



**VIVANT**

# SUSTAINABILITY REPORT 2022

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## About the Cover

The year 2022 tested not just our strength as a corporation, but also the resolve and commitment of individual members of Vivant and its wholly owned subsidiaries (One Vivant). More than half of One Vivant began the year still reeling from the damage caused by Super Typhoon Odette on their homes amidst the continued scare of the COVID-19 virus.

One Vivant proved to have achieved resilience through improved corporate governance and enhanced financial and risk management.

The collective passion and drive enabled One Vivant to sail against the headwinds that 2022 brought forth. We came out stronger with the determination to continue our path towards resilience through the continued pursuit of our mission of improving everyday living.

*This report may contain "forward-looking statements" that relate to the strategic goals, investments, and overall performance involving Vivant and its subsidiaries. The forward-looking statements were made based on certain assumptions hence, these are not guarantees of future performance and undue reliance should not be placed on the statements. The forward-looking statements involve known and unknown risks and uncertainties which may cause actual results, performance or achievements to differ materially from any projections of future performance or result disclosed in the statements.*

*Vivant undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information or future events, even if the information released in the original statement becomes obsolete, except as may be required by applicable laws.*

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## About the Report

We are pleased to present the 2022 Vivant Corporation Sustainability Report (the Report). This Report contains discussions on financial, operational, environmental, social and governance performance that are deemed material to the company's business and its stakeholders.

This Report provides an annual review of the Company's strategic business units (SBUs) for the period January 1, 2022 to December 31, 2022. The SBUs are as follows: Vivant Corporation (Vivant or the Company) as a holding company and provider of corporate and shared services; Vivant Energy Corporation (Vivant Energy) as a holding company that owns and manages the investment portfolio of the Company in the power industry; and Vivant Infracore Holdings, Inc. (Vivant Infracore) as a holding company that owns and manages the non-power infrastructure investment portfolio of the Company.

The performance of Vivant's unlisted, key and material subsidiaries and joint venture companies shall likewise be covered in this Report given the significant impact to the Company's operating and financial performance. Other companies where Vivant has a minority ownership are covered in the sustainability reports of its joint venture partners that are listed in the Philippine Stock Exchange.

As we have done previously, the disclosures in this Report were made with reference to the Global Reporting Initiative (GRI) Standards. Using the guiding principles of the <IR> Framework, this Report provides discussions that articulate the ability of the Company to create value for its stakeholders using the following resources: financial capital, human and intellectual capital, and social capital.

The discussions on financial performance are based on the audited consolidated financial reports of Vivant. SyCip Gorres Velayo & Company (SGV & Co.), a member firm of Ernst & Young International Ltd., is the external auditor of the Company's financial statements. Ms. Margem A. Tagalog is the partner-in-charge in the audit engagement and has been the principal handling the Company's account for three years. In compliance with the revised regulation issued by the Securities and Exchange Commission and the Code of Ethics for professional CPAs, the audit partner that leads and handles the audit of the Company's account is rotated every seven years.

We welcome feedback and inquiries to help us improve our future reporting. You may email your feedback and comments to: Risk & Sustainability Group at [risk@vivant.com.ph](mailto:risk@vivant.com.ph). A copy of our financial statements can be accessed at [www.vivant.com.ph](http://www.vivant.com.ph)





## Material and Reporting Scope

We began 2022 with the review of the global and local risk landscape of the Company's core businesses of power and water infrastructure. This, coupled with the sustainability issues concerning its businesses and the assessment of the impact to the value creation of the Company, resulted in a list of preliminary disclosure topics using the materiality criteria below.

- Impact of the topic to Vivant's value creation over the short, medium and long term
- Impact of Vivant's business activities to the topic, and vice versa
- Impact of subsidiaries' business activities to the topic, and vice versa
- Impact of products/services to the topic
- Impact of the topic to Vivant's stakeholders
- Information that substantively influence the assessments and decisions of stakeholders about the Company, including investors.

### Material Disclosure Topics

The main consideration for prioritization of material topics and the determination of the reporting boundaries for this Report remains to be the impact of each disclosure topic to Vivant's businesses and its stakeholders. The significance of each topic's Economic, Environmental and Social (ESS) impact and the influence on stakeholders' assessments and decisions involving the Company was determined. This analysis was used to update the previous year's list of disclosure topics.

To supplement the internal discussions conducted revolving around stakeholder interests and concerns against identified material topics, a sustainability survey was conducted in October 2022 with the Company's internal and external stakeholders as respondents. The survey results validated and confirmed the materiality of issues and topics that Vivant previously identified and prioritized.

The resulting material disclosure topics were presented to and reviewed by management and the Board Corporate Governance Committee, before such were presented to and approved by the Vivant's Board of Directors for disclosure through the issuance of the Report.

# Material Disclosure Topics

## Economic

GRI Topic	Specific Topic	Reporting Company	Materiality Consideration	GRI Disclosure
201: Economic Performance	Direct economic value generated and distributed	Vivant	This is the direct impact our business has to the economy	201-1
203: Indirect economic impacts	Infrastructure investments and service supported	Vivant 1590 EC DPI CIPC	Initiatives undertaken through the Company's foundation and its subsidiaries' CSR projects provide support to help build capability, improve lives and community resiliency.	201-1
	Significant indirect economic impacts			203-2

## Environmental

GRI Topic	Specific Topic	Reporting Company	Materiality Consideration	GRI Disclosure
302: Energy 2016	Energy consumption within the organization	Vivant VEC VIHI INPC 1590EC CIPC	DPI MPC BPC NBPC WMP PPWRLC	302-1
	Energy consumption outside the organization			302-2
303: Water and effluents 2018	Water withdrawal	Vivant VEC VIHI INPC 1590EC CIPC	DPI MPC BPC NBPC WMP PPWRLC	303-3
	Water discharge			303-4
	Water consumption			303-5
305: Emissions	Direct (Scope 1) GHG emissions	Vivant VEC VIHI INPC 1590EC CIPC	DPI MPC BPC NBPC WMP PPWRLC	305-1
	Other Indirect (Scope 3) GHG emissions			305-3
306: Waste 2020	Waste generated	1590 EC DPI CIPC INPC	BPC NBPC MPC	306-3
	Waste diverted from disposal			306-4
	Waste directed to disposal			306-5

## Social

GRI Topic	Specific Topic	Reporting Company	Materiality Consideration	GRI Disclosure	
401: Employment	New employee hires and employee turnover	Vivant VEC VIHI VFI COREENERGY CSSC INPC 1590EC	CIPC DPI MPC BPC NBPC WMP PPWRLC	401-1	
	Parental leave			401-3	
404: Training and education	Average hours of training per year per employee	Vivant VEC VIHI VFI COREENERGY CSSC INPC 1590EC	CIPC DPI MPC BPC NBPC WMP	404-1	
	Percentage of employees receiving regular performance and career development reviews			404-3	
405: Diversity and equal opportunity	Diversity of governance bodies and employees	Vivant VEC VIHI VFI COREENERGY CSSC INPC 1590EC	CIPC DPI MPC BPC NBPC WMP PPWRLC	How diverse background, knowledge and experience bring value to the business	405-1
413: Local Communities	Operation with local community engagement, impact assessments and development programs	Vivant		Sustainability development	413-1

The companies that are not included in this Report are as follows:

- Visayan Electric Company, Therma Visayas, Inc., Cebu Power Private Corporation and PRISM Energy, Inc.

These are joint venture companies with the Aboitiz Group. Reporting of the ESS impacts should be covered by the sustainability report of Aboitiz Power Corporation (or its parent company, Aboitiz Equity Ventures, Inc.).

- Cebu Energy Development Corporation

This company's ESS impacts are covered in the sustainability report of the parent company of our joint venture partner, Global Business Power Corporation (or its ultimate parent company, Metro Pacific Investment Corporation).

- Culna Renewable Energy Corporation (CREC), La Pampang Energy Corporation (LPEC), Isla Mactan Cordova Corporation (IMCC), Northern Metro Cebu Water Corporation (NMCWC), Buskowitz Finance Inc. (BFI) and San Ildefonso Alternative Energy Corporation (SIAEC)

CREC, LPEC, IMCC, NMCWC are not yet operational in 2022, while Vivant only has a minor investment in BFI as of end-2022. SIAEC was acquired in January 2023.





# **Vivant at a Glance**

## Vivant at a Glance

Vivant is a holding company that is publicly-listed in the Philippine Stock Exchange. The Company's portfolio is consisted of investments in companies engaged in the power and water infrastructure businesses. The Garcia-Escano family of Cebu collectively owns approximately 76% of the outstanding capital stock of Vivant.

## PORTFOLIO

### Power



#### Electricity Distribution

Investment in the 2nd largest distribution utility in the country

**3,176**GWh

Total electricity distributed in 4 cities and 4 municipalities in Cebu as of end-2022



#### Power Generation

Investment in On Grid and Off Grid generation facilities with attributable capacity of 377MW

**4,854**GWh

Total energy sold by On Grid assets as of end-2022

**180**MWh

Total energy sold by Off Grid assets as of end-2022

**1,157**MWh

Total ancillary services provided by On Grid assets as of end-2022



#### Retail Electricity

Investment in 2 Retail Electricity Suppliers (RES)

**255**MWh

Total energy sold to 58 retail customers nationwide as of end-2022

Investment in Solar Rooftop

**15**MWh

Solar energy generated and sold to 40 customers as of end-2022

### Water Infrastructure



#### Water Solutions

60% investment in **Watermatic Philippines Corporation**, an engineering, design and construction firm that specializes in water and wastewater treatment projects



#### Waste Water

40% investment in **Puerto Princesa Water Reclamation and Learning Center, Inc.**, a Public-Private Partnership with the City Government of Puerto Princesa for a Septage and Sewage Treatment Plant

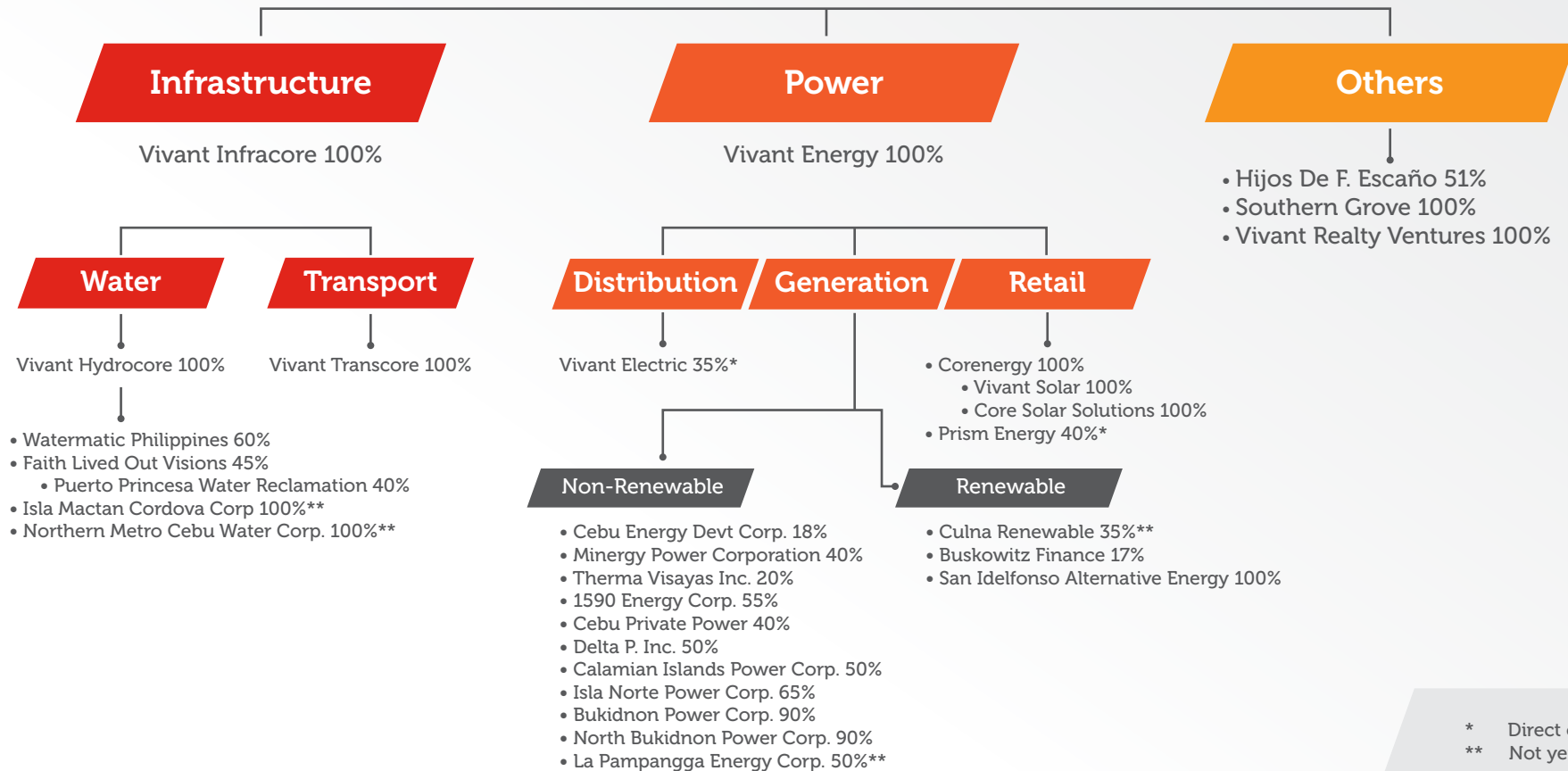


#### Bulk Water

100% equity investment in **Isla Mactan Cordova Corporation**, a project company that will build and operate a 20 Million Liter per Day (MLD) seawater desalination plant in Cebu

100% equity investment in **Northern Metro Cebu Water Corporation**, a project company that will build and operate a 30 MLD seawater desalination plant in Cebu

