Shem Jose W. Garcia[4] Vice President	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Peter C. Buenaseda[5] Chief Human Resource Officer	Direct	0 0.0%	- -	- -
	Indirect	0 0.0%	- -	- -
Allan A. Cuevas[6] VP – Corporate Communications	Direct	0 0.0%	- -	- -
	Indirect	0 0.0%	- -	- -
Ronnel Vergel E. De Leon Sr. AVP – Treasury	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Carlos F. Bargamento, Jr. AVP – Internal Audit	Direct	5,030 0.0%	5,030 0.0%	5,030 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Dyan Ramona S. Olegario AVP – Accounting	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Denise Mae D. Blanco AVP – Human Resources	Direct	2,700 0.0%	2,700 0.0%	2,700 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Nilo M. Arribas, Jr. AVP – Information Technology Chief Information Officer	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Debbie C. Artiaga-Arradaza AVP – Treasury and Operations	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%
Rhesel Joan R. Tompong AVP – Corporate Planning	Direct	0 0.0%	0 0.0%	0 0.0%
	Indirect	0 0.0%	0 0.0%	0 0.0%

Patrick Joel M. Cinco[7] AVP – Risk Management and Sustainability	Direct	0 0.0%	0 0.0%	- -
	Indirect	0 0.0%	0 0.0%	- -
Myla D. Lumibao[8] AVP – Internal Audit	Direct	0 0.0%	0 0.0%	- -
	Indirect	0 0.0%	0 0.0%	- -
TOTAL	**Direct**	**240,335**	**240,335**	**240,235**
	Indirect	**0**	**0**	**0**

Notes:

1. *Mr. Francis Damasus A. Gracia was elected as Director in the June 17, 2023 Annual Stockholders' Meeting.*
2. *Atty. Laurence R. Rogero was elected as Independent Director in the June 17, 2023 Annual Stockholders' Meeting.*
3. *Atty. Maila Lourdes G. De Castro was appointed as Vice President – Legal effective February 20, 2023.*
4. *Mr. Shem Jose W. Garcia was promoted as Vice President effective January 1, 2024.*
5. *Mr. Peter C. Buenaseda was appointed as Chief Human Resource Officer effective February 1. 2024.*
6. *Mr. Allan A. Cuevas was appointed as VP – Corporate Communications effective January 16, 2024.*
7. *Mr. Patrick Joel M. Cinco was appointed as AVP – Risk Management and Sustainability effective June 27, 2023.*
8. *Ms. Myla D. Lumibao was appointed as AVP – Internal Audit effective December 4, 2023.*

Item 12. Certain Relationships and Related Transactions

During the last two (2) years there was no transaction with or involving the Company or any of its subsidiaries in which a director, executive officer, or stockholder owns 10% or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Self-Rating Form of the SEC, the criteria and the rating system therein as a means of measurement or determination of the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

The Company issued its Revised Manual on Corporate Governance (the Manual) in 2017 and has substantially complied with the provisions, and the same has been disclosed to the SEC. It has plans to improve corporate governance by adopting good corporate practice recognized in more progressive corporations and incorporating the same in its Manual.

In its continuing efforts to update its directors and executive officers with the best practices in corporate governance, the members of the board of directors and the top-level management are encouraged to attend trainings and seminars. In 2023, the Company conducted an in-house corporate governance training through the Institute of Corporate Directors (ICD) about the importance of corporate culture, making the business healthy through diverse and inclusive policies and technology governance.

In 2023, the directors of the Company attended the following trainings on Corporate Governance:

Director	Training Provider	Title of the Training	Date of Training
Francis Damasus A. Garcia	ICD	Advance Corporate Governance Training	August 25, 2023
Ramontito E. Garcia	ICD	Advance Corporate Governance Training	August 25, 2023
Arlo Angelo G. Sarmiento	ICD	Advance Corporate Governance Training	August 25, 2023
Emil Andre M. Garcia	ICD	Advance Corporate Governance Training	August 25, 2023
Charles Sylvestre A. Garcia	ICD	Advance Corporate Governance Training	August 25, 2023
Jose Marko Anton G. Sarmiento	ICD	Advance Corporate Governance Training	August 25, 2023
Brigette Cecile N. Garcia	ICD	Advance Corporate Governance Training	August 25, 2023
Laurence R. Rogero	ICD	Advance Corporate Governance Training	August 25, 2023
Carmelo Maria L. Bautista	ICD	Advance Corporate Governance Training	November 16, 2023 and November 21, 2023
Jose Carlitos G. Cruz	ICD	Advance Corporate Governance Training	August 25, 2023
Jose M. Layug, Jr.	ICD	Advance Corporate Governance Training	August 25, 2023

Note: On August 25, 2023, Vivant Corporation conducted an in-house Advance Corporate Governance Training through the Institute of Corporate Directors (ICD) about the importance of corporate culture, making the business healthy through diverse and inclusive policies and technology governance. The training was attended by the Company's directors and executive officers.

In compliance with the full disclosure rules on the Code of Corporate Governance, the Manual, and the reportorial requirement of the SEC on the extent of compliance by the Company with its Manual, the undersigned hereby certifies that the Company has substantially complied with the provisions thereof.

As of the date of this Report, there are no changes in the corporate governance structure and practice.

Please refer to the attached Integrated Annual Corporate Governance Report for 2022, which was filed with the SEC in 2023.

Compliance with The Minimum Public Ownership Requirement

The Company is compliant with the Rule on Minimum Public Ownership, as amended. Based on information that is publicly available to the Company and within the knowledge of its directors it has 24.12 % public float as of March 31, 2024, which is the latest practicable date.

Board Performance

In January 2023, the Chairman of the Board initiated the performance evaluation process of the Board. A self-assessment was carried out by the directors to evaluate their individual performance, the performance of the Board as a whole and their respective committees, and the performance of the Chairman of the Board. The evaluation was based on criteria that determines the effectiveness of the Board, compliance with good governance principles of the individual Board of Directors, participation, engagement and contribution in meetings of each director, and performance of the duties and responsibilities of the Board Committees.

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

1. Exhibits

Index of Exhibits

Exhibit	Description
A	Vivant's Corporate Structure
B	Audited Consolidated Financial Statements as of December 31, 2023
C	Audited Consolidated Financial Statements as of December 31, 2022
D	Audited Consolidated Financial Statements as of December 31, 2021
E	Executive Committee Report to the Board of Directors
F	Audit Committee Report to the Board of Directors
G	Finance Committee Report to the Board of Directors
H	Corporate Governance Committee Report
I	Risk and Sustainability Committee Report to the Board of Directors
J	Related Party Transactions Committee Report to the Board of Directors

2. Reports on SEC Form 17-C

Reports filed by Vivant on SEC Form 17-C from March 2023 to March 2024 are as follows:

1. Acquisition of Assets by a subsidiary dated March 1, 2023;
2. Notice of Annual Stockholders' Meeting dated March 17, 2023;
3. Declaration of Cash Dividends dated May 19, 2023;
4. Change in Directors and/or Officers – Resignation dated May 19, 2023;
5. Change in Directors and/or Officers – Promotion dated May 19, 2023;
6. Acquisition of Shares of Another Corporation (Isla Norte) by a subsidiary dated June 13, 2023;
7. Acquisition of Shares of Another Corporation (CIPC) by a subsidiary dated June 13, 2023;
8. Acquisition of Shares of Another Corporation (DPI) by a subsidiary dated June 13, 2023;
9. Acquisition of Shares of Another Corporation (CREC) by a subsidiary dated June 13, 2023;
10. Acquisition of Shares of Another Corporation (La Pampanga) by a subsidiary dated June 13, 2023;
11. Results of the Annual Stockholders' Meeting dated June 16, 2023;
12. Results of the Organizational Meeting of the Board of Directors dated June 16, 2023;
13. Clarification of News Report dated June 16, 2023;
14. Amendment of Results of the Annual Stockholders' Meeting dated June 19, 2023;
15. Change of Directors and/or Officers – Appointment, Election and Promotion dated June 22, 2023;

16. Change in Directors and/or Officers – Appointment dated June 29, 2023;
17. Clarification of News Report dated September 21, 2023;
18. Press Release dated September 27, 2023;
19. Change in Directors and/or Officers – Appointment dated November 24, 2023;
20. Material Information/Transactions dated December 7, 2023;
21. Material Information/Transactions dated December 13, 2023;
22. Change in Directors and/or Officers – Promotion dated December 29, 2023;
23. Change in Directors and/or Officers – Appointment dated January 17, 2024; and
24. Change in Directors and/or Officers – Appointment dated January 31, 2024

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the MANDAUE CITY on the ____day of April 2023. APR 11 2024

By:

ARLO ANGELO G. SARMIENTO
Principal Executive Officer

EMIL ANDRE M. GARCIA
Principal Operating Officer

MINUEL CARMELA N. FRANCO
Principal Finance Officer

DYAN RAMONA S. OLEGARIO
Principal Accounting Officer

CATHERINE S. BRINGAS
Corporate Secretary

Republic of the Philippines)
MANDAUE CITY)S.S.

SUBSCRIBED AND SWORN to before me this APR 11 2024 affiants exhibiting to me their Passport and Unified Multi-purpose ID details as follows:

Names	Government ID No.	Expiry Date
Arlo A.G. Sarmiento	Passport No. P6592337A	Mar. 27, 2028
Minuel Carmela N. Franco	Passport No. P9523819B	April 5, 2032
Emil Andre M. Garcia	Passport No. P8117515B	Nov. 08, 2031
Catherine S. Bringas	Passport No. P7725637B	Sep. 29, 2031
Dyan Ramona S. Olegario	CRN No. 0111-8514455-0	

Doc. No. 152;
Page No. 69;
Book No. 2;
Series of 2024.

ATTY. JEBB LYNUS Q. CANE
Notary Public for and in the City of Mandaue and Municipalities of Cordova, Consolacion, Lilo-an, and Compostela, Cebu
Notarial Commission No. 2023-60, valid until December 31, 2024
2nd Floor One Centro Bldg., C. Ouano St., Centro, Mandaue City, Cebu
Roll of Attorneys No. 72410
IBP O.R. No.: 391447; 01/03/2024; Cebu
PTR No. 1234472; 01/03/2024, Cebu
MCLE Compliance No. VII-00037824
Valid until April 14, 2025

The following document has been received:

Receiving: Ryan Piramide
Receipt Date and Time: April 11, 2024 03:43:22 PM

Company Information

SEC Registration No.: 0000175222
Company Name: VIVANT CORPORATION
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST10411202482188498
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Consolidated, Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,406	June 15	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor Oakridge IT Center 2, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines, 6014

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*
2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Headquarters Cebu Office
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna St.
Mandaue City, Cebu Philippines 6014
Tel. no.: +63 (32) 243 2256

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2023 and 2022, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FRANCIS DAMASUS A. GARCIA
Chairman of the Board

ARLO ANGELO G. SARMIENTO
Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this 5th day of April, 2024.

REPUBLIC OF THE PHILIPPINES)
MANDAUE CITY) S.S.

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in Mandaue City appeared on APR 08 2024 the following:

Name	Competent Evidence of Identification	
	Type/Number	**Date of Expiry/ Place of Issue**
FRANCIS DAMASUS A. GARCIA	Passport No. P0768103C	01 JUL 2032 / PCG San Francisco
ARLO ANGELO G. SARMIENTO	Passport No. P6592337A	27 MAR 2028 / DFA CEBU
MINUEL CARMELA N. FRANCO	Passport No. P9523819B	05 APR 2032 / DFA Manila

known to me and to me known to be the same persons who executed the foregoing instrument, and who acknowledged to me that the same is their true and voluntary act and deed and that of the Corporation which they represent.

WITNESS MY HAND AND NOTARIAL SEAL on the date and in the place above given.

ALTHEA A. VERGARA
Notary Public for and in the City of Mandaue and
Municipalities of Cordova, Consolacion,
Lilo-an, and Compostela, Cebu
Notarial Commission No. 2023-61 until December 31, 2024
Roll of Attorneys No. 72451
IBP OR No. 389076; 01/02/2024
PTR No. 1234473; 01/03/2024; Cebu
MCLE Compliance No. VII – 0010031
Valid until April 14, 2025
2nd Floor One Centro Building, C. Ouano Street,
Centro, Mandaue City, Cebu, Philippines

Doc. No. 67;
Page No. 15;
Book No. I;
Series of 2024.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
8th Floor JEG Tower @ One Acacia
Acacia Street corner Archbishop Reyes Avenue
Brgy. Kamputhaw, Cebu City 6000
Philippines

Tel: (032) 266 2947
Fax: (032) 266 2313
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City, Cebu, Philippines 6014

Opinion

We have audited the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for the Investment in Visayan Electric Company, Inc. (VECO)

As disclosed in Notes 1 and 10 to the consolidated financial statements, the Group owns 34.81% of VECO, an associate engaged in power distribution services, as at December 31, 2023 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because the carrying value of the investment accounted for 6% of the consolidated total assets and its equity in net earnings contributed 42% to the consolidated net income of the Group as at and for the year ended December 31, 2023, respectively. VECO's net income is significantly affected by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups, and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

The disclosures relating to the investment in VECO are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2023. We evaluated the design and tested the controls over VECO's billing and revenue process. These include the capture and accumulation of meter data in the billing system as well as a calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in the billing statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. The engagement partner on the audit resulting in this independent auditor's report is Margem A. Tagalog.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082018, January 6, 2024, Makati City

April 5, 2024

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱4,382,540,776**	₱4,893,357,226
Trade and other receivables (Note 7)	**1,647,660,999**	1,362,706,195
Advances to associates, joint ventures and stockholders (Note 16)	**162,204,796**	294,016,208
Inventories - at cost (Note 8)	**364,692,217**	177,720,556
Prepayments and other current assets (Note 9)	**778,251,105**	446,283,559
Total Current Assets	**7,335,349,893**	7,174,083,744
Noncurrent Assets		
Investments in associates and joint ventures (Note 10)	**10,595,855,907**	10,578,321,124
Property, plant and equipment (Note 11)	**8,272,544,865**	5,877,554,921
Right-of-use assets (Note 24)	**24,539,068**	22,112,091
Investment properties (Note 12)	**1,045,469,800**	924,036,600
Deferred income tax assets - net (Note 20)	**30,485,788**	13,759,370
Other noncurrent assets (Note 13)	**2,581,289,629**	1,850,135,618
Total Noncurrent Assets	**22,550,185,057**	19,265,919,724
TOTAL ASSETS	**₱29,885,534,950**	₱26,440,003,468
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of trade and other payables (Note 14)	**₱1,842,183,949**	₱1,522,307,377
Current portion of long-term notes payable (Note 15)	**210,300,979**	1,115,158,717
Current portion of lease liabilities (Note 24)	**17,928,869**	13,340,222
Short term notes payable (Note 15)	**1,963,546,959**	1,170,300,000
Advances from related parties (Note 16)	**2,350,050**	10,886,165
Income tax payable	**34,696,280**	7,528,408
Total Current Liabilities	**4,071,007,086**	3,839,520,889
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	**4,838,054,596**	3,508,465,451
Lease liabilities - net of current portion (Note 24)	**11,912,090**	13,469,730
Pension liability (Note 19)	**185,506,597**	64,195,472
Deferred income tax liabilities - net (Note 20)	**296,402,233**	267,362,207
Other noncurrent liabilities - net of current portion (Notes 14 and 23)	**844,587,453**	838,293,931
Total Noncurrent Liabilities	**6,176,462,969**	4,691,786,791
Total Liabilities	**10,247,470,055**	8,531,307,680
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Other components of equity:		
Share in remeasurement losses on employee benefits of associates and joint ventures (Note 10)	**(125,169,500)**	(94,016,067)

(Forward)

	December 31	
	2023	2022
Remeasurement gain (loss) on employee benefits (Note 19)	**(₱79,876,405)**	₱7,123,993
Unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI)	**51,053,039**	26,517,514
Equity reserves (Note 21)	**(30,252,298)**	(25,128,554)
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	**7,354,810,254**	6,820,897,482
Unappropriated	**10,078,329,275**	8,727,306,176
Equity Attributable to Equity Holders of the Parent	**18,280,690,515**	16,494,496,694
Equity Attributable to Non-controlling Interests (Note 21)	**1,357,374,380**	1,414,199,094
Total Equity	**19,638,064,895**	17,908,695,788
TOTAL LIABILITIES AND EQUITY	**₱29,885,534,950**	₱26,440,003,468

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Revenue from contracts with customers:			
Sale of power (Note 23):			
Generation	**₱3,965,021,793**	₱2,813,298,456	₱1,577,500,737
Retail electricity supply	**1,112,675,663**	633,488,002	301,048,099
Ancillary services	**467,544,939**	952,967,736	1,174,695,315
Management and service fees (Note 16)	**545,976,930**	86,781,813	102,589,626
Engineering service income	**17,208,763**	30,887,803	42,037,953
	6,108,428,088	4,517,423,810	3,197,871,730
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 10)	**2,044,341,881**	1,941,357,383	1,838,491,265
INTEREST INCOME (Notes 6 and 16)	**122,987,590**	60,071,043	22,961,585
	8,275,757,559	6,518,852,236	5,059,324,580
COSTS OF SERVICES			
Generation costs (Notes 17 and 23)	**4,452,496,355**	3,684,022,986	1,802,878,724
Engineering service fees (Note 17)	**52,472,919**	24,844,346	71,039,720
	4,504,969,274	3,708,867,332	1,873,918,444
OPERATING EXPENSES			
Salaries and employee benefits (Notes 18 and 19)	**414,829,817**	390,186,858	322,364,136
Outside services	**101,952,495**	19,760,683	36,535,466
Taxes and licenses (Note 12)	**101,679,439**	78,756,067	40,165,758
Professional fees (Note 16)	**100,276,383**	167,109,166	155,599,643
Depreciation and amortization (Notes 11, 13 and 24)	**62,912,226**	54,012,303	51,548,016
Travel	**47,155,207**	29,627,897	13,294,561
Management fees (Note 16)	**43,843,882**	29,219,324	25,270,413
Representation	**15,419,307**	14,883,489	9,529,837
Communication and utilities	**13,100,708**	13,405,697	9,523,925
Rent and association dues	**5,232,490**	6,465,080	8,564,767
Other operating expenses (Note 17)	**103,241,530**	89,483,412	81,773,381
	1,009,643,484	892,909,976	754,169,903
INCOME FROM OPERATIONS	**2,761,144,801**	1,917,074,928	2,431,236,233
OTHER INCOME (CHARGES)			
Finance costs on loans (Note 15)	**(363,678,611)**	(259,880,671)	(165,305,661)
Gain on fair value measurement of investment properties (Note 12)	**121,433,200**	60,394,600	106,361,400
Gain on bargain purchase (Note 13)	**64,685,699**	–	32,120,469
Foreign exchange gains (losses) - net	**(9,616,307)**	53,842,288	16,129,762
Finance costs on lease liabilities (Note 24)	**(1,108,626)**	(10,826,959)	(52,513,071)
Gain on disposal of an associate (Notes 1 and 10)	**–**	–	3,684,540
Gain on loss of control of a subsidiary (Note 1)	**–**	–	3,079,734
Other income - net (Notes 11, 12 and 17)	**1,438,365**	33,684,411	24,797,384
	(186,846,280)	(122,786,331)	(31,645,443)

(Forward)

	Years Ended December 31		
	2023	2022	2021
INCOME BEFORE INCOME TAX	**₱2,574,298,521**	₱1,794,288,597	₱2,399,590,790
PROVISION FOR INCOME TAX (Note 20)	**180,350,835**	89,561,479	167,101,028
NET INCOME	**2,393,947,686**	1,704,727,118	2,232,489,762
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in future periods:			
Remeasurement gain (loss) on employee benefits (Note 19)	**(104,392,805)**	11,157,022	17,451,342
Income tax effect	**16,390,977**	(2,511,242)	(3,453,874)
	(88,001,828)	8,645,780	13,997,468
Unrealized valuation gain on financial assets at FVOCI (Note 13)	**28,865,324**	25,734,676	2,550,000
Income tax effect	**(4,329,799)**	(3,860,201)	187,500
	24,535,525	21,874,475	2,737,500
Share in the remeasurement gains (losses) on employee benefits of associates and joint ventures, net of tax (Note 10)	**(31,585,867)**	–	2,165,047
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(95,052,170)**	30,520,255	18,900,015
TOTAL COMPREHENSIVE INCOME	**₱2,298,895,516**	₱1,735,247,373	₱2,251,389,777
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱2,284,209,380**	₱1,595,263,961	₱1,866,730,439
Non-controlling interests	**109,738,306**	109,463,157	365,759,323
	₱2,393,947,686	₱1,704,727,118	₱2,232,489,762
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱2,190,158,640**	₱1,624,319,369	₱1,883,654,471
Non-controlling interests	**108,736,876**	110,928,004	367,735,306
	₱2,298,895,516	₱1,735,247,373	₱2,251,389,777
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱2.232**	₱1.559	₱1.824

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Remeasurement Losses on Employee Benefits of Associates and Joint Ventures	Remeasurement Gain (Loss) on Employee Benefits	Unrealized Valuation Gain (Loss) on Financial Assets at FVOCI	Equity Reserves	Retained Earnings (Note 21) Appropriated	Retained Earnings (Note 21) Unappropriated	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balances at January 1, 2023	**₱1,023,456,698**	**₱8,339,452**	**(₱94,016,067)**	**₱7,123,993**	**₱26,517,514**	**(₱25,128,554)**	**₱6,820,897,482**	**₱8,727,306,176**	**₱16,494,496,694**	**₱1,414,199,094**	**₱17,908,695,788**
Total comprehensive income (loss)	–	–	**(31,585,867)**	**(87,000,398)**	**24,535,525**	–	–	**2,284,209,380**	**2,190,158,640**	**108,736,876**	**2,298,895,516**
Appropriation for business expansion	–	–	–	–	–	–	**2,400,000,000**	**(2,400,000,000)**	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	**(1,866,087,228)**	**1,866,087,228**	–	–	–
Acquisition of noncontrolling interests	–	–	–	–	–	**(5,123,744)**	–	–	**(5,123,744)**	**(164,501,590)**	**(169,625,334)**
Transfer of accumulated share in other comprehensive income of joint ventures upon step-acquisition (Note 10)	–	–	**432,434**	–	–	–	–	**(432,434)**	–	–	–
Cash dividends	–	–	–	–	–	–	–	**(398,841,075)**	**(398,841,075)**	**(1,060,000)**	**(399,901,075)**
Balances at December 31, 2023	**₱1,023,456,698**	**₱8,339,452**	**(₱125,169,500)**	**(₱79,876,405)**	**₱51,053,039**	**(₱30,252,298)**	**₱7,354,810,254**	**₱10,078,329,275**	**₱18,280,690,515**	**₱1,357,374,380**	**₱19,638,064,895**
Balances at January 1, 2022	₱1,023,456,698	₱8,339,452	(₱94,016,067)	(₱56,940)	₱4,643,039	(₱25,128,554)	₱6,198,363,882	₱8,198,858,365	₱15,314,459,875	₱1,063,833,603	₱16,378,293,478
Total comprehensive income	–	–	–	7,180,933	21,874,475	–	–	1,595,263,961	1,624,319,369	110,928,004	1,735,247,373
Appropriation for business expansion	–	–	–	–	–	–	2,250,000,000	(2,250,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	(1,627,466,400)	1,627,466,400	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	248,037,487	248,037,487
Cash dividends	–	–	–	–	–	–	–	(444,282,550)	(444,282,550)	(8,600,000)	(452,882,550)
Balances at December 31, 2022	₱1,023,456,698	₱8,339,452	(₱94,016,067)	₱7,123,993	₱26,517,514	(₱25,128,554)	₱6,820,897,482	₱8,727,306,176	₱16,494,496,694	₱1,414,199,094	₱17,908,695,788
Balances at January 1, 2021	1,023,456,698	8,339,452	(96,181,114)	(13,035,095)	2,862,209	(25,128,554)	5,213,900,230	7,674,801,422	13,789,015,248	867,869,497	14,656,884,745
Total comprehensive income	–	–	2,165,047	12,978,155	1,780,830	–	–	1,866,730,439	1,883,654,471	367,735,306	2,251,389,777
Appropriation for business expansion	–	–	–	–	–	–	1,950,000,000	(1,950,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	(965,536,348)	965,536,348	–	–	–
Acquisition of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	48,945,373	48,945,373
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	55,847,573	55,847,573
Loss of control of a subsidiary	–	–	–	–	–	–	–	–	–	(500,000)	(500,000)
Cash dividends	–	–	–	–	–	–	–	(358,209,844)	(358,209,844)	(276,064,146)	(634,273,990)
Balances at December 31, 2021	₱1,023,456,698	₱8,339,452	(₱94,016,067)	(₱56,940)	₱4,643,039	(₱25,128,554)	₱6,198,363,882	₱8,198,858,365	₱15,314,459,875	₱1,063,833,603	₱16,378,293,478

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,574,298,521**	₱1,794,288,597	₱2,399,590,790
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(2,044,341,881)**	(1,941,357,383)	(1,838,491,265)
Depreciation and amortization (Notes 11, 13, and 24)	**507,022,240**	430,230,964	360,827,821
Finance costs on loans (Note 15)	**363,678,611**	259,880,671	165,305,661
Interest income (Note 6)	**(122,987,590)**	(60,071,043)	(22,961,585)
Gain on fair value remeasurement of investment properties (Note 12)	**(121,433,200)**	(60,394,600)	(106,361,400)
Gain on bargain purchase (Note 13)	**(64,685,699)**	–	(32,120,469)
Pension expense (Note 19)	**22,261,768**	20,731,159	22,223,302
Unrealized foreign exchange loss (gains)	**9,616,307**	(53,842,288)	(16,129,762)
Finance costs on lease liabilities (Note 24)	**1,108,626**	10,826,959	52,513,071
Gain on disposal of property and equipment (Note 17)	**(650,300)**	(639,207)	(3,101,818)
Non-cash donation expense (Note 11)	**–**	8,482,143	–
Gain on disposal of an associate (Notes 1 and 10)	–	–	(3,684,540)
Gain on loss of control of a subsidiary (Notes 1 and 10)	–	–	(3,079,734)
Operating income before working capital changes	**1,123,887,403**	408,135,972	974,530,072
Decrease (increase) in:			
Trade and other receivables	**477,966,796**	(510,762,517)	(235,835,774)
Inventories	**26,802,524**	(25,045,097)	73,650,755
Prepayments and other current assets	**(238,018,513)**	(121,272,673)	(44,969,824)
Increase (decrease) in trade and other payables	**(786,196,878)**	376,164,748	120,888,620
Net cash generated from operations	**604,441,332**	127,220,433	888,263,849
Interest paid	**(262,129,493)**	(281,763,405)	(199,430,760)
Income taxes paid	**(133,301,800)**	(94,273,379)	(180,075,218)
Contributions to the retirement fund (Note 19)	**(6,718,787)**	(6,755,102)	(30,853,258)
Benefits paid out of operating funds (Note 19)	**(327,000)**	(83,571)	–
Net cash flows from (used in) operating activities	**201,964,252**	(255,655,024)	477,904,613
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates and joint ventures (Note 10)	**1,788,544,553**	1,375,935,658	1,755,155,896
Additions to property, plant and equipment (Note 11)	**(1,678,727,744)**	(2,610,405,413)	(721,327,849)
Decrease (increase) in other noncurrent assets	**(595,496,058)**	(58,417,375)	10,738,517
Additional investments and advances to associates and joint ventures (Note 10)	**(251,169,255)**	(68,400,000)	(49,742,306)
Interest received	**111,720,696**	56,534,070	20,397,915
Net cash outflow from business combinations (Note 13)	**(3,035,775)**	–	(392,811,115)
Proceeds from:			
Disposal of property, plant and equipment (Note 11)	**650,300**	1,960,320	3,627,540

(Forward)

	Years Ended December 31		
	2023	2022	2021
Disposal of an equity interest in an associate (Note 10)	**₱–**	₱–	₱33,225,513
Disposal of financial assets at FVOCI	**–**	–	2,620,000
Additions to financial assets at FVOCI (Note 13)	**–**	(270,000,000)	(94,000,000)
Cash in subsidiary whose control was lost (Notes 1 and 10)	**–**	–	(560,316)
Net cash flows used in investing activities	**(627,513,283)**	(1,572,792,740)	567,323,795
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans (Note 15)	**1,785,384,762**	1,663,345,070	4,506,974,410
Payments of:			
Loans (Note 15)	**(1,450,528,534)**	(353,477,270)	(3,945,898,260)
Cash dividends (Note 21)	**(401,876,299)**	(451,479,873)	(632,912,067)
Lease liabilities (Note 24)	**(17,474,599)**	(76,233,373)	(298,971,986)
Net proceeds (payments) of advances from related parties (Note 26)	**73,466,973**	(12,254,278)	31,295,643
Acquisition of noncontrolling interests (Note 21)	**(64,623,415)**	–	–
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**–**	248,037,487	55,847,565
Net cash flows from (used in) financing activities	**(75,651,112)**	1,017,937,763	(283,664,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(501,200,143)**	(810,510,001)	761,563,713
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(9,616,307)**	53,842,288	16,129,762
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	**4,893,357,226**	5,650,024,939	4,872,331,464
Restricted cash (Notes 9 and 13)	**2,003,880**	2,003,311	2,002,202
	4,895,361,106	5,652,028,250	4,874,333,666
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	**4,382,540,776**	4,893,357,226	5,650,024,939
Restricted cash (Notes 9 and 13)	**2,003,880**	2,003,880	2,003,311
	₱4,384,544,656	₱4,895,361,106	₱5,652,028,250

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company is listed in the Philippine Stock Exchange using the symbol VVT. Vivant is the ultimate parent of the Group.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.84%. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution, retail electricity supply, electrical engineering services, water infrastructure and real estate.