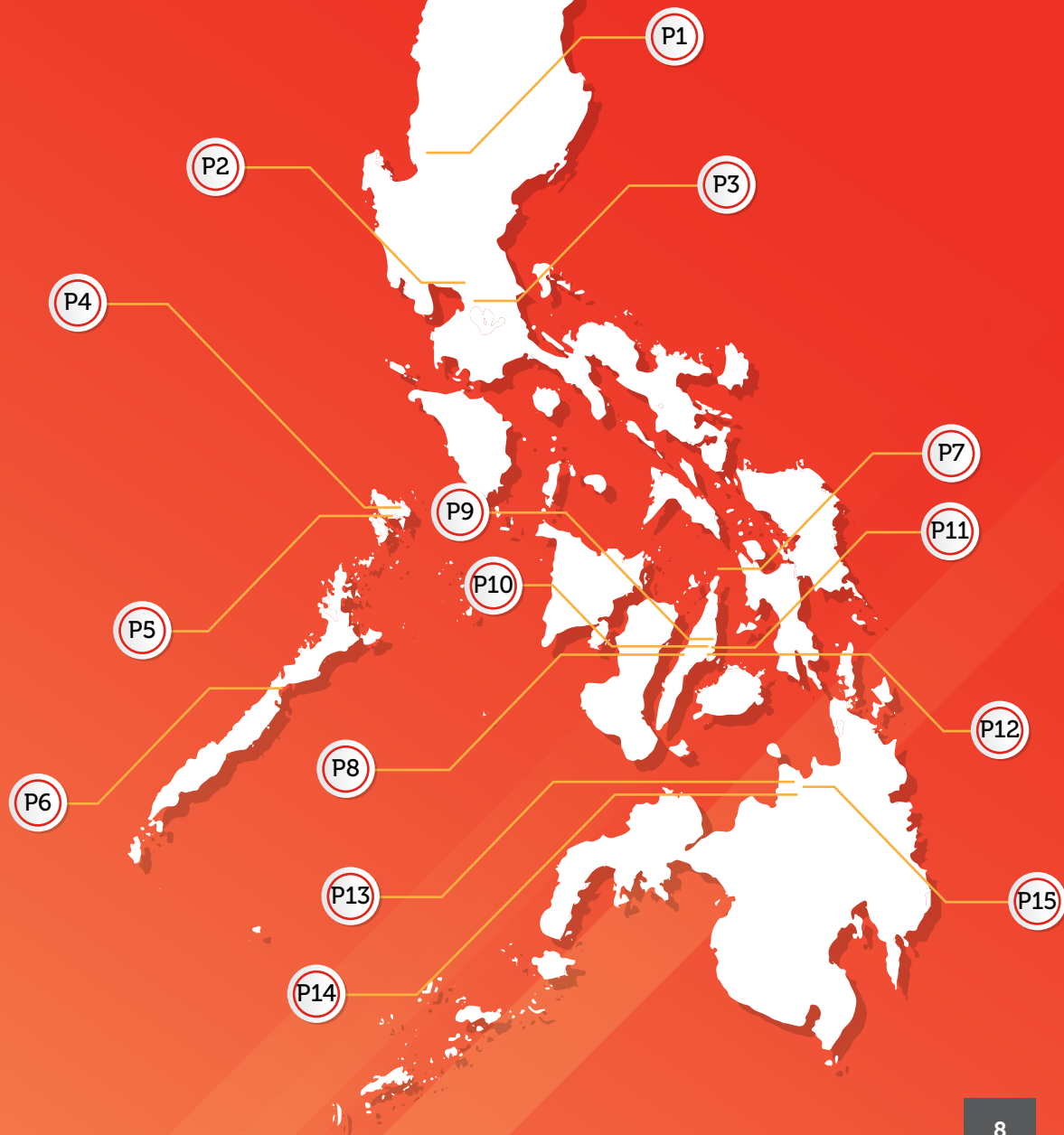
# Vivant at a Glance: Organization Structure by Business Segment



# Vivant at a Glance: Geographical Footprint

## Power

- P1 1590 Energy Corporation (1590 EC)
- P2 San Ildefonso Alternative Energy Corporation (SIAEC)\*\*
- P3 Buskowitz Finance Corporation (BFC)\*
- P4 Calamian Islands Power Corporation (CIPC) – Busuanga
- P5 Calamian Islands Power Corporation (CIPC) – Coron
- P6 Delta P Incorporated (DPI)
- P7 Isla Norte Power Corporation (INPC)
- P8 Therma Visayas, Incorporated (TVI)
- P9 Cebu Energy Development Corporation (CEDC)
- P10 Visayan Electric Company (VECO)
- P11 Cebu Private Power Corporation (CPPC)
- P12 Corenergy, Inc., Vivant Solar Corporation (VSC) and Corenergy Solar Solutions Corporation (CSS)\*
- P13 Minergy Power Corporation (MPC)
- P14 Bukidnon Power Corporation (BPC)
- P15 Northern Bukidnon Power Corporation (NBPC)



\*Head Office location only. Various locations for solar rooftop installations.

\*\*Not yet operational. Construction underway.

# Vivant at a Glance: Geographical Footprint

## Infrastructure



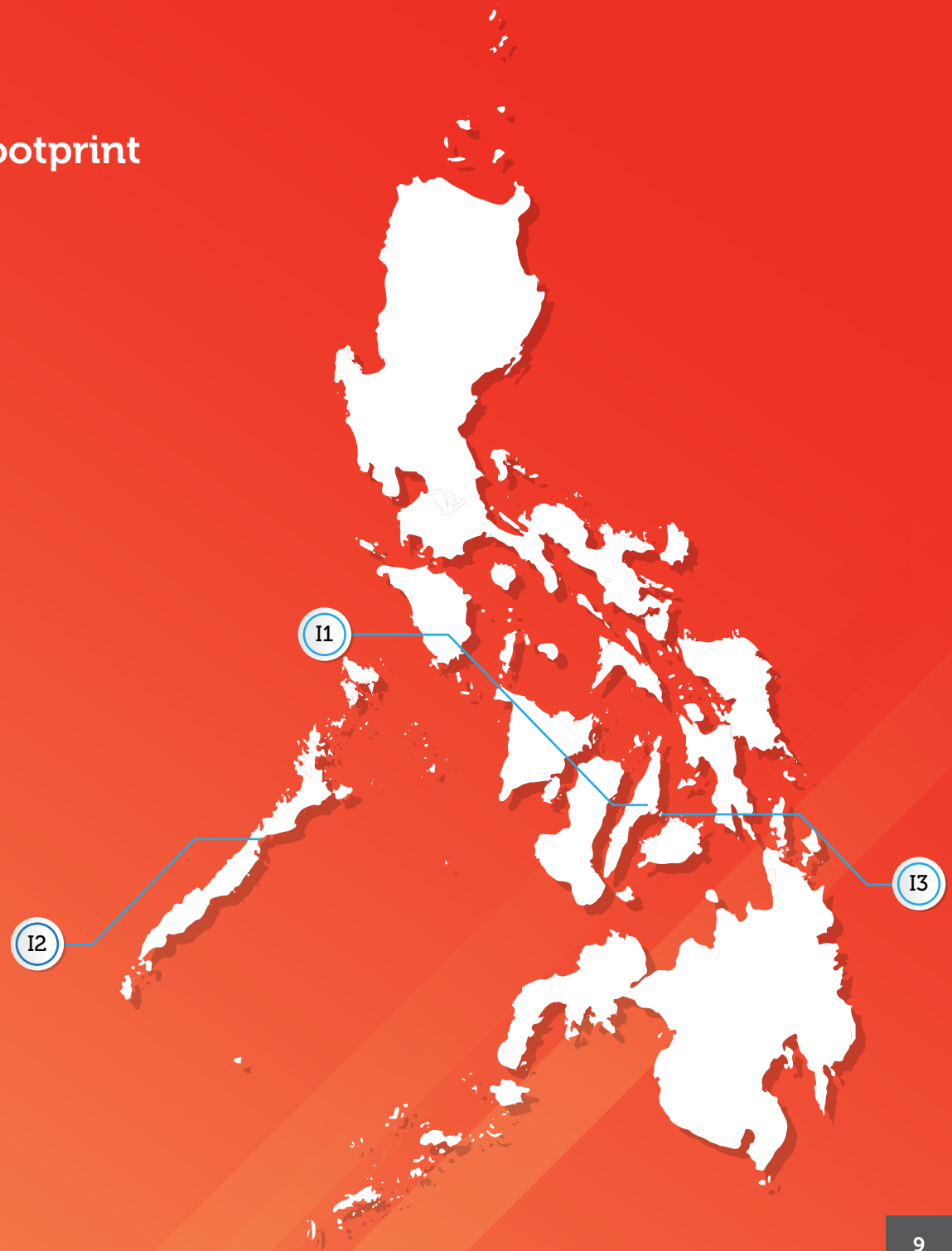
I1 Watermatic Philippines Corporation (WMP)\*



I2 Puerto Princesa Water Reclamation & Learning Center (PPWRLC)



I3 Isla Mactan-Cordova Corporation (IMCC)\*\*

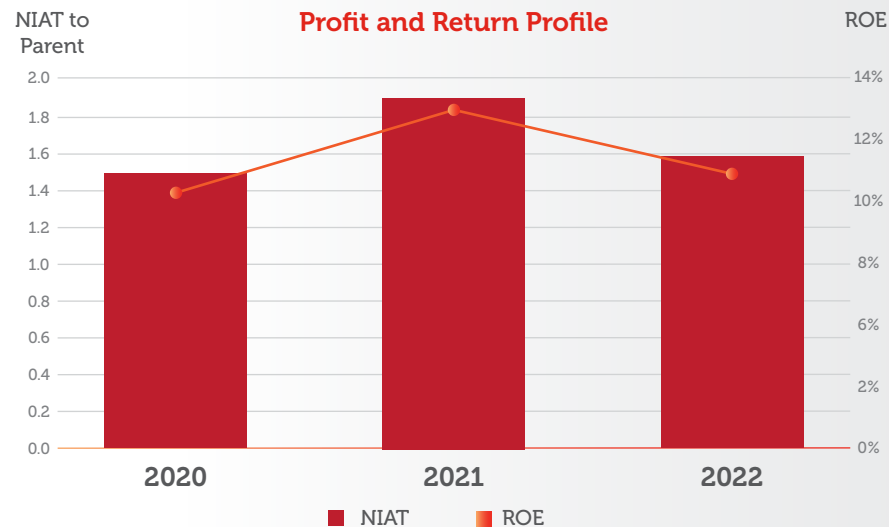


\*Head Office location only

\*\*Not yet operational. Construction underway.

## Vivant at a Glance: Financial Performance

2022 Net Income Attributable to Parent amounted to Php 1.6 billion (bn), recording a 15% Year-on-Year (YoY) decline. The power generation business continued to shore in the lion's share of earnings accounting for 64% of total income contribution by business segments for the year.



In 2022, the Company changed the accounting policy for property, plant and equipment held by an associate engaged in electricity distribution (from revaluation method to cost model). As a holding company, having a uniform accounting policy across its holdings will provide more reliable and relevant information on its investments. Above chart presents restated figures for 2020 and 2021, which captures this change.

End-2022 Total Assets

**26.44**bn

▲ 13% from 2021

2022 Conso Revenues

**6.52**bn

▲ 29% from 2021

End-2022 Total Cash and Cash Equivalent

**4.89**bn

▼ 13% from 2021

2022 Group Equity Investment

**920.7**bn

▼ 2% from 2021

End-2022 Total Interest Bearing Liabilities

**5.79**bn

▲ 30% from 2021

Parent Equity Investment

**316.6**bn

▼ 37% from 2021

End-2022 Equity Attributable to Parent

**16.49**bn

▲ 8% from 2021

Group Taxes Paid

**369.9**bn

▼ 21% from 2021



# Vivant 2022 Year in Review



## Vivant's 2022 Year in Review

### Message from the CEO

2022 was projected to be the year that the economy would open up after two years of quarantine. With vaccines and boosters made available to most of the population, the hope was that a sense of normalcy would return. However, the early parts of the year proved to be a challenging start for Vivant.

As of the first few weeks of January, our home province of Cebu was still recovering from the aftermath of Typhoon Odette which devastated the island on December 16, 2021. With no power or water and the scarce supply of fuel, work was heavily disrupted slowing down our growth plans for the year.

As the aftereffects of the typhoon waned another tragic event occurred at the end of February, Russia invaded Ukraine and stunned the world. What followed were a series of sanctions from different nations which led to high energy and commodity costs fueling high inflation which led to numerous countries experiencing more economic hardship.

By the 2nd quarter of 2022, the peso weakened relative to the dollar eventually reaching historic lows throughout the rest of the year. We ended December 2022 with inflation at 8.1% and an average for the year of 5.8%. A high inflation environment severely affects everyone, and Vivant was not spared. All our businesses were burdened by high costs which affected the group's ability to render services at competitive levels. This coupled with Odette ultimately led to relatively lower profits for the Company.

The headwinds experienced both in the local and global fronts resulted to a more focused and steady paced business development for Vivant's power and infrastructure units. The year's initiatives were intended to strengthen its core business' operations to assure continuity despite the challenges 2022 brought. Starting with our investments in power, we recognize the need for sustainable sources of energy and support for the government's thrust for more renewable power generation.

In the second quarter of 2022, the Bauang Diesel Power Plant (BDPP) in La Union was acquired by its subsidiary, 1590 Energy Corporation (1590 EC). 1590 EC was one of our first major investments in power and was previously operating the

plant through a lease arrangement with the province. After more than 12 years, we finally secured ownership of the plant. With this purchase, we now have more control to bring out its full potential. Diesel plants, like BDPP, will continue to have a significant role in stabilizing the grid as the country transitions to more renewable sources of energy in the future.

An opportunity for the acquisition of a 22-MW solar power plant project presented itself in the middle of the year. The power group was able to finalize negotiations by year-end and attained financial closing in January 2023, making it Vivant's first investment in a utility-scale solar project.

Corenergy, Vivant's retail arm, also expanded its renewable footprint by growing its solar rooftop business by 62% from 2 MW to 6 MW. We aim to be the country's largest solar rooftop provider by 2030.

Vivant's foray in water infrastructure also continues to be a growing part of our goals for a sustainable future. The Company is targeting to complete its first desalination plant in Cordova, Cebu in the fourth quarter of 2023, which we hope will contribute to the island's mid-term solution to address the worsening water crisis.

Our wastewater plant in Puerto Princesa also came into prominence in 2022 when the Ironman 70.3 competition was held there last November. The Puerto Princesa Water Reclamation and Learning Center Inc. (PPWRLC) was inaugurated in March 2022 and helped rehabilitate the Puerto Princesa Bay, which was part of the venue for the competition. The Philippines, being an archipelago, has an abundance of coastal waters which need to be protected as the country develops. We hope to replicate this success in other parts of the country to revitalize our water ways and revive the ecosystem in those areas.

Internally, we have also made significant changes to promote a more sustainable business environment. We conducted our first tabletop exercise to test our Business Continuity Plans and completed a Call Tree Testing. Both were done to assess Vivant's readiness for emergency and crisis management.

We held a three-day Risk and Sustainability Summit as part of our drive to raise awareness within Vivant. Subject matter experts on topics tackling sustainability and business resilience were invited to share ideas on future proofing Vivant.

We also fully adopted the hybrid work set-up in 2022 recognizing the need to carry on some of the best practices brought about by the pandemic. This has enhanced our efforts to improve our work-life balance goals in the Company.

Recognizing this shift in work set-up we have also adjusted some benefits to mirror this change. The Company has also continued its free point-to-point

transport service both in Cebu and Manila for its employees in anticipation of the return of heavy traffic in the metropolis. Employee welfare will continue to be a priority for the Company as we grow our business.

Finally, early this year, we received a certification from the Great Place to Work Institute Philippines. This was a result of a survey conducted among Vivant's employees late last year to assess overall employee experience. The response rate and affirmative results validate the effectiveness of the programs and initiatives that we have put in place to create a good and healthy working environment. There is still more work to do for us to achieve a sustainable business environment, but we are taking action and continually making progress.

As Vivant grows from its humble roots, we will continue to serve our communities through our Corporate Social Responsibility (CSR) initiatives. The Company utilizes Vivant Foundation, Inc. (VFI) as its vehicle in reaching out to these communities. Our hard work was recognized in 2022 when VFI received two awards for Project RELY (Renewable Energy for Livelihood and Youth), which were the 2022 CSR Guild Awards of the League of Corporate Foundations – Outstanding CSR Project in Education and 2022 Europa Awards of the European Chamber of Commerce of the Philippines for Clean and Green Energy. Project RELY is an EU-funded project that VFI jointly implemented with its partners from 2019 to 2022. The project involved installation of solar energy facilities that now power 16 off-grid and remote schools in Cebu, Bohol and Palawan. The technical-vocational (Electrical Installation and Maintenance) offering of five senior high schools were upgraded and livelihood assistance to twelve people's organizations were provided in the same provinces.