The principal office address of the Parent Company is currently located at 9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as at December 31, 2023 and 2022:

	2023		2022	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	**–**	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00 (n)**	**–**	100.00 (n)	–
Vivant Realty Ventures Corporation (VRVC)	**–**	**100.00 (q) (r)**	–	100.00 (q) (r)
Vivant Corporate Center, Inc. (VCCI)	**–**	**100.00 (q) (w)**	–	100.00 (q) (w)
Vivant Infracore Holdings Inc. (VIHI)	**100.00 (v)**	**–**	100.00 (v)	–
Vivant Hydrocore Holdings Inc. (VHHI)	**–**	**100.00 (y) (bb)**	–	100.00 (y) (bb)
Vivant Transcore Holdings Inc. (VTHI)	**–**	**100.00 (y) (bb)**	–	100.00 (y) (bb)
Isla Mactan Cordova Corporation (IMCC)	**–**	**100.00 (p) (cc)**	–	100.00 (p) (cc)
Watermatic Philippines Corporation (WMP)	**–**	**60.00 (z) (cc)**	–	60.00 (z) (cc)
Watermatic Southeast Asia, Ltd. (WMP SEA)	**–**	**60.00(ee) (ff)**	–	60.00(ee) (ff)
Northern Metro Cebu Water Corporation (NMCWC)	**–**	**100.00(cc) (jj)**	–	100.00(cc) (jj)
Vivant Energy Corporation (VEC)	**100.00**	**–**	100.00	–
Vivant Integrated Generation Corporation (VIGC)	**–**	**100.00 (a)**	–	100.00 (a)
Vivant Geo Power Corp. (VGPC)	**–**	**100.00 (b) (g)**	–	100.00 (b) (g)
Delta P Hybrid, Inc. (DPHI; formerly Vivant Isla Inc.)	**–**	**100.00 (a) (h)**	–	100.00 (a) (h)
Vivant Renewable Energy Corporation (VREC)	**–**	**100.00 (a) (f)**	–	100.00 (a) (f)
Corenergy Inc. (Core)	**–**	**100.00 (a)**	–	100.00 (a)
Vivant Integrated Diesel Corporation (VIDC)	**–**	**100.00 (a) (i)**	–	100.00 (a) (i)
Isla Norte Power Corp. (INPC)	**–**	**100.00 (e) (mm)**	–	65.00 (e) (mm)

(Forward)

	2023		2022	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Southern Powercore Holding Corp. (SPHC)	–	**100.00 (b) (s)**	–	100.00 (b) (s)
Amberdust Holding Corporation (AHC)	–	**100.00 (a) (t)**	–	100.00 (a) (t)
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00 (a)**	–	67.00 (a)
1590 Energy Corp. (1590 EC)	–	**55.20 (a)**	–	55.20 (a)
Vivant Solar Corporation (VSC)	–	**100.00 (a) (x)**	–	100.00 (a) (x)
Corenergy Solar Solutions Corporation (CSSC)	–	**100.00 (a) (d)**	–	100.00 (a) (d)
Bukidnon Power Corporation (BPC)	–	**90.00(gg) (ii)**	–	90.00(gg) (ii)
North Bukidnon Power Corporation (NBPC)	–	**90.00(hh) (ii)**	–	90.00(hh) (ii)
Culna Renewable Energy Corp. (CREC)	–	**100.00 (b) (u)**	–	35.00 (b) (u)
Calamian Islands Power Corp. (CIPC)	–	**100.00 (a)**	–	50.00 (a)
Delta P, Inc. (Delta P)	–	**100.00 (a)**	–	50.00 (a)
La Pampanga Energy Corp (LPEC)	–	**100.00 (a) (l)**	–	50.00 (a) (l)
San Ildefonso Alternative Energy Corp (SIAEC)	–	**100.00 (a) (nn)**	–	–
Meridian Power, Inc. (MPI)	–	**100.00 (a) (oo)**	–	–
San Pablo Renewable Energy Corp (SPREC)	–	**100.00 (a) (pp)**	–	–
Spark Grid Corp (SGC)	–	**100.00 (a) (qq)**	–	–
Avant Energy Corp (AEC)	–	**100.00 (a) (ss)**	–	–
Adequate Power, Inc. (API)	–	**100.00 (a) (rr)**	–	–
Bai Energy Corp (BEC)	–	**100.00 (a) (tt)**	–	–
South Cebu Energy Corp. (SCEC)	–	**100.00 (a) (j)**	–	–
SolEnergy Generation Corp (SEGC)	–	**100.00 (a) (m)**	–	–
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81**	**–**	34.81	–
Prism Energy, Inc. (PEI)	–	**40.00 (a)**	–	40.00 (a)
Abovant Holdings, Inc. (AHI)	–	**40.00 (c)**	–	40.00 (c)
Cebu Private Power Corporation (CPPC)	–	**40.00 (a)**	–	40.00 (a)
Minergy Power Corporation (MPC)	–	**40.00 (c)**	–	40.00 (c)
Therma Visayas, Inc. (TVI)	–	**20.00 (c)**	–	20.00 (c)
Lunar Power Core Inc. (LPCI)	–	**42.50 (c) (k)**	–	42.50 (c) (k)
Global Luzon Energy Development Corporation (GLEDC)	–	**42.50 (c) (o)**	–	42.50 (c) (o)
Lihangin Wind Energy Corp (LWEC)	–	**40.00 (b) (aa)**	–	40.00 (b) (aa)
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	–	**45.00 (cc) (dd)**	–	45.00 (cc) (dd)
Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC)	–	**40.31(kk) (ll)**	–	40.31(kk) (ll)

a. *Indirect ownership through VEC*
b. *Indirect ownership through VREC*
c. *Indirect ownership through VIGC*
d. *Incorporated January 11, 2017. Ownership interest in ETEI is through VSC. Changed its corporate name from ET Energy Inc. (ETEI) to Corenergy Solar Solutions Corporation (CSSC) on August 26, 2021.*
e. *Indirect ownership through VIDC.*
f. *Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.*
g. *Incorporated on April 23, 2014*
h. *Incorporated on July 11 2014. Changed its corporate name from Vivant Isla Inc. (VII) to Delta P Hybrid, Inc. on February 16, 2022.*
i. *Incorporated on August 7, 2015*
j. *Incorporated May 23, 2023*
k. *Incorporated on June 10, 2016*
l. *Incorporated on May 26, 2016. Changed its corporate name from Vivant Enercore Integrated, Inc. to La Pampanga Energy Corporation (LPEC) on January 13, 2021.*
m. *Incorporated June 21, 2023*
n. *Incorporated on December 8, 2004*
o. *Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI.*
p. *Incorporated on August 14, 2020*
q. *Indirect ownership through SGPDC*
r. *Incorporated May 19, 2017*
s. *Incorporated April 20, 2017*
t. *Incorporated August 16, 2017*
u. *Incorporated April 12, 2017*
v. *Incorporated December 18, 2018*
w. *Incorporated October 10, 2018.*
x. *Incorporated April 4, 2018. Changed its corporate name from ET-Vivant Solar Corporation (EVC) to VSC on November 9, 2020.*
y. *Incorporated May 20, 2019*

	2023		2022	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect

z. Incorporated July 23, 2019
aa. Incorporated January 24, 2017. Changed its corporate name from 6 Barracuda Energy Corp. (6 Barracuda) to LWEC on June 15, 2020
bb. Indirect ownership through VIHI
cc. Indirect ownership through VHHI
dd. Incorporated August 31, 2018
ee. Incorporated on July 1, 2021
ff. Indirect ownership through WMP
gg. Incorporated September 23, 2014
hh. Incorporated October 10, 2016
ii. Indirect ownership through AHC
jj. Incorporated March 18, 2021
kk. Incorporated November 8, 2018
ll. Indirect ownership through FLOWS
mm. Incorporated February 14, 2022
nn. Incorporated February 18, 2016.
oo. Incorporated April 11,2023. Changed its Corporate name from Central Cebu Transitional Power Corporation.
pp. Incorporated March 29, 2023
qq. Incorporated April 12, 2023.
rr. Incorporated June 7, 2023.
ss. Incorporated May 17, 2023.
tt. Incorporated June 13, 2023

Subsidiaries

Except for 1590 EC, INPC, VMHI, Core, VII, VGPC, VIDC, CSSC, BPC, NBPC, WMP, IMCC, NMCWC, Delta P, CIPC, CREC, LPEC, SIAEC and MPI, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution, and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. INPC is operating a diesel power plant in Bantayan, Cebu. BPC and NBPC are operating diesel-fired power plants in Bukidnon. Core is operating as a retail electricity supplier and engineering services provider. Delta P is operating an oil-fired power generation plant in Puerto Princesa, Palawan. CIPC is operating diesel-fired power generation plants in Coron and Busuanga. SIAEC is in its development stage of solar plant facility in Bulacan. MPI is operating an oil-fired power plant in Cebu. LPEC is in its pre-operating stage of building an oil-fired plant in Pampanga. CREC is in its pre-operating stage of building hybrid facilities in Culion and Linapacan islands. WMP provides engineering services, mainly for water infrastructure projects. IMCC and NMCWC are in its pre-operating stage of building a seawater desalination facility.

The following sets out brief information of the Parent Company’s subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in the business of an investment company, or dealer or broker in securities.

SGPDC
SGPDC was incorporated on December 8, 2004 with a primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of SGPDC's secondary purposes is to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for its protection or benefit. These amendments made in SGPDC's Articles of Incorporation (AOI) were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper.

VRVC
VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2023, VRVC is recognizing rental income from the purchased investment property (see Note 12).

VCCI
VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2023, VCCI has not yet started its operations.

VIHI
VIHI was incorporated on December 18, 2018 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2023, VIHI is operating as a holding company for VTHI and VHHI.

VHHI
VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign,

without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2023, VHHI is operating as a holding company for WMP, IMCC, NMCWC, and FLOWS, a holding company.

VTHI

VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2023, VTHI has not yet started its operations.

IMCC

IMCC was incorporated on August 14, 2020 and its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, wastewater treatment facility and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

As of December 31, 2023, IMCC is in its development stage.

WMP

WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and wastewater treatment plant to be owned by WMP or for third parties. WMP also engages into bulk water supply agreements using water sourced from ground water, surface water, or desalinated water.

As of December 31, 2020, WMP has already started its operations.

WMP SEA

WMP SEA was incorporated on July 1, 2021 according to the Companies Law 5769-1999, as a limited liability company under the laws of the Republic of Israel. Its primary purpose is to buy and sell products for wastewater and wastewater treatment projects.

As of December 31, 2021, WMP SEA has already started operations.

NMCWC

NMCWC was incorporated and registered with the SEC on March 18, 2021. Its primary purpose is to develop, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, wastewater treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Philippines

As of December 31, 2023, NMCWC has not yet started operations.

VEC
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, TVI, DPHI, INEC, INPC, LPEC, and VIDC entities engaged in the power generation business and PEI and Core, entities engaged in the retail electricity supply. Core is also engaged in engineering services. VEC also has direct equity shareholdings on holding entities namely VIGC and VREC.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in MPC, TVI and LPCI, entities engaged in the power generation business and AHI, a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2023, VGPC is still in the pre-operating stage.

DPHI
DPHI, formerly VII, was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding, and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2022, DPHI is still in the pre-operating stage.

On February 16, 2022, the application the change the name of VII to Delta P Hybrid, Inc. was approved by the SEC.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VGPC, SPHC, AHC, VSC, CREC, and LWEC as of December 31, 2023.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end-users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2023, Core has entered into retail supply contract and engineering service contracts with various customers.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2023, VIDC is the holding company of INEC and INPC.

INEC
INEC was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system.

As of December 31, 2021 and prior to the merger with Isla Norte Power Corporation (INPC) on December 29, 2022, INEC is effectively 65%-owned by VEC and 35%-owned by GPI through a consortium formed by VIDC.

INEC started its interim commercial operations on August 11, 2020, and the same ended on August 10, 2021. This stems from the signing of the Interim Power Supply Agreement (IPSA) with Bantayan Island Electric Cooperative Inc. (BANELCO) to supply a portion of its energy requirement. This operation, emergency in nature, is independent and different from the 15-year Power Supply Agreement (PSA) with BANELCO, which is yet to commence commercial operations as of December 31, 2022 (see Note 23).

Pending the approval of INEC's Power Supply Agreement (PSA) application, the Energy Regulatory Commission (ERC) issued a Notice of Resolution dated November 4, 2021 that contained a directive to Bantayan Electric Cooperative, Inc. (BANELCO) to source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area. Thus, on November 7, 2021, INEC and BANELCO signed an IPSA for a period of 90 days, reckoned from the date of the issuance of the resolution, to supply the whole of BANELCO's energy requirement.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

INPC
Isla Norte Power Corporation (INPC) was incorporated on February 14, 2022. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system, and selling and/or trading electricity for light, heat and power purposed within the cities, municipalities, and provinces of the Philippines.

On May 9, 2022, the members of the respective boards of directors of INEC and INPC, separately and unanimously approved a plan of merger with INPC as the surviving entity. The plan and articles of merger was approved by SEC on December 29, 2022.

The terms further provide that INPC shall become the owner of the rights, assets, privileges and other properties of INEC and shall assume all the debts and liabilities of the same as of the effective merger date in the manner as though the Company has itself incurred such liabilities and obligations.

On December 29, 2022, upon effective date of the merger, INEC ceased to exist, yet its operations continued under INPC.

In 2023, VEC and VIDC acquired the remaining interest of GPI in INPC for a total consideration of ₱169.6 million, resulting in 100% ownership by the Group in INPC (see Note 21).

The registered office of INPC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC

SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2022, SPHC has not yet started its commercial operations.

The registered office of SPHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

AHC

AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2022, AHC is the holding company of BPC and NBPC.

In May 2021, AHC in partnership with VEC acquired 9% ownership in BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively. Further, AHC acquired 9% ownership in NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

On June 28, 2021, VREC assigned its 45,000 common shares in AHC with par value of ₱1.00 per share to VEC.

The registered office of AHC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

VMHI

VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

On March 8, 2017, bidding for the award of the Engineering, Procurement, Construction and Commissioning (“EPCC”) contract was conducted. However, the National Grid Corporation of the Philippines (NGCP) issued a prohibition to the power plants from connecting to the Negros Island Grid. Such prohibition is expected to be in place until NGCP’s 230 kV backbone project is expected to be completed and ready to accommodate new capacity.

As of December 31, 2023, notwithstanding the successful bidding, the Company has withheld the awarding of the EPCC contract to implement the detailed engineering design since NGCP has not yet completed the construction of its 230 kV backbone project.

The registered office of VMHI is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

1590 EC

1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings, Inc. (ICS), among others.

The registered office of 1590 EC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

On April 6, 2022, 1590 EC acquired the Buang Diesel Power Plant (BDPP) as the highest bidder during the public auction of the power plant following a post qualification evaluation. On April 19, 2022, 1590 EC and the PGLU signed the deed of transfer and conveyance (see Note 23).

VSC

VSC, formerly ET Vivant, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperatives and other off-takers and selling and/or trading electricity for light, heat and power purposes. VSC has direct equity shareholding in CSSC, an entity engaged in the solar power generation business. In 2021, VSC has started its commercial operations.

On November 9, 2020, the application to change the name of ET Vivant to VSC was approved by the SEC.

CSSC

CSSC, formerly ET Energy Island Corporation (ETEI), was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. In January 2019, CSSC has started its commercial operations.

On August 26, 2021, the application to change the name of ETEI to CSSC on August 26, 2021 was approved by the SEC.

BPC

BPC was incorporated to develop, construct, erect assemble, commission, own, operate, maintain, rehabilitate, and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. BPC has two (2) operating power plants in Bukidnon and have started commercial operations on February 26, 2016 for Plant 1 and February 26, 2017 for Plant 2.

On October 16, 2014, BPC entered into a PSA with First Bukidnon Electric Cooperative (FIBECO) to supply a maximum of 4.4 MW from its 2 x 2.4 MW power plant located at Barangay Barandias, Bukidnon at a specific contract rate for a period of 15 years commencing from March 15, 2015. ERC has granted a provisional approval on its rate application on August 3, 2015. The second power supply agreement was entered into with FIBECO on July 24, 2015 for a contracted capacity of 2 MW from its 2.5 MW Fuel power plant located at Barangay Mabuhay, San Fernando, Bukidnon, for a period of 15 years starting from April 15, 2016. ERC's final approval on its rate application was dated June 6, 2017.

In May 2021, VEC and AHC acquired 81% and 9% ownership of BPC equivalent to 66,825,000 and 7,425,000 common stocks with par value of ₱1.00 per share, respectively.

The registered office address of BPC is at National Highway Barandias, Pangantucan, Bukidnon.

NBPC

NBPC was incorporated to develop, construct, erect, assemble, commission, own, operate, maintain, rehabilitate and manage facilities used in the generation of electricity including but not limited to facilities that utilize renewable energy sources and other power generating plants and related facilities. NBPC has started its commercial operations on September 26, 2018.

In May 2021, 2021, VEC and AHC acquired 81% and 9% ownership of NBPC equivalent to 9,720,000 and 1,080,000 common stocks with par value of ₱10.00 per share, respectively.

The registered office address of NBPC is at 2nd Floor Z-Gas Building, Purok 6A, South Poblacion, Maramag, Bukidnon.

CIPC

CIPC was incorporated on October 19, 2010 primarily to engage in the business of owning, acquiring, commissioning, operating and selling power generation facilities and related facilities, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. Currently, CIPC operates an 8 MW bunker and 0.75 MW diesel-fired power generation plants in the municipalities of Coron and Busuanga, respectively.

On June 1, 2023, VEC entered into a share purchase agreement with GPI to acquire its common and preferred shares in CIPC for a consideration of ₱172.0 million, which resulted to a 100% ownership of the Group (see Note 13).

The registered principal office of CIPC is at Sitio Lilibutin, Barangay Guadalupe Coron, Palawan, Philippines 5316.

Delta P

Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan.

On June 1, 2023, VEC entered into a share purchase agreement with GPI to acquire its common and preferred shares in Delta P for a consideration of ₱272.9 million, which resulted to an increase in the Group's ownership interest in Delta P to 100% (see Note 13).

The registered principal office of Delta P is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

LPEC

La Pampanga Energy Corp (LPEC), formerly Vivant Enercore Integrated, Inc. (VEII), was incorporated on May 26, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2022, LPEC is still in the pre-operating stage.

On January 13, 2021, the application to change the name of VEII to LPEC was approved by the SEC. On June 1, 2023, the Group entered into a share purchase agreement with GPI to acquire its shares equivalent to 6,250,000 common shares and 51,750,000 preferred shares with par value of ₱1 per share for a consideration of ₱41.1 million, which resulted to 100% ownership of the Group.

In 2021, VEC entered into a joint venture with GPI which resulted to a 50% ownership in LPEC and reclassification of the investment from a subsidiary to a joint venture. As a result of the dilution, the Group recognized gain amounting to ₱3.7 million and presented as “Gain on loss of control of a subsidiary” in the statement of comprehensive income. ₱39.3 million of the net gain is attributable to the measurement of the retained interest in the former subsidiary at fair value when control was lost.

CREC

CREC, an associate through VREC, was registered on April 12, 2017 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2023, CREC has not yet started its commercial operations.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell its entire investment in SREC and acquire additional shares in CREC. The agreement resulted to VREC’s and VEC’s acquisition of 938 common stocks and 2,812 preferred stocks with par value of ₱1,000.00 per share in CREC, respectively.

On June 1, 2023, VEC entered into a share purchase agreement with Gigawatt Power, Inc. (GPI) to acquire its shares equivalent to 9,375 preferred shares with par value of ₱1,000 per share for a consideration of
₱6.5 million resulting to an increase of the Group’s ownership interest to 100%.

The registered principal office of CREC is at Sitio Lilibutin, Barangay Guadalupe, Coron, Palawan 5316.

SIAEC

SIAEC was incorporated on February 18, 2016 with the primary purpose to engage in the business of development, investment, acquisition, construction, operation and maintenance, and sale of renewable energy facilities including generation of heat and power, sales and distribution. As of December 31, 2023, SIAEC has not yet started its commercial operations.

On February 3, 2023, VEC acquired 100% ownership of SIAEC from Cleantech Global Renewables, Inc. representing 1,250,004 common shares for a consideration of ₱5.0 million and advanced ₱381.8 million to be applied against future issuance of common stock.

The registered office of SIAEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

MPI

MPI, formerly Central Cebu Transitional Power Corporation, was incorporated on April 11, 2023 with the primary purpose to engage in the business of establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system, and selling and/or trading electricity for light, heat and power. MPI started its commercial operations in August 2023.

The registered office of MPI is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SPREC

SPREC was incorporated on March 29, 2023 with the primary purpose to establish, maintain, own and operate geothermal, hydroelectric, solar, wind and other renewable electricity generating facilities and to sell to the general public electricity for light, heat and power. As of December 31, 2023, SPREC has not yet started its commercial operations.

The registered office of SPREC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SGC

SGC was incorporated on April 12, 2023 with the primary purpose to establish, maintain, own and operate geothermal, hydroelectric, solar, wind and other renewable electricity generating facilities and to sell to the general public electricity for light, heat and power. As of December 31, 2023, SGC has not yet started its commercial operations.

The registered office of SGC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

API

API was incorporated on June 7, 2023 with the primary purpose to establish, maintain, own and operate geothermal, hydroelectric, solar, wind and other renewable electricity generating facilities and to sell to the general public electricity for light, heat and power. As of December 31, 2023, API has not yet started its commercial operations.

The registered office of API is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

AEC

AEC was incorporated on May 17, 2023 with the primary purpose to establish, maintain, own and operate geothermal, hydroelectric, solar, wind and other renewable electricity generating facilities and to sell to the general public electricity for light, heat and power. As of December 31, 2023, AEC has not yet started its commercial operations.

The registered office of AEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

BEC
BEC was incorporated on June 13, 2023 with the primary purpose to engage in business of exploring, developing and utilizing renewable energy resources and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system, and selling and/or trading electricity for light, heat and power. As of December 31, 2023, BEC has not yet started its commercial operations.

The registered office of BEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SEGC
SEGC was incorporated on June 21, 2023 with the primary purpose to establish, maintain, own and operate geothermal, hydroelectric, solar, wind and other renewable electricity generating facilities and to sell to the general public electricity for light, heat and power. As of December 31, 2023, SEGC has not yet started its commercial operations.

The registered office of SEGC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SCEC
SCEC was incorporated on May 23, 2023 with the primary purpose to engage in business of exploring, developing and utilizing renewable energy resources and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system, and selling and/or trading electricity for light, heat and power. As of December 31, 2023, SCEC has not yet started its commercial operations.

The registered office of SCEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Associates. VECO, PEI, AHI, CPPC, MPC, TVI, LPCI, GLEDC, LWEC, FLOWS, and PPWRLC qualify as associates of the Group.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. On April 26, 2017, PEI began its operations providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

PEI's registered principal office address is at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City, Philippines.

AHI

AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Business Power Corp. (Global Power) and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own Cebu Energy Development Corporation (CEDC), a 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

Its principal place of business is located at Aboitiz Corporate Center, Gov. Manuel Cuenco Avenue, Kasambagan, Cebu City, Philippines.

CPPC

CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fired power generating plant.

The registered office address of CPPC, which is also its principal place of business, is Old VECO Compound, Barangay Ermita, Carbon, Cebu City.

MPC

MPC (formerly Minergy Coal Corporation) was registered with SEC on February 18, 2013, primarily to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the generation and supply of power utilizing any fuel or energy source.

In the first quarter of 2014, MPC began construction of a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In September 2017, MPC started its operations.

The registered office of MPC is at Brgy. Mandangoa, Balingasag, Misamis Oriental.

TVI

TVI was registered with SEC on October 15, 1997, primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises, water and other rights, privileges, easements, estates, interests and mineral properties of every kind and description. The power plant started its operations in April 2019.

The registered principal office of TVI is at Barangay Bato, Toledo City, Cebu.

LPCI

LPCI was registered with SEC on June 10, 2016 and is primarily engaged in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources. As of December 31, 2023, LPCI has not started its commercial operations.

The registered office of LPCI is at 22F GT Tower International 6813 Ayala Avenue cor. H.V. dela Costa St, Makati City 1227.

GLEDC
GLEDC, a wholly owned subsidiary of LPCI, was registered with SEC on January 31, 2013. It is primarily engaged in the general business of generating power derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric, and other viable sources of power, for lighting and power purposes and whole selling the electric power to electric cooperatives, distribution utilities, and industrial customers. As of December 31, 2023, GLEDC has not started its commercial operations.

The registered office of GLEDC is at 22nd Flr GT Tower International, Ayala Avenue Corner H.V. Dela Costa St. Bel-air, Makati City.

LWEC
LWEC, formerly 6 Barracuda, an associate through VREC, was incorporated and registered in the Philippine SEC on January 24, 2017. It is engaged in all aspects of exploration, assessment, development and utilization of renewable energy resources, including the procurements, acquisition, importation, construction, installation, erection, ownership, lease, operation and maintenance of edifices, structures, facilities, materials, machinery and equipment, for or related to generation and sale of power.

As of December 31, 2023, LWEC has not started commercial operations.

The registered office of LWEC is at 21/F Tower 6789 Ayala Ave., Bel-Air Makati, Metro Manila.

FLOWS
FLOWS, an associate of VHHI, was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided that, FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts.

FLOWS has an 89.58% direct ownership interest in PPWRLC.

The registered principal office of FLOWS is at 37 Taft Street, Barangay Maligaya, Puerto Princesa City, Palawan.

PPWRLC
Puerto Princesa Water Reclamation and Learning Center, Inc. (the "Company") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on November 8, 2018. The Company's primary purpose is to engage in the activities of an operator, contractor and/or agent of the City of Puerto Princesa in providing septage, sewerage and sanitation services and to engage in the development, construction, operation, and maintenance of sewage and/or septage treatment plants which may also act as a tourist attraction and learning center for environmental protection. FLOWS has an 89.58% direct ownership interest in PPWRLC.

The Company already started its commercial operations on January 1, 2022. The Company's registered principal place of business is at Maligaya, Puerto Princesa City (Capital), Palawan, Region IV-B, Philippines, 5300.

Authorization to Issue the Consolidated Financial Statements. The consolidated financial statements of the Group as of and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2024.

2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVOCI and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest Peso, except as otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The Group controls an investee if and only if the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Accounting for Loss of Control
When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, including any non-controlling interests in the former subsidiary at the date control is lost, and components of other comprehensive income attributable to them. The Group also recognizes any investment retained in the former subsidiary at its fair value when control is lost. The Group subsequently accounts for any retained interests and for any amount owed by or to the former subsidiary in accordance with other relevant PFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes a gain or loss associated with the loss of control attributable to the former controlling interest.

The Group accounts for all amounts previously recognized in other comprehensive income in relation to former subsidiaries on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments, Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide nonmandatory guidance.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Income Taxes*, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the consolidated financial statements (and interest expense) or to the related asset component (and interest expense).

The adoption of the amendments did not result to material prior period adjustments; hence the financial statements of prior period have not been restated. The Group recognized a deferred income tax liability on gross right-of-use assets amounting to ₱4.8 million for new leases entered into during the year but did not recognize the corresponding deferred income tax assets on the lease liability because management believes that the Group will not have sufficient taxable income when the temporary deductible differences reverse (see Note 20).

- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as “Pillar Two legislation” and “Pillar Two income taxes”, respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability’s classification as current or noncurrent;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Leases, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

  The amendments are not expected to have a material impact on the financial statements of the Group.

- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*, *Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

  The amendments are not expected to have a material impact on the financial statements of the Group.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, *Lack of Exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

  The amendments are not expected to have a material impact on the financial statements of the Group.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. **Material Accounting Policy Information**

Current and Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, notes payable and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, advances from related parties, notes payable and investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Assets and Financial Liabilities

Financial Instruments - Initial Recognition and Subsequent Measurement

- *Classification of Financial Assets*. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:
  - Financial assets measured at amortized cost;
  - Financial assets measured at fair value through profit or loss (FVPL);
  - Financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
  - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

- *Contractual Cash Flows Characteristics*. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

  In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

- *Business Model*. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

  The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

- *Financial Assets at Amortized Cost.* A debt financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for bad debts" in the consolidated statement of comprehensive income.

As at December 31, 2023 and 2022, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to associates, joint ventures and stockholders, and other receivables included under "Other noncurrent assets" such as advances to suppliers and other parties, due from RFM Corporation, and security deposits and restricted cash under "Other current assets" (see Notes 6, 7, 9, 13 and 16).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

  Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

  The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

  - the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
  - a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
  - the hybrid or combined instrument is not recognized as at FVPL.

  For derivatives embedded in financial asset host contracts, the Group applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

  Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

As at December 31, 2023 and 2022, the Group has no financial assets at FVPL.

- *Financial Assets at FVOCI*. A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

  The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

  Dividends are recognized in profit or loss only when:
  - the Group's right to receive payment of the dividend is established;
  - it is probable that the economic benefits associated with the dividend will flow to the Group; and,
  - the amount of the dividend can be measured reliably.

  As at December 31, 2023 and 2022, the Group has financial assets at FVOCI amounting to ₱426.6 million and ₱397.7 million, respectively, and is presented as part of "Other noncurrent assets" account in Group's consolidated statements of financial position (see Note 13).

- *Classification of Financial Liabilities*. Financial liabilities are measured at amortized cost, except for the following:
  - Financial liabilities measured at fair value through profit or loss;
  - Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
  - Financial guarantee contracts;
  - Commitments to provide a loan at a below-market interest rate; and,
  - Contingent consideration recognized by an acquirer in accordance with PFRS 3.

  A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

  - if a host contract contains one or more embedded derivatives; or,

- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group's financial liabilities include trade and other payables, notes payable and advances from related parties.

- *Impairment of Financial Assets.* Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

  The Group recognizes ECL on debt instruments that are measured at amortized cost.

  No ECL is recognized on equity investments.

  ECLs are measured in a way that reflects the following:
  - an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
  - the time value of money; and,
  - reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

  Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

  - *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

  - *Stage 2: Lifetime ECL - not credit-impaired*. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

  - *Stage 3: Lifetime ECL - credit-impaired*. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

- *Determination of the Stage for Impairment*. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

  An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

- *Simplified Approach.* The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

  The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

- *Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

  - the rights to receive cash flows from the asset have expired;

  - the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

- *Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

<u>Investments in Associates and Interests in Joint Ventures</u>
An associate is 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.

A joint venture is a type of joint arrangement 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 exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and interests in joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments and Other Current Assets
Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead, such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred. Land is measured at cost less any impairment losses. For land transferred from investment properties carried at fair value, the land's deemed cost is its fair value at the date of change in use.

Depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Plant machineries and equipment	5–10
Condominium units, building and improvements	5–40
Transportation equipment	5
Office furniture, fixtures and equipment	2–10
Tools and other assets	3–5
Leasehold and land improvements	3–10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investment Properties

Investment properties, which pertain to land and buildings, are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment of Nonfinancial Assets
As at December 31, 2023 and 2022, the Group has investments in associates and joint ventures, property, plant and equipment, intangible assets and right-of-use assets which are classified as nonfinancial assets subject to impairment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

Equity Reserves. Equity reserves pertain to the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control.

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Contracts with Customers

- *Sale of Power*. For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

  Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is to be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

  Power retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue should be recognized over time based on amounts billed.

- *Management and Service fees.* Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.

- *Engineering Service Income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized overtime when the services are rendered.

For the years ended December 31, 2023, 2022 and 2021, the Group has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield on the assets.

Other Income. Other income includes proceeds from insurance claims, rental income and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property, plant and equipment is recognized as the difference between the consideration and the book value of the property, plant and equipment disposed.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized in the consolidated statements of comprehensive income when incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Pension Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Group records uncertain tax positions on the basis of a two-step process whereby the Group determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Group recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Group records interest and penalties on uncertain tax positions in “Income tax expense (benefit)” account in the consolidated statement of comprehensive income.

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Number of Years
Office space	1–5
Plant and equipment	5
Land	4–5

Right-of-use assets are subject to impairment. Refer to the accounting policies in section on impairment of non-financial assets.

Lease Liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.25 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents.

As at December 31, 2023 and 2022, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group believes that the following represent a summary of these significant accounting estimates and the related impact and associated risks in the consolidated financial statements.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining Fair Value of Customer Contracts as part of a Business Combination. The Group acquired two subsidiaries in 2021 and completed the valuation required by PFRS 3 in 2022 (see Note 13). The subsidiaries at the time of acquisition had existing power supply agreements with electric cooperatives. These signed customer agreements were assessed to qualify as intangible assets as at the acquisition date because they arose from an existing contractual relationship. Management determined the fair value of the customer contracts using the multi-period excess earnings method, using discounted future operating cash flows adjusted by imputed charges on contributory asset charges such as working capital, property, plant and equipment, and the assembled workforce. The discount rates used to discount these adjusted cash flows was based on the NBPC and BPC's WACC at the acquisition date of 9.65% and 9.51%, estimated using the entities' current cost of debt and an estimated cost of equity using the capital asset pricing model.

Management has assessed that no reasonably possible change in the forecasted cash flows, the contributory asset charges, or the components of the discount rate estimate would result in material changes to the fair value of customer contracts determined as of the acquisition date.

The acquisition-date fair value of customer contracts amounted to ₱233.5 million. The intangible assets were amortized over the expected remaining contractual term of the customer contracts as of the acquisition date of 10–12 years. The carrying amount of the intangible assets as of December 31, 2023 and 2022 amounted to ₱178.5 million and ₱199.8 million, respectively (see Note 13).

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis in determining fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 25.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2023, and 2022, the carrying value of the Group's investment properties amounted to ₱1,045.5 million and ₱924.0 million, respectively (see Note 12).

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group.

Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI are disclosed in Notes 1 and 21.

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. The estimated useful lives are also updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱8,272.5 million and ₱5,877.6 million as of December 31, 2023 and 2022, respectively (see Note 11). The carrying value of intangible assets (relating to software costs and customer contracts under "Other noncurrent assets") amounted ₱179.1 million and ₱200.6 million as of December 31, 2023 and 2022, respectively (see Note 13).

Estimating Impairment of Nonfinancial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Investments in associates and joint ventures
- Property, plant and equipment
- Right-of-use assets

PFRSs requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the investments in associates and joint ventures and property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2023	2022
Investments in associates and joint ventures (see Note 10)	**₱10,595,855,907**	₱10,578,321,124
Property, plant and equipment (see Note 11)	**8,272,544,865**	5,877,554,921
Right-of-use assets (see Note 24)	**24,539,068**	22,112,091

In 2023, there were no impairment indicators on the Group’s nonfinancial assets, except for certain property, plant and equipment of a subsidiary (see Note 11). No impairment loss was recognized as a result of the impairment test. In 2022, there were no impairment indicators on the Group’s nonfinancial assets.

Estimating Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In estimating the value in use, the Group estimated revenue based on existing customer contracts, anticipated projects and projected demand, and assumed, for one CGU, a consistent gross margin during the five-year horizon based on the mix of business model arrangements with current and expected customers, and for two other CGUs, a gross margin that varies depending on anticipated demand. The interest rate used to discount the net free cash flows from operations is the weighted average cost of capital (WACC) of 8.94%–9.31% as of December 31, 2023 and 8.74%–10.05% as of December 31, 2022.

As at December 31, 2023 and 2022, the carrying amount of goodwill amounted to ₱142.0 million and ₱129.8 million, respectively (see Note 13).

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

Gross deferred income tax assets amounted to ₱58.5 million and ₱35.1 million as of December 31, 2023 and 2022, respectively (see Note 20).

Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱1,555.0 million and ₱1,589.6 million as of December 31, 2023 and 2022, respectively, and minimum corporate income tax (MCIT) of ₱8.5 million and ₱0.8 million as of December 31, 2023 and 2022, respectively (see Note 20).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management, in consultation with its legal counsel, believes that the likely outcome of these proceedings will not have a material adverse effect on the Group's financial position and operating results.

Management also believes that the current provisions in the accounts are adequate to cover the possible claims that may arise under the current circumstances. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

6. Cash and Cash Equivalents

	2023	2022
Cash on hand and in banks	**₱898,772,610**	₱1,901,784,675
Short-term investments	**3,483,768,166**	2,991,572,551
	₱4,382,540,776	₱4,893,357,226

Cash in banks earn interest at the respective bank deposit rates.

Short-term investments are cash equivalents and are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to ₱119.2 million, ₱60.1 million and ₱23.0 million in 2023, 2022 and 2021, respectively. Accrued interest receivable amounted to ₱20.9 million and ₱10.3 million as of December 31, 2023 and 2022, respectively (see Note 7).

7. Trade and Other Receivables

	2023	2022
Trade receivables:		
Third parties	**₱1,555,955,827**	₱1,216,187,506
Related parties (see Notes 16 and 23)	**20,013,282**	54,540,062
Accrued interest (see Note 6)	**20,945,817**	10,279,936
Advances to officers and employees	**5,694,516**	6,364,939
Accounts receivable (see Note 16)	**182,598**	11,161,303
Dividends receivable (see Notes 10 and 16)	**–**	7,760,000
Others	**81,273,031**	98,406,472
	1,684,065,071	1,404,700,218
Less allowance for impairment losses	**36,404,072**	41,994,023
	₱1,647,660,999	₱1,362,706,195

Trade receivables represent receivables from Independent Electricity Market Operator of the Philippines (IEMOP) for sales to the Wholesale Electricity Spot Market (WESM), Ancillary Services Procurement Agreement (ASPA) with NGCP and bilateral sales contracts with other parties, Power Supply Agreement (PSA), Distribution Wheeling Service (DWS), and Retail Supply Contracts (see Note 23). Trade receivables are noninterest-bearing and generally have credit terms of 30 days (see Note 23). Trade receivables with carrying amount of ₱454.7 million as of December 31, 2023 are held as collateral for Delta P’s long-term debt (see Note 15).

Other receivables are mainly composed of project costs and receivables from former related parties.

The following table shows the movement in the allowance for impairment losses of receivables:

	2023	2022
At January 1	**₱41,994,023**	₱54,272,035
Provision	**410,049**	5,721,988
Recovery (see Note 17)	**(6,000,000)**	(18,000,000)
At December 31	**₱36,404,072**	₱41,994,023

Significant portion of the impairment losses pertains to individually impaired accounts.

8. Inventories - at Cost

	2023	2022
Heavy fuel oil	**₱143,151,140**	₱104,549,735
Light fuel oil	**19,635,006**	14,406,899
Lube oil	**14,833,331**	8,680,422
Spare parts	**187,072,740**	50,083,500
	₱364,692,217	₱177,720,556

The total cost of inventories recognized under “Generation costs” in the consolidated statements of comprehensive income amounted to ₱2,536.0 million, ₱2,392.2 million and ₱938.5 million in 2023, 2022 and 2021, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2023	2022
Input VAT - current	**₱431,774,396**	₱167,475,443
Prepaid expenses	**205,891,052**	74,809,857
Creditable withholding taxes - current	**47,380,505**	63,489,165
Advances to suppliers and other parties	**43,910,119**	107,751,455
Others (see Note 23)	**49,295,033**	32,757,639
	₱778,251,105	₱446,283,559

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations. The non-current portion of these input VAT are presented as part of "Other noncurrent assets" (see Note 13).

Prepaid expenses include payments for the Group's health insurance coverage and for all risks of direct physical loss or damage, including boiler explosion and machinery break down.

Creditable withholding taxes pertain to taxes withheld by the customers on income payments to the companies in the Group from sales of services that can be applied against the companies' income tax liabilities. The non-current portion of these creditable withholding taxes are presented as part of "Other noncurrent assets" (see Note 13).

Advances to suppliers and other parties include down payment for service contractors and advance payments to suppliers for purchases of goods and services for the succeeding year.

"Others" include cash restricted amounting to ₱2.0 million as of December 31, 2023 and 2022 for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU and security deposits paid to distribution utilities in connection with distribution wheeling services agreements (see Note 23).

10. Investments in Associates and Joint Ventures

The Group's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of December 31 follow:

		Percentage of Ownership		
	Nature of Business	**2023**	2022	2021
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
LPCI	Power generation	**42.50**	42.50	42.50
GLEDC	Power generation	**42.50**	42.50	42.50
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	40.00
TVI	Power generation	**20.00**	20.00	20.00
SREC	Power generation	**–**	–	30.00
CREC*	Power generation	**100.00**	35.00	35.00
LWEC	Power generation	**40.00**	40.00	40.00
FLOWS	Holding company	**45.00**	45.00	45.00
PPWRLC	Water treatment	**40.31**	40.31	40.31

(Forward)

	Nature of Business	Percentage of Ownership **2023**	2022	2021
Joint ventures:				
CIPC*	Power generation	**100.00**	50.00	50.00
Delta P*	Power generation	**100.00**	50.00	50.00
LPEC*	Power generation	**100.00**	50.00	–

**Became subsidiaries on June 1, 2023 (see Note 1)*

	2023	2022
Acquisition cost:		
At January 1	**₱7,743,358,223**	₱7,674,958,223
Additions	**251,169,255**	68,400,000
Step acquisitions	**(395,444,376)**	–
At December 31	**7,599,083,102**	7,743,358,223
Accumulated share in net earnings:		
At January 1	**2,928,978,968**	2,331,917,245
Equity in net earnings of associates and joint ventures	**2,044,341,881**	1,941,357,383
Cash dividends received and receivable	**(1,780,784,552)**	(1,344,295,660)
Step acquisitions	**(70,593,992)**	–
At December 31	**3,121,942,305**	2,928,978,968
Share in remeasurement gains (losses) on employee benefits of associates and joint ventures:		
At January 1	**(94,016,067)**	(94,016,067)
Share in the remeasurement losses on employee benefits	**(31,585,867)**	–
Step acquisitions	**432,434**	–
At December 31	**(125,169,500)**	(94,016,067)
	₱10,595,855,907	₱10,578,321,124

As of December 31, 2023 and 2022, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱3,121.9 million and ₱2,929.0 million, respectively, are not available for distribution to the stockholders unless declared as dividends by the associates and joint ventures.

LWEC

VEC made additional investments to LWEC amounting to ₱251.1 million and ₱68.4 million in 2023 and 2022, respectively. The additional infusions did not result in a change in ownership interest in LWEC.

SREC

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell their entire investment in SREC and acquire additional shares in CREC held by the said party. The agreement resulted to the sale of VEC's 29,925 preferred shares with par value of ₱1,000.00 per share and VREC's 11,250 common shares with a par value of ₱1,000.00 per share to the buyer for a consideration of ₱33.2 million. A gain on the sale of investment amounting to ₱3.7 million was recognized.

CREC

On March 24, 2021, an existing shareholder of CREC assigned its 938 common shares of CREC to VREC for a consideration of ₱1.1 million and subscription price payable to CREC amounting to ₱0.6 million.

On May 28, 2021, VREC and VEC entered into a share-swap agreement with a third party to sell its entire investment in SREC and acquire additional shares in CREC held by the said party. The agreement resulted to the VEC's acquisition of 2,812 preferred stocks with par value of ₱1,000.00 per share for a total consideration of ₱5.2 million. The transaction did not result in a change in ownership interest in CREC.

On June 1, 2023, VEC entered into a share purchase agreement with GPI to acquire its shares equivalent to 9,375 preferred shares with par value of ₱1,000 per share for a consideration of ₱6.5 million resulting to an increase of the Group's ownership interest to 100%. The Group has assessed that the group of assets it has acquired in CREC does not constitute a business and has accounted for the acquired net assets at cost.

CIPC

On June 1, 2023, VEC entered into a share purchase agreement with GPI to acquire its common and preferred shares in CIPC for a consideration of ₱172.0 million, which resulted to an increase in the Group's ownership interest in CIPC to 100%. The Group has assessed that the set of assets and activities that it has acquired in CIPC constitutes a business and has accounted for the acquisition as a business combination (see Note 13).

Delta P

On June 1, 2023, VEC entered into a share purchase agreement with GPI to acquire its common and preferred shares in Delta P for a consideration of ₱272.9 million, which resulted to an increase in the Group's ownership interest in Delta P to 100%. The Group has assessed that the set of assets and activities that it has acquired in Delta P constitutes a business and has accounted for the acquisition as a business combination (see Note 13).

LPEC

In 2021, VEC entered into a joint venture agreement with GPI which resulted to a 50% ownership in LPEC and reclassification of the investment from a subsidiary to a joint venture (see Note 1). In the same year, VEC infused advances for future stock subscription amounting to ₱40.6 million in LPEC.

On June 1, 2023, the Group entered into a share purchase agreement with GPI to acquire its shares in LPEC consisting of 6,250,000 common shares and 51,750,000 preferred shares, both with a par value of ₱1 per share for total consideration of ₱41.1 million, which resulted to which resulted to an increase in the Group's ownership interest in LPEC to 100%. The Group has assessed that the set of assets it has acquired in LPEC does not constitute a business and has accounted for the acquired net assets at cost.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2023, 2022 and 2021:

VECO

	2023	2022	2021
Total current assets	**₱4,920,551,073**	₱5,519,111,633	₱4,385,888,164
Total noncurrent assets	**18,884,862,791**	17,915,203,930	17,635,874,580
Total current liabilities	**9,561,717,515**	9,722,486,379	7,846,069,125
Total noncurrent liabilities	**4,709,554,881**	4,599,705,333	4,631,031,218
Total equity	**9,534,141,468**	9,112,123,851	9,544,662,401
Gross revenue	**26,357,988,539**	26,977,125,092	21,689,021,868
Operating profit	**3,333,551,909**	2,269,847,546	2,747,237,218
Net income	**2,883,498,348**	2,169,835,188	2,338,687,791
Other comprehensive loss	**(86,106,592)**	–	(857,499)
Total comprehensive income	**2,797,391,756**	2,169,835,188	2,337,830,292
Group's share in net income	**1,003,745,775**	755,319,629	814,097,220
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Group's share in equity of associate	**3,318,834,645**	3,171,930,313	3,322,496,982
Share in revaluation increment and other adjustments	**(1,599,039,464)**	(1,662,219,570)	(1,740,610,202)
Carrying amount of the investment	**₱1,719,795,181**	₱1,509,710,743	₱1,581,886,780
Dividends received from VECO	**₱763,687,641**	₱827,495,660	₱729,955,901

MPC

	2023	2022	2021
Total current assets	**₱3,435,863,836**	₱4,201,022,933	₱3,700,951,701
Total noncurrent assets	**15,377,943,371**	16,909,376,253	17,063,969,413
Total current liabilities	**1,992,286,194**	3,242,063,666	2,247,453,130
Total noncurrent liabilities	**7,894,261,494**	9,050,373,824	10,131,695,716
Total equity	**8,927,259,519**	8,817,961,696	8,385,772,268
Gross revenue	**6,695,432,008**	7,447,497,810	5,652,572,661
Operating profit	**1,409,635,000**	1,657,295,454	1,577,894,717
Net income	**607,440,019**	933,519,225	550,526,078
Total comprehensive income	**607,440,019**	933,519,225	550,526,078
Group's share in net income	**242,976,008**	373,407,690	220,210,431
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**3,570,903,808**	3,527,184,678	3,354,308,907
Goodwill and other adjustments	**20,075,548**	20,818,687	20,286,763
Carrying amount of investment	**₱3,590,979,356**	₱3,548,003,365	₱3,374,595,670
Dividends received from MPC	**₱200,000,016**	₱200,000,000	₱239,999,995

TVI

	2023	2022	2021
Total current assets	**₱10,478,856,901**	₱10,324,952,761	₱8,287,903,253
Total noncurrent assets	**31,745,707,936**	31,889,847,789	33,649,468,128
Total current liabilities	**4,572,615,329**	4,597,094,963	4,077,133,207
Total noncurrent liabilities	**22,285,635,538**	22,258,113,570	24,657,863,758
Total equity	**15,366,313,970**	15,359,592,017	13,202,374,416
Gross revenue	**15,294,820,389**	15,048,870,946	10,685,992,170
Operating income	**3,256,629,869**	3,022,186,775	2,717,701,465
Net income	**1,386,782,325**	1,901,715,238	903,188,516
Other comprehensive income (loss)	**(8,060,814)**	–	–
Total comprehensive income	**1,378,721,511**	1,901,715,238	903,188,516
Group's share in net income	**277,356,465**	380,343,048	180,637,703
Proportion of Group's ownership	**20.00%**	20.00%	20.00%
Group's share in equity of associate	**3,073,262,794**	3,071,918,403	2,640,474,883
Goodwill and other adjustments	**27,649,545**	(66,750,366)	(15,649,894)
Carrying amount of the investment	**₱3,100,912,339**	₱3,005,168,037	₱2,624,824,989
Dividends received from TVI	**₱180,000,000**	₱–	₱–

AHI

	2023	2022	2021
Total current assets	**₱884,440,906**	₱796,056,687	₱795,803,858
Total noncurrent assets	**3,008,643,439**	3,081,430,007	2,900,509,469
Total current liabilities	**–**	14,886	6,305
Total equity	**3,893,084,345**	3,877,471,808	3,696,307,022
Gross revenue	**1,035,267,658**	955,728,891	845,817,147
Operating profit	**1,035,189,193**	955,453,193	845,714,475
Net income	**1,035,069,070**	955,950,548	845,601,590
Other comprehensive income	**–**	–	–
Total comprehensive income	**1,035,069,070**	955,950,548	845,601,590
Group's share in net income	**414,027,628**	382,380,219	338,240,636
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**1,557,233,738**	1,550,988,723	1,478,522,809
Goodwill and other adjustments	**1,853,328**	(1,629,285)	5,756,410
Carrying amount of the investment	**₱1,559,087,066**	₱1,549,359,438	₱1,484,279,219
Dividends received from AHI	**₱404,800,000**	₱316,800,000	₱510,400,000

Individually Immaterial Associates and Joint Ventures

The carrying amounts of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method as of and for the year ended December 31 follows:

	2023	2022	2021
Income from continuing operations	**₱106,236,005**	₱49,906,797	₱300,600,267
Net income	**106,236,005**	49,906,797	285,305,275
Other comprehensive income	**–**	–	152,992
Total comprehensive income	**106,236,005**	49,906,798	285,458,266
Aggregate carrying amounts	**625,081,965**	966,079,541	847,272,743

The associates and joint ventures had no contingent liabilities or capital commitments as of December 31, 2023 and 2022.