On the governance front, we received our first Golden Arrow Award from the Institute of Corporate Directors based on the 2021 ASEAN Corporate Governance Scorecard (ACGS) Assessment Results. This award indicates that we are taking the necessary steps to ensure transparency and accountability to all our stakeholders. The Company will continue to strive to improve its governance score as we work towards our long-term goals.

All in all, it was a year beset with challenges and spurred on by the wins along the way. We are confident that the Company will continue to work towards a more sustainable future as we carry on our mission of bringing excellence to industries that improve everyday living.

Daghang Salamat!

  
**Arlo Angelo G. Sarmiento**  
CEO

## Business Review

Vivant ended the fiscal year 2022 with a net income of Php 1.6 bn, recording a 15% YoY decline. The Company recognized Php 53.6 mn in non-recurring income, which mainly stemmed from gains resulting from the remeasurement of foreign currency held and the fair value of some of its investments. Netting out the one-off items, Vivant's core net income for the year closed at Php 1.5 bn, 15% lower than previous year's Php 1.8 bn. The power business unit continued to drive the financial performance of the Company, with the infrastructure business unit starting to post gains during the year.

As of December 31, 2022, the Company's consolidated assets amounted to Php 26.4 bn, a 13% YoY increase. Cash and cash equivalents totaled to Php 4.9 bn, lower by 13% from previous year's level of Php 5.7 bn. Consolidated liabilities as of year-end was at Php 8.5 bn, posting a 21% YoY increase, while total equity attributable to equity holders of the parent rose to Php 16.5 bn from Php 15.3 bn. Vivant's current ratio as of year-end stood at 1.87x, while debt-to-equity ratio was 0.48x.

## Power

In 2022, the total income contribution of the power business segment was lower by 13% YoY at Php 2.3 bn. Power generation and electricity distribution comprised the bulk of the profits for the year accounting for 64% and 33% of total, respectively.

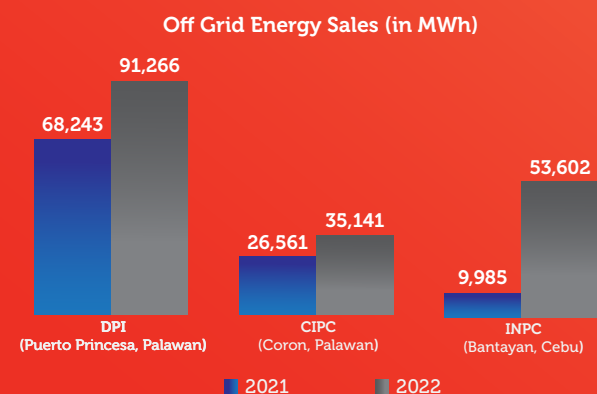
### Power Generation

The power generation business ended 2022 with total income contribution of Php 1.5 bn versus previous year's Php 1.7 bn. The 16% YoY decline is attributable to the oil group, particularly the On Grid assets, which recorded an 80% YoY drop in contribution at Php 131.7 mn. Lower revenues from ancillary services and spot market sales brought down the group's performance for the year. Moreover, a subsidiary incurred one off expenses related to the purchase of its plant assets in April 2022.

1590 EC, a 55%-owned subsidiary of Vivant Energy, purchased the 225-MW oil-fired power generating facility in Bauang, La Union from the provincial government. From a lease arrangement to full ownership and control of the assets, the acquisition assures the continued operations of the plant and the provision of ancillary services that contribute to the grid's stability.



In the meantime, the Off Grid assets showed a strong recovery in earnings as it recorded a 273% expansion in income, from Php 16.6 mn in 2021 to Php 61.9 mn in 2022. Operations of all island utilities showed significant expansion in energy sales.



Investments in coal assets generated profits of Php 1.1 bn in 2022, up by 53% YoY. Improved revenues from spot market sales, lower operating expenses and the fuel cost management of an associate resulted to improved profitability for the year.

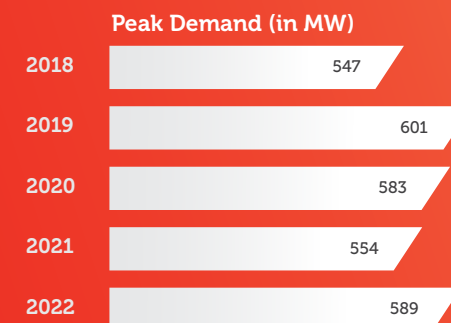
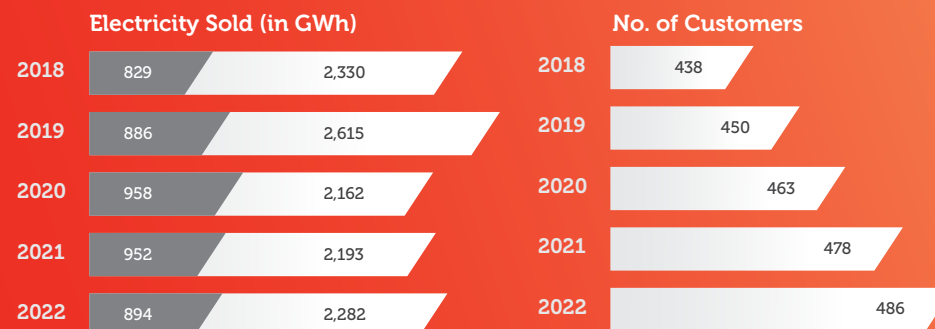
## 2022 Power Generation Portfolio

Operating Unit	Location	Fuel type	Capacity (MW)	% own	Attributable Capacity (MW)	Product and Off taker
<b>ON GRID</b>						
1590 EC	La Union	Oil	225	55	124	<ul style="list-style-type: none"> <li>Ancillary services to National Grid Corporation of the Philippines (NGCP)</li> <li>Energy to the Wholesale Electricity Spot Market (WESM)</li> </ul>
CPPC	Cebu	Oil	70	40	28	<ul style="list-style-type: none"> <li>Energy to local DU</li> <li>Energy to the WESM</li> </ul>
BPC	Bukidnon	Oil	7	90	7	<ul style="list-style-type: none"> <li>Energy to local DU</li> </ul>
NBPC	Bukidnon	Oil	6	90	6	<ul style="list-style-type: none"> <li>Energy to local DU</li> </ul>
TVI	Cebu	Coal	340	20	68	<ul style="list-style-type: none"> <li>Capacity/energy to local DU</li> <li>Energy to RES</li> <li>Energy to WESM</li> </ul>
CEDC	Cebu	Coal	246	17	43	<ul style="list-style-type: none"> <li>Energy to various off takers</li> <li>Ancillary services to NGCP</li> </ul>
MPC	Cagayan de Oro	Coal	165	40	66	<ul style="list-style-type: none"> <li>Energy to local DU</li> </ul>
<b>Sub-total</b>			<b>1,060</b>		<b>342</b>	
<b>OFF GRID</b>						
DPI	Puerto Princesa, Palawan	Oil	31	50	16	<ul style="list-style-type: none"> <li>Capacity/Energy to local DU</li> </ul>
CIPC	Coron-Busuanga, Palawan	Oil	9	50	4	<ul style="list-style-type: none"> <li>Energy to local DU</li> </ul>
INPC	Bantayan, Cebu	Oil	23	65	15	<ul style="list-style-type: none"> <li>Capacity/Energy to local DU</li> </ul>
<b>Sub-total</b>			<b>63</b>		<b>35</b>	
<b>TOTAL</b>			<b>1,122</b>		<b>377</b>	

## Power Distribution

35%-owned VECO shored in Php 755.3 mn in earnings for the year. This was 7% lower than previous year's income level. Electricity sales for the year were weighed down by the disruption in operations during the first two months of the year. Restoration works due to Typhoon Odette (December 2021) resulted to phased in energization of the utility's franchise area, which includes four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Consolacion, Liloan, Minglanilla and San Fernando). Moreover, the financial assistance extended to its customers in the form of waived charges and the delayed recovery of generation charges contributed to the lower profit contribution for the year.

Signs of recovery can be gleaned from VECO's operating performance in 2022. Although total electricity sales were flat, the non-residential segment recorded a 4% YoY growth. Moreover, VECO recorded new connections and posted a notable increase in peak demand (up 6% YoY) during the year, which is 2% shy from its pre-pandemic level.



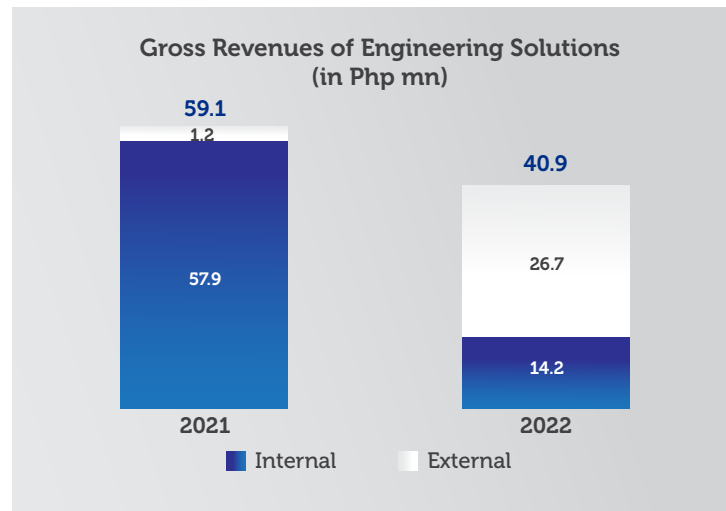
## Retail Electricity

The retail group posted an income of Php 53.0 mn, an 18% YoY reduction in bottomline contribution. The Retail Electricity Supply (RES) and engineering solutions business segments posted a 29% YoY earnings decline at Php 48.7 mn income, while the solar rooftop business exhibited a reversal with a positive contribution of Php 4.2 mn during the year-in-review.

The RES companies' performance was weighed down by an associate's reduced margins and volume sales.

Operating Unit	% own	Number of Customers		Peak Demand (in MW)		Electricity Delivered (in MWh)	
		2021	2022	2021	2022	2021	2022
		Coreenergy	100	15	19	13	17
PRISM Energy, Inc.	40	53	39	63	57	181,188	179,684

The group's engineering solutions continued to render services to both internal and external customers. In 2022, total gross revenues amounted to Php 40.9 mn, a 31% YoY decline, albeit recording an improved share of third party engagements.



The solar rooftop business continued its expansion as it energized an additional seven (7) customers in 2022, which resulted in a robust expansion in energy sales.

Operating Unit	% own	Number of Customers		Energy Delivered (in MWh)	
		2021	2022	2021	2022
Core Solar Solutions	100	5	9	1,544	2,611
Vivant Solar Corp.	100	1	1	Not yet operational	630
Coreenergy, Inc.	100	--	3	--	824

## Infrastructure

The infrastructure business unit recorded a positive income share of Php 6.3 mn, a reversal from previous year's posted losses. Fresh income contribution from its waste water treatment facility in Puerto Princesa and gains from foreign currency held by a subsidiary accounted for the favorable earnings results for the year.



In January 2022, PPWLRC started the commercial operations of its waste water treatment facility in Puerto Princesa, which can treat up to two million liters per day (2 MLD) of sewerage and eighty five thousand liters per day (0.085 MLD) of septage.

Vivant's water solutions subsidiary, WMP, provided engineering, procurement and construction (EPC) services to both internal and external customers in 2022.

Project Location	Type	Size	Client Type	Status as of end-2022
Puerto Princesa, Palawan	Combined sewage and septage plant	2.085 MLD	Internal (PPWLRC)	Completed
Marilao, Bulacan	Sewage treatment plant	380 CMD	External	Completed
Legazpi, Albay	Surface water treatment	30 MLD	External	Ongoing
Cordova, Cebu	Seawater desalination plant	20 MLD	Internal	Ongoing

Vivant's first foray into bulk water supply is through its wholly owned subsidiary, Isla Mactan Cordova Corporation (IMCC). IMCC engaged WMP for the project design and signed it up as the EPC contractor for a 20 MLD seawater desalination plant. The construction of the facility commenced in 2022 and is targeted to be completed within second half of 2023.



# **Vivant's Leadership & Governance**

## The Board



Staying true to their fiduciary duty to the shareholders and other stakeholders of Vivant, the Board of Directors (the Board) ensures that the Company's initiatives to achieve long-term and sustainable growth and profitability are aligned with Vivant's core values of honor, relationships and excellence.

As defined in its charter, the Board exercised its powers with the objective of promoting good corporate governance practices. Oversight over management is done through regular meetings, both at the board and committee levels, to ensure initiatives adhere to Vivant's vision, mission and strategic goals. In 2022, the Board carried out the following:

- Review of vision and mission of the Company
- Review and approval of the Company's strategic initiatives as against the evolving business and risk landscape
- Review and approval of the Company's performance (financial and non-financial) as against approved corporate objectives for the year
- Review of the operations and determination/validation of adequacy of internal control and risk management processes
- Review and approval of reportorial requirements, including financial statements (interim and annual)

## Board Composition

Eleven (11) members comprise the Board of Directors of Vivant. The nomination and selection process starts in the beginning of the year, where the candidates are pre-screened and vetted by the Board Corporate Governance Committee based on the qualification criteria defined in the Company's Corporate Governance Manual. The final list of candidates is presented in the Company's preliminary and definitive information statement. The election is done during the Annual Stockholders Meeting (ASM), which is held on the third Thursday of June of every year.

The term of office is for one (1) year or until their successors are elected and qualified in accordance with Vivant's By-Laws.

2022-2023 Board of Directors	Position	Length of Service
Charles Sylvestre A. Garcia 62 years old, Filipino, Male	Chairman Non-executive Director	18 years
Emil Andre M. Garcia (EMG) 45 years old, Filipino, Male	Vice Chairman Executive Director	13 years
Gil A. Garcia (GAG) 70 years old, Filipino, Male	Non-Executive Director	18 years
Ramontito E. Garcia (REG) 65 years old, Filipino, Male	Non-Executive Director	20 years
Jose Marko G. Sarmiento (JGS) 44 years old, Filipino, Male	Non-Executive Director	14 years
Arlo Angelo G. Sarmiento (AGS) 47 years old, Filipino, Male	Executive Director	5 years
Brigette Cecile N. Garcia (BNG) <sup>1</sup> 35 years old, Filipino, Female	Executive Director	Less than 1 year
Carmelo Maria L. Bautista (CLB) 64 years old, Filipino, Male	Independent Director	5 years
Joseph Lee Sullivan (JLS) <sup>2</sup> 68 years old, American, Male	Independent Director	Less than 1 year
Jose M. Layug, Jr. (JML) <sup>3</sup> 51 years old, Filipino, Male	Independent Director	Less than 1 year
Jose Carlitos G. Cruz (JGC) 62 years old, Filipino, Male	Lead Independent Director	1 year

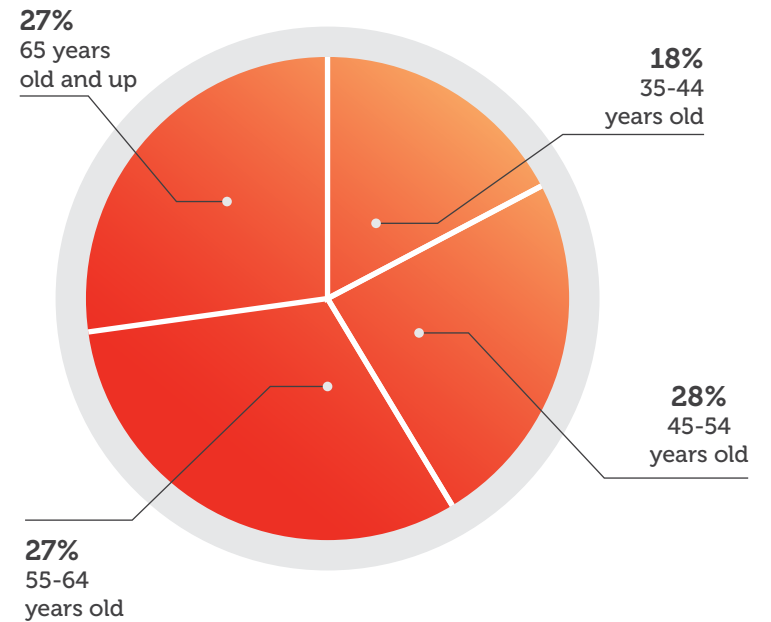
<sup>1</sup> BNG was elected as director during Vivant's June 16, 2022 ASM

<sup>2</sup> JLS was elected as director during Vivant's June 16, 2022 ASM

<sup>3</sup> JML was elected as a director on March 18, 2022 to replace Atty. Laurence R. Rogero who resigned on February 28, 2022.