11. Property, Plant and Equipment

2023

	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	**₱494,239,355**	**₱3,924,340,981**	**₱177,839,711**	**₱98,667,326**	**₱108,398,180**	**₱184,912,042**	**₱94,500,050**	**₱1,678,110,000**	**₱6,761,007,645**
Business combinations (see Note 13)	**37,908,966**	**968,203,343**	**10,573,899**	**1,881,633**	**722,502**	**4,113,553**	**58,667**	**1,449,839**	**1,024,912,402**
Additions	**156,632,100**	**455,376,039**	**32,636,904**	**33,087,711**	**9,449,071**	**54,750,087**	**156,163**	**1,097,649,643**	**1,839,737,718**
Reclassification	–	**45,808,053**	**1,279,928**	–	–	**91,455,371**	–	**(138,543,352)**	–
Disposal (see Note 17)	–	–	–	**(4,138,593)**	**(39,553)**	–	–	–	**(4,178,146)**
At December 31	**688,780,421**	**5,393,728,416**	**222,330,442**	**129,498,077**	**118,530,200**	**335,231,053**	**94,714,880**	**2,638,666,130**	**9,621,479,619**
Accumulated Depreciation and Amortization									
At January 1	–	**610,754,536**	**39,182,672**	**55,571,602**	**84,287,340**	**36,435,663**	**57,220,911**	–	**883,452,724**
Depreciation and amortization	–	**387,306,995**	**19,156,633**	**18,325,157**	**11,893,038**	**20,205,866**	**12,772,487**	–	**469,660,176**
Disposal	–	–	–	**(4,138,593)**	**(39,553)**	–	–	–	**(4,178,146)**
At December 31	–	**998,061,531**	**58,339,305**	**69,758,166**	**96,140,825**	**56,641,529**	**69,993,398**	–	**1,348,934,754**
Net Book Value	**₱688,780,421**	**₱4,395,666,885**	**₱163,991,137**	**₱59,739,911**	**₱22,389,375**	**₱278,589,524**	**₱24,721,482**	**₱2,638,666,130**	**₱8,272,544,865**

2022

	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱54,373,755	₱862,964,932	₱177,839,711	₱86,101,718	₱95,928,795	₱125,320,911	₱94,485,818	₱2,444,944,422	₱3,941,960,062
Additions	439,865,600	1,718,906,610	–	17,089,554	13,042,459	4,470,209	14,232	639,238,082	2,832,626,746
Reclassification	–	1,342,469,439	–	–	–	55,120,922	8,482,143	(1,406,072,504)	–
Disposal (see Note 17)	–	–	–	(4,523,946)	(573,074)	–	(8,482,143)	–	(13,579,163)
At December 31	494,239,355	3,924,340,981	177,839,711	98,667,326	108,398,180	184,912,042	94,500,050	1,678,110,000	6,761,007,645
Accumulated Depreciation and Amortization									
At January 1	–	344,018,341	29,593,705	46,203,515	72,049,933	26,564,826	43,861,135	–	562,291,455
Depreciation and amortization	–	266,736,195	9,588,967	12,570,939	12,810,462	9,870,837	13,359,776	–	324,937,176
Disposal	–	–	–	(3,202,852)	(573,055)	–	–	–	(3,775,907)
At December 31	–	610,754,536	39,182,672	55,571,602	84,287,340	36,435,663	57,220,911	–	883,452,724
Net Book Value	₱494,239,355	₱3,313,586,445	₱138,657,039	₱43,095,724	₱24,110,840	₱148,476,379	₱37,279,139	₱1,678,110,000	₱5,877,554,921

On April 6, 2022, the Group through its subsidiary, 1590 EC, acquired the BDPP after it was announced as the highest bidder during the public auction for the sale of the power plant (see Note 24). Total purchase price, including all directly attributable costs amounted to ₱2.1 billion and presented as part of land and plant machineries and equipment.

The construction of a 23 MW bunker-fired power plant in in Bantayan, Cebu was completed in early 2022. Thus, total costs of construction amounting to ₱1.3 billion were subsequently reclassified from construction in progress account to plant machineries and equipment and leasehold and land improvements.

In 2023, the Group purchased a 70.59 MW bunker-fired power plant located in Barangay Ermita, Cebu City for a total cash price of ₱282.3 million (see Note 16i and 16j).

The construction in progress account includes the costs for the on-going construction of a water desalination plant, solar panel installations, and mobilization fee and engineering detailed design fees paid to a third-party contractor for the construction of a subsidiary's run-of-river hydropower facility in Negros Occidental. The latter project's implementation is intended to approximately coincide with the government's 230 kV backbone project but the government has not yet completed the construction as of April 5, 2024.

In 2022, a subsidiary donated a constructed drainage system costing to ₱8.5 million to the local government unit where it operates. This amount is presented as "Other operating expenses" in the 2022 consolidated statement of comprehensive income.

Property, plant and equipment with carrying amount as of December 31, 2023 and 2022 of ₱2,116.9 million and ₱1,387.0 million, respectively, have been pledged as security for the Group's long-term liabilities (see Note 15).

In 2023, the Group determined that an impairment test has to be performed on certain property, plant and equipment of a subsidiary amounting to ₱746.8 million. In performing an impairment test calculation, the Group determined the recoverable amount of the relevant property, plant and equipment through the fair value less costs to sell of the property. The fair value less costs to sell was based on recent independent appraisals of the property. The impairment test did not result to a recognition of an impairment loss in 2023.

The fair value less costs to sell was determined based on an estimate of the reproduction cost of the property, plant and equipment. Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials, essentially estimating the current cost of an identical new item. The fair value was determined to be classified under Level 3 of the fair value hierarchy.

Depreciation and amortization are recognized in the consolidated statements of comprehensive income as follows:

	2023	2022	2021
Generation costs (see Note 17)	**₱422,440,749**	₱287,164,793	₱84,661,999
Operating expenses	**47,219,427**	37,772,383	37,891,528
	₱469,660,176	₱324,937,176	₱122,553,527

12. Investment Properties

	2023		
	Land	**Condominium Units**	**Total**
At January 1	**₱898,590,867**	**₱25,445,733**	**₱924,036,600**
Unrealized gain on fair value remeasurement	**119,957,200**	**1,476,000**	**121,433,200**
At December 31	**₱1,018,548,067**	**₱26,921,733**	**₱1,045,469,800**

	2022		
	Land	Condominium Units	Total
At January 1	₱838,460,268	₱25,181,733	₱863,642,001
Unrealized gain on fair value remeasurement	60,130,599	264,000	60,394,599
At December 31	₱898,590,867	₱25,445,733	₱924,036,600

Some of the Group's properties are leased out to outside parties to earn rental income, for a lease period of three years. Total rental income amounting to ₱2.1 million, ₱2.5 million, ₱1.1 million in 2023, 2022 and 2021, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2023 and 2022, an appraisal was performed on the Group's investment properties which resulted to an increase in the fair value amounting to ₱121.4 million and ₱60.4 million, respectively. Net unrealized gain on fair value remeasurement of investment properties, recognized under "Other income (charges)" in the consolidated statements of comprehensive income, amounted to ₱121.4 million, ₱60.4 million, and ₱106.4 million, in 2023, 2022, and 2021, respectively.

Direct costs pertain to real property taxes amounting to ₱1.5 million, ₱1.1 million and ₱ 0.3 million in 2023, 2022 and 2021, respectively, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income. No other direct operating costs were incurred relating to investment properties in 2023, 2022, and 2021.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties.

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to valuation for investment properties have been provided in Note 25.

13. **Other Noncurrent Assets**

	2023	2022
Advances to suppliers and other parties	**₱1,226,593,466**	₱698,308,703
Financial assets at FVOCI	**426,600,000**	397,734,676
Creditable withholding taxes - noncurrent (see Note 9)	**401,840,334**	241,934,712
Input VAT - noncurrent (see Note 9)	**189,414,330**	162,048,494
Customer contracts	**178,462,314**	199,760,084
Goodwill	**142,030,596**	129,843,626
Software costs - net	**639,585**	843,053
Pension asset (see Note 19)	**376,533**	–
Others - net of allowance for impairment loss of ₱46.01 million (see Note 23)	**15,332,471**	19,662,270
	₱2,581,289,629	₱1,850,135,618

<u>Advances to Suppliers and Other Parties</u>
Advances to suppliers pertain to cash advances given to contractors and project partners to finance the cost of project study, site development, plant rehabilitation, among others and to certain parties to comply with certain contractual obligations.

<u>Financial Assets at FVOCI</u>

Investments In Club Shares. These are irrevocably designated at FVOCI as the Group intends to hold these investments in the foreseeable future. As of December 31, 2023 and 2022, the carrying values of these financial assets are as follows:

Cost:	
Cebu Country Club, Inc.	₱3,400,000
Tower Club, Inc.	300,000
	3,700,000
Fair value remeasurement gain (loss):	
Cebu Country Club, Inc.	4,600,000
Tower Club, Inc.	(300,000)
	4,300,000
	₱8,000,000

- *Cebu Country Club, Inc.* In 2012, the Group acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

- *Tower Club, Inc.* In 2014, the Group acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Investment in Buskowitz Finance, Inc. or BFI [now Buskowitz Energy, Inc. (BEI)]. In 2021, VREC made an investment amounting to ₱94.0 million, which represents initial subscription to 200,000 common shares of BFI at ₱20 per share or for a total of ₱4.0 million, representing 16.81% ownership in BFI, and advances for future stock subscription amounting to ₱90.0 million, pending approval by the SEC of BFI's application for the increase in authorized capital stock.

In June 2022, VREC made an additional investment amounting to ₱270.0 million. As of December 31, 2023 and 2022, the carrying value of the investment amounted to ₱418.6 million and ₱389.7 million. In 2023 and 2022, the Group recognized unrealized valuation gain on financial assets at FVOCI, net of deferred income tax, amounting to ₱25.7 million and ₱28.9 million, respectively.

Fair value hierarchy disclosures for the Group's financial assets at FVOCI are provided in Note 25.

Business Combinations

Acquisition of Delta P and CIPC in 2023

On June 1, 2023, VEC entered into a share purchase agreement with GPI to acquire its common shares preferred shares in Delta P and CIPC for a consideration of ₱272.9 million and ₱172.0 million, respectively, which resulted to an increase in the Group's ownership interest in the entities from 50% to 100%. The Group has assessed that the set of assets and activities that it has acquired in Delta P constitutes a business and has accounted for the acquisition as a business combination.

	Delta P	CIPC	Total
Cash and cash equivalents	₱149,827,824	₱28,328,008	₱178,155,832
Trade and other receivables	513,194,675	246,148,569	759,343,244
Inventories	143,168,592	70,605,593	213,774,185
Prepayments and other current assets	58,519,734	22,834,066	81,353,800
Property, plant and equipment	796,540,163	228,372,239	1,024,912,402
Right-of-use assets	1,034,077	6,349,982	7,384,059
Deferred income tax assets	1,145,632	–	1,145,632
Other noncurrent assets	91,662,905	2,489,138	94,152,043
Total assets	1,755,093,602	605,127,595	2,360,221,197
Less: Trade and other payables	310,774,228	253,857,655	564,631,883
Long-term notes payable	851,413,248	22,385,832	873,799,080
Lease liabilities	1,352,083	8,648,218	10,000,301
Pension liability	2,163,276	–	2,163,276
Deferred income tax liabilities	–	167,211	167,211
Total net assets	₱589,390,767	₱320,068,679	₱909,459,446
Goodwill arising on acquisition	₱–	₱12,186,970	₱12,186,970
Gain on bargain purchase	(64,685,699)	–	(64,685,699)
Purchase consideration transferred	₱524,705,068	₱332,255,649	₱856,960,717
Fair value of previously-held equity interest	₱251,825,214	₱160,223,283	₱412,048,497
Cash and cash equivalents	112,667,282	68,524,325	181,191,607
Unpaid portion of the consideration	160,212,572	103,508,041	263,720,613
Total consideration transferred	₱524,705,068	₱332,255,649	₱856,960,717
Cash flow on acquisition:			
Cash acquired with the subsidiary	₱149,827,824	₱28,328,008	₱178,155,832
Cash paid as part of purchase consideration	(112,667,282)	(68,524,325)	(181,191,607)
Net cash inflow (outflow)	₱37,160,542	(₱40,196,317)	(₱3,035,775)

As allowed by PFRS 3, the assets recognized and liabilities assumed were based on provisional assessment of fair value. The amounts recognized for trade and other receivables represent the gross contractual amounts receivable from counterparties.

By the date that the financial statements were approved for issue by the BOD, the valuation required by PFRS 3 had not yet been completed. Hence, the determination of the final amounts of the fair value of previously-held equity interest, trade and other receivables, property, plant and equipment, intangible assets from customer contracts, long-term notes payable, right-of-use assets and lease liabilities, and related deferred income tax adjustments and the resulting goodwill or gain on bargain purchase are subject to change within the one (1) year measurement period after the acquisition date.

As at acquisition date, Delta P and CIPC have signed contracts with customers for the sale of power which qualify for recognition as intangible assets separate from goodwill. The ₱12.2 million goodwill comprises the value of the knowhow of the business and its existing customer base. The gain on bargain purchase is presented as part of "Other income (charges)" in the 2023 consolidated statement of comprehensive income. The gain on this acquisition arose from changes to the fair value of the net identifiable assets during the period prior to the closing date.

For the year ended December 31, 2023, Delta P and CIPC contributed total revenues of ₱1.1 billion and ₱437.6 million, respectively, and net income of ₱17.9 million and ₱54.4 million, respectively, to the Group. Had the acquisitions been made at the beginning of the year, consolidated total revenues would have been ₱7.0 billion and consolidated net income would have been ₱2.4 billion.

Acquisition of North Bukidnon Power Corporation (NBPC) and Bukidnon Power Corporation (BPC) in 2021. In May 2021, VEC and AHC acquired a combined ownership of 90% in NBPC and BPC.

The following is the final purchase price allocation for the business combinations:

	NBPC	BPC	Total
Cash and cash equivalents	₱15,049,632	₱25,960,878	₱41,010,510
Trade and other receivables	6,538,783	39,538,846	46,077,629
Inventories	1,983,566	3,843,890	5,827,456
Prepayments and other current assets	2,316,113	1,286,383	3,602,496
Property, plant and equipment	294,377,722	281,679,677	576,057,399
Intangible assets – customer contracts	123,023,207	110,458,345	233,481,552
Total assets	443,289,023	462,768,019	906,057,042
Less: Trade and other payables	5,244,872	5,002,325	10,247,197
Long-term notes payable	193,339,318	139,729,730	333,069,048
Deferred tax liabilities	32,673,141	41,868,777	74,541,918
Total net assets	₱212,031,692	₱276,167,187	₱488,198,879
Non-controlling interest	(₱21,326,311)	(₱27,619,062)	(₱48,945,373)
Goodwill arising on acquisition	47,462,510	–	47,462,510
Gain on bargain purchase	–	(32,120,469)	(32,120,469)
Purchase consideration transferred	₱238,167,891	₱216,427,656	₱454,595,547
Cash and cash equivalents	₱228,282,142	₱205,539,483	₱433,821,625
Liability for additional transaction price	9,885,749	10,888,173	20,773,922
Purchase consideration transferred	₱238,167,891	₱216,427,656	₱494,595,547
Cash flow on acquisition:			
Cash acquired with the subsidiary	₱15,049,632	₱25,960,878	₱41,010,510
Cash paid as part of purchase consideration	(228,282,142)	(205,539,483)	(433,821,625)
Net cash outflow	(₱213,232,510)	(₱179,578,605)	(₱392,811,115)

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The goodwill of ₱47.5 million comprises the value of knowhow of the business and its existing customer base.

The gain on bargain purchase is presented as part of "Other income (charges)" in the 2021 consolidated statement of comprehensive income. The gain on this acquisition arose from changes to the fair value of the net identifiable assets during the period prior to the closing date.

The amounts recognized for trade and other receivables represent the gross contractual amounts receivable from counterparties. As at the acquisition date, management does not expect that any contractual cash flows from these receivables will not be collected.

For the period ended December 31, 2021, revenue from sale of power by NBPC and BPC amounting to ₱41.5 million and ₱48.6 million, respectively, and net income amounting to ₱11.6 million and ₱12.7 million, respectively, are recognized in the 2021 consolidated statements of comprehensive income. Had the acquisitions been made at the beginning of the year, consolidated total revenues and consolidated net income would have been ₱3,262.4 million and ₱2,236.2 million, respectively.

Goodwill

For impairment testing, goodwill acquired through business combinations are allocated to CGUs representing the operating units acquired. The following is the carrying amount of goodwill allocated to each of the CGUs.

	2023	2022
WMP	**₱82,381,116**	₱82,381,116
NBPC	**47,462,510**	47,462,510
CIPC	**12,186,970**	–
	₱142,030,596	₱129,843,626

As of December 31, 2023 and 2022, the recoverable amounts of the cash generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering at least a five-year period.

Revenue forecasts are based on existing contracts, anticipated increases in demand, anticipated new projects that will be serviced by existing assets, and other economic factors. Key assumptions to the forecasts and inputs to the value-in-use calculation are as follows:

		2023	
	WMP	**NBPC**	**CIPC**
Discount rate (WACC)	**9.31%**	**9.11%**	**8.94%**
Forecast gross margins	**21–22%**	**16–45%**	**(1%)–17%**
Long-term growth rate	**n/a**	**0%**	**0%**
Terminal value	**Not considered beyond the explicit forecast period**	**Remaining EUL of the plant**	**Remaining EUL of the plant**

	2022	
	WMP	NBPC
Discount rate (WACC)	8.74%	10.05%
Forecast gross margins	21–22%	25–40%
Long-term growth rate	n/a	0%
Terminal value	Not considered beyond the explicit forecast period	Remaining EUL of the plant

Based on the impairment testing, management believes there is no impairment on goodwill in 2023 and 2022. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Software Costs

Software costs pertain to a subsidiary's accounting software, Human Resources Information System, trading software and documents monitoring system. The movement of software costs is as follows:

	2023	2022
Cost		
At January 1	**₱9,506,562**	₱9,109,606
Additions during the year	**398,439**	396,956
At December 31	**9,905,001**	9,506,562
Accumulated Amortization		
At January 1	**8,663,509**	8,062,653
Amortization for the year	**601,907**	600,856
At December 31	**9,265,416**	8,663,509
Net Book Value	**₱639,585**	₱843,053

Customer Contracts

BPC and NBPC have existing power supply agreements with its customers when these subsidiaries were acquired in 2021. Intangible assets pertaining to these customer relationships were recognized by the Group as identifiable assets part of the business combination. These assets are being amortized over their expected useful lives of 10–12 years, based on the remaining terms of the agreements as of the acquisition date. The movement of the intangible assets are as follows:

	2023	2022
Cost		
At January 1 and December 31	**₱233,481,552**	₱233,481,552
Accumulated Amortization		
At January 1	**33,721,468**	12,423,698
Amortization for the year	**21,297,770**	21,297,770
At December 31	**55,019,238**	33,721,468
Net Book Value	**₱178,462,314**	₱199,760,084

Others

Others include receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2023 and 2022. Also included in this account are deposits for future subscription in an entity that is yet to be incorporated and security deposits with various tenants and other parties in the conduct of the Group's operations.

14. Trade and Other Payables

	2023	2022
Trade payables	**₱1,969,461,903**	₱1,506,776,281
Accrued expenses	**185,243,231**	212,324,048
Deferred output VAT	**177,212,117**	391,475,604
Accounts payable	**155,478,265**	141,112,460
Output VAT	**109,809,538**	7,727,879
Accrued interest (see Note 15)	**36,892,360**	37,720,667
Unearned income	**15,638,697**	1,822,216
Dividends payable	**6,851,873**	8,827,097
Accrued taxes payable	**5,736,872**	4,366,556
Others (see Note 23)	**24,446,546**	48,448,500
	2,686,771,402	2,360,601,308
Less noncurrent portion (see Note 23)	**844,587,453**	838,293,931
	₱1,842,183,949	₱1,522,307,377

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers and advances from a supplier. Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Accrued expenses mainly consist of accruals for fuel, audit fees, contracted services, legal fees, securities and transfer fees, benefits, and other expenses.

Deferred output VAT is related to the recognition of the Group's revenue from bilateral contracts, and its corresponding receivable. The deferred output VAT is eventually closed to output VAT upon collection of the related receivable.

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Unearned income are advance payments from customers.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from dividend declaration made by the Parent Company. Dividends declared relating to non-controlling interests amounted to ₱1.1 million, ₱8.6 million and ₱276.1 million in 2023, 2022 and 2021, respectively (see Note 21).

15. Notes Payable

<u>Short-term Notes Payable</u>

- *1590 EC.* On May 28, 2020 and June 29, 2020, 1590 EC obtained 90-day and 91-day loans from a local bank amounting to ₱95.0 million and ₱40.0 million which bear interest rates of 5.1% and 4.95% per annum, respectively. On October 26, 2020, 1590 EC made a partial payment in the amount of ₱30.0 million. Both loans totalling ₱105.0 million were extended to January 8, 2021. In February 2021, 1590 EC made another partial payment in the amount of ₱14.0 million. The balance of the two loans were extended up to April 12, 2021. 1590 EC settled the loans on April 12, 2021.

On August 2022, 1590 EC obtained a one year loan from various local banks amounting to ₱950.0 million which bears interest from 4.5%–5%. On the same date, 1590 EC secured a six-month loan from a local bank amounting to ₱176.0 million which bears an interest rate of 4.75%.

Upon maturity of the loans in 2023, 1590 EC made a partial payment of ₱10.0 million and further renewed the loans at interest rates ranging from 6.75%–7.15%. On February 5, 2024, ₱90.0 million of the loans were settled upon maturity and the rest were renewed.

- *INPC*. On various dates in 2020, Isla Norte (formerly INEC) obtained loans from a local bank totalling to ₱644.3 million. The loans bear interest rates of 4.5% and 5% per annum. All loans matured on December 3, 2020 and were subjected to monthly extensions until their settlement on April 26, 2021.

  On various dates in 2021, Isla Norte obtained loans from a local bank totalling ₱338.5 million to finance the construction of its power plant. The loans bear interest rates of 4.25% per annum. All loans matured on April 26, 2021.

  On various dates in 2022, Isla Norte obtained loans from a local bank totalling to ₱44.3 million. The loans bear interest rates of 5.5%–5.9% per annum and matured on various dates in 2023.

- *VEC*. On various dates in 2023, VEC secured short-term Notes Facility Agreement to issue ₱1.0 billion in Fixed Rate Corporate Notes (FRCN) bearing interest rates of 6.50—6.95% per annum to fund its working capital and future investments. The notes are unsecured. Short-term notes amounting to ₱170.0 million matured and were settled in November 2023. The short-term notes amounting to ₱848.0 million matured in January 2024.

- *Core*. In 2023, Core obtained a loan from a local bank amounting to ₱50.0 million at an annual interest rate of 6.95% for additional working capital financing. The loan was also settled in 2023.

Interest expense recognized in the consolidated statements of comprehensive income on these loans in 2023, 2022 and 2021, amounted to ₱122.3 million, ₱21.4 million and ₱1.8 million, respectively. Accrued interest on these loans as of December 31, 2023 and 2022 amounted to nil and ₱0.9 million, respectively (see Note 14).

Long-term Notes Payable

	Interest Rates	**2023**	2022
Parent Company – unsecured	4.1856%—4.7416%	**₱1,900,000,000**	₱2,950,000,000
INPC – secured	6.0117%—8.3556%	**1,283,764,706**	1,320,000,000
Delta P – secured	6.2000%	**817,615,846**	–
VEC – unsecured	7.5696%	**600,000,000**	–
NBPC – secured	5.5000%	**186,560,000**	203,520,000
BPC – secured	6.6400%	**159,300,000**	173,460,000
Core – secured	7.6921%	**131,349,198**	–
		5,078,589,750	4,646,980,000
Less unamortized debt issue costs		**30,234,175**	23,355,832
		5,048,355,575	4,623,624,168
Less current portion – net of unamortized debt issue costs of ₱5.8 million in 2023 and ₱2.2 million in 2022		**210,300,979**	1,115,158,717
		₱4,838,054,596	₱3,508,465,451

Parent Company. The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The Notes were payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

On December 4, 2020, the Parent Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

The parent Company issued an FRCN last January 27, 2021 amounting to ₱3.0 billion to fund its equity investments in power generation and water infrastructure projects. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first tranche is for a term of two years and payable on January 27, 2023 while the second tranche is for a term of five years and will mature on January 27, 2026 with principal payment of ₱50.0 million for the first four years and a balloon payment of ₱1.8 billion on maturity. On January 27, 2023, the first tranche on the loan matured and was settled. On January 29, 2024, ₱50.0 million of the total principal amount was settled upon maturity.

Repayments of outstanding principal amounts are scheduled as follows:

	2023	2022
Within one year	**50,000,000**	₱1,050,000,000
More than one year but not more than five years	**1,850,000,000**	1,900,000,000
	₱1,900,000,000	₱2,950,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the parent company debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2023 and 2022.

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱93.8 million, ₱133.5 million and ₱138.2 million in 2023, 2022 and 2021, respectively, and the related accrued interest expense as of December 31, 2023 and 2022 amounted to ₱12.9 million and ₱17.8 million, respectively (see Note 14).

INPC. In 2021, INPC (formerly INEC) entered into a loan agreement with Security Bank Corporation (SBC) whereby the latter agreed to provide INEC an aggregate principal amount of loan up to ₱1.32 billion to finance the construction of its 23.3 MW diesel power plant in Bantayan, Cebu. In 2022, INEC was merged into Isla Norte, the surviving corporation.

The loan has a term of fifteen (15) years, inclusive of a two (2)-year grace period on principal repayment. Seventy percent (70%) of the loan is payable in fifty-one (51) quarterly installments commencing on the 9th quarter from the date of initial borrowing until the maturity date, while the remaining thirty percent (30%) shall be paid on the maturity date. The loan bears interest which is payable quarterly.

The loan is collateralized by the following: (a) debt service reserve account letter of credit, (b) first ranking mortgage on all present and future immovable properties, (c) assignment by way of security of the company's rights, titles and interest in project documents, insurance policies, performance bonds, receivables and other revenues from the Power Supply Agreement (see Note 23), and operating account; (d) pledge of shares; (e) personal property assignment on all present and movable assets.

As of December 31, 2023 and 2022, repayments of outstanding principal amounts are scheduled as follows:

	2023	2022
Within one year	**₱72,470,587**	₱36,235,294
More than one year but not more than five years	**362,352,940**	289,882,353
More than five years	**848,941,179**	993,882,353
	₱1,283,764,706	₱1,320,000,000

The loan agreement requires INPC to maintain a debt-to-equity ratio of not greater than 3:1 and a minimum debt service coverage ratio of 1.05, computed annually beginning one year after the commercial operations date of its Power Supply Agreement on May 6, 2022 (see Note 23). As of December 31, 2023, INPC has not complied with the required debt-to-equity ratio ceiling. However, INPC has obtained in November 2023 a waiver from the lender tolerating the breach. Thus, the loan balance continued to be presented into the appropriate current and noncurrent classification.

Interest expense recognized in the consolidated statements of comprehensive income related to this loan amounted to ₱88.5 million, ₱84.3 million and ₱14.4 million in 2023, 2022 and 2021, respectively, and the related accrued interest expense amounted to ₱16.5 million and ₱16.7 million as of December 31, 2023 and 2022, respectively (see Note 14). Borrowing costs amounting to ₱60.7 million were capitalized to property, plant and equipment in 2021.

Delta P. In 2016, Delta P entered into a loan agreement with a local bank whereby the latter agreed to provide Delta P an aggregate principal amount of loan up to ₱1.2 billion to finance the construction of its 30-MW oil-fired power plant in Puerto Princesa, Palawan.

The term of the loan is for fifteen (15) years, inclusive of a two (2)-year grace period on principal repayment. Seventy percent (70%) of the loan is payable in one hundred fifty-six (156) monthly installments commencing on the 25th month from the date of initial borrowing until the maturity date, while the thirty percent (30%) shall be paid on the maturity date. The loan bears annual interest of 6.20% which is payable monthly.

The loan is collateralized by a deed of assignment of the trade receivables, deed of chattel mortgage over the machinery and equipment, deed of real estate mortgage over the leasehold improvements and buildings, and deed of assignment over the lease contracts on land covering the plant site (see Notes 7 and 11).

Repayments of outstanding principal amounts as at December 31, 2023 are scheduled as follows:

Within one year	₱62,549,846
More than one year but not more than five years	250,199,385
More than five years	504,866,615
	₱817,615,846

The loan agreement also requires Delta P to maintain a current ratio of at least 1:1 and a debt-to-equity (DE) ratio of not greater than 3:1. As at December 31, 2023, Delta P has complied with the required financial ratios.

Interest expense from long-term debt recognized in the statements of comprehensive income amounted to ₱30.5 million, and interest payable as at December 31, 2023 amounted to ₱0.5 million (see Note 14).

CIPC. On August 15, 2013, CIPC entered into a loan agreement with a local bank whereby the latter agreed to provide CIPC an aggregate principal amount of loan amounting to ₱430.0 million to finance the construction of its 8.8 MW bunker powered power plant in Coron Island, Palawan. The term of the loan is for ten (10) years, inclusive of a two-year grace period on principal repayment. The principal loan is to be paid in 96 equal consecutive monthly installments commencing on the 25th month from the initial drawdown date. The loan bears annual interest of 4.81% which is payable monthly.

The loan is collateralized by a deed of chattel mortgage over the equipment and power generators, deed of assignment over the lease contracts on land covering the Coron project site and improvements thereon and deed of assignment of the trade receivables (see Notes 7, 11 and 24).

The loan matured and was settled in 2023. Interest expense recognized in the statements of comprehensive income amounted to ₱0.3 million in 2023.

VEC. In December 2023, VEC entered into long-term Notes Facility Agreement (Agreement) with two local banks to issue ₱6.25 billion in Fixed Rate Corporate Notes (FRCN or the Notes) as standby facility for future investments. Total drawdowns on the notes amounted to ₱600.0 million. The notes are unsecured. These long-term notes will mature in December 2028.

Outstanding principal amounts as of December 31, 2023 are scheduled to be repaid beyond one year but not more than five years.

The Agreement requires that VEC shall not permit its debt-to-equity ratio to exceed 2.5:1, current ratio to not fall below 1.25:1, and debt-service coverage ratio to not fall below 1.05:1. VEC has complied with these ratio requirements as of December 31, 2023.

Interest expense recognized in the statements of comprehensive income related to these notes payable amounted to ₱0.5 million in 2023, and the related accrued interest expense as of December 31, 2023 amounted to ₱5.7 million (see Note 14).

NBPC. On June 2017, NBPC availed of a 10-year loan payable in quarterly installments commencing on September 27, 2017 up to September 27, 2027. In May and June 2018, NBPC availed of additional loans payable in quarterly installments commencing on March 27, 2019 up to September 27, 2027.

The loans carry an interest rate based on 1-year benchmark rate plus spread, repriceable annually, with a floor rate of 5%.

In June 2022, NBPC refinanced its existing loan with a new term of 9 years payable in quarterly equal installments commencing on June 22, 2022 up to June 20, 2031. The loan carries an interest rate based on 3-year benchmark rate plus spread, repriceable every 3 years, with a floor rate of 5.5%. The loan is secured by real estate mortgage, pledge of shares and assignment of project accounts.

NBPC is required to maintain a debt-to-equity ratio of not more than 2.50x and debt service coverage ratio of at least 1.15x. As of December 31, 2023 and 2022, NBPC has complied with the loan covenants.

Repayments of outstanding principal amounts are scheduled as follows:

	2023	2022
Within one year	**₱16,960,000**	₱16,960,000
More than one year but not more than five years	**67,840,000**	67,840,000
More than five years	**101,760,000**	118,720,000
	₱186,560,000	₱203,520,000

Interest expense recognized in the 2023, 2022 and 2021 consolidated statements of comprehensive income related to this loan amounted to ₱13.3 million, ₱12.6 million and ₱5.6 million, respectively, and the related accrued interest expense as of December 31, 2023 and December 31, 2022 amounted to ₱0.4 million and ₱1.2 million, respectively (see Note 14).

BPC. In September 2016, BPC availed of a 10-year loan payable in quarterly installments commencing on September 2, 2016 up to September 2, 2026. The long-term debt carries an interest rate based on 3-month benchmark rate plus spread, repriceable quarterly, with a floor rate of 5%.

On August 31, 2022, BPC refinanced its existing loan with a new term of 9 years payable in quarterly installments commencing on August 31, 2022 up to August 29, 2031. The long-term loan carries an interest rate based on 3-year benchmark rate plus spread, repriceable every 3 years, with a floor rate of 5%. The loan is secured by real estate mortgage, pledge of shares and assignment of project accounts.

BPC is required to maintain a debt-to-equity ratio of not more than 2.50x and debt service coverage ratio of at least 1.15x. As of December 31, 2023 and 2022, BPC has complied with the loan covenants.

Repayments of outstanding principal amounts are scheduled as follows:

	2023	2022
Within one year	**₱14,160,000**	₱14,160,000
More than one year but not more than five years	**56,640,000**	56,640,000
More than five years	**88,500,000**	102,660,000
	₱159,300,000	₱173,460,000

Interest expense recognized in the 2023, 2022 and 2021 consolidated statements of comprehensive income related to this loan amounted to ₱12.4 million, ₱8.1 million and ₱5.3 million, respectively, and the related accrued interest expense as of December 31, 2023 and December 31, 2022 amounted to ₱0.9 million and ₱1.1 million, respectively (see Note 14).

Core. In 2023, Core entered into an agreement with a local bank for the latter to make available a term loan facility amounting to ₱350 million to partially fund Core's solar projects. The loan is secured by a guaranty executed by VEC.

Under the agreement, Core is required to maintain a minimum debt-service coverage ratio (DSCR) of 1.15x and a maximum debt-to-equity ratio of 2.33x. The loan is subject to one-year grace period on principal amortization of payments, after which the amount shall be amortized based on an equal quarterly basis.

In 2023, Core has drawn ₱131.3 million from the facility at an interest rate of 7.6921% per annum.

Repayments of outstanding principal amounts as at December 31, 2023 are scheduled as follows:

Within one year	₱–
More than one year but not more than five years	72,971,777
More than five years	58,377,421
	₱131,349,198

Interest expense from this long-term debt recognized in the statements of comprehensive income and interest payable amounted to ₱2.1 million as at December 31, 2023 (see Note 14).

16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties principally consisting of the following:

	2023				
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
Associates					
Sale of power:					
VECO (see Note 16g)	**₱–**	**₱7,957,282**	**₱–**	30 days; noninterest-bearing	Unsecured; no impairment
Lease (see Note 16j)					
CPPC	**12,000,000**	**12,000,000**	–	August 18, 2023– January 29, 2024	Unsecured; no impairment
Technical service fees (see Note 16d)					
CEDC	**56,100,000**	–	–	30 days; Noninterest-bearing	Unsecured; no impairment
FLOWS	**2,300,000**	**56,000**	–	On-demand; Noninterest-bearing	Unsecured; no impairment
Interest income on advances (see Note 16a)					
FLOWS	**17,857,143**	–	–	On demand	Unsecured; no impairment
CPPC	**3,773,250**	–	–	On demand	Unsecured; no impairment
Advances to (see Note 16a):					
PEI	–	–	**50**	Noninterest-bearing	Unsecured; no impairment
CPPC	**50,000,000**	**50,000,000**	–	7.74% interest per annum	Unsecured; no impairment

(Forward)

		2023			
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
Advances to (see Note 16h):					
GLEDC	**₱431,979**	**₱1,879,200**	**₱–**	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	**–**	**102,708,539**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Purchase of power plant (see Note 16i)					
VECO	**282,304,000**	–	–	Noninterest-bearing	Unsecured
Purchase of power (see note 16k)					
TVI	**233,093,152**	–	**21,186,000**	Noninterest-bearing	Unsecured
Technical services fees (see Note 16j)					
CPPC	**4,375,000**	–	**4,375,000**	Noninterest-bearing	Unsecured
Dividends (see Note 16f):					
VECO	**763,687,641**	–	–	noninterest-bearing	Unsecured; no impairment
AHI	**404,800,000**	–	–	noninterest-bearing	Unsecured; no impairment
MPC	**200,000,016**	–	–	noninterest-bearing	Unsecured; no impairment
TVI	**180,000,000**	–	–	noninterest-bearing	Unsecured; no impairment
CPPC	**107,296,896**	–	–	noninterest-bearing	Unsecured; no impairment
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
MRC	**10,827,329**	–	–	30-60 days; noninterest-bearing	Unsecured
JDC	**7,218,220**	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Advances to/from (see Notes 16a and 16b)					
WMI	**2,930,930**	**7,617,057**	–	Noninterest-bearing	Unsecured; no impairment
APC	–	–	**2,350,000**	Interest bearing; 1-year term	Unsecured
Stockholder with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	**42,676**	–	payable on demand; noninterest-bearing	Unsecured; no impairment

		2022			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power:					
VECO (see Note 16g)	₱–	₱7,957,282	₱–	30 days; noninterest-bearing	Unsecured; no impairment
Technical service fees (see Note 16d)					
CEDC	52,600,000	4,821,667	–	30 days; Noninterest-bearing	Unsecured; no impairment
GLEDC	–	6,000,000	–	On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
FLOWS	–	150,000,000	–	Interest-bearing; Payable on demand	Unsecured; no impairment
CREC	–	17,500,258	–	Payable on demand	Unsecured; no impairment
PEI	–	–	50	noninterest-bearing	Unsecured; no impairment

(Forward)

		2022			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Advances to (see Note 16h):					
GLEDC	1,475	1,879,200	–	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	8,928,192	102,708,539	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	827,495,658	–	–	noninterest-bearing	Unsecured; no impairment
MPC	200,000,000	–	–	noninterest-bearing	Unsecured; no impairment
AHI	316,800,000	–	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Technical service fees (see Note 16d):					
Delta P	24,151,552	26,566,707	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	10,030,261	9,194,406	–	30-60 days; noninterest-bearing	Unsecured
Advances to (see Note 16a):					
Delta P	350,559	2,007,576	326	noninterest-bearing	Unsecured; no impairment
CIPC	21,022	422,222	–	noninterest-bearing	Unsecured; no impairment
LPEC	3,583,525	14,812,286	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	–	7,760,000	–	noninterest-bearing	Unsecured; no impairment
Stockholder with Significant Influence					
Management fees expense (see Note 16e)					
MRC	4,050,094	–	–	30-60 days; noninterest-bearing	Unsecured
JDC	2,700,063	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Advances to/from (see Notes 16a and 16b)					
GPI	2,167,713	–	8,168,668	30-60 days; noninterest-bearing	Unsecured
WMI	4,686,127	4,686,127	–	noninterest-bearing	Unsecured; no impairment
APC	2,350,000		2,717,121	Interest bearing; 1-year term	Unsecured
Stockholder with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment

a. Advances to related parties are generally noninterest-bearing cash advances to associates, joint ventures and stockholders. The outstanding advances, presented as "Advances to associates, joint ventures and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand. These advances are for project and working capital requirements.

   On February 14, 2020, the Parent Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA was initially for a term of four months but were later extended. On January 13, 2023, the Parent Company collected the outstanding receivable of ₱150.0 million, and recognized interest income amounting to ₱17.9 million, presented as part of "Other income – net" in the statements of comprehensive income (see Note 17).

In 2023, VEC extended a 2-year interest-bearing promissory note to CPPC payable in lump-sum with a 7.74% interest rate per annum to cover for its working capital requirements. Interest income recognized in the statements of comprehensive income amounted to ₱3.8 million in 2023.

b. Advances from related parties are noninterest-bearing cash advances payable on demand, from the Group’s joint ventures and stockholders.

c. Advances to a “stockholder with no significant influence” pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. Technical service fees represent the compensation for the services rendered by the Group to the associates and joint ventures. These are governed by service-level contracts executed by the Group and its associates and joint ventures. These are recognized as “Management and service fees” presented as part of the Group’s revenue in the consolidated statements of comprehensive income amounting to ₱58.4 million, ₱86.8 million and ₱102.6 million in 2023, 2022, and 2021, respectively.

   Outstanding receivables for management fees and service fees presented as part of “Accounts receivable” under “Trade and other receivables” account in the consolidated statements of financial position as of December 31, 2023 and 2022 amounted to ₱0.1 million and ₱46.6 million, respectively (see Note 7).

e. The Group also entered into consultancy and management service agreements with its stockholders to avail of management consultancy services. Expenses incurred related to the consultancy and management service agreements are recognized as part of “Professional fees” under “Generation costs” (see Note 17) and “Operating expenses” in the consolidated statements of comprehensive income.

f. In 2023, VECO, AHI, MPC, TVI, and CPPC declared dividends amounting to ₱763.7 million, ₱404.8 million, ₱200.0 million, ₱180.0 million and ₱107.3 million, respectively. In 2022, VECO, MPC, and AHI declared dividends amounting to ₱827.5 million, ₱200.0 million, and ₱316.8 million, respectively. The outstanding amounts from these dividend declarations are currently lodged under “Dividends receivable” (see Note 7).

g. The Group had an Energy Supply Agreement (ESA) with VECO (see Note 23), whereby the Group supplied contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group. The ESA was terminated in October 2019. As of December 31, 2023 and 2022, the Group’s trade receivables from VECO for the sale of power amounted to ₱8.0 million (see Note 7).

h. Working capital advances to LPCI and GLEDC are noninterest-bearing, collateral-free and are due on demand. As of December 31, 2023 and 2022, the Group’s receivable from transactions with LPCI amounted to ₱102.7 million and ₱1.9 million with GLEDC.

i. On August 18, 2023, a subsidiary of the Group purchased power plant assets for a total cash consideration of ₱282.3 million (see Note 11).

j. The Group generated income from the interim lease of the power plant to CPPC amounting to ₱12.0 million in 2023 (see Note 17). The Group also incurred expenses amounting to ₱4.4 million from its interim technical services agreement with CPPC for its operation, management and maintenance (see Note 17).

k. In 2022, a subsidiary entered into a PSA with Therma Visayas, Inc. to purchase power for a fixed fee per MW hour. The PSA is valid from December 26, 2022 to December 25, 2024 for a contracted capacity of 5 MW.

The above transactions are generally settled through cash.

Compensation and Benefits of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	2023	2022	2021
Short-term employee benefits	**₱180,751,811**	₱173,320,326	₱153,391,047
Post-employment pension benefits (see Note 19)	**7,083,033**	8,120,745	7,267,643
	₱187,834,844	₱181,441,071	₱160,658,690

17. Costs of Services and Other Operating Expenses

Generation costs
The Group's cost of services pertains to the costs incurred in the operation of the BDPP and the power plants in Bantayan Island and Bukidnon, are as follows:

	2023	2022	2021
Heavy fuel oil (see Notes 8 and 23)	**₱2,242,942,536**	₱2,142,610,532	₱783,844,384
Purchased power (see Note 23)	**1,089,061,079**	616,814,812	225,034,543
Depreciation and amortization (see Notes 11 and 24)	**440,688,181**	374,248,715	307,115,132
Light fuel oil (see Notes 8 and 23)	**176,508,800**	131,245,129	73,809,557
Salaries, wages and employee benefits (see Note 18)	**133,227,396**	95,347,196	85,512,567
Contractual and outside services (see Note 16j)	**98,510,858**	76,689,877	101,318,296
Insurance	**62,863,885**	48,149,903	38,401,046
Repairs and maintenance	**58,236,538**	38,086,273	2,355,746
Materials and supplies (see Note 8)	**49,673,410**	56,129,783	27,269,610
Lube oil (see Notes 8 and 23)	**49,413,286**	51,265,092	23,942,491
Supply and metering charges	**15,896,360**	17,858,275	16,267,814
Taxes and licenses	**10,611,963**	8,912,200	2,903,725
Rent (see Note 24)	**5,274,872**	2,102,963	17,440,475
Transportation	**1,676,502**	7,853,799	4,405,374
Market fees	**376,899**	884,993	781,797
Light and power	**278,351**	1,673,563	1,210,909
Royalty fees (see Note 24)	–	4,786,582	26,044,774
Professional fees (see Note 16e)	–	2,653,140	49,278,808
Others	**17,255,439**	6,710,159	15,941,676
	₱4,452,496,355	₱3,684,022,896	₱1,802,878,724

Amounts recognized related to the Group's participation in WESM trading, are presented as "Purchased power" and "Market fees" aggregating to ₱68.2 million, ₱39.0 million, and ₱46.6 million in 2023, 2022 and 2021, respectively.

Engineering service fees
The Group's cost of providing technical and engineering services in its retail electricity, and water treatment and desalination revenue generating activities are as follows:

	2023	2022	2021
Materials and supplies (see Note 8)	**₱17,448,008**	₱10,979,909	₱29,629,859
Salaries, wages and employee benefits (see Note 18)	**11,630,956**	4,531,957	14,207,545
Contractual and outside services	**7,209,090**	4,604,410	25,988,351
Rent (see Note 24)	**6,604,078**	–	–
Transportation	**5,603,021**	624,090	453,629
Depreciation and amortization (see Notes 11 and 24)	**3,421,833**	2,463,126	690,076
Insurance	**70,438**	–	–
Repairs and maintenance	**20,400**	–	–
Others	**465,095**	1,640,854	70,260
	₱52,472,919	₱24,844,346	₱71,039,720

Other Operating Expenses

	2023	2022	2021
Directors' per diem (see Note 18)	**₱26,883,333**	₱20,729,167	₱11,460,000
Corporate social responsibility	**22,346,535**	27,043,457	32,764,293
Dues and subscriptions	**18,489,875**	10,363,650	7,567,361
Marketing expenses	**6,573,917**	3,290,056	2,327,909
Repairs and maintenance	**5,970,244**	4,000,042	5,653,240
Insurance expense	**4,756,117**	2,836,223	2,585,963
Stand-by letter of credit	**4,214,971**	4,219,226	5,294,523
Office supplies	**4,024,591**	3,348,469	6,385,302
Regulatory expenses	**1,730,616**	2,314,567	2,013,037
Stockholders' meeting expenses	**953,366**	604,066	293,119
Others	**7,297,965**	10,734,489	5,428,634
	₱103,241,530	₱89,483,412	₱81,773,381

Regulatory expenses include payments of administrative fees charged by the PSE and SEC and other charges.

Others include sponsorships and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges, among others.

Other Income - Net

	2023	2022	2021
Receivables written off	**(₱24,000,000)**	₱–	₱–
Interest from a related party	**17,857,143**	–	–
Rent income (see Notes 12 and 16)	**14,147,457**	2,453,687	1,102,620
Recovery of previously written-off receivables (see Note 7)	**6,000,000**	18,000,000	–
Gain on disposal of property, plant and equipment (see Note 11)	**650,300**	639,207	3,101,818
Other service income	–	1,870,000	2,237,464
Intercompany services	–	1,201,114	2,880,462
Others	**(13,216,535)**	9,520,403	15,475,020
	₱1,438,365	₱33,684,411	₱24,797,384

Receivables written off pertains to the disputed receivables from a customer which were finally determined to be unrecoverable by virtue of the settlement of the court case with the customer in December 2023.

Interest income from a related party pertains to interest on the settlement of the IFA with FLOWS (see Note 16a).

Recovery of previously written-off receivables in 2023 and 2022 pertains to recovery by VEC and VREC of its receivables from the sale of one of the Group's joint ventures in 2017. The receivables were previously fully provided with an allowance (see Note 7).

Others include reimbursements from third parties for equipment station use, and billings to related parties for the shared expenses initially paid by the Group on behalf of related parties (see Note 16).

18. Personnel Expenses

	2023	2022	2021
Salaries, wages and employee benefits	**₱537,426,401**	₱469,334,852	₱399,860,946
Directors' per diem (see Note 17)	**26,883,333**	20,729,167	11,460,000
Pension expense (see Note 19)	**22,261,768**	20,731,159	22,223,302
	₱586,571,502	₱510,795,178	₱433,544,248

19. Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company, 1590 EC, CIPC, Delta P, VEC, INPC, Core and VIHI. The plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

The Fund for the Group's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The following tables summarize the components of pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the pension plan.

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2023	2022	2021
Current service cost	**₱18,369,797**	₱17,717,173	₱18,902,166
Net interest cost	**3,891,971**	3,013,986	3,321,136
Pension expense	**₱22,261,768**	₱20,731,159	₱22,223,302

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2023	2022	2021
Remeasurement gain (loss) on defined benefit plan	**(₱102,653,494)**	₱16,205,942	₱18,982,444
Return on assets excluding amount included in net interest cost	**(1,739,311)**	(5,048,920)	(1,531,102)
	(₱104,392,805)	₱11,157,022	₱17,451,342

The pension liability pertaining to the Parent Company's funded group retirement plan, and 1590 EC's and Delta P's funded retirement plans as of December 31, 2023 and 2022 follows:

	2023	2022
Present value of defined benefit obligation	**₱260,370,314**	₱121,018,373
Fair value of plan assets	**(74,863,717)**	(56,822,901)
Pension liability	**₱185,506,597**	₱64,195,472

The pension asset pertaining to CIPC's funded retirement plan as of December 31, 2023 follows:

	2023	2022
Fair value of plan assets	**₱5,348,334**	₱–
Present value of defined benefit obligation	**(4,971,801)**	–
Pension asset	**₱376,533**	₱–

Changes in the present value of the defined benefit obligation follow:

	2023	2022
At January 1	**₱121,018,373**	₱134,859,953
Current service cost	**18,369,797**	17,717,173
Business combinations (see Note 13)	**14,833,696**	–
Interest cost on defined benefit obligation	**9,393,442**	5,932,672
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**92,942,064**	(10,865,631)
Experience adjustments	**9,711,430**	2,227,458
Changes in demographic assumptions	–	(7,567,769)
Benefits paid from retirement fund	**(599,687)**	(21,201,912)
Benefits paid from operating funds	**(327,000)**	(83,571)
At December 31	**₱265,342,115**	₱121,018,373

Changes in the fair value of plan assets representing the funded retirement plan of the Group follow:

	2023	2022
At January 1	**₱56,822,901**	₱73,399,945
Business combinations (see Note 13)	**13,507,889**	–
Contributions to the retirement fund	**6,718,788**	6,755,102
Interest income included in net interest cost	**5,501,471**	2,918,686
Return on assets excluding amount included in net interest cost	**(1,739,311)**	(5,048,920)
Benefits paid from retirement fund	**(599,687)**	(21,201,912)
At December 31	**₱80,212,051**	₱56,822,901

Changes in the amounts recognized in the consolidated statements of financial position for pension liability follows:

	2023	2022
At January 1	**₱64,195,472**	₱61,460,008
Business combinations (see Note 13)	**2,163,276**	–
Pension expense for the year	**21,814,957**	20,731,159
Contributions to retirement fund	**(5,785,201)**	(6,755,102)
Remeasurement loss (gain) recognized for the year	**103,445,093**	(11,157,022)
Benefits paid from operating funds	**(327,000)**	(83,571)
At December 31	**₱185,506,597**	₱64,195,472

Changes in the amounts recognized in the consolidated statements of financial position for pension asset of CIPC as of December 31, 2023 follows:

At January 1	₱–
Business combinations (see Note 13)	(837,469)
Pension expense for the year	446,811
Contributions to retirement fund	(933,587)
Remeasurement loss recognized for the year	947,712
At December 31	(₱376,533)

The major categories of the plan assets as a percentage of the fair value of the total plan assets are as follows:

	2023	2022
Investment in government securities	**29.59%**	46.16%
Equity securities	**2.43%**	–
Fixed income securities:		
Unitized investment trust funds	**67.45%**	39.88%
Time certificate of deposit	–	13.64%
Savings deposit	–	0.02%
Accrued interest receivable	**0.15%**	0.30%
Other receivable	**0.38%**	–
Total plan assets	**100.00%**	100.00%

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension obligation for the Group's pension plan as of December 31 follow:

	2023	2022
Discount rate	**6.10%-6.17%**	6.24%–8.41%
Future salary increase rate	**6.00%-10.00%**	5.00%–7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2023 and 2022, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation **2023**	2022
Discount rate	+100 basis points	**(₱29,231,919)**	(₱9,175,528)
	−100 basis points	**34,680,027**	10,620,743
Future salary increase rate	+100 basis points	**34,776,063**	11,003,656
	−100 basis points	**(29,469,928)**	(9,650,744)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date), while all other assumptions remained unchanged.