In its drive to improve corporate governance, Vivant implemented its board diversity policy in 2019 to achieve a good combination of business experience, expertise, skills and background, as well as gender, age and other forms of diversity in the Board. The Company sees the importance of having a diverse board as it promotes healthy discussions with different perspectives and ideas, which could lead to optimal and well-informed decision making. In 2022, Ms. Brigette Cecile N. Garcia was elected as Vivant’s first female director.



### Chairman and Vice Chairman

The Chairman of the Board is Mr. Charles Sylvestre A. Garcia while the Vice-Chairman is Mr. Emil Andre M. Garcia.

The Chairman leads the Board in performing its oversight function and ensures the effectiveness of the Board. The details of the responsibilities of the Chairman can be found in Vivant’s Manual on Corporate Governance, which is available on the company’s website. Should the Chairman be unavailable, the Vice Chairman automatically assumes the role and becomes the Acting Chairman.

## Lead Independent Director

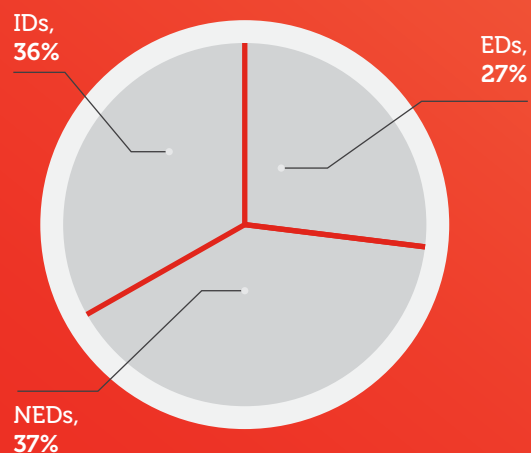
As a good corporate governance practice, the Board appointed a Lead Independent Director (LID) as the Chairman of the Board is not an independent director. The LID position ensures objective and independent views and perspectives are in place and any conflict of interest is avoided. The LID's function includes the following:

- Serves as an intermediary between the Chairman and the other directors when necessary, to provide more open communication and objective discourse in the boardroom
- Convenes and chairs meetings of the NEDs
- Contributes to the performance evaluation of the Chairman

In June 2022, Mr. Jose Carlitos G. Cruz was appointed as LID. Prior to this, the position was held by Mr. Laurence R. Rogero (January to February 2022) and Mr. Carmelo Maria L. Bautista (March 2022 up to Mr. Cruz's appointment).

## Non-Executive Directors and Independent Directors

Vivant strives to maintain a good mix of competent and qualified directors, with majority representation from non-executive directors (NEDs) and independent directors (IDs). This is a deliberate effort backed by the philosophy of upholding objectivity and independence when it comes to decisionmaking on corporate matters.



The Company continues to support its endeavors with the breadth of knowledge and experience of its IDs.

Background	CLB	JGC	JML	JLS
Power industry knowledge and/or experience	x	x	x	x
Other industry knowledge and/or experience	x (various)	x (various)	x (various)	
Executive leadership (CEO or equivalent)	x	x	x	x
Corporate and investment strategy	x	x	x	x
Legal and regulatory			x	
Risk and/or audit	x	x	x	
Finance, investment banking	x			

## Board Performance and Assessment

The Office of the Corporate Secretary prepares the annual calendar of meetings and other activities for the year and cascades it to all members of the Board and Board Committees before the start of the fiscal year. In 2022, regular meetings were held and special meetings were called for when immediate action was needed on certain corporate matters.

The Corporate Secretary endeavored to send ahead of time majority of the materials at least five days prior to each meeting. The agenda of regular meetings usually includes discussions on the Company's financial performance, updates on the business and operations, relevant updates regarding the status of corporate objectives for the year, updates on the business and regulatory landscape.

In 2022, the Vivant Board conducted a self-assessment to evaluate their performance as an individual and as a group at the Board and committee levels. The performance of the Chairman is likewise covered in the evaluation. This exercise is conducted to determine areas for improvement where reference is made to good governance practices, participation, engagement and contribution in meetings and performance of the duties and responsibilities as members of the Board and the Board Committees. In 2019, the Board issued a Board Assessment policy where a third-party-led assessment will be conducted every three years. The Company engaged the Institute of Corporate Directors to conduct the first exercise in 2023.

## Board and Board Committee Membership and Attendance

The directors encourage healthy discussion in all the Board and committee meetings. As it ensures sufficient time and attention are provided to key agenda items, special meetings are sometimes called in case allotted time is not sufficient.

	Regular	Special	Total
Board	8	2	10
Executive	10	--	10
Finance	5	2	7
Audit	5	--	5
Risk and Sustainability	4	1	5
Related Party Transactions	--	--	--
Corporate Governance	2	--	2

In 2022, there were movements in appointments and memberships given the resignation of Mr. Laurence R. Rogero in February 2022. Mr. Jose M. Layug was nominated and appointed as a director of the Board in March 2022 as Mr. Rogero's replacement. There were reassignments in committee memberships given the vacancy left by Mr. Rogero. Membership and attendance details as of end-2022 are presented in the table below.

Director	Board	Executives	Finance	Audit	Risk & Sustainability <sup>1</sup>	Related Party Transaction <sup>2</sup>	Corporate Governance
<b>No. of Meetings</b>	10 (1H - 4; 2H - 6)	10 (1H - 5; 2H - 5)	7 (1H - 3; 2H - 4)	5 (1H - 2; 2H - 3)	5 (1H - 2; 2H - 3)	--	2 (1H - 2; 2H - 0)
CAG	C - 10	C - 10	M - 7	M - 5		M	
EMG	M - 10	M - 10					
AGS	M - 10	M - 10					
REG	M - 9	M - 10			M - 2 <sup>3</sup>		
GAG	M - 10	M - 10			M - 5		
JGS	M - 10	M - 9	M - 7	M - 1 <sup>4</sup>	M - 1 <sup>4</sup>		
BNG <sup>5</sup>	M - 5	M - 5					
CLB	M - 10		C - 1 <sub>6</sub> M - 5				
JGC	M - 10		C - 4 <sup>7</sup>	C - 5 <sup>8</sup>	C - 2 <sup>9</sup> C - 3 <sup>11</sup>	M	M - 2
JML <sup>10</sup>	M - 5			M - 4	M - 2		C/M - 1 <sup>12</sup>
JLS <sup>13</sup>	M - 5			M - 2	M - 3	C	C - 0 <sup>14</sup>

1 In November 2022, the Board Risk and Oversight Committee changed its name to the Board Risk and Sustainability Committee.

The change was brought about by the additional oversight functions related to sustainability that was undertaken by the committee.

2 All items were taken up at the Board level

3 REG was appointed in June 2021 as member of the Risk and Sustainability Committee until Vivant's June 16, 2022 ASM.

4 JGS was appointed as member of the Audit Committee and the Risk and Sustainability Committee in the Organizational Board Meeting (OBM) of Vivant on June 16, 2022.

5 BNG was elected as director in the June 16, 2022 ASM of Vivant.

6 As a result of the resignation of Atty. Laurence R. Rogero on February 28, 2022, CLB was appointed as Chairman of the Finance Committee in March 2022 until the appointment of JGC in the June 2022 OBM of Vivant.

7 JGC was appointed as member and Chairman of the Finance Committee in the June 2022 OBM of Vivant.

8 As a result of the resignation of Atty. Laurence R. Rogero on February 28, 2022, JGC was appointed as the Acting Chairman of the Audit Committee from February 2022 until he was appointed as Chairman in the June 2022 OBM of Vivant.

9 JGC was the Chairman of the Risk and Sustainability Committee from June 2021 until the appointment of JML in the OBM of Vivant on June 16, 2022.

10 JML was elected as director and member of the Audit Committee, Finance Committee and Risk and Sustainability Committee on March 18, 2022. He was also appointed as Chairman of the Related Party Committee until the appointment of JLS as Chairman in the OBM of Vivant on June 16, 2022.

11 JML was appointed as Chairman of the Risk and Sustainability Committee in the June 2022 OBM of Vivant.

12 JML was the Chairman of the Corporate Governance Committee from March 2022 until the appointment of JLS as Chairman in the OBM of Vivant on June 16, 2022.

13 JLS was elected as director in the June 16, 2022 ASM of Vivant.

14 JLS was appointed as member and Chairman of the Corporate Governance Committee in the OBM of Vivant on June 16, 2022. The committee meetings were conducted prior to his term.

## Board Committees

The Board Committees with specific duties and functions were set up to enable the Board to effectively and efficiently discharge its functions. Each committee has its duly approved charter, which can be found in the Company's website. The charter defines the purpose, memberships, structures, operations, reporting processes, resources and other relevant information. Below sets out the key function, composition and key initiatives in 2022.

Board Committee	Key Function	Composition	Initiatives
Executive	<ul style="list-style-type: none"> <li>- Has the authority to exercise the powers and perform the duties of the Board within the powers granted to them.</li> <li>- Convenes when the Board is not in session</li> </ul>	Seven (7) members	<ul style="list-style-type: none"> <li>- Discussed and deliberated on various transactions in 2022 and endorsed the same for the Board's approval</li> </ul>
Finance	<ul style="list-style-type: none"> <li>- To assist the Board in fulfilling its oversight responsibility relating to financial governance, except for financial reporting.</li> <li>- 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.</li> </ul>	<p>Per charter, at least three (3) members as appointed by the Board.</p> <p>Current composition at four (4) members with two (2) independent directors, including the Chairman</p>	<ul style="list-style-type: none"> <li>- Discussed and deliberated on and approved for endorsement various transactions in 2022</li> <li>- Discussed and deliberated on the budget and financial performance of Vivant and the funding requirements of its business units</li> </ul>

Board Committee	Key Function	Composition	Initiatives
	<ul style="list-style-type: none"> <li>- To assist 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.</li> </ul>	Per charter, at least five (5) directors, at least three (3) of whom, including the Chairman, shall be independent. Current composition at five (5) members with three (3) independent directors including the Chairman	<ul style="list-style-type: none"> <li>- Reviewed and approved for endorsement to the Board the 2021 audited financial statement and the quarterly unaudited financial statements of 2022</li> <li>- Reviewed and approved the 2022 audit plan, discussed significant findings and observations of the external auditor</li> <li>- Reviewed and approved the non-audit services provided by the non-assurance groups of the external audit firm</li> <li>- Oversight in internal audit and internal control</li> <li>- Reviewed the performance of the external auditor and recommended to the Board the appointment of the external auditor</li> <li>- Reviewed the duties and responsibilities of the Committee</li> </ul>
Audit			

Board Committee	Key Function	Composition	Initiatives
Risk and Sustainability	<ul style="list-style-type: none"> <li>- To assist the Board in fulfilling its oversight function relating to risk governance.</li> <li>- 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.</li> <li>- Oversees the development and establishment of a Sustainability Management Framework covering key area of Environment, Social, and Governance for the Company and its subsidiaries</li> <li>-Reviews and discusses issues that materially affect and of significant importance to the Company's stakeholder, and management thereof.</li> </ul>	Per charter, so far as reasonably practicable, at least three (3) directors, majority of whom shall be independent directors, including the Chairman. Current composition at four (4) members with two (2) independent directors including the Chairman.	<ul style="list-style-type: none"> <li>- In November 2022, reviewed the 2021 risk management of Vivant and its business units</li> <li>- Reviewed and discussed the 2022 Top Operational Risks (OR), risk landscape, Risks Initiatives, OR Management Plans, BCM test results, and risk management updates</li> <li>- Assessed and deliberated about material risk exposures of Vivant in relation to Vivant's and its business units' investments and operational initiatives</li> </ul>

Board Committee	Key Function	Composition	Initiatives
Risk and Sustainability	<ul style="list-style-type: none"> <li>-Reviews and discusses external developments that could affect enterprise sustainability and recommends changes to strategy, metrics and targets when necessary</li> <li>-Ensures and monitors compliance with the SEC-approved reporting framework for the annual sustainability report of the Company</li> <li>-Reviews and endorses to the board for approval the disclosures and report on sustainability performance in the annual sustainability report of the Company</li> <li>-Secures independent expert advice on sustainability matters where necessary</li> <li>-Performs other activities related to the foregoing functions</li> </ul>		<ul style="list-style-type: none"> <li>- In November 2022, reviewed and deliberated on the duties and responsibilities of the Committee and thereafter amended its charter (i) to reflect the change in the name of the Committee from Board Risk and "Oversight Committee" to "Risk and Sustainability Committee"; and (ii) to include oversight functions related to sustainability such as, but not limited to, climate-related risks and opportunities</li> </ul>

Board Committee	Key Function	Composition	Initiatives
Corporate Governance	<ul style="list-style-type: none"> <li>- To assist the Board in fulfilling its oversight function relating to the implementation of corporate governance and compliance program, which includes sustainability reporting among others.</li> <li>- Determination of nomination and election process for Vivant's directors, and establishment of a remuneration policy for directors and officers</li> </ul>	<p>Per charter, at least three (3) directors, all of whom shall be independent directors</p> <p>Current composition at three (3) members all of whom are independent directors</p>	<ul style="list-style-type: none"> <li>- Reviewed and approved the list of nominees to the Board of Directors</li> <li>- Reviewed and discussed the disclosure topics for the 2021 Sustainability Report</li> <li>- Oversight in corporate governance initiatives</li> <li>- Reviewed and discussed the compensation framework of Vivant</li> </ul>
Related Party Transactions	<ul style="list-style-type: none"> <li>- Assists the Board in reviewing all material related party transactions of Vivant</li> </ul>	<p>Per charter, at least three (3) non-executive directors, two (2) of whom shall be independent including the Chairman.</p> <p>Current composition at three (3) members, with two (2) independent directors, including the Chairman</p>	<p>All items were taken up at the Board level</p>

## Continuing Education

To foster fact-based decision making, Vivant rolled out learning and development (L&D) initiatives for the directors in 2022. Subject matter experts were invited to conduct briefings on key developments in both the power and water infrastructure industries. A learning tour was likewise conducted where the directors were invited to join plant tours to familiarize themselves on plant operations.

In 2022, the Institute of Corporate Directors (ICD) was chosen to conduct an in-house Advanced Corporate Governance Training on **Sustainability and ESG: The What, Why, and How for Corporate Boards and Disruptive Strategy**. With both the Board and the Management in attendance, both topics were considered relevant and useful as the Company continues to develop a framework to address and ensure enterprise sustainability.

## Directors Compensation

Only NEDs and IDs are eligible to receive a per diem for every meeting and L&D session conducted by the Company. The current remuneration scheme involves a fixed meeting fee. Any special or follow-up meeting will use the same rate, but adjusted accordingly based on the duration of the session.

Upon review of the remuneration of directors of comparable companies, the Board's per diem was updated in June 2022.

Engagement	Chairman	Member
Board Meeting	Php150,000.00	Php100,000.00
Committee Meeting In-house	Php75,000.00	Php50,000.00
Training/Workshop	Php75,000.00	Php50,000.00
Strategic Planning	Php150,000.00	Php100,000.00

## The Management

Officers	Position	
Arlo Angelo G. Sarmiento	Chief Executive Officer	<p>The CEO leads the Company in formulating and executing the tactical strategies aligned with the corporate objectives that the Board has set out. He works with the Management Committees (Mancom) of Vivant's SBUs, which are <b>Power, Infrastructure and Corporate and Shared Services</b>. Business and financial performance, strategic and operational initiatives, and relevant updates on the business and the industry are among the topics for discussion in each meeting. It is at this level where all the detailed discussions are done to thresh out specifics needed in coming up with management recommendations for particular corporate initiatives before these are elevated to the relevant Board Committees and the Board.</p> <p>The Mancom of each SBU is composed of the SBU Head and heads of departments. Regular meetings involve discussions and updates on corporate objectives. The identification and implementation of inter and intra unit collaborative works are done, which allows for maximization of resources and enhance synergies across the group.</p> <p>Aside from the SBU Mancoms, Vivant also has the following management committees:</p> <ul style="list-style-type: none"> <li>• <b>The Management Finance Committee (the Management Fincom)</b> is a recommending body that is tasked to formulate and implement Vivant's financial policies and strategies that may be brought to the Board Finance Committee and the Board for approval. The committee is also responsible for the review of financial reports prior to presentation to the Board and its Finance and Audit committees. This committee is chaired by the Group CFO.</li> </ul>
Emil Andre M. Garcia	President Power Business Unit Head	
Minuel Carmela N. Franco	Executive Vice President & Chief Corporate Officer / Group Chief Finance Officer / Treasurer / Compliance Officer / Chief Risk Officer / Corporate and Shared Services Business Unit Head	
Jess Anthony N. Garcia	Sr. Vice President – Infrastructure / Chief Information Officer / Infrastructure Business Unit Head	
Mark D. Habana <sup>1</sup>	Vice President	
Al Douglas Villaos <sup>2</sup>	Vice President	
Alvin R. Harilla	VP – Risk and Sustainability	
Brigette Cecile N. Garcia	Sr. AVP – Corporate Planning	
Shem Jose W. Garcia	Sr. AVP – Corporate Communications	
Catherine S. Bringas	Sr. AVP – Legal and Compliance / Asst. Corporate Secretary / Data Protection Officer	
Ronnel Vergel E. De Leon	AVP – Treasury	
Carlos F. Bargamento, Jr.	AVP – Internal Audit / Chief Audit Executive	
Dyan Ramona S. Olegario	AVP – Accounting	
Denise Mae D. Blanco	AVP – Human Resources	
Niilo M. Arribas, Jr.	AVP – Information Technology	
Joan A. Giduquio – Baron	Corporate Secretary	

<sup>1</sup> Seconded to Vivant Energy as Chief Risk Officer and VP - Operations and Portfolio Management

<sup>2</sup> Seconded to Corenergy, Inc. as President and CEO

In 2022, the Management Fincom evaluated several investment projects of both the power and infrastructure BUs. Corollary to this would be the assessment of the group's financial position with respect to potential capital raising exercise to support the growth initiatives for the year. After going through rigorous evaluation, these projects were elevated to the Board Finance Committee.

• **The Management Risk Committee (the Management Riskcom)** was set up as a recommending body to the Board Risk and Sustainability Committee and the Board on matters involving risk management and sustainability development. The committee is responsible for the formulation and implementation of the Company's risk and sustainability policies and strategies. It will also serve as the principal executive forum that reviews enterprise, project and investment risks and will be responsible for the assurance of the risk management framework approved by the Board. This committee is chaired by the CRO.

In 2022, the Management Riskcom reviewed the group's Operational and Strategic Risk Management Plans. The committee likewise reviewed the risk profiles of power and infrastructure projects and the corresponding risk management action plans before these were presented to the Board Risk and Sustainability Committee.





# **Vivant's Values & Creation**





# Strategy

Improving everyday living has always been at the heart of everything Vivant does. Driven by its mission and guided by its vision, Vivant strives to achieve business sustainability with its stakeholders in mind. The creation of shared value is taken into consideration in the planning and formulation of its strategic goals. Finding the right balance when it comes to addressing stakeholders' needs is the ultimate objective.

## Vivant's Value Creation Process



The value creation process starts with Vivant's management of its resources, which include financial capital, human and intellectual capital and social capital. The use of these resources is defined by the strategies formulated by the Board and Management. Both financial and non-financial strategies are employed by the Company in carrying out its long-term goal of creating sustainable value.

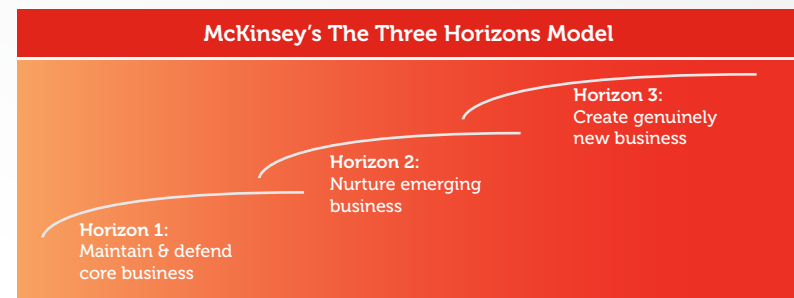
Capitals	How Value is Created	
<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Financial</p> </div> <div style="text-align: center;">  <p>Human</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  <p>Human</p> </div> <div style="text-align: center;">  <p>Social &amp; Relationship</p> </div> </div>	<b>Financial Strategies</b> <ul style="list-style-type: none"> <li>• Strategic business planning and development</li> <li>• Capital allocation and portfolio management</li> <li>• Balance sheet management</li> </ul>	<b>Non-Financial Strategies</b> <ul style="list-style-type: none"> <li>• Human resource development and management</li> <li>• Corporate governance</li> <li>• Risk management</li> <li>• Stakeholder management</li> </ul>

## Financial Strategies

### • Strategic Business Planning and Development

As a player in the power and water infrastructure sectors, continuous monitoring of developments in the space is done to identify structural gaps and market needs. In 2022, the Company held a series of management planning sessions to evaluate the current business landscape, health of existing operations, risk profile and potential growth opportunities. An assessment of existing resources was also made to determine the capability of the Company to achieve identified business objectives.

To improve the planning initiative in 2022, the Company used the Three Horizons strategy framework that was developed by McKinsey & Company.



Horizon 1 activities are focused on protecting and improving our existing businesses. Horizon 2 deals with optimizing available resources to participate in emerging businesses. Horizon 3 touches on opportunistic strategies that would create new market space and revenue streams for the Company.

The output of the management planning sessions was presented to the Board during the annual strategic planning. Healthy discussions and exchange of ideas resulted to a strategy map that clearly shows the key activities that the Company will undertake across the three horizons and the corresponding resources needed to perform and deliver on the set objectives.

### • Capital Allocation and Portfolio Management

Each investment proposal undergoes in depth review and assessment. Vivant employs a capital allocation and prioritization framework, which allows the best use of financial resources by deploying capital to projects that meet the Company's financial and strategic criteria.

A proposed project goes through an investment gating process that allows comprehensive evaluation of its financial viability, risks and mitigation plans. To ensure adherence to investment parameters, the project is gated by the Management committees first before it is endorsed to the relevant Board Committees.

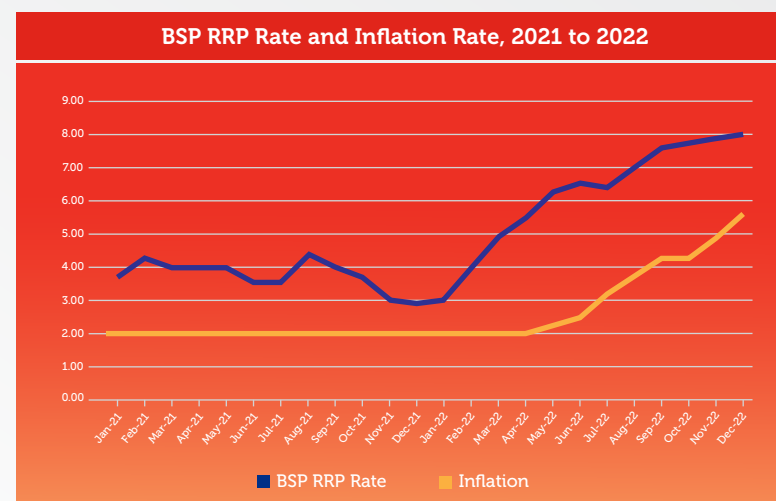
The execution of a project or strategy that has been approved by the Board is a joint initiative of several departments in Vivant (Corporate Planning, Finance, Legal and Risk) and its power and infrastructure business units (Business Development, Subsidiary Monitoring, Industry Affairs and Regulatory, Technical Operations).

As an investment holding company, project monitoring is a critical initiative. All throughout its lifecycle, the project's performance is evaluated and monitored and tracked against investment objectives. Possible decision outcomes could include hold, increase, decrease or even disposal of the investment. Capital recycling options are developed and evaluated should a divestment decision is arrived at. This allows the Company to redirect deployed capital to more profitable and strategic endeavors.

As part of its investment management, Vivant provides shared services to its subsidiaries in areas where synergies are present through cost and operational efficiencies. The services include finance, legal, human resources, IT, administration, risk and corporate communications.

### • Balance Sheet Management

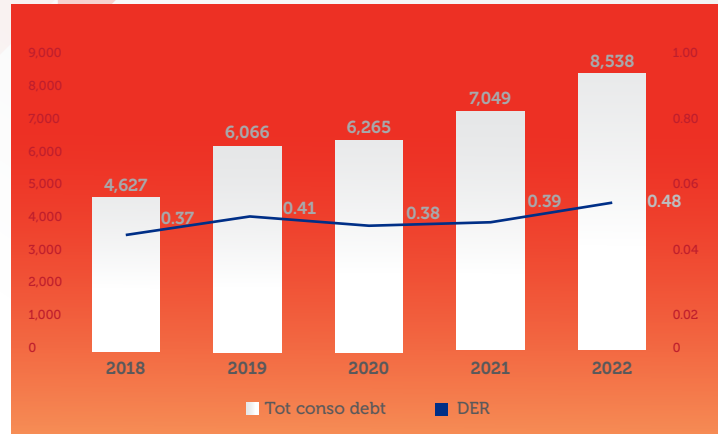
The cautious stance and prudent fiscal management of the Company's balance sheet softened the lasting effects of the pandemic, and the adverse effect of Typhoon Odette and inflation-induced cost escalation. Last year, we saw interest rates rise as the local central bank attempted to arrest inflation pressures that were driven by surges in commodity prices. The gap between short- and long-term borrowing rates was reflective of the vacillating macroeconomic conditions. Active monitoring of interest rate differential was key for pricing opportunities in the debt capital markets.



Amidst this background, Vivant's strong balance sheet still allowed for significant debt capacity. Sufficient cash levels and access to funding sources provided the Company the flexibility to take advantage of growth opportunities.

In 2022, however, most of the capital raising activities were done at the subsidiary level. 1590 EC raised debt capital to fund its acquisition of the BDPP, which was awarded in the second quarter of 2022. The refinancing of NBPC's and BPC's existing loans was completed in June and August, respectively. Both credit facilities effectively extended the tenor of the loans and provided a rate fixing mechanism that was put into place in anticipation of further market tightening by the local central bank. All borrowings were made in peso to match the currency of our investments and the revenue and cost streams of these companies.

In 2022, total consolidated liabilities grew by 21% as Vivant's subsidiaries raised debt capital. As of year-end, the Company's debt ratio remains healthy, still providing ample room to further leverage and support the investment initiatives of the group.



While the Company continues to bank on traditional financing, Vivant has started to explore alternative sources of capital to support its future growth plans. The Company will continue to study the different options and develop a roadmap that will capture the requirements of the three growth horizons.

### Non-Financial Strategies

- **Human Resource (HR) Development and Management**

Vivant continued to focus on the development of its people. Focus was expanded not just to cover intellectual and technical competencies build up, but to include the overall welfare of the employees. The strategy is to ensure that a symbiotic relationship across the organization is developed and maintained to ensure employee satisfaction and balanced career and personal growth.

In preparation for the three growth horizons, planning and development of human and intellectual capital have been underscored. Initial steps have been taken in 2022 to support the current and future initiatives, the discussions of which can be found in **Vivant's Sustainability Journey: SOCIAL** on p. 47.

### Corporate Governance

With **Honor** as one of its core values, Vivant lives up to the attributes of Integrity, Fairness and Trustworthiness. As part of the journey towards sustainability, continued efforts on improving and enhancing good corporate governance practices have been one of the key strategic initiatives of the Company. A roadmap has been developed, which is reviewed regularly against the ASEAN Corporate Governance Scorecard, a set of international corporate governance best practices developed by the Asian Development Bank and the ASEAN Capital Markets Forum.

Further discussion on governance can be found in the **Vivant's Leadership and Governance** section on p. 18 and **Vivant's Sustainability Journey: GOVERNANCE** section on p. 51.

### Risk Management

Risk management is a critical component of business sustainability. Since it started to develop an Enterprise Risk Management (ERM) program in 2014, Vivant has continued to build on capability and developed policies and processes to enable it to incorporate risk management in every decision and activity that the Company undertakes.

Considered as an integral part of strategic planning, the identification of potential risks that could hinder the Company from achieving its objectives has been embedded in the process. This is done for both the short- and medium to long-term horizons. Mitigation plans are developed to either diminish or extinguish the impact to the Company.

The table below is a summary of the top risks of Vivant and its SBUs with respect to their goals and objectives for 2022.