The average duration of the defined benefit obligation is 11.60–21.24 years and 11.37–25.20 years as of December 31, 2023 and 2022, respectively.

The Group expects to contribute to the defined benefit plan in 2024.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2023 and 2022:

	2023	2022
Less than one year	**₱12,483,318**	₱10,152,386
More than one year to five years	**39,835,980**	21,665,748
More than five years to 10 years	**151,133,893**	95,578,896
More than 10 years to 15 years	**420,881,380**	231,451,685
More than 15 years to 20 years	**364,091,213**	157,140,442
More than 20 years	**1,282,147,182**	400,440,788
Total	**₱2,270,572,966**	₱916,429,945

20. **Income Taxes**

	2023	2022	2021
Current	**₱154,997,628**	₱97,784,862	₱146,282,516
Deferred	**25,353,207**	(8,223,383)	20,818,512
	₱180,350,835	₱89,561,479	₱167,101,028

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense follows:

	2023	2022	2021
Income before income tax	**₱2,574,298,521**	₱1,794,288,597	₱2,399,590,790
Tax calculated at statutory rate (25%)	**₱643,574,630**	₱448,572,149	₱599,897,698
Adjustments for the tax effects of:			
Equity in net earnings of associates and joint ventures	**(511,085,470)**	(485,339,345)	(459,622,816)
Non-deductible expenses	**37,119,050**	10,966,033	7,164,849
Non-taxable gain	**(31,858,491)**	(38,324,884)	(34,620,467)
Interest income subject to final tax	**(29,838,120)**	(13,703,600)	(4,784,876)
Unrecognized deferred income tax assets on NOLCO and MCIT	**27,370,900**	161,413,675	189,915,551
Difference of OSD over deductible expenses	**(3,176,938)**	(4,667,825)	(67,560,411)
Impact of CREATE Law	**–**	–	(13,481,090)
Others	**48,245,274**	10,645,276	(49,807,410)
	₱180,350,835	₱89,561,479	167,101,028

The components of the Group's net deferred income tax assets as of December 31 are as follows:

	2023	2022
Deferred income tax assets on:		
Net pension liability	**₱25,506,443**	₱21,803,906
Allowance for impairment losses	**11,602,774**	11,602,774
Unamortized past service costs	**1,075,449**	525,694
Unrealized foreign exchange loss	**14,125**	60,697
	38,198,791	33,993,071
Deferred income tax liabilities on:		
Unrealized foreign exchange gain	**11,900,669**	11,270,706
Right-of-use assets/	**4,824,010**	–
Unamortized debt issue costs	**2,545,404**	7,709,211
	19,270,083	18,979,917
Deferred income tax asset (liabilities) recognized in other comprehensive income:		
Remeasurement loss (gain) on employee benefits	**12,202,080**	(608,784)
Unrealized valuation gain on FVOCI investments	**(645,000)**	(645,000)
	11,557,080	(1,253,784)
Net deferred income tax assets	**₱30,485,788**	₱13,759,370

The components of the Group's net deferred income tax liabilities are as follows:

	2023	2022
Deferred income tax liabilities on:		
Unrealized fair value gain on investment property	**₱239,439,442**	₱187,151,741
Fair value adjustments upon acquisition of subsidiaries (see Note 13)	**56,577,364**	63,531,385
Unrealized foreign exchange gain	**165,095**	13,766,780
Accrued rent	**87,791**	166,346
	296,269,692	264,616,252
Deferred income tax assets on:		
Pension liability	**2,880,430**	–
Unrealized foreign exchange loss	**482,670**	–
	3,363,100	–
Deferred income tax liability (asset) recognized in other comprehensive income:		
Unrealized valuation adjustments on FVOCI investments	**8,190,000**	3,860,201
Remeasurement loss on employee benefits	**(4,694,359)**	(1,114,246)
	3,495,641	2,745,955
	₱296,402,233	₱267,362,207

In 2023 and 2022, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2023	2022
NOLCO	**₱1,554,962,925**	₱1,589,563,997
MCIT	**8,524,728**	792,373

On September 30, 2020, BIR issued the RR No. 25-2020 to implement Section 4(bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

NOLCO and MCIT as of December 31, 2022 and 2021, except for the NOLCO incurred in 2020 and 2021, can be claimed as a deduction against future taxable income and income tax due within three years from the year of incurrence from 2020–2022 and 2019–2021, respectively.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The 2021 statement of comprehensive income includes the effect of the reduction in income taxes under the CREATE Law.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Group recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

21. **Equity**

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2023 and 2022.

Authorized capital stock – ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003, and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2023 and 2022, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,406 stockholders as of December 31, 2023, 1,413 stockholders as of December 31, 2022, and 1,415 stockholders as of December 31, 2021, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2023	2022	2021
Date of declaration	**May 18, 2023**	May 13, 2022	May 19, 2021
Date of record	**June 1, 2023**	May 30, 2022	June 4, 2021
Date of payment	**June 16, 2023**	June 10, 2022	June 23, 2021
Dividends declared	**₱398,841,075**	₱444,282,550	₱358,209,844
Dividends per share	**₱0.3897**	₱0.4341	₱0.3500

Appropriation of Retained Earnings for Business Expansion

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings in 2017.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings in 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two on-going power plant projects in the Visayas, one on-going power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one on-going power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operations require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the on-going solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the

Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, on-going power plant project in Luzon, and on-going infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, on-going solar installations projects, and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment on the on-going power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for the investment in the new power generation projects in Luzon and Mindanao, and on-going projects on power generation, solar rooftop installations, and infrastructure projects in Visayas.

Out of the 2020 retained earnings appropriation, the Parent Company made additional investments of ₱1.0 billion in 2021 on the new power generation project in Mindanao, and on-going power generation projects, solar installation projects and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2021.

In a BOD meeting held on November 12, 2021, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.2 billion to provide appropriations for the investment on the new power generation projects in Luzon, on-going power generation projects in the Visayas, and solar installation projects and infrastructure projects in Luzon and the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.0 billion to be used for the investment in the on-going and new infrastructure projects in Luzon and the Visayas starting in 2022.

Out of the 2021 retained earnings appropriation, the Parent Company made additional investments of ₱1.6 billion in 2022 on the power generation project in the Visayas, solar installation projects and infrastructure projects in Luzon and the Visayas, which amount was then reverted to unappropriated retained earnings in 2022.

In a BOD meeting held on November 11, 2022, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱4.6 billion to provide appropriations for the investment on the new power generation projects in Luzon, solar installation projects in Luzon and the Visayas, and infrastructure project in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.25 billion to be used for the investment in the on-going and new infrastructure projects in the Visayas, and new power generation projects in Luzon and the Visayas starting in 2023.

Out of the 2022 retained earnings appropriation, the Parent Company made additional investments of ₱1.9 billion in 2023 on the power generation project in Luzon, solar installation projects and infrastructure projects in Luzon and the Visayas, which amount was then reverted to unappropriated retained earnings in 2023.

Out of the 2022 retained earnings appropriation, the Parent Company made additional investments of ₱1.9 billion in 2023 on the new power generation project in Luzon, solar installation projects in Luzon and Visayas, and infrastructure projects in the Visayas, which amount was then reverted to unappropriated retained earnings in 2023.

In a BOD meeting held on November 24, 2023, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱5.0 billion to provide appropriations for the investment on the solar installation projects in Luzon and the Visayas, and infrastructure project in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.4 billion to be used for the investment in the ongoing new infrastructure projects in the Visayas and new power generation projects in Luzon and the Visayas, and a new real estate project in the Visayas starting in 2024.

Unappropriated Retained Earnings

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures, including unrealized fair value adjustments on investment properties, amounting to ₱8.9 billion and ₱7.7 billion as of December 31, 2023 and 2022, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-controlling Interests

On June 1, 2023, VEC and VIDC acquired the remaining interest of GPI in INPC for a total consideration of ₱169.6 million, resulting in 100% ownership by the Group in INPC. The transaction has been accounted for as an equity transaction with non-controlling interests, resulting to a reduction in non-controlling interests by ₱164.5 million and a decrease in "Equity reserves" by ₱5.1 million.

In 2022, 1590EC received cash amounting to ₱231.2 million from its non-controlling stockholder for the issuance of capital stock. INPC also received cash from GPI amounting to ₱16.9 million.

In 2021, INEC received cash amounting to ₱55.3 million from its non-controlling stockholder for the issuance of capital stock. LPEC also received cash from GPI amounting to ₱0.5 million.

Material Partly-Owned Subsidiary - 1590 EC

The following are selected financial information of the material partly-owned subsidiary of the Group as of and for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Total current assets	**₱805,761,615**	₱1,068,374,263	₱993,023,145
Total noncurrent assets	**3,569,277,736**	3,751,025,697	2,154,054,662
Total current liabilities	**1,570,496,589**	2,218,327,860	933,323,365
Total noncurrent liabilities	**834,220,259**	832,756,131	995,414,558
Total equity	**1,970,322,503**	1,768,315,969	1,218,339,884
Sale of power	**1,907,736,709**	2,820,807,541	2,559,268,393
Operating profit	**341,215,108**	299,626,276	929,267,184
Net income	**204,139,608**	246,304,789	741,063,348
Total comprehensive income	**202,205,139**	249,647,528	743,338,604
Net income attributable to non-controlling interests	**91,454,544**	110,344,545	331,996,380
Total comprehensive income attributable to non-controlling interests	**90,587,902**	111,842,093	333,015,695
Dividends paid to non-controlling interests	**–**	–	250,880,000
Accumulated non-controlling interest	**880,808,639**	790,220,737	545,770,644

22. Earnings Per Share (EPS)

The amounts of EPS are computed as follows:

	2023	2022	2021
Net income attributable to shareholders of the parent	**₱2,284,209,380**	₱1,595,263,961	₱1,866,730,439
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱2.232**	₱1.559	₱1.824

There are no potential dilutive shares as of December 31, 2023, 2022 and 2021.

23. Contracts, Commitments and Contingencies

Sale of Power

Power Supply Agreements (PSAs)

- *INEC Interim PSA.* On April 22, 2020, INEC, a subsidiary, and Bantayan Electric Cooperative, Inc. (BANELCO), an electric cooperative engaged in the distribution of electricity, light, heat and power, entered into an Interim PSA. INEC shall provide a portion of the electricity requirements of BANELCO. The Interim PSA commenced on August 11, 2020 and ended on August 10, 2021.

  On July 3, 2020, INEC and BANELCO filed a joint application to the Energy Regulatory Commission, docketed under ERC Case No. 2020-013 RC, entitled "In the Matter of the Application for Approval of the Interim Power Supply Agreement between Bantayan Island Electric Cooperative, Inc. (BANELCO) and Isla Norte Energy Corporation (INEC), with Motion for Provisional Authority", dated April 29, 2020. The ERC issued a letter to INEC and BANELCO on July 19, 2021, informing that it has granted interim relief to the parties by virtue of an order issued on July 14, 2021, subject to the rates and conditions set forth in the letter.

  In 2020, INEC received from BANELCO an advance deposit amounting to ₱15.0 million in relation to the subsidy agreement with NPC for the Interim PSA. In 2021, INEC received from the National Electrification Administration ₱20.0 million as addition to BANELCO's advance deposit in relation to the subsidy agreement. The amount is refundable to BANELCO upon approval of the application by the ERC, and collection of the subsidy from the National Power Corporation. These deposits were presented under "Others" as part of "Trade and other payables in the 2022 consolidated statements of financial position and were returned by INPC to BANELCO in 2023 (see Note 14).

- *INEC PSA.* On February 10, 2020, INEC and BANELCO entered into a PSA. Under the PSA, INEC shall provide the entire energy requirements of BANELCO and its franchise area. The agreement is for a period of 15 years, reckoned from commercial operations date. On March 27, 2022, INEC and BANELCO rescinded the PSA.

  On March 30, 2022, INEC and BANELCO filed the Joint Motion to Withdraw the Joint Application for Approval of their PSA (the Motion to Withdraw) dated March 29, 2022 before the ERC. The ERC, in an order dated May 5, 2022, denied the Joint Application for non-compliance with certain rules, procedures, and other considerations.

- *INPC PSA.* On March 30, 2022, BANELCO and INPC entered into a PSA. According to the terms of the PSA, INPC shall provide the entire energy requirements of BANELCO and its franchise area. The agreement is for a period of 15 years, reckoned from commercial operations date. On May 5, 2022, pending final resolution of INPC's application for approval of the PSA, the ERC granted provisional authority to INPC to implement the PSA, subject to certain conditions. Commercial operations in relation to the provisional authority commenced on May 6, 2022.

  On August 8, 2023, the ERC granted an Interim Relief (IR) for the continued implementation of the PSA. This IR is subject to the same terms and conditions as provided in the Order dated May 5, 2022, until revoked or until the issuance of a decision.

- *INEC 90-Day PSA.* The ERC issued a Notice of Resolution dated November 4, 2021 that contained a directive to BANELCO "to source out power from any supplier which it deems fit, to ensure the continuous and unhampered supply of power within its franchise area." BANELCO entered into a PSA with the INEC for a period of 90 days, reckoned from the date of the issuance of the resolution, to supply the whole of its energy requirement.

- *CIPC PSA.* On August 8, 2011, CIPC entered into a 15-year PSA with BISELCO, an electric cooperative engaged in the distribution of electricity, light, heat and power. CIPC shall provide a portion of the energy requirements of BISELCO, for which CIPC is entitled to receive a payment equal to the total fee which is calculated using a specified formula.

  The PSA also allows CIPC to collect from NPC a subsidy fee equivalent to the difference between the total fee and the subsidized/approved generation rate billed to BISELCO. The subsidized/approved generation rate charged shall be that approved by the Energy Regulatory Commission for Coron, Palawan expressed in Php/kWh.

  Emergency PSA. On May 9, 2023, CIPC entered into a one-year Emergency PSA with BISELCO for a contracted capacity of 615,600 kWh/month at a tariff specified in the contract.

- *Delta P PSA.* On February 6, 2009, Delta P entered into a PSA with PALECO, an electric cooperative engaged in the distribution of electricity, light, heat and power for the phase I of the PSA which ended on April 3, 2021. On March 18, 2016, Delta P and PALECO entered into another PSA for the second phase of the energy supply agreement for 18 MW for 15 years. The agreement was terminated on October 3, 2023.

  Emergency PSA. On October 3, 2023, Delta P entered into an Emergency Power Supply Agreement ("EPSA") with PALECO for a maximum term of one (1) year from the commercial operations date ("COD") for a minimum contracted energy of 11,896,560 kWh monthly at the total fee in the Emergency PSA.

- *Subsidy Agreements.* Due to the subsidized nature of the PSAs of INPC, Delta P and CIPC, the subsidiaries enter into Subsidy Agreements (SA) with NPC. The Sas allow the subsidiaries to collect the difference between the Subsidized/Approved Generation Rate (SAGR) charged to the off-taker and True Cost Generation Rate (TCGR).

- *NBPC PSA.* On January 17, 2017, NBPC entered into a Power Supply Agreement (PSA) with Bukidnon Second Electric Cooperative (BUSECO) to supply a maximum of 5 MW from its 2 x 3.1 MW power plant located at Barangay Bugcaon, Lantapan, Bukidnon at a specific contract rate for a period of 15 years commencing from commercial operation date in the second quarter of 2018, under a Build Operate Maintain (BOMT) scheme. With the BOMT agreement, NBPC's power plant will be transferred to BUSECO upon termination of the PSA.

  ERC has granted a provisional approval on its rate application on August 31, 2017 effective for only twelve (12) months. Upon expiration of the provisional authority on August 31, 2018, ERC extended the provisional authority in an order dated September 21, 2019. NBPC and BUSECO filed a motion for reconsideration for rates adjustment from the provisionally approved amounts and was partially granted by ERC on October 8, 2019. As of December 31, 2023, no decision was received from ERC on the matter.

- *BPC PSA.* On October 16, 2014, BPC entered into a Power Supply Agreement (PSA) with First Bukidnon Electric Cooperative (FIBECO) to supply a maximum of 4.4 MW from its 2 x 2.4 MW power plant located at Barangay Barandas, Bukidnon at a specific contract rate for a period of 15 years commencing from March 15, 2015. ERC has granted a provisional approval on its rate application on August 3, 2015. The second power supply agreement was entered into with FIBECO on July 24, 2015 for a contracted capacity of 2 MW from its 2.5 MW Fuel power plant located at Barangay Mabuhay, San Fernando, Bukidnon, for a period of 15 years starting from April 15, 2016. ERC's final approval on its rate application was dated June 6, 2017.

- *1590 EC PSA.* On April 2023, 1590 EC entered into a PSA with a customer for a contracted capacity of 30 MWh at an agreed tariff specified in the PSA. The contract is effective from April 26, 2023 to December 25, 2023.

Revenue from sale of power in relation to the above PSAs amounted to ₱2,593.7 million, ₱922.4 million and ₱183.6 million in 2023, 2022 and 2021, respectively.

Solar Solutions. Subsidiaries of the Group enter into power purchase agreements with various customers for the development, engineering, procurement, construction, operation and maintenance of solar generation facilities at the customers' premises. Revenue from these agreements amounted to ₱35.0 million, ₱23.1 million, and ₱9.0 million in 2023, 2022 and 2021, respectively.

Retail Electricity Supply. A subsidiary enters into various retail supply contracts with contestable customers for the supply of energy at an agreed price on a per kilowatt-hour basis. The contracts are for a period of 2 years and for a contracted capacity of 0.75–2.50 MW. Total retail electricity sales from these contracts amounted to ₱1,112.7 million, ₱633.5 million, and ₱301.0 million in 2023, 2022, and 2021, respectively.

In connection with the contracts, the subsidiary received refundable deposits from customers amounting to ₱26.2 million and ₱6.7 million as of December 31, 2023 and 2022. These are presented as part of "Other noncurrent liabilities" in the statements of financial position (see Note 14).

Ancillary Services. In January 2017, a subsidiary entered into an ASPA with NGCP to be its service provider, whereby the entity will provide dispatchable reserve to NGCP to maintain power quality, reliability, and security of the nationwide grid. The term of agreement is in force for five (5) years. Actual transactions such as nominations and scheduling started in November 2017 when the access and technical requirements were finally fulfilled. The contract expired in September 2022 subject to monthly renewal pending the result of the competitive selection process. The contract was renewed until February 25, 2023.

On August 18, 2023, CPPC executed a deed of assignment to a subsidiary of the Group with the effect that all obligations of CPPC under the ASPA for the generation facility shall be turned over to a Group's subsidiary (see Note 16). The NGCP confirmed the assignment on October 25, 2023. The ASPA is effective for a period of five (5) years, commencing November 16, 2023 up to November 15, 2028.

Revenue from ASPA with NGCP amounted to ₱467.5 million , ₱952.9 million, and ₱1,174.7 million in 2023, 2022, and 2021, respectively.

Participation in WESM. To avail of the opportunities in the competitive electricity market, certain entities of the Group registered as direct participants of the wholesale electricity spot market (WESM). The revenue from sale of power on the WESM recognized by the Group amounting to ₱1,336.3 million, ₱1,867.8 million, and ₱1,384.6 million, in 2023, 2022, and 2021, respectively, were generated from its participation in the trading of electricity at the WESM.

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

On March 28, 2014, a subsidiary filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, the subsidiary filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the CA requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2013 WESM market prices.

On November 8, 2017 the CA in the consolidated Petitions for Review, rendered a decision declaring the Orders of the ERC dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the "ERC Orders") for having been rendered without any factual and legal basis. Accordingly, the CA nullified the regulated prices imposed by the ERC in the ERC Orders that were to prevail in lieu of the WESM prices for the November and December 2013 supply months.

Thereafter, the ERC and Intervenor, filed their respective MRs to which the subsidiary duly filed its respective Oppositions thereto. Moreover, as of March 14, 2018, twelve (12) entities who are not original parties to the consolidated Petitions for Review but claim legal interest in the consolidated Petitions for Review filed their respective Motions for Leave to file intervention and admit the attached MRs. On September 7, 2020, the subsidiary received a Notice from the Supreme Court (Third Division) that required its Comments to a Petition for Review on Certiorari. The subsidiary was able to file its Comment and Opposition within the allowed extended period. The Supreme Court has not decided on the matter as of April 5, 2023.

Management and Service Fees
In 2023, the Group entered into service level agreements with two third-party power generation companies to provide electrical-technical services associated with the total operation and maintenance of their power plants and corporate services effective from January 1, 2023 to December 31, 2023. Total revenue from these contracts amounted to ₱472.7 million in 2023.

Generation Costs

Purchased Power

- *Bilateral Agreements.* A subsidiary of the Group enters into PSAs with generation companies to purchase power for a fixed fee per MW per hour. The PSAs are for a period of one to two years with a contract capacity of up to 5MW.

  The total cost of power purchased during the year from PSAs amounted to ₱781.6 million, ₱431.1 million, and ₱179.2 million in December 2023, 2022, and 2021, respectively (see Note 17).

  In 2023, the subsidiary also entered into PSAs with two generation companies for a contract capacity of 50–52 MW with terms of over 25 years beginning in 2025.

Fuel Supply Agreements

- *Supply Agreement for Heavy Fuel.* The Group, through its power generation subsidiaries, entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and the Group shall purchase the petroleum products exclusively from PSPC. The supply agreements are in force up to December 2023 and March 31, 2024. As of April 5, 2024, the Group is in the process of renewing its supply agreement.

  On December 27, 2023, another subsidiary entered into a three (3)-year supply agreement with Northern Star Energy Corporation for the supply of the subsidiary's petroleum product requirements. The agreement is effective starting January 1, 2024 and will be in force until December 31, 2026.

  Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱2,242.9 million, ₱2,142.6 billion, and ₱783.8 million n in 2023, 2022, and 2021, respectively (see Note 17).

- *Supply Agreement for Light Fuel Oil.* On June 10, 2020, the Group entered into a three-year supply agreement with Pilipinas Shell Petroleum Corporation for the supply of the Group's petroleum product requirements. The agreement is effective until March 31, 2024.

  Light fuel oil recognized in the consolidated statements of comprehensive income amounted to ₱176.5 million, ₱131.2 million, and ₱73.8 million in 2023, 2022, and 2021, respectively (see Note 17).

- *Supply Agreement for Lube Fuel Oil.* On October 1, 2021, the Group entered into a Supply Agreement with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's fuel requirements. Under the agreement, PSPC shall sell and deliver and the Group shall purchase the fuel products from October 2, 2021 to September 30, 2022. This is effective until March 31, 2024.

  Lube fuel oil recognized under "Generation costs" in the statements of comprehensive income amounted to ₱49.4 million, ₱51.3 million, and ₱23.9 million in 2023, 2022, and 2021, respectively (see Note 17).

Distribution Wheeling Services. A subsidiary of the Group enters into Distribution Wheeling Service Agreements (DWSA) with various distribution utilities to tap their distribution services for the conveyance of electricity, through its distribution system, to the subsidiary's contestable customers.

Based on the DWSA, the subsidiary shall pass on all applicable distribution wheeling services charges namely distribution, transmission, system loss, metering, ancillary, universal and other charges, including applicable taxes, as billed by the distribution utility to the contestable customers. Total costs incurred for distribution wheeling services amounted to ₱239.7 million, ₱147.5 million, and ₱107.2 million in 2023, 2022, and 2021, respectively (see Note 17).

A bill deposit equivalent to one month of the estimated billing is usually paid to the distribution utility prior to the commencement of wheeling services to the contestable customer. As at December 31, 2023, 2022 and 2021, security deposit under this agreement amounted to ₱31.6 million, ₱15.8 million and ₱11.7 million, respectively, and is presented as "Others" under "Prepayments and other current assets" (see Note 9).

Open Access Transmission Service. Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million as of December 31, 2023 and 2022 (see Note 13).