Risk	2022 Situationer	Potential Impact	Action Plan	Ranking Beg/End	Risk	2022 Situationer	Potential Impact	Action Plan	Ranking Beg/End
Insurance	Hardening market/s for non-renewable generation assets	Financial losses arising from non-covered incidents  Unavailability of external project financing for new projects due to non-coverage	Market monitoring  Develop relationships with other insurance brokers  Re-assessment of specific plant risks  Evaluate other options (e.g. captives)	● ●  Successful procurement initiatives tested markets. Ongoing study re: captive	Regulatory	New regulations relating to climate / environmental issues  Strong enforcement of environment-related regulations	Delays in permits and licenses processing by government agencies  New regulations affecting project viability	Maintain and develop relationships with key regulatory personnel  Active participation in industry organizations	● ●
					Due diligence	Limited or incomplete due diligence resulting to wrong financial model	Misallocation of resources  Opportunity loss due to uncompetitive bid/pricing  Unmet investment objectives	Engagement of consultants to increase capacity  Benchmarking against similar transactions  Peer review / conduct of various valuation methodologies	
Project Financing	Lenders' conservative stance could result to shorter tenors  Change in lenders' appetite due to new ESG-driven regulations/policies	Missed investment opportunities  Low project returns due to inefficient project capitalization  Lower project returns  Refinancing risk	Ongoing market monitoring  Regular discussions with partner banks  Explore and evaluate other financing options	● ●  End-2022 score reflective of reduced likelihood but still in extreme zone	Talent	Hybrid set up could result to communication and culture issues  Lack of manpower due to: -Attrition -Poaching -Delay in hiring -Inability to attract the right talent  Weak culture or lack of culture initiatives	Disengaged, unproductive, dissatisfied employees. Employee burnout.  Poor/unpleasant employee experience. Increase turnover/attrition  Ineffective L&D, unmet career development objectives  Unmet corporate objectives	Regular team catch-ups and conduct of engagement and L&D initiatives  Improve talent management initiatives through periodic performance discussions (informal and formal)  Review and updating of recruitment and onboarding initiatives  Pulse check, conduct of employee survey  Develop Employee Value Proposition  Strengthen One Vivant culture initiatives	● ●
					Growing business opportunities for the infra group called for increased capacity.				
Business Continuity	Lack of resources for Business Continuity Plans (BCPs)  Poor implementation of untested and/or outdated BCPs	Disruption in operations  Losses – financial and non-financial	Implement desktop exercise  Review of plans  Review of resources/budgets	● ●  Formal tabletop exercise and call tree testing were conducted					
Regulatory	Review of existing regulations brought about by public clamor on lower power costs	Non-compliance to result to financial (e.g. fines/penalties, higher costs) and non-financial (e.g. suspension of operations, license revocation) penalties	Close monitoring of regulatory changes and analysis of possible impact to business	● ●  No change					

● Extreme, score of 20-25

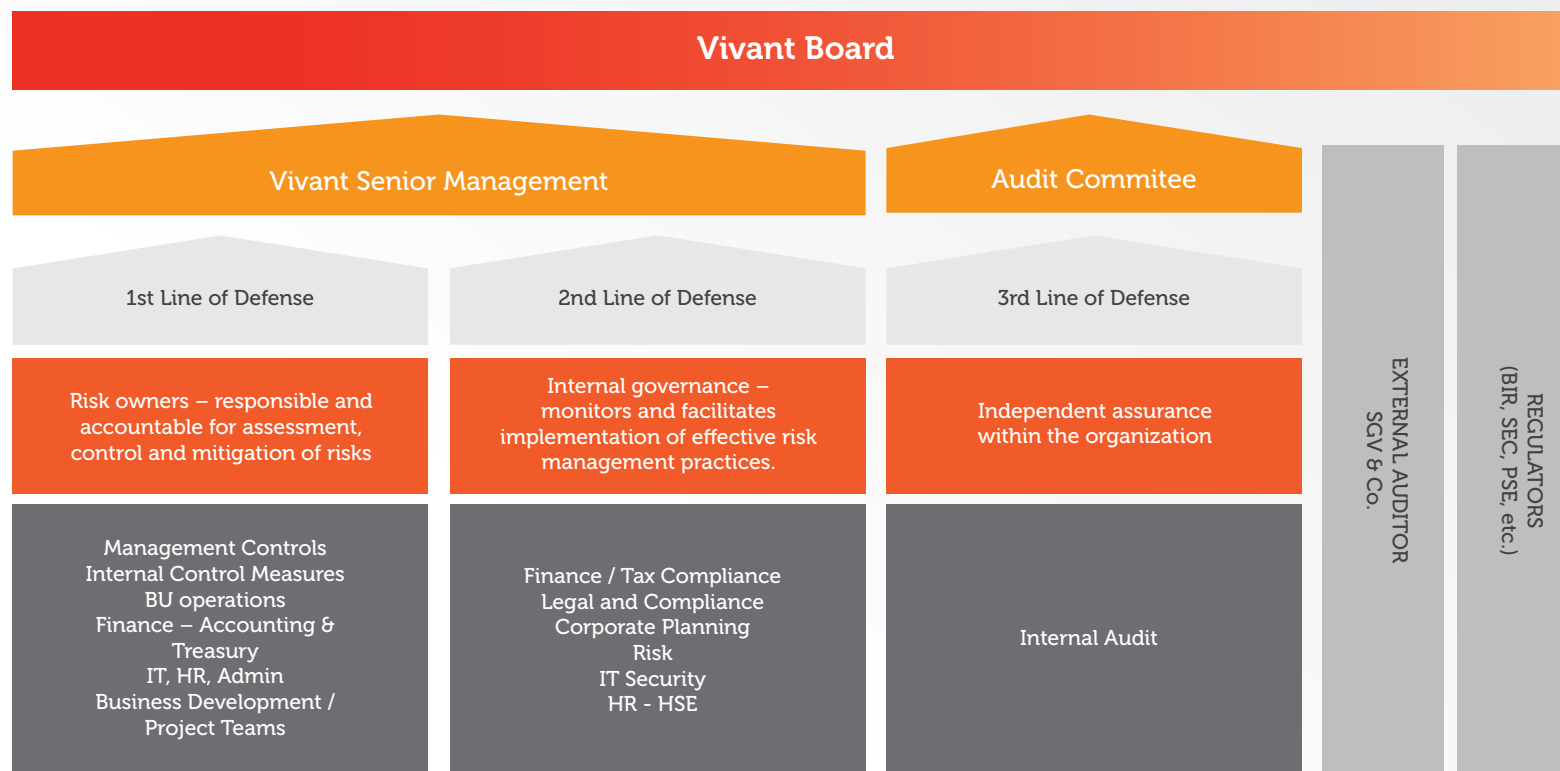
● High, score of 15-16

Vivant continues to employ the Three Lines of Defense model for its risk management practices. The following are the assurance providers that the Company utilizes.

**Operational management (1st line of defense)** – These are functions or departments that own the risks. They are responsible for identifying, assessing, controlling and mitigating risks on a day-to-day basis. These enable the design and implementation of internal policies and procedures that are embedded in the systems and processes used in operations.

**Risk management and compliance (2nd line of defense)** – These are functions or departments that assess and monitor the effectivity of the first line of defense controls. Assistance in developing and maintaining the Company’s risk management framework and identifying known and emerging issues that could affect the business are some of the key functions of this layer.

**Internal audit (3rd line of defense)** – This an independent function or department that has direct accountability to the Board, through the Audit Committee. This department assesses the effectiveness of both the first and second lines of defense.



Further discussion on risk management can be found in the Vivant’s Sustainability Journey: GOVERNANCE section on p. 51.

## Stakeholder Management

The creation of shared value with the Company's stakeholders is essential to Vivant. As resource providers of the Company, Vivant gives importance to the development of a fair and inclusive value proposition for each stakeholder that aims to address their respective needs and/or concerns. As the Company continues to promote cooperation with and transparency to its stakeholders, Vivant has employed various means of communication and engagement platforms that allow for information flow, consultation and collaboration.

- PSE Edge disclosures
- SEC reports – 17A, 17Q, 20-IS (Information Statement)
- Sustainability report
- Company website
- Social media platform (i.e., Facebook)
- Press releases / media coverage
- BCP tabletop exercise and call tree testing
- Risk and Sustainability Summit

### Our Shareholders and Investors

#### 2022 Key Concern

- Company's sustainability and growth strategy
- Short to long term business prospects
- Corporate governance and succession
- Impact of new regulatory environment to its businesses
- Financial performance and condition
- Business resiliency

#### Our Management Strategy

- Availability of pertinent information for the investing public
- Timely dissemination of, but not limited to, regulatory-based reporting using various channels

#### Our 2022 Initiatives

- Annual stockholders meeting (hybrid or with use of a virtual conference platform)
- Quarterly disclosures on earnings performance

### Our Business Partners

#### 2022 Concerns

- Value contribution of Vivant
- Management and succession
- Corporate governance
- Work relationships
- Financial position and performance
- Reputation
- Professionalism and work ethics / culture / responsiveness

#### 2022 Management Strategy

- Conduct business professionally
- Transparency in all dealings
- Maximize value created by considering core competencies of each partnership
- Conduct of extensive due diligence prior to establishing new partnerships

#### Our 2022 Initiatives

- Hybrid meetings (Board, Management levels)
- Hybrid and face to face strategic planning sessions

- Project team / committee meetings
- Regular dialogues and meetings
- PSE / SEC disclosures
- Company website
- Social media platform (i.e., Facebook)
- Press releases / media coverage
- Industry forum participation/industry association engagement

## Our People

### 2022 Concerns

- Company strategy and growth
- Culture alignment
- Compensation and benefits – access to cash, medical assistance
- Career path and development
- Competency gap
- Productivity
- Engagement or disengagement of teams due to hybrid work set up
- Work-life balance
- Health (physical and mental) and safety
- Environmental impact of operations

### Our Management Strategy

- Timely cascade of key information
- Culture initiatives
- Benchmarking / review of compensation and benefits package
- Development and implementation of Individual Action Plan and Individual Development Plan
- Performance and feedback mechanism
- Learning and growth programs
- Inter- and intra-department engagement programs
- Safety and wellness programs
- Pulse checks, engagement surveys

## Our 2022 Initiatives

- Annual Kick-off / Townhall sessions
- Onboarding sessions
- Culture tweaks – programs based on chosen core competency
- One Vivant events (e.g. summer outing, Halloween and Christmas parties)
- Performance appraisals and quarterly performance conversations
- Key Talent Review sessions
- Chat and Brew with the executives
- Synergy Series for executives, managers, and staff
- Managers' huddles
- Funshops and department planning sessions
- Online wellness talks and other hybrid engagement activities
- Green initiatives highlighting employee volunteerism, set up of EcoBais
- Hybrid work set up (three days in office and two days remote work)
- Point to point transportation
- Implementation of the Universal Training Plan
- Occupational Safety, Health, and Environment (OSHE) training
- BCP tabletop exercise and call tree testing

## Our Creditors and Banking Partners

### 2022 Concerns

- Credit risk
- Financial performance (profitability and liquidity)
- Business and industry outlook
- Heavy reliance on conventional power technology
- Potential high regulatory risk exposure due to highly regulated businesses
- Collection / liquidity risk for its investee companies

### Our Management Strategy

- Maintain good relations with reliable, responsible, and financially sound banks
- Develop new banking relationships
- Maintain integrity, transparency, and reliability with the timely dissemination of relevant and accurate information to partner banks

### Our 2022 Initiatives

- Regular meetings to discuss financing requirements, market and project updates
- PSE and SEC disclosures
- Website, press releases and media coverage
- Annual stockholders meeting (hybrid or with use of a virtual conference platform)
- Economic and market briefings
- Proactive loan compliance monitoring
- Initiated discussions with regulators on the role of conventional power technology, particularly diesel/hybrid
- Explored suitable collection facilities to improve collection and customer experience

### Our Customers<sup>1</sup>

#### 2022 Concerns

- Availability and reliability of supply (both for power and water)
- Pricing/affordability (both for power and water)
- Liquidity concerns; billing settlement
- Business outlook
- Quality of product / service
- Technical support and after-sales service
- Regulatory issues
- Fulfillment of contractual obligations (e.g., Power Supply Agreement)

### Our Management Strategy

- Understand customer concerns, particularly in the areas of product availability, reliability, quality, and affordability

### Our 2022 Initiatives

- On the ground monitoring by Industry Affairs and Business Development groups of the power and infrastructure subsidiaries, complemented by VFI's community engagements
- Engagement with Local Government Units (LGUs) to understand the needs of the communities
- Face to face meetings / periodic discussions with customers
- Public hearings
- Website and customer portals (Coreenergy)
- Social media
- Plant and facility tours

<sup>1</sup> These are the customers of the operating companies under the power and infrastructure arms of Vivant

### Our Communities

#### 2022 Concerns

- Livelihood and employment generation
- Availability of basic necessities (e.g., power, clean and safe water)
- Food security
- Health and medical
- Education
- Environmental impacts of projects
- LGU revenues
- Compliance with relevant permits and ordinances

### Our Management Strategy

- Enhance and develop relationship with existing and new communities, respectively, by understanding and addressing their needs
- 

### Our 2022 Initiatives

- Direct interactions with communities and concerned LGU/NGOs/ government agency (e.g., Department of Education)
- Information / Education campaigns
- Focus group discussions, public consultations, and hearings
- Community events and activities
- Market scoping by Business Development groups
- Table research and regular coordination by VFI with government agencies (e.g., Department of Education)
- Vivant, VFI's, and other investee companies' Corporate Social Responsibility initiatives

## Government Agencies and Regulators

### 2022 Concerns

- Corporate governance – transparency and accountability
  - Compliance with laws and regulations
  - Completeness, accuracy and protection of data
  - Impact of changes in laws and regulations
- 

### Our Management Strategy

- Establish a 2-way channel with regulators to ensure concerns of both parties are heard and addressed

### Our 2022 Initiatives

- Regular engagement with government agencies and regulators through various formal and informal channels
- Attendance in public consultations and conferences
- Submission of regular reports
- Updating/revising company policies to comply with latest policies/regulations
- Annual training for corporate governance
- Participation in business/industry organizations to proactively raise concerns to proposed regulatory changes

## Other Stakeholders

### 2022 Concerns

- New business developments and strategies
  - Financial and operating performance
  - Community relationship
  - Performance of investee companies
- 

### 2022 Management Strategy

- Utilize and maximize various media channels to improve reach
  - Ensure accuracy and timely release of information
- 

### Our 2022 Initiatives

- Media briefings
- Direct coordination via emails and/or phone calls
- Regular updates through website, social media, phone calls
- PSE and SEC disclosures
- Invitation to attend the hybrid annual stockholders meeting



# Value Created

## Resources we used in 2022

### Financial capital

- Strong financial position
- Reliable cash flows from operations
- Access to credit facilities
- Access to capital markets
- Good financial and credit track record

### Human and intellectual capital

- Collective experience on the power industry
- Young and dynamic workforce
- Developed and acquired skills and talent
- **One Vivant** culture hinged on key core competencies

### Social capital

- Strong relationships with business partners, creditors, communities, government partners and other relevant external parties
- Improved corporate governance and stakeholder management practices
- Vivant brand hinged on core values of **Honor, Relationships and Excellence**

## How we managed the resources in 2022

### Use of Financial Strategies

#### Strategic business planning and development

Applying McKinsey's Horizon model in 2022 allowed for the proper identification of the resources needed for strategy execution. This exercise allowed the Company to focus on the identified growth areas for both existing core businesses and potential business development initiatives involving new markets, potential partnerships and possibly new business models. Potential synergies across the business units were also identified, which could maximize value creation for Vivant.

#### Capital allocation and portfolio management

The quantitative and qualitative criteria used in Vivant's capital allocation framework and the investment gating process that the Company implemented allowed for the best use of financial capital. Projects were assessed for their alignment with strategic parameters and risk-adjusted returns.

Constant review and monitoring of the performance of its existing portfolio against prevailing market and business conditions enabled the Company to make well-informed and timely decisions on investment activities.

### Balance sheet management

Healthy financial condition and access to capital markets provided the Company the flexibility to take advantage of investment opportunities.

### Use of Non-Financial Strategies

### Human resource development and management

Initiatives were implemented to continuously improve overall employee experience. Resumed in office/face to face initiatives to reintegrate and re-engage teams.