Contingencies

The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As allowed by PAS 37, no further disclosures were provided as this might prejudice the Group's position on this matter. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. **Lease Agreements**

- The Group has lease contracts for office space used in its operations, which generally have lease terms between 2–5 years. Leases of land from newly acquired subsidiaries have a remaining lease term of 4–5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

- On January 19, 2018, the Group entered into a lease contract with the PGLU over the BDPP after emerging as the winning Proponent during the bidding for the lease thereof. Under the lease contract, the Group can use, possess, man, operate, and maintain the BDPP for its sole account and expense, for a term of five (5) years commencing on January 1, 2019. The lease is in consideration for a monthly rental of ₱14.1 million, royalty payment at 1.5% of monthly net profit, and the infusion of total capital investment of at least ₱600.0 million over the five-year term.

  On April 6, 2022, 1590 EC was issued a Notice of Award from PGLU as the highest bidder of the BDPP during the public auction following a post qualification evaluation. The two parties executed the deed of transfer and conveyance on April 19, 2022. As a consequence of the public auction and formal transfer of ownership, the parties mutually agreed to terminate the lease agreement wherein the PGLU waives all other obligations of PGLU under the contract of lease, whether monetary or otherwise.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2023 and December 31, 2022:

	Right-of-use Assets				
	Office Space	**Plant and Equipment**	**Land**	**Total**	**Lease Liabilities**
As at January 1, 2023	**₱22,112,091**	**₱–**	**₱–**	**₱22,112,091**	**₱26,809,952**
Acquisition of subsidiaries (see Note 13)	**–**	**–**	**7,384,059**	**7,384,059**	**10,000,301**
Additions	**7,598,821**	**2,906,484**	**–**	**10,505,305**	**10,505,305**
Depreciation expense	**(14,994,009)**	**(96,883)**	**(371,495)**	**(15,462,387)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**1,108,626**
Payments	**–**	**–**	**–**	**–**	**(18,583,225)**
As at December 31, 2023	**₱14,716,903**	**₱2,809,601**	**₱7,012,564**	**₱24,539,068**	**₱29,840,959**

	Right-of-use Assets				
	Office Space	Plant and Equipment	Land	Total	Lease Liabilities
As at January 1, 2022	₱32,864,741	₱409,495,665	₱–	₱442,360,406	₱358,719,808
Remeasurement of lease liabilities	3,348,598	–	–	3,348,598	3,348,598
Pre-termination of lease	–	(341,246,387)	–	(341,246,387)	(259,025,081)
Depreciation expense	(14,101,248)	(68,249,278)	–	(82,350,526)	–
Interest expense	–	–	–	–	10,826,959
Payments	–	–	–	–	(87,060,332)
As at December 31, 2022	₱22,112,091	₱–	₱–	₱22,112,091	₱26,809,952

In 2022, there were modifications to the Parent Company's leases which increased the lease term. The remeasurement resulted to a net increase in right-of-use assets and lease liabilities by ₱3.3 million in 2022.

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022:

	2023	2022	2021
Depreciation expense of right-of-use assets			
Operating expenses	**₱15,090,892**	₱14,101,248	₱209,625,519
Costs of services (see Note 17)	**371,495**	68,249,278	14,750,479
Rent expense - short-term leases	**17,111,440**	8,568,043	26,005,242
Interest expense on lease liabilities	**1,108,626**	10,826,959	52,513,071
Variable lease payments (see Note 17)	–	4,786,582	26,044,774
	₱33,682,453	₱106,532,110	₱328,939,085

Variable lease payments are presented as royalty fees under "Costs of Services" in the consolidated statements of comprehensive income. Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

	2023	2022
Within one year	**₱18,342,849**	₱16,712,054
After one year but not more than five years	**9,131,689**	13,498,899
More than five years	**12,020,020**	–
	₱39,494,558	₱30,210,953

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, trade and other receivables, advances to associates and stockholders, financial assets at FVOCI, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC from an electric cooperative and other receivables which were provided with allowance (see Note 7), management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱7,452.6 million and ₱7,266.2 million as of December 31, 2023 and 2022, respectively.

There are no significant concentrations of credit risk within the Group.

The Group writes off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Group may also write off financial assets that are still subject to enforcement activity. The Group has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2023 and 2022.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2023 and 2022:

- *General Approach*

    - *Cash and Cash Equivalents.* As of December 31, 2023 and 2022, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

    - *Advances to Associates, Joint Ventures, and Stockholders, Receivables from Related Parties and Other Receivables and Security Deposits.* No ECL is recognized for related party receivables since there were no history of default payments. As of December 31, 2023 and 2022, allowance for impairment losses pertain to individually impaired accounts of other receivables. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

- *Simplified Approach*
    - *Trade and Accounts Receivable* - The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2023 and 2022, the allowance for impairment losses as a result from performing collective impairment test amounted to ₱2.4 million and ₱2.0 million, respectively. Management evaluated that the Group's trade receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Group's year-end stage classification.

	2023				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱5,804,951,806**	**₱–**	**80,062,163**	**1,650,080,971**	**₱7,535,094,940**
Loss allowance	**–**	**–**	**(80,062,163)**	**(2,419,972)**	**(82,482,135)**
Carrying amount	**₱5,804,951,806**	**₱–**	**₱–**	**₱1,647,660,999**	**₱7,452,612,805**

	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱5,903,523,053	₱–	₱86,062,163	₱1,364,716,118	₱7,354,301,334
Loss allowance	–	–	(86,062,163)	(2,009,923)	(88,072,086)
Carrying amount	₱5,903,523,053	₱–	₱–	₱1,362,706,195	₱7,266,229,248

The following tables set out the aging analysis per class of financial assets as of December 31, 2023 and 2022:

	2023						
		Past Due					
	Not Past Due	**Less than 30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 days**	**Impaired**	**Total**
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	**₱4,382,540,776**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,382,540,776**
Trade and other receivables	**1,019,246,157**	**64,724,865**	**92,003,989**	**151,063,379**	**320,622,609**	**36,404,072**	**1,684,065,071**
Advances to associates, joint ventures and stockholders	**154,587,739**	–	–	–	**7,617,057**	–	**162,204,796**
Advances to suppliers and other parties (under "Other noncurrent assets")	**1,226,593,466**	–	–	–	–	–	**1,226,593,466**
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	**46,078,063**	**46,078,063**
Restricted cash (under "Other current assets")	**2,003,880**	–	–	–	–	–	**2,003,880**
Security deposits (under "Prepayments and other current assets")	**31,608,888**	–	–	–	–	–	**31,608,888**
	₱6,816,580,906	**₱64,724,865**	**₱92,003,989**	**₱151,063,379**	**₱328,239,666**	**₱82,482,135**	**₱7,535,094,940**

	2022						
		Past Due					
	Not Past Due	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱4,169,079,325	₱724,277,901	₱–	₱–	₱–	₱–	₱4,893,357,226
Trade and other receivables	359,060,700	585,547,976	18,724,303	23,469,764	375,903,452	41,994,023	1,404,700,218
Advances to associates, joint ventures and stockholders	290,664,713	631,115	350,502	207,670	2,162,208	–	294,016,208
Advances to suppliers and other parties (under "Other noncurrent assets")	698,308,703	–	–	–	–	–	698,308,703
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other current assets")	2,003,880	–	–	–	–	–	2,003,880
Security deposits (under "Prepayments and other current assets")	15,837,036	–	–	–	–	–	15,837,036
	₱5,534,954,357	₱1,310,456,992	₱19,074,805	₱23,677,434	₱378,065,660	₱88,072,086	₱7,354,301,334

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

		2023			
		Contractual Undiscounted Payments			
	Total	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**
Financial Assets					
At amortized cost:					
Cash and cash equivalents	**₱4,382,540,776**	**₱4,286,305,576**	**₱96,235,200**	**₱–**	**₱–**
Trade and other receivables	**1,647,660,999**	**114,659,308**	**1,175,975,011**	**357,026,680**	–
Advances to associates, joint ventures, and stockholders	**162,204,796**	**162,204,796**	–	–	–
Advances to suppliers and other parties (under "Other noncurrent assets")	**1,226,593,466**	**1,226,593,466**	–	–	–
Restricted cash (under "Other current assets")	**2,003,880**	**2,003,880**	–	–	–
Security deposits (under "Other current assets")	**31,608,888**	–	**15,771,852**	**15,837,036**	–
	7,452,612,805	**5,791,767,026**	**1,287,982,063**	**372,863,716**	**–**
Financial Liabilities					
Trade and other payables*	**1,542,573,549**	**599,592,352**	**942,981,197**	–	–
Short-term notes payable	**1,963,546,959**	–	**1,963,546,959**	–	–
Long-term notes payable**	**6,269,443,163**	–	**456,090,054**	**3,839,810,913**	**1,973,542,196**
Lease liabilities	**39,494,558**	–	**18,342,849**	**9,131,689**	**12,020,020**
Advances from related parties	**2,350,050**	–	**2,350,050**	–	–
	9,817,408,279	**599,592,352**	**3,383,311,109**	**3,848,942,602**	**1,985,562,216**
Net Financial Assets (Liabilities)	**(₱2,364,795,474)**	**₱5,192,174,674**	**(₱2,095,329,046)**	**(₱3,476,078,886)**	**(₱1,985,562,216)**

**Excluding nonfinancial liabilities*
***Includes contractual interest payments*

		2022			
		Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱4,893,357,226	₱4,169,079,325	₱724,277,901	₱–	₱–
Trade and other receivables	1,362,706,195	359,060,700	627,742,043	375,903,452	–
Advances to associates, joint ventures, and stockholders	294,016,208	294,016,208	–	–	–
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	698,308,703	–
Restricted cash (under "Other current assets")	2,003,880	–	569	2,003,311	–
Security deposits (under "Other current assets")	15,837,036	–	4,102,061	11,734,975	–
	7,266,229,248	4,822,156,233	1,356,122,574	1,087,950,441	–
Financial Liabilities					
Trade and other payables*	1,109,910,241	334,299,343	740,610,898	35,000,000	–
Short-term notes payable	1,170,300,000	–	1,170,300,000	–	–
Long-term notes payable**	5,626,709,943	–	1,311,199,216	3,072,653,172	1,242,857,555
Lease liabilities	30,210,953	–	16,712,054	13,498,899	–
Advances from related parties	10,886,165	5,197,053	5,689,112	–	–
	7,948,017,302	339,496,396	3,244,511,280	3,121,152,071	1,242,857,555
Net Financial Assets (Liabilities)	(₱681,788,054)	₱4,482,659,837	(₱1,888,388,706)	(₱2,033,201,630)	(₱1,242,857,555)

**Excluding nonfinancial liabilities*
***Includes contractual interest payments*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

		2023	
	USD	**EUR**	**Php Equivalent**
Financial Asset			
Cash	**US$1,626,611**	**€638,428**	**₱129,634,942**

		2022	
	USD	EUR	Php Equivalent
Financial Asset			
Cash	US$9,863,581	€1,131,571	₱620,929,219

The December 31 exchange rates used follows:

	2023	2022
US Dollar	**₱55.57 to US$1**	₱56.12 to US$1
Euro Dollar	**₱61.47 to €1**	₱59.55 to €1

The Group recognized net foreign exchange loss of ₱9.6 million in 2023, net foreign exchange gain of ₱53.8 million, ₱16.1 million in 2022, and 2021.

The Group manages the timing of settlements or payments to ensure that the Group is not unfavourably exposed to fluctuations of foreign exchange rates. Likewise, the Group maintains adequate PHP, US, and EUR bank deposits to fund major expenditures or payments in foreign currencies.

The tables below demonstrate the sensitivity to a reasonably possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2023 and 2022.

	Change in Philippine Peso to US Dollar	
	Appreciation	Depreciation
Effect in income before income tax:		
2023 (at 2.07% appreciation and 2.07% depreciation)	**₱1,871,089**	**(₱1,871,089)**
2022 (at 8.40% appreciation and 7.13% depreciation)	₱46,497,710	(₱39,467,699)

	Change in Philippine Peso to Euro	
	Appreciation	Depreciation
Effect in income before income tax:		
2023 (at 4.73% appreciation and 4.73% depreciation)	**₱1,856,249**	**(₱1,856,249)**
2022 (at 3.77% appreciation and 4.40% depreciation)	₱2,540,416	(₱2,964,942)

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

Interest Rate Risk
The Group is not exposed to interest rate risk since its loans are subject to fixed interest rates and are therefore not subject to interest rate risk. Accounts receivable and other significant liabilities are noninterest-bearing. The Group has achieved a balanced mix of cash balances with various deposit rates.

Fair Value Measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of assets and liabilities:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2023 and 2022, the carrying values of the Group's financial instruments, except for the Group's long-term debt, approximate fair values due to their relatively short-term maturity.

The Group considers the long-term notes payable with fair value of ₱5.0 billion and ₱4.5 billion as of December 31, 2023 and 2022, respectively, as under Level 3 classification. The fair values were determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

The Group's financial assets at FVOCI and investment properties, which are classified under Level 2 and 3, respectively, are measured at fair value.

As of December 31, 2023 and 2022, there were no transfers into and out of Level 3 fair value measurements.

Changes in Valuation Techniques
There were no changes in the valuation techniques used by the Group in determining the fair value of its financial assets at FVOCI and investment properties during the year.

Highest and Best Use
As at December 31, 2023 and 2022, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy as of December 31, 2023 and 2022:

	2023			
		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value				
Financial assets at FVOCI (see Note 13)	**₱426,600,000**	**₱–**	**₱426,600,000**	**₱–**
Investment properties (see Note 12):				
Land	**1,018,548,067**	**–**	**–**	**1,018,548,067**
Condominium units	**26,921,733**	**–**	**–**	**26,921,733**

	2022			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI (see Note 13)	₱397,734,676	₱–	₱397,734,676	₱–
Investment properties (see Note 12):				
Land	898,590,867	–	–	898,590,867
Condominium units	25,445,733	–	–	25,445,733

Valuation Techniques Used to Derive Level 3 Fair Values
The following tables show an analysis of the Group's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	**Carrying Value as of December 31, 2023**	**Fair Value as of December 31, 2023**	**Valuation Technique**	**Key Observable Inputs**	**Range (Weighted Average)**
Long-term debt	**₱5,048,355,575**	**₱4,994,514,624**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**5.18%-7.68% (5.88%-7.58%)**

Description	Carrying Value as of December 31, 2022	Fair Value as of December 31, 2022	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term debt	₱4,623,624,168	₱4,482,343,552	Discounted Cash Flow Approach	Risk-free interest rate	4.58%-7.92% (6.39%-7.26%)

The table below presents the following for each class of the Group's investment properties as of December 31, 2023 and 2022:

		2023		
Class of Property	**Fair Value**	**Valuation Technique**	**Key Unobservable Inputs**	**Range**
Investment properties (see Note 12):				
Land	**₱1,018,548,067**	**Sales Comparison Approach**	**Price per square meter**	**₱96,837-₱210,000**
Condominium units	**26,921,733**	**Sales Comparison Approach**	**Price per square meter**	**₱140,790–₱180,000**

			2022	
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱898,590,867	Sales Comparison Approach	Price per square meter	₱4,500–₱80,000
Condominium units	25,445,733	Sales Comparison Approach	Price per square meter	₱150,063–₱168,586

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income amounted to ₱121.4 million in 2023, ₱60.4 million in 2022, and ₱106.4 million in 2021 (see Note 12). All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

The fair values of financial assets at FVOCI is determined based on the available selling price in the market for identical assets under Level 2 as of December 31, 2023 and 2022. The Group recognized an unrealized gain on financial assets at FVOCI under "Other comprehensive income" in the consolidated statements of comprehensive income amounting to ₱24.5 million in 2023, ₱21.9 million in 2022, and ₱2.7 million in 2021 (see Note 13).

There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Descriptions and Definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

The fair value of the investment properties was based on valuations performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued, conducted on various dates in 2023 and 2022. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2023, 2022 and 2021.

The Parent Company and certain subsidiaries are required to maintain financial ratios, such as current ratio, debt-to-equity ratio and debt service coverage ratio, as part of the covenants on their notes payable (see Note 15). As of December 31, 2023 and 2022, the Parent Company and these subsidiaries, except for INPC, have complied with the requirements. As of December 31, 2023, INPC has not complied with the required debt-to-equity ratio ceiling under its loan agreement. However, INPC has obtained in November 2023 a waiver from the lender tolerating the breach (see Note 15).

The Parent Company is also subject to the Minimum Public Ownership requirement of the PSE. As of December 31, 2023 and 2022, this requirement has been complied with.

The Parent Company and other entities in the Group are not subject to other externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of short-term and long-term notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2023	2022
Notes payable	**₱7,011,902,534**	₱5,793,924,168
Less cash and cash equivalents	**4,382,540,776**	4,893,357,226
Net cash and cash equivalents (a)	**2,629,361,758**	900,566,942
Equity attributable to equity holders of the parent	**18,280,690,515**	16,494,496,694
Equity and net cash and cash equivalents (b)	**₱20,910,052,273**	₱17,395,063,636
Gearing ratio (a/b)	**0.13:1.00**	(0.05):1.00

26. Notes to the Consolidated Statement of Cash Flows

Changes in Liabilities arising from Financing Activities (in thousands)

	2023					
	Long-term Notes Payable	**Advances from Related Parties**	**Lease Liabilities**	**Dividends Payable**	**Short-term Notes Payable**	**Total Liabilities from Financing Activities**
January 1, 2023	**₱4,623,624**	**₱10,886**	**₱26,810**	**₱8,827**	**₱1,170,300**	**₱5,840,447**
Non-cash changes:						
Dividends declared	**–**	**–**	**–**	**399,901**	**–**	**399,901**
Amortization of debt issue cost	**8,871**	**–**	**–**	**–**	**453**	**9,324**
Collections of advances to related parties	**–**	**(82,003)**	**–**	**–**	**–**	**(82,003)**
Additions and modifications	**–**	**–**	**20,506**	**–**	**–**	**20,506**
Acquired from business combination	**873,799**	**–**	**–**	**–**	**–**	**873,799**
Net cash flows	**(457,938)**	**73,467**	**(17,475)**	**(401,876)**	**792,794**	**(11,028)**
December 31, 2023	**₱5,048,356**	**₱2,350**	**₱29,841**	**₱6,852**	**₱1,963,547**	**₱7,050,946**

	2022					
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Short-term Notes Payable	Total Liabilities from Financing Activities
January 1, 2022	₱4,473,541	₱5,689	₱358,719	₱7,424	₱–	₱4,845,373
Non-cash changes:						
Dividends declared	–	–	–	452,883	–	452,883
Amortization of debt issue cost	10,515	–	–	–	–	10,515
Additional advances to related parties	–	17,451	–	–	–	17,451
Pre-termination of lease	–	–	(259,025)	–	–	(259,025)
Remeasurement	–	–	3,349	–	–	3,349
Net cash flows	139,568	(12,254)	(76,233)	(451,480)	1,170,300	769,901
December 31, 2022	₱4,623,624	₱10,886	₱26,810	₱8,827	₱1,170,300	₱5,840,447

	2021					
	Long-term Notes Payable	Advances from Related Parties	Lease Liabilities	Dividends Payable	Short-term Notes Payable	Total Liabilities from Financing Activities
January 1, 2021	₱2,819,508	₱5,689	₱663,178	₱6,062	₱749,300	₱4,243,737
Non-cash changes:						
Dividends declared	–	–	–	634,274	–	634,274
Acquired notes payables from business combination	333,069	–	–	–	–	333,069
Amortization of debt issue cost	10,587	–	–	–	–	10,587
Additional advances to related parties	–	23,504	–	–	–	23,504
Additions and modifications	–	(54,800)	–	–	–	(54,800)
Remeasurement	–	–	(5,487)	–	–	(5,487)
Net cash flows	1,310,377	31,296	(298,972)	(632,912)	(749,300)	(339,511)
December 31, 2021	₱4,473,541	₱5,689	₱358,719	₱7,424	₱–	₱4,845,373

Non-cash Changes in Investing and Financing Activities

- Additions to property, plant and equipment include unpaid portion purchased on account amounting to nil in 2023, ₱140.0 million in 2022 and nil in 2020 (see Note 11). The amount also includes the carrying amount of the right-of-use asset net of the outstanding lease liability derecognized amounting to ₱82.2 million as a result of the termination in 2022 of the lease of the BDPP that was capitalized as part of the plant machinery and equipment acquired (see Notes 11 and 24).

- Of the total transaction price of ₱169.6 million to acquire the remaining interest in INPC in 2023, ₱105.1 million remains unpaid until post-closing conditions on the transfer are met (see Note 21). The unpaid transaction price is included as part of “Trade payables” in “Trade and other payables” (see Note 14).

27. Operating Segment Information

The Group is currently organized into three operating segments: (1) power generation and distribution operations, (2) infrastructure and water treatment and desalination and (3) investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group’s Chief Operating Decision Maker (CODM).

The operating segments and their corresponding principal activities are as follows:

Power Generation and Distribution
1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. Core operates as a retail electricity supplier. INPC, Delta P and CIPC operate diesel-fired power plants in Bantayan Island, Mainland Palawan, and Coron and Busuanga Islands, respectively. BPC and NBPC are operating diesel-fired power plants in Bukidnon. MPI acquired in 2023 a diesel-fired power plant in Cebu City intended to generate power for ancillary services and WESM. CSSC and VSC are engaged in providing solar rooftop solutions to customers. VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. LPEC is also in the pre-development stage of building a diesel-fired power plant in Pampanga. CREC, SIAEC and SPREC are entities in various stages of pre-development of solar generation facilities in various parts of Luzon. VII, VGPC, SGC, AEC, API, BEC, SCEC and SGEC are intended to undertake various power generation activities of the Group.

Infrastructure and Water Treatment and Desalination
WMP is a water treatment engineering company. IMCC is in its pre-operating stage of building a water desalination plant in Cordova, Cebu. NMCWC is also in its pre-operating stage of building a water treatment plant.

Investing in Shares of Stock
As disclosed in Note 1, except for the other entities mentioned above, the Parent Company and all other subsidiaries are operating as holding and investing companies. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

VECO, an associate of the Group, is involved in the distribution and sale of electricity, while the other associates and joint ventures are engaged in the generation and supply of power to various entities and parties.

The segment results for the years ended December 31 follow:

	2023				
	Power Generation and Distribution	**Infrastructure and Water Treatment and Desalination**	**Investing in Shares of Stock**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱5,555,081,891**	**₱7,369,267**	**₱472,693,599**	**₱–**	**₱6,035,144,757**
Equity in net earnings of associates and joint ventures			**2,044,341,881**	**–**	**2,044,341,881**
Revenue from inter-segment, associates and affiliates	**88,436,201**	**404,339,123**	**419,813,689**	**(839,305,682)**	**73,283,331**
Interest income	**24,847,896**	**12,693,418**	**85,446,276**	**–**	**122,987,590**
Inter-segment revenues	**(76,436,201)**	**(404,339,123)**	**(358,530,358)**	**839,305,682**	**–**
	5,591,929,787	**20,062,685**	**2,663,765,087**	**–**	**8,275,757,559**
Income from operations	**782,979,748**	**(51,988,790)**	**2,030,153,843**	**–**	**2,761,144,801**
Finance costs on loans	**(212,801,218)**	**(769,412)**	**(150,107,981)**	**–**	**(363,678,611)**
Finance costs on lease liabilities		**(539,748)**	**(568,878)**	**–**	**(1,108,626)**
Foreign exchange gains	**(730,108)**	**2,074,872**	**(10,961,071)**	**–**	**(9,616,307)**
Other income (charges)	**(25,171,201)**	**1,512,196**	**211,216,269**	**–**	**187,557,264**
Income before income tax	**544,277,221**	**(49,710,882)**	**2,079,732,182**	**–**	**2,574,298,521**
Income tax expense	**(111,662,661)**	**(61,705)**	**(68,626,469)**	**–**	**(180,350,835)**
Net income	**₱432,614,560**	**(₱49,772,587)**	**₱2,011,105,713**	**₱–**	**₱2,393,947,686**

	2022				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱4,399,754,194	₱–	₱–	₱–	₱4,399,754,194
Equity in net earnings of associates and joint ventures	–	6,393,453	1,934,963,930	–	1,941,357,383
Revenue from inter-segment, associates and affiliates	40,893,853	563,854,198	3,341,746,027	(3,828,824,462)	117,669,616
Interest income	4,994,815	5,379,021	49,697,207	–	60,071,043
Inter-segment revenues	(10,766,286)	(563,093,963)	(3,254,964,213)	3,828,824,462	–
	4,434,876,576	12,532,709	2,071,442,951	–	6,518,852,236
Income from operations	47,795,891	(44,649,988)	1,913,929,025	–	1,917,074,928
Finance costs on loans	(114,270,732)	(2,609,024)	(143,000,915)	–	(259,880,671)
Finance costs on lease liabilities	(9,418,418)	(23,661)	(1,384,880)	–	(10,826,959)
Foreign exchange gains	1,902,164	20,758,025	31,182,099	–	53,842,288
Other income (charges)	1,140,312	3,450,456	89,488,243	–	94,079,011
Income before income tax	(72,850,783)	(23,074,192)	1,890,213,572	–	1,794,288,597
Income tax expense	(56,178,969)	(5,968,681)	(27,413,829)	–	(89,561,479)
Net income	(₱129,029,752)	(₱29,042,873)	₱1,862,799,743	₱–	₱1,704,727,118

	2021				
	Power Generation and Distribution	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱3,053,244,151	₱42,037,953	₱–	₱–	₱3,095,282,104
Equity in net earnings of associates and joint ventures	–	–	1,838,491,265	–	1,838,491,265
Revenue from inter-segment, associates and affiliates	54,680,531	132,921,602	3,938,731,566	(4,023,744,073)	102,589,626
Interest income	1,513,500	121,818	21,326,267	–	22,961,585
Inter-segment revenues	(54,680,531)	(132,921,602)	(3,836,141,940)	4,023,744,073	–
	3,054,757,651	42,159,771	1,962,407,158	–	5,059,324,580
Income from operations	755,311,359	13,386,380	1,662,538,494	–	2,431,236,233
Finance costs on loans	(34,431,129)	(1,242,751)	(129,631,781)	–	(165,305,661)
Finance costs on lease liabilities	(50,304,024)	(110,160)	(2,098,887)	–	(52,513,071)
Foreign exchange gains	2,516,541	5,108	13,608,113	–	16,129,762
Other income (charges)	(2,343,054)	542,607	171,843,974	–	170,043,527
Income before income tax	670,749,693	12,581,184	1,716,259,913	–	2,399,590,790
Income tax expense	(157,812,810)	(6,671,197)	(2,617,021)	–	(167,101,028)
Net income	₱512,936,883	₱5,909,987	₱1,713,642,892	₱–	₱2,232,489,762

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

In 2023, revenue from sale of power to a major customer amounted to ₱988.8 million, representing 18% of the total revenue from sale of power and 16% of total revenues. In 2022, revenue from sale of power to a major customer amounted to ₱953.0 million, representing 22% of the total revenue from the sale of power and 21% of total revenues. In 2021, revenue from sale of power to two major customers amounted to ₱2.5 billion representing 82% of the total revenue from the sale of power and 78% of total revenues.