Benchmarking activities were done to keep the Company in check and improve competitiveness. Technical competencies and soft skills were continuously developed to support the requirements of all business units.

### Corporate governance

Vivant continued to review existing policies and adopt best governance practices to ensure improvement in transparency and accountability to all stakeholders.

### Risk management

Further enhancements in the risk management process were done. Importance has been highlighted in all aspects of the value creation process.

### Stakeholder management

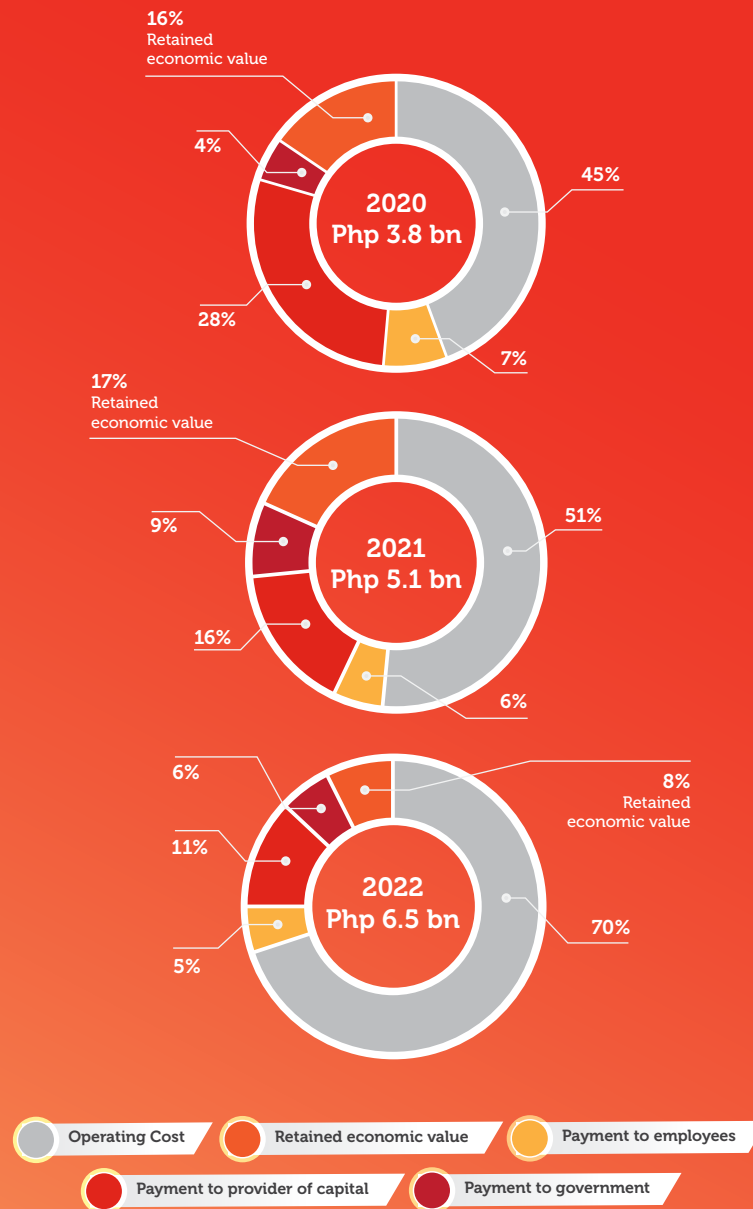
Engagement and management of all stakeholders were continued and improved. The information flow, consultation and collaboration allowed for shared value creation.

### The value we created in 2022

The management of resources allowed Vivant to deliver value to our stakeholders despite the challenges faced during the year.

- Although pared down, 2022 Consolidated Net Income Attributable to Equity Holders of Parent remained healthy at Php 1.6 bn
- Return on Equity of 10%
- Total infusions made in both power and water infrastructure projects amounted to Php 1.5 bn
- Total debt capital (net) of Php 1.5 bn raised at the power subsidiaries
- Over Php 1 bn net increase in available credit facilities for Vivant's managed corporates

## Economic Value Generated, Distributed and Retained

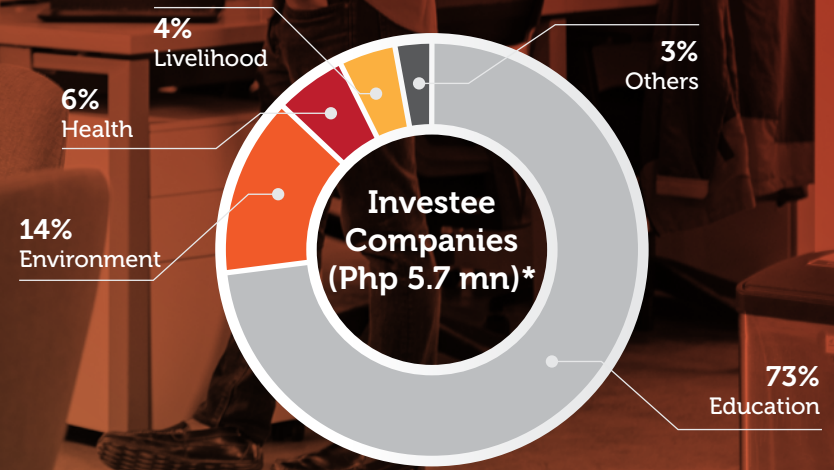
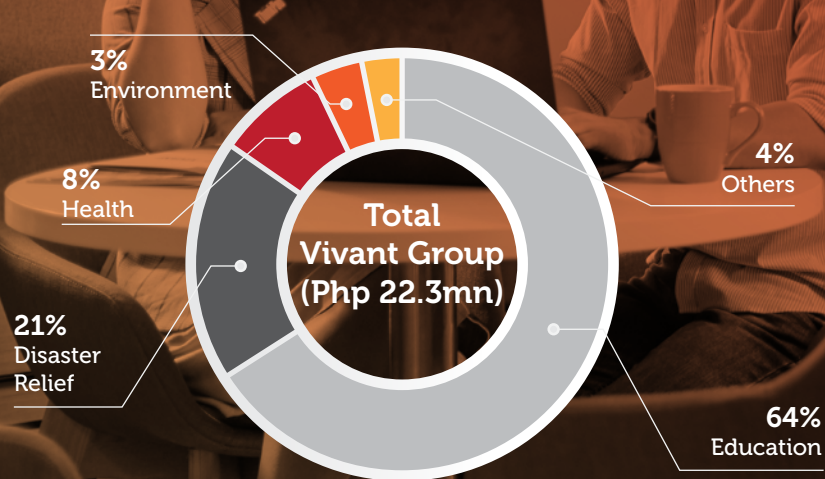
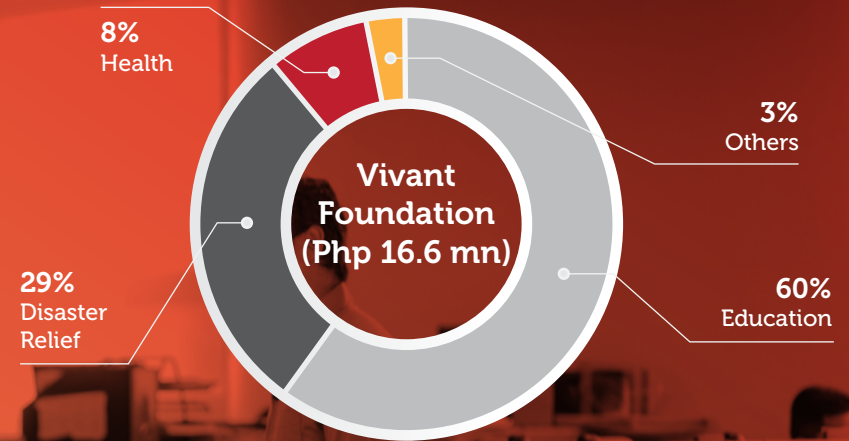


Strong, competent and engaged workforce of over 200 across Vivant, its wholly owned subsidiaries and other managed corporates

- Continued talent growth with development plans for hard and soft skills
- Developing bench of future leaders with continued review of key talents for succession planning
- Balanced health and productivity with both physical and mental wellness programs and flexible/hybrid work set up

Vivant maintained its good reputation of being a strong and trusted partner

- Sustained good working relations with existing business partners
- Paved inroads for potential partnerships and other business collaborations
- Through the Company's business development groups and its foundation, Vivant continued to establish and strengthen links through joint initiatives with both the public and private sectors in addressing needs of local communities.



\*Funded (VECO) and direct (1590 EC, CIPC and DPI) projects.



# **Vivant's Sustainability Journey**



## Sustainability Journey

Driven by its mission of “**Bringing excellence to industries that improve everyday living**”, Vivant continues to support and contribute to eight (8) out of the seventeen (17) interlinked Sustainable Development Goals (SDGs) formulated in 2015 by the United Nations General Assembly. The Company’s existing and growing presence in the infrastructure space of power and water, combined with its social initiatives addressing both internal and external stakeholders, have resulted to positive contributions to these goals.

Fundamental to business sustainability is the creation of shared value between the Company and its stakeholders. The following is a discussion on the pillars of sustainability: Environmental, Social and Governance. Each maps out Vivant’s contribution to the relevant SDGs and initiatives to manage its impact to the relevant stakeholders.





## Environmental

### Nature, as a stakeholder...

Vivant is cognizant of its impact to the environment. As a good corporate citizen, the Company takes responsibility for the negative impacts of its operations. The Company commits to integrate sustainability into its ways of doing and has adopted an approach that highlights its core competencies, **Doing Right Things Right and Mindful Resource Use.**

2022 Highlights		
Corporate	Power	Water
<ul style="list-style-type: none"> <li>• Mindful resource consumption with promotion of sustainable practices</li> <li>• Coastal clean-up in one of Cebu City's waterways by the EcoBais</li> <li>• Tree planting in Rizal by the Makati EcoBais</li> </ul>	<ul style="list-style-type: none"> <li>• 15MWh of solar energy generated</li> <li>• Negotiated purchase of 22MW solar project in Bulacan</li> </ul>	<ul style="list-style-type: none"> <li>• 831.4 MLD treated water (septage and sewage) in Puerto Princesa</li> </ul>



### Indicators / Material Disclosures

- Energy consumption
- Water usage
- Emissions
- Waste management

In 2022, Vivant issued and implemented its Green Office Policy, which provided guidelines to reduce corporate's environmental impact by applying sustainable practices in the office. Energy saving tips and improved waste management (through recycling and disallowance of single-use plastic) are just among the practices being promoted.

Corporate also launched its Green Club called the EcoBais. This encouraged employee volunteerism as it improved environmental awareness with its initiatives in both Cebu and Manila.

- Coastal clean-up of one of Cebu City's waterways – in partnership with CCENRO, collected 2,460 kg of waste. Tools used were also donated to CCENRO.
- Tree planting in Mt. Batulusong, Tanay, Rizal – in partnership with the Lions Club and Haribon Foundation, planted 425 seedlings.





As a business, Vivant had investments in both power and water infrastructure that resulted in positive impacts to the environment.

In 2022, Vivant Energy's solar rooftop business continued to add to its portfolio closing the year with total operating capacity of close to 6 MW serving thirteen (13) commercial and industrial customers. As of year-end, the group had a pipeline of close to 5 MW in capacity that will enable 12 customers to reduce their carbon footprint once facilities are in place and operational.

Vivant's power SBU will continue to work on increasing its renewable energy portfolio. In 2022, business development work was done that focused on solar and wind facilities. In December, Vivant Energy was successful in negotiating the purchase of a 22-MW solar power generation project in Bulacan. The acquisition was closed in early 2023.

PPWRLC's operation of its waste water treatment facility in Puerto Princesa, Palawan is another positive contribution to Vivant's environmental scorecard. The facility was able to treat a total of 831.4 million liters, both septage and sewage. It was reported that the operation of the facility allowed for the use of the Puerto Princesa Bay to accommodate the 1.9-kilometer swim leg of the IronMan 70.3 Puerto Princesa triathlon held in November 2022.



## Reviving Puerto Princesa Bay

(Sewage treatment facility helps LGU realize goal for cleaner, safer environment)

The Puerto Princesa innovative economical Septage and Sewage Treatment Plant (PPieSSTP) answers the call of the City Government of Puerto Princesa for the private sector to help rehabilitate Puerto Princesa Bay, one of Palawan's major fishing grounds which is also the center of several tourism activities.

Inaugurated in March 2022, the PPieSSTP can treat up to 2,000 cubic meters of sewage and 85 cubic meters of septage wastes a day. Located in the urban center, the plant ensures that the city's sewage is treated and rid of pollutants before it flows out into the Puerto Princesa Bay.

Puerto Princesa City Mayor Lucilo Bayron has pointed out that treating the city's wastewater will contribute to making Puerto Princesa Bay an asset, especially for tourism.

The bay is classified by the Department of Environment and Natural Resources as suitable for commercial propagation of shellfish and spawning ground for milkfish and similar species, as well as ecotourism.

Puerto Princesa Bay is one of several bays dotting the northeastern coastline of Palawan, where sea cows (dugong) and some species of dolphins and whales have been sighted in the past. The rehabilitation of the bay—paving the way for the return of marine wildlife in the area, a major tourist attraction—has been one of the key drivers for PPieSSTP, a public-private sector partnership (PPP) involving the City Government of Puerto Princesa and Faith Lived Out Visions 2 Ventures Holdings Inc. (a joint venture of JCA 1221 Holdings Inc. and Vivant Hydrocore Holdings Inc.), in cooperation with the Puerto Princesa City Water District.

The partnership proved fruitful for the marine ecosystem and for Puerto Princesa City. On September 6, 2022, the World Wide Fund for Nature (WWF) reported a sighting of two dugongs—appearing to be a female and its calf—in Puerto Princesa Bay. Shortly after, on November 13, the Ironman 70.3 held its inaugural race, which included a 1.9-kilometer swim in Puerto Princesa Bay. Participated in by more than 1,200 Filipino and foreign triathletes, Ironman 70.3 Puerto Princesa has become an added attraction to the city helping revive the tourism sector, which went into a slump during the COVID-related lockdowns.

Water that has undergone treatment at PPieSSTP is safe to marine life in the bay and can be re-used for non-potable applications, including firefighting, cleaning and water plants. Its offices are partly powered by solar in line with its sustainability goals.

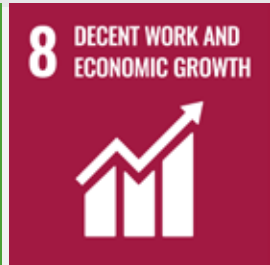
With the success of PPieSSTP, the Vivant Group is looking at replicating wastewater management solutions in other areas in the country to contribute to the rehabilitation efforts involving natural ecosystems that provide food and support the livelihood of many.



### Social

Vivant engages with internal and external stakeholders to build on existing and develop new relationships as it creates meaningful impacts.