Geographical business information is not required since the Group has only one geographical segment as all of its assets is located in the Philippines, and it operates or derives all of its revenue from domestic operations.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statements of financial position as of December 31 is as follows:

		2023		
	Power Generation	**Infrastructure and Water Treatment and Desalination**	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱23,910,141,009**	**₱1,876,902,902**	**₱4,098,491,039**	**₱29,885,534,950**
Liabilities	**7,695,617,674**	**180,547,245**	**2,371,305,136**	**10,247,470,055**
Capital expenditures	**966,377,588**	**504,664,350**	**207,685,806**	**1,678,727,744**

		2022		
	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Assets	₱16,619,216,673	₱1,591,835,939	₱8,228,950,856	₱26,440,003,468
Liabilities	5,517,267,798	1,084,942,675	1,929,097,207	8,531,307,680
Capital expenditures	1,720,656,727	472,054,507	417,694,179	2,610,405,413

		2021		
	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Assets	₱14,061,931,482	₱629,595,810	₱8,736,229,022	₱23,427,756,314
Liabilities	3,609,142,478	373,998,751	3,066,321,607	7,049,462,836
Capital expenditures	620,235,607	74,834,098	26,258,144	721,327,849

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020 is as follows:

	Power Generation	Infrastructure and Water Treatment and Desalination	Investing in Shares of Stock	Consolidated
Depreciation and amortization:				
2023	**₱449,485,431**	**₱4,597,506**	**₱52,939,303**	**₱507,022,240**
2022	397,598,335	1,814,587	30,818,042	430,230,964
2021	314,923,418	3,895,412	42,008,991	360,827,821

The Management Committee monitors the operating results of each business unit separately for the purpose of determining resource allocation and assessing performance. Performance is evaluated based on (i) net income for the year, (ii) consolidated earnings before interest, taxes, and depreciation and amortization ("consolidated EBITDA"); and (iii) consolidated core net income ("CCNI"). Net income for the year is measured consistent with reported net income in the consolidated statement of comprehensive income.

Consolidated EBITDA is measured as total net income excluding interest, provision for income taxes, depreciation and amortization, finance costs, foreign exchange gains and losses, and other one-off gains and losses.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent adjusted for foreign exchange gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

The following table shows the reconciliation of the EBITDA to net income:

	2023	2022	2021
EBITDA	**₱3,269,605,406**	₱2,380,990,303	₱2,816,861,438
Add (deduct):			
Depreciation and amortization (see Notes 11 and 13)	**(507,022,240)**	(430,230,964)	(360,827,821)
Finance costs on loans (see Note 15)	**(363,678,611)**	(259,880,671)	(165,305,661)
Gain on fair value remeasurement of investment properties (see Note 12)	**121,433,200**	60,394,600	106,361,400
Finance costs on lease liabilities (see Note 24)	**(1,108,626)**	(10,826,959)	(52,513,071)
Gain on bargain purchase	**64,685,699**	–	32,120,469
Gain on disposal of investments	**–**	–	6,764,274
Foreign exchange gains (losses) - net	**(9,616,307)**	53,842,288	16,129,762
Income before income tax	**2,574,298,521**	1,794,288,597	2,399,590,790
Provision for income tax (see Note 20)	**(180,350,835)**	(89,561,479)	(167,101,028)
Net income	**₱2,393,947,686**	₱1,704,727,118	₱2,232,489,762

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City, Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 5, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082018, January 6, 2024, Makati City

April 5, 2024

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial assets at amortized cost:				
Cash and cash equivalents	–	₱4,382,540,776	₱4,382,540,776	₱119,214,340
Trade and other receivables:				
Trade receivables	–	1,575,969,109	1,575,969,109	6,108,428,088
Accrued interest	–	20,945,817	20,945,817	–
Advances to officers and employees	–	5,694,516	5,694,516	–
Accounts receivable	–	182,598	182,598	–
Dividends receivable	–	–	–	–
Others	–	44,868,959	44,868,959	–
		1,647,660,999	1,647,660,999	6,108,428,088
Advances to associates, joint ventures and stockholders	–	162,204,796	162,204,796	–
Advances to supplier and other parties	–	1,226,593,466	1,226,593,466	–
Restricted cash	–	2,003,880	2,003,880	–
Security deposits	–	31,608,888	31,608,888	–
		1,422,411,030	1,422,411,030	–
		7,452,612,805	7,452,612,805	6,227,642,428
Financial assets at fair value through other comprehensive income:				
Buskowitz Energy, Inc.	–	418,600,000	418,600,000	–
Cebu Country Club, Inc.	–	8,000,000	8,000,000	–
	–	426,600,000	426,600,000	–
Total financial assets	–	₱7,879,212,805	₱7,879,212,805	₱6,227,642,428

See Notes 6, 7, 9, 13 and 16 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

						Balance at End of Period		
Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Reversals	Write Offs	Current	Noncurrent	Total
Lunar Power Core Inc.	₱102,708,539	₱–	₱–	₱–	₱–	₱102,708,539	₱–	₱102,708,539
Cebu Private Power Corp.	–	177,445,146	(115,445,146)	–	–	62,000,000	–	62,000,000
Visayan Electric Company, Inc.	7,957,282	763,687,641	(773,687,641)	–	–	7,957,282	–	7,957,282
Global Luzon Energy Development Corporation	7,879,200	431,979	(6,431,979)	–	–	1,879,200	–	1,879,200
Faith Lived Out Visions 2 Ventures Holdings, Inc.	150,000,000	–	(150,000,000)	–	–	–	–	–
Cebu Energy Development Corp.	4,821,667	56,100,000	(81,649,677)	–	–	–	–	–
Abovant Holdings, Inc.	–	404,800,000	(404,800,000)	–	–	–	–	–
Minergy Power Corporation	–	200,000,016	(200,000,016)	–	–	–	–	–
Therma Visayas Inc.	–	180,000,000	(180,000,000)	–	–	–	–	–
Advances to stockholders	4,728,803	20,976,479	(18,045,549)	–	–	7,659,733	–	7,659,733
	₱278,095,491	₱1,783,293,011	(₱1,621,911,758)	₱–	₱–	₱170,204,754	₱–	₱170,204,754

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2023

	Balance at Beginning of Period	Additions	Collections	Conversion to Equity	Write Offs	Balance at End of Period		
						Current	Noncurrent	Total
Isla Mactan Cordova Corporation	₱769,308,039	₱300,481,435	₱–	₱–	₱–	₱1,069,789,474	₱–	₱1,069,789,474
San Ildefonso Alternative Energy Corp	–	1,052,774,074	(67,709,653)	–	–	985,064,421	–	985,064,421
Vivant Infracore Holdings Inc.	206,635,434	93,716,775	(96,950,266)	–	–	203,401,943	–	203,401,943
Calamian Island Power Corp	–	174,735,845	(8,468,203)	–	–	166,267,642	–	166,267,642
Corenergy Solar Solutions Corp.	160,430,313	540,961	(3,467,477)	–	–	157,503,797	–	157,503,797
Vivant Energy Corporation	733,760,518	345,422,160	(966,187,462)	–	–	112,995,216	–	112,995,216
Corenergy Inc.	88,581,014	72,384,290	(98,049,090)	–	–	62,916,214	–	62,916,214
Delta P, Inc.	–	89,992,208	(31,913,756)	–	–	58,078,452	–	58,078,452
Vivant Renewable Energy Corporation	24,776,112	8,632,568	(5,164,904)	–	–	28,243,776	–	28,243,776
Vivant Integrated Diesel Corporation	2,109	28,021,348	(2,109)	–	–	28,021,348	–	28,021,348
Vivant Solar Corporation	23,425,921	11,665	(52,301)	–	–	23,385,285	–	23,385,285
Southern Grove Properties and Development Corp.	10,040,418	16,020	(117,183)	–	–	9,939,255	–	9,939,255
Amberdust Holding Corp.	9,685,256	–	–	–	–	9,685,256	–	9,685,256
Hijos de F. Escaño, Inc.	550,114	3,598,660	(1,248,623)	–	–	2,900,151	–	2,900,151
Bukidnon Power Corp.	24,137,554	11,544,636	(33,340,476)	–	–	2,341,714	–	2,341,714
Watermatic Philippines	96,255	2,803,555	(1,092,620)	–	–	1,807,190	–	1,807,190
North Bukidnon Power Corp.	1,489,231	10,593,661	(10,302,334)	–	–	1,780,558	–	1,780,558
1590 Energy Corp.	106,381,121	60,411,514	(165,936,949)	–	–	855,686	–	855,686
Isla Norte Power Corp.	21,093,699	1,126,882	(21,855,770)	–	–	364,811	–	364,811
San Pablo Renewable Energy Corp	–	8,673,197	(8,629,337)	–		43,860		43,860
Vivant -Malogo Hydropower, Inc.	155,511	18,127	(158,139)	–	–	15,499	–	15,499
Vivant Integrated Generation Corporation	7,466	495,180,618	(495,187,863)	–	–	221	–	221
Delta P Hybird, Inc. (formerly Vivant Isla Inc.)	357	–	–	–	–	357	–	357
Vivant Geo Power Corp.	178	–	–	–	–	178	–	178
Vivant Hydrocore Holdings Inc.	1,170,956	2,612,488	(3,783,444)	–	–	–	–	–
Northern Metro Cebu Water Corp.	271,742	–	(271,742)	–	–	–	–	–
Vivant Realty Ventures Corp.	109,844	–	(109,844)	–	–	–	–	–
Vivant Transcore Holdings Inc.	1,836	–	(1,836)	–	–	–	–	–
Vivant Corporate Center Inc.	1,076	–	(1,076)	–	–	–	–	–
	₱2,182,112,074	₱3,466,895,590	(₱1,941,309,334)	₱–	₱–	₱2,182,112,074	₱–	₱2,182,112,074

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2023

Description	Beginning Balance	Additions of Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Customer Contracts	₱199,760,084	₱–	(₱21,297,770)	₱–	₱–	₱178,462,314
Goodwill	129,843,626	12,186,970	–	–	–	142,030,596
Software cost	843,053	398,439	(601,907)	–	–	639,585
	₱330,446,763	₱12,585,409	(₱21,899,677)	₱–	₱–	₱321,132,495

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2023

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN) -Vivant Corp	₱1,900,000,000	₱50,000,000	₱1,850,000,000
15-Year Project Financing Facility-Isla Norte Power Corp	1,283,764,706	72,470,588	1,211,294,118
15-Year Project Financing Facility-Delta P., Inc.	817,615,846	62,549,846	755,066,000
FRCN – Vivant Energy Corp	600,000,000	–	600,000,000
Loans Payable – North Bukidnon Power Corp	186,560,000	16,960,000	169,600,000
Loans Payable – Bukidnon Power Corp	159,300,000	14,160,000	145,140,000
10-Year Loan - Corenergy, Inc.	131,349,198	–	131,349,198
Unamortized debt issue cost	(30,234,175)	(5,839,455)	(24,394,720)
	₱5,048,355,575	₱210,300,979	₱4,838,054,596

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2023

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
-Not applicable-	-Not applicable-	

VIVANT CORPORATION AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
– Not applicable –		– Not applicable –		

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Directors, Officers and Employees	Others
Capital stock	2,000,000,000	1,023,456,698	–	766,356,210	240,335	246,860,153

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2023

Items		Amount
Unappropriated Retained Earnings, Beginning		**₱985,537,304**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	1,866,087,228	
Effect of restatements or prior-period adjustments	—	
Others	—	1,866,087,228
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	398,841,075	
Retained Earnings appropriated during the reporting period	2,400,000,000	
Effect of restatements or prior-period adjustments	—	
Others	—	2,798,841,075
Unappropriated Retained Earnings, as adjusted		**52,783,457**
Add/Less: Net Income for the current year		**995,003,934**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	—	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Unrealized fair value gain of Investment Property	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(45,741,149)	
Subtotal		**(45,741,149)**
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	—	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Realized fair value gain of Investment Property	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	—
Subtotal		—

(Forward)

Items		Amount
Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	₱—	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Realized fair value gain of Investment Property	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	—
Subtotal		—
Adjusted Net Income/Loss		
Add: Category D: Non-actual loss recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	—	
Subtotal		—
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	—	
Total amount of reporting relief granted during the year	—	
Others	—	
		—
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	—	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(1,526,083)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	—	
Adjustment due to deviation from PFRS/GAAP – gain(loss)	—	
Others	—	
Subtotal		**(1,526,083)**
TOTAL RETAINED EARNINGS, END OF THE YEAR FOR DIVIDEND DECLARATION		**₱1,000,520,159**

VIVANT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2023

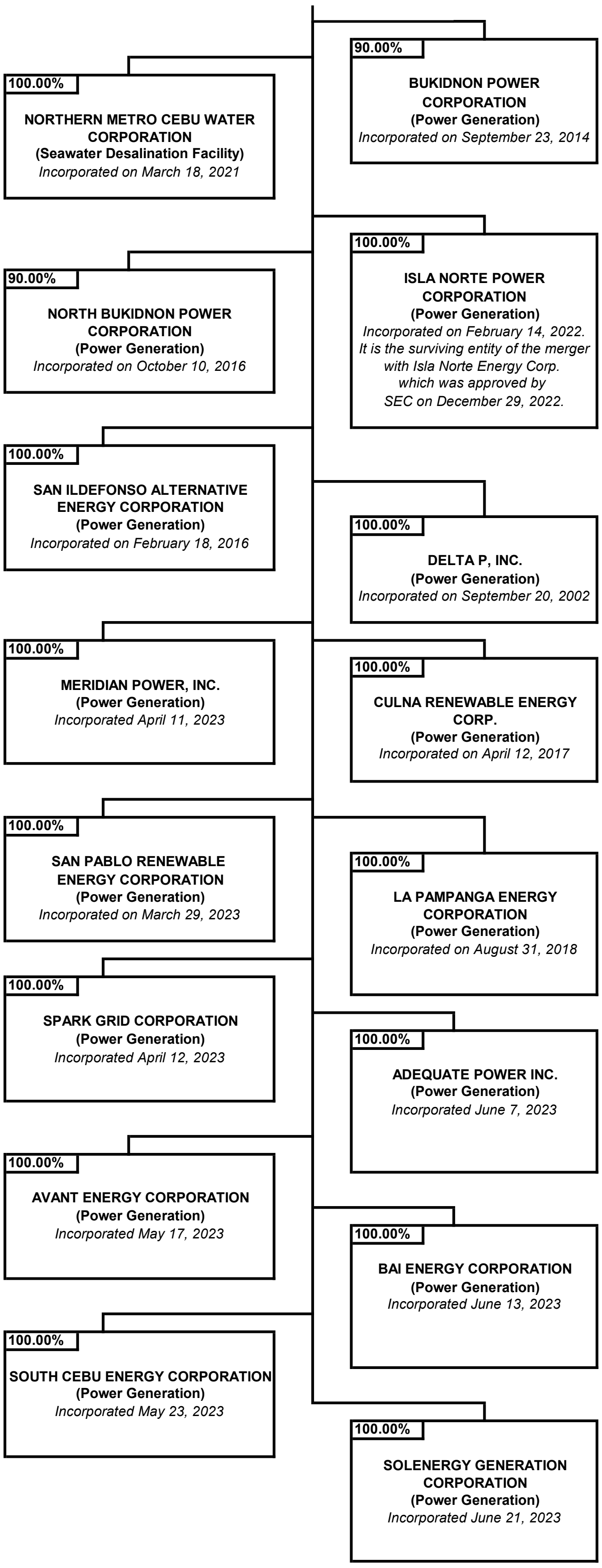
VIVANT CORPORATION
(Holding Company)
(Incorporated on May 28, 1990)

SUBSIDIARIES

- **100.00%** — **VIVANT ENERGY CORPORATION** (Power Generation) *Incorporated on January 25, 2005*
- **50.94%** — **HIJOS DE F. ESCAÑO** (Holding Company) *Incorporated on December 24, 1926*
- **100.00%** — **VIVANT INTEGRATED GENERATION CORPORATION** (Holding Company) *Incorporated on November 5, 2008*
- **100.00%** — **SOUTHERN GROVE PROPERTIES AND DEVELOPMENT CORP.** (Real Estate) *Incorporated on December 8, 2004*
- **67.00%** — **VIVANT MALOGO HYDROPOWER, INC.** (Power Generation) *Incorporated on June 8, 2012*
- **55.20%** — **1590 ENERGY CORP.** (Power Generation) *Incorporated on July 30, 2010*
- **100.00%** — **VIVANT GEO POWER CORP.** (Holding Company) *Incorporated on April 23, 2014*
- **100.00%** — **VIVANT RENEWABLE ENERGY CORPORATION** (Holding Company) *Incorporated on January 8, 2010*
- **100.00%** — **VIVANT INTEGRATED DIESEL CORPORATION** (Holding Company) *Incorporated on August 7, 2015*
- **100.00%** — **CORENERGY, INC.** (Retail Electricity Supply) *Incorporated on December 14, 2012*
- **100.00%** — **CALAMIAN ISLANDS POWER CORP.** (Power Generation) *Incorporated on October 19, 2010*
- **100.00%** — **DELTA P HYBRID, INC.** *Formerly Vivant Isla, Inc.* (Power Generation) *Incorporated on July 11, 2014*
- **100.00%** — **SOUTHERN POWERCORE HOLDING CORP.** (Holding Company) *Incorporated on April 20, 2017*
- **100.00%** — **VIVANT REALTY VENTURES CORPORATION** (Real Estate) *Incorporated on May 19, 2017*
- **100.00%** — **AMBERDUST HOLDING CORPORATION** (Holding Company) *Incorporated on August 16, 2017*
- **100.00%** — **VIVANT SOLAR CORPORATION** (Power Generation) *Incorporated on April 4, 2018*
- **100.00%** — **CORENERGY SOLAR SOLUTIONS CORPORATION** (Power Generation) *Incorporated on January 11, 2017*
- **100.00%** — **VIVANT CORPORATE CENTER, INC.** (Real Estate) *Incorporated on October 10, 2018*
- **100.00%** — **VIVANT INFRACORE HOLDINGS INC.** (Holding Company) *Incorporated on December 18, 2018*
- **100.00%** — **VIVANT HYDROCORE HOLDINGS INC.** (Holding Company) *Incorporated on May 20, 2019*
- **100.00%** — **VIVANT TRANSCORE HOLDINGS INC.** (Holding Company) *Incorporated on May 20, 2019*
- **60.00%** — **WATERMATIC PHILIPPINES CORP.** (Water Solutions Industry) *Incorporated on July 23, 2019*
- **100.00%** — **ISLA MACTAN CORDOVA CORPORATION** (Seawater Desalination Facility) *Incorporated on August 14, 2020*
- **60.00%** — **WATERMATIC PHILIPPINES SOUTHEAST ASIA LTD.** (Water Solutions Industry) *Incorporated on July 1, 2021*

ASSOCIATES

- **40.00%** — **PRISM ENERGY, INC.** (Retail Electricity Supply) *Incorporated on March 24, 2009*
- **34.81%** — **VISAYAN ELECTRIC COMPANY, INC.** (Power Distribution) *Incorporated on February 22, 1961*
- **40.00%** — **CEBU PRIVATE POWER CORPORATION** (Power Generation) *Incorporated on July 13, 1994*
- **40.31%** — **PUERTO PRINCESA WATER RECLAMATION AND LEARNING CENTER, INC.** (Wastewater Treatment Facility) *Incorporated on November 8, 2018*
- **45.00%** — **FAITH LIVED OUT VISIONS 2 VENTURES HOLDINGS, INC.** (Holding Company) *Incorporated on August 31, 2018*
- **40.00%** — **ABOVANT HOLDINGS, INC.** (Holding Company) *Incorporated on November 28, 2007*
- **20.00%** — **THERMA VISAYAS, INC.** (Power Generation) *Incorporated on October 15, 1997*
- **40.00%** — **MINERGY POWER CORPORATION** (Power Generation) *Incorporated on February 18, 2013*
- **42.50%** — **GLOBAL LUZON ENERGY DEVELOPMENT CORPORATION** (Power Generation) *Incorporated on January 31, 2013*
- **42.50%** — **LUNAR POWER CORE, INC.** (Power Generation) *Incorporated on June 10, 2016*
- **40.00%** — **LIHANGIN WIND ENERGY CORPORATION** (Power Generation) *Incorporated on January 24, 2017*
- **17.60%** — **CEBU ENERGY DEVELOPMENT CORP** (Power Generation) *Incorporated on June 10, 2016*


100.00%
NORTHERN METRO CEBU WATER CORPORATION
(Seawater Desalination Facility)
Incorporated on March 18, 2021
90.00%
BUKIDNON POWER CORPORATION
(Power Generation)
Incorporated on September 23, 2014
90.00%
NORTH BUKIDNON POWER CORPORATION
(Power Generation)
Incorporated on October 10, 2016
100.00%
ISLA NORTE POWER CORPORATION
(Power Generation)
Incorporated on February 14, 2022. It is the surviving entity of the merger with Isla Norte Energy Corp. which was approved by SEC on December 29, 2022.
100.00%
SAN ILDEFONSO ALTERNATIVE ENERGY CORPORATION
(Power Generation)
Incorporated on February 18, 2016
100.00%
DELTA P, INC.
(Power Generation)
Incorporated on September 20, 2002
100.00%
MERIDIAN POWER, INC.
(Power Generation)
Incorporated April 11, 2023
100.00%
CULNA RENEWABLE ENERGY CORP.
(Power Generation)
Incorporated on April 12, 2017
100.00%
SAN PABLO RENEWABLE ENERGY CORPORATION
(Power Generation)
Incorporated on March 29, 2023
100.00%
LA PAMPANGA ENERGY CORPORATION
(Power Generation)
Incorporated on August 31, 2018
100.00%
SPARK GRID CORPORATION
(Power Generation)
Incorporated April 12, 2023
100.00%
ADEQUATE POWER INC.
(Power Generation)
Incorporated June 7, 2023
100.00%
AVANT ENERGY CORPORATION
(Power Generation)
Incorporated May 17, 2023
100.00%
BAI ENERGY CORPORATION
(Power Generation)
Incorporated June 13, 2023
100.00%
SOUTH CEBU ENERGY CORPORATION
(Power Generation)
Incorporated May 23, 2023
100.00%
SOLENERGY GENERATION CORPORATION
(Power Generation)
Incorporated June 21, 2023

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 5, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082018, January 6, 2024, Makati City

April 5, 2024

VIVANT CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Ratio	Formula	2023	2022
Current Ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets ₱7,335,349,893 Divide by: Total Current Liabilities 4,071,007,086 Current Ratio 1.80	**1.80**	1.87
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Inventories and Prepayment and Other Current Assets*) divided by Total Current Liabilities Total Current Assets ₱7,335,349,893 Less: Inventories 364,692,217 Prepayments and Other Current Assets 778,251,105 Quick Assets ₱6,192,406,571 Divide by: Total Current Liabilities 4,071,007,086 Acid Test Ratio 1.52	**1.52**	1.71
Solvency Ratio/Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Total Liabilities ₱10,247,470,055 Divide by: Total Equity 19,638,064,895 Debt-to-Equity Ratio 0.52	**0.52**	0.48
Net Debt-to-Equity Ratio	Net Debt (*Total Notes Payable less Cash and Cash Equivalents, Short-term investments and Financial Assets at FVTPL)* divided by Total Equity Total Notes Payable ₱7,011,902,534 Less: Cash and Cash Equivalents 898,772,610 Short-term Investments 3,483,768,166 Financial Assets at FVTPL – Net Debt ₱2,629,361,758 Divide by: Total Equity 19,638,064,895 Net Debt-to-Equity Ratio 0.13	**0.13**	0.05
Asset-to-Equity Ratio	Total Assets divided by Total Equity Total Assets ₱29,885,534,950 Divide by: Total Equity 19,638,064,895 Asset-to-Equity Ratio 1.52	**1.52**	1.48

Ratio	Formula	2023	2022
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization (*Net Income Less Non-recurring income plus Provision for Income Tax, Finance Cost on Loans and Lease Liabilities, Depreciation and Amortization)* divided by Finance Costs on Loans and Lease Liabilities Net Income ₱2,393,947,686 Less: Non-recurring income* (186,118,899) Add: Provision for Income Tax 180,350,835 Finance costs on loans and on lease liabilities 364,787,237 EBIT ₱2,752,966,859 Add: Depreciation and Amortization 507,022,240 EBITDA ₱3,259,989,099 Finance costs on loans and on lease liabilities 364,787,237 Interest Expense Coverage Ratio 8.94 **Non-recurring income includes Gain on fair value measurement of investment properties and Gain on bargain purchase.*	**8.94**	8.80
Return on Equity	Net Income attributable to Parent divided by Average Total Equity (*Equity attributable to Parent Prior Year(PY) + Equity attributable to Parent Current Year (CY) divided by 2)* Net Income attributable to Parent ₱2,284,209,380 Equity attributable to Parent CY ₱18,280,690,515 Equity attributable to Parent PY 16,494,496,694 Average Total Equity ₱17,387,593,605 Return on Equity 13.14%	**13.14%**	10.03%
Return on Assets	Net Income attributable to Parent divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income attributable to Parent ₱2,284,209,380 Total Assets CY ₱29,885,534,950 Total Assets PY 26,440,003,468 Average Total Assets ₱28,162,769,209 Return on Assets 8.11%	**8.11%**	6.40%
Net Income Margin	Net Income Attributable to Parent divided by Revenue Net Income Attributable to Parent ₱2,284,209,380 Revenue 8,275,757,559 Net Income Margin 27.60%	**27.60%**	24.47%