### Supported UN SDGs



### Indicators / Material Disclosure

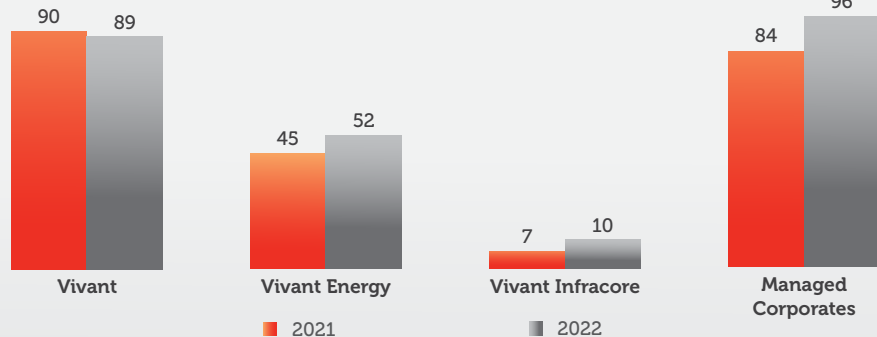
- Employment
- Training and education
- Diversity and equal opportunity
- Local communities
- Indirect economic impacts

### Our Employees

In 2022, Vivant's people-related initiatives have direct impact to the lives of close to 250 employees. The Company provides HR services to corporate, its subsidiaries and managed corporates.



2021-2022 Headcount



\*Managed corporates include CORE, CSSC, VFI, INPC, BPC, NBPC, WMP

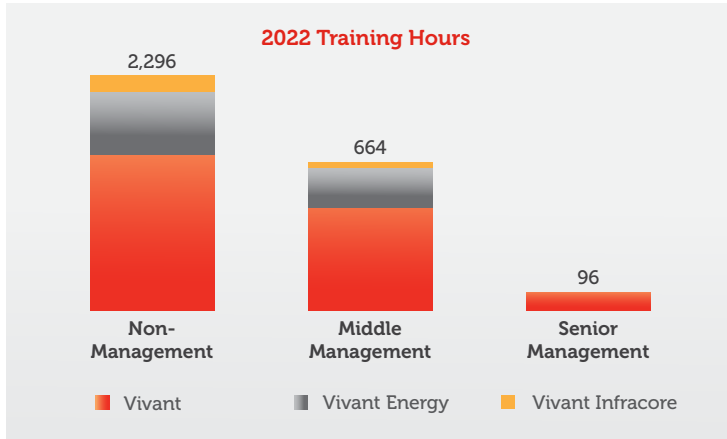
As it takes care of its greatest asset, the Company continued to update its ways of working with the objective of maintaining employee safety and wellness. Engagement activities were conducted and in house learning and development programs were rolled out. In preparation for all three growth horizons, Vivant conducted a benchmarking exercise to strengthen market competitiveness and overall employee experience.

Vivant fully adopted a hybrid work set-up at corporate. Hybrid work is meant to improve work-life balance, enhance productivity while mitigating burnout. This non-traditional work setup also enabled Vivant to attract and retain employees as the talent market becomes increasingly competitive with the opening up of the global job market and the allure of the gig economy.

Employee training transitioned from mostly virtual to full face-to-face. Much needed team building activities resumed mid-year. Various in-person professional development programs were conducted in accordance with the Vivant Universal Training Plan. Continued development of its existing talent pool is essential to the Vivant organization. Key initiatives intensified with performance reviews, key talent review, succession planning, cross posting and career pathing and development, among others. Capability-building was at the forefront with talent acquisition triggered only when urgency of need requires immediate engagement from the talent market.



**Social**



The Company’s HR management strategies in 2022 focused on re-engaging the workforce after two pandemic years that left the Bais battle-torn, weary and hungry for in-person activities. The much-awaited summer outing yielded 93% attendance. Regular **Chat and Brew** with the CEO and leaders were also revived to give opportunities for casual conversations to transpire across levels and companies. Various employee-led volunteer initiatives were held such as a coastal cleanup in Cebu City, tree-planting in Rizal, and an eco-weaving program in Bantayan Island. Brigada Eskwela was also reactivated with four beneficiary schools – 3 in Metro Cebu and 1 in Pampanga.

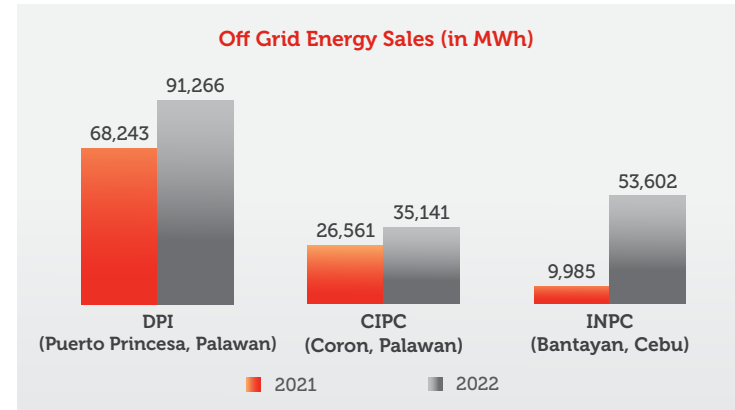
In 2022, Vivant undertook several benchmarking initiatives to determine best practices that can be adopted to improve overall employee experience. Policies were reviewed and updated to ensure practices remain at par with, or better than market. Gaps identified will be used as reference for Vivant’s future HR programs.

**Our Customers**

Vivant and its Power and Infrastructure SBUs continued to provide the infrastructure needed to support economic recovery.

The Power SBU, through its subsidiaries and associates, provided stable power through its On Grid and Off Grid facilities. Ancillary services were likewise supplied by 1590 EC and CEDC to the National Grid Corporation of the Philippines to ensure grid stability.

In 2022, the biggest impact was felt by the island economies served by our facilities belonging to the Special Power Utilities Group. These are INPC, CIPC and DPI. These companies continued to provide stable power to served islands despite the surge in fuel costs and collection issues with the National Power Corporation.



Both Vivant Energy and Vivant Infracore continued their respective business development initiatives. Staying true to Vivant’s mission, both SBUs are driven to find adaptable solutions aimed to address structural gaps and market needs.

**Our Communities**

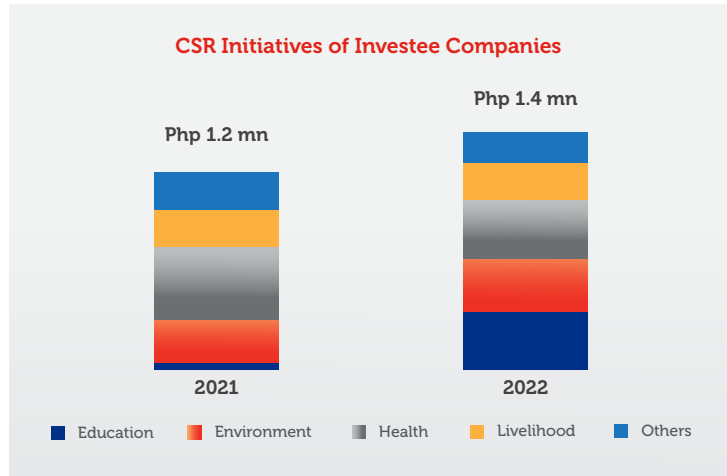
Vivant’s community work continued with the completion of CSR projects worth over Php 22 mn. As a group, education and disaster relief comprised the bulk of spending for 2022, at 64% and 21%, respectively.

Education Initiatives	Disaster Relief Operations
<ul style="list-style-type: none"> <li>Regional Science and Technology Fair sponsorship</li> <li>Distance learning</li> <li>Scholarships</li> <li>Brigada Eskwela</li> <li>School/classroom repairs and/or electrical upgrades</li> <li>School supplies</li> <li>EIM and Solar TechVoc Equipment</li> <li>Project Plumbing – training and supplies</li> </ul>	<ul style="list-style-type: none"> <li>Food and related supplies</li> <li>Deployment of water tanker / mobile water treatment facility</li> <li>Construction supplies</li> </ul>



## Social

A notable increase in the CSR activities of 1590 EC, CIPC and DPI in 2022 was seen with education, environment, health and livelihood as focus areas.



Vivant Foundation wrapped up its Project RELY (Renewable Energy for Livelihood and Youth) in 2022. This project was started in 2019 when the foundation, together with its partners, successfully secured a grant from the European Union in the amount of EUR 2.2 million. The project aimed to promote the use of renewable energy to improve lives and foster climate change mitigation in poor and remote communities in the Central Visayas and Southern Tagalog regions of the Philippines. This project combined solar electrification with community development and improved vocational education in collaboration with partner senior high schools in the target areas.

Project RELY was recognized by two award giving bodies in 2022. These are the League of Corporate Foundations and the European Chamber of Commerce of the Philippines.

- 2022 CSR Guild Awards of the League of Corporate Foundations – Outstanding CSR Project in Education
- Europa Awards of the European Chamber of Commerce of the Philippines for Clean and Green Energy



## Vivant Foundation, Inc.

2022 Europa Awards on Clean and Green Energy

# EcoBais:

## Employee Nurturing Nature

With the devastation caused by super typhoon Odette still fresh in everyone's minds, Vivant employees formed a group called "EcoBais" serving as the vehicle for various environment-related initiatives.

For their first activity, 31 EcoBais joined a coastal cleanup organized by the Cebu City Environment and Natural Resources Office (CENRO) on July 30, 2022 where they helped remove more than 2,400 kilos of trash from the Cebu South Road Properties.

A growing awareness of the garbage problem prompted EcoBais to explore possibilities to recycle commonly disposed of non-biodegradable materials. They learned of an association of women in Bantayan, the Women's Association of Basawon (WAB), which produces woven bags and purses from used feed mill sacks.

WAB began upcycling feed mill sacks into bags and purses as part of a livelihood assistance project initiated by the Cebu Chamber of Commerce and the AFOS Foundation for Entrepreneurial Development.

WAB members are among the stakeholders of a Vivant subsidiary, Isla Norte Power Corporation, which operates a 23.3-megawatt power plant that supplies stable and reliable power to the entire island of Bantayan.

In September, 15 EcoBais traveled to Bantayan to meet with WAB members and learn about recycling feed mill sacks. They also got the opportunity to weave their products of choice.

After participating in the two activities, EcoBais are looking forward to another opportunity to contribute to community efforts in preserving nature.





## Governance

Vivant's good relationships with its various stakeholders are a product of good corporate governance. Hinged on core values of **Honor, Relationships and Excellence**, Vivant aims to remain a strong and trusted partner by further improving transparency and accountability by adopting practices that are attuned to the changing business and regulatory landscape.

### 2022 Highlights

#### Corporate

Sustainability as a board and management function

CEO Succession, Arlo A.G. Sarmiento assumed the post in February 2022

Golden Arrow Award for 2021

## 8 DECENT WORK AND ECONOMIC GROWTH



#### Indicators / Material Disclosure

- Business ethics
- Board performance assessment
- Economic value generation and distribution

In 2022, Vivant decided to incorporate sustainability in its operations. Given its close linkages, it was decided to be incorporated with the risk function both at the Board and Management levels.

- The Board approved the amended charter of the Board Risk and Oversight Committee to include oversight functions related to sustainability. This committee was renamed to Board Risk and Sustainability Committee. Part of its scope is to oversee the development and establishment of a Sustainability Management Framework covering key areas of Environment, Social and Governance for the Company and its subsidiaries. Other related functions include:
  - Review and discuss issues that materially affect and of significant importance to Vivant's stakeholders, and management thereof
  - Review and discuss external developments that could affect enterprise sustainability and recommend changes to strategy, metrics and targets when necessary
- At the management level, both the department and management committee handling risk management assumed the additional function related to sustainability.

As part of its initiative to develop a Sustainability Management Framework, the Company intends to adopt a reporting framework that will provide the necessary information for its stakeholders to make informed decisions when it comes to risks related to climate change. Vivant is developing a roadmap based on the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD).

Vivant held its first Risk and Sustainability Summit in August 2022 as part of the drive to raise awareness across the group. The two-day event was held with select topics relevant to sustainability. Subject matter experts were invited to discuss and share insights on how to support the Company's journey towards becoming a sustainable enterprise. Featured topics included the UN Sustainable Development Goals, parametric and cyber risk insurance.

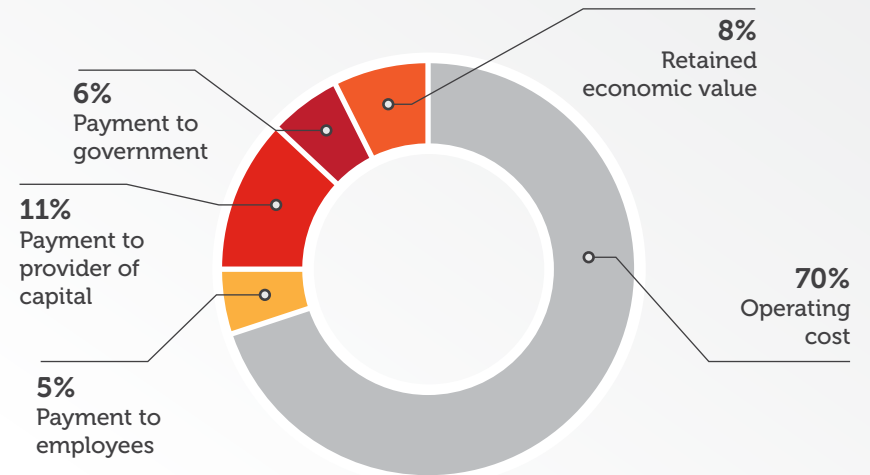
The Company's efforts on improving its corporate governance practices over the years have been acknowledged as it received its first Golden Arrow Award based on the 2021 ASEAN Corporate Governance Scorecard (ACGS) Assessment Results. The Golden Arrow award is given to companies that achieved a score of at least 80 points in the ACGS Assessment. Vivant has been observed to exhibit observable conformance with the Philippine Code of Corporate Governance and the recommended corporate governance best practices as promoted by the ACGS.



All these, together with the number of policies implemented by the Company, redound to an improved reputation for Vivant. Relationships are strengthened as Vivant's practices as an investor, employer, borrower, partner and community sponsor build on the trust and confidence among its stakeholders. This is supported by the equitable value created and shared with its stakeholders. In 2022, the consolidated economic value generated by the Company amounted to Php 6.5 bn, which was 29% higher than previous year. The expansion was a result of improved energy sales (reflective of economic recovery) and business expansion. Value created for its stakeholders was distributed as operating costs (Suppliers), wages and benefits (Employees), payments to providers of capital (Shareholders and Creditors) and payments to government (Taxes to national and local government).

Company Policies	Board Policies
<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Conflict of Interest</li> <li>• Equal Opportunity Employment</li> <li>• Anti-Child Labor Policy</li> <li>• Workplace Safety and Security</li> <li>• Safety and Security</li> <li>• Office Protocol and Decorum Anti-Sexual Harassment</li> <li>• Drug-Free Workplace Policy</li> <li>• Policy on Non-Discrimination and others</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Related Party Transactions</li> <li>• Whistleblowing</li> <li>• Board Performance Assessment</li> <li>• Term limits</li> <li>• Disclosure / Trading blackout</li> </ul>

**2022 Economic Value Generated (Php 6.5 bn)**





# Annexes

# Audited Financial Statements and Management's Discussion and Analysis for Fiscal Year 2022

## VIVANT CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2021	2021	2021
	(As Restated -	(As Restated -	(As Restated -
	2022	Notes 3 and 13)	Note 3)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 6)	P4,893,357,226	P5,650,024,939	P4,872,331,464
Trade and other receivables (Note 7)	1,362,706,195	880,046,705	814,103,832
Advances to associates, joint ventures and stockholders (Note 16)	294,816,208	276,564,877	253,066,382
Inventories - at cost (Note 8)	177,728,556	152,675,459	220,498,758
Prepayments and other current assets (Note 9)	446,283,599	330,572,837	281,892,670
<b>Total Current Assets</b>	<b>7,174,883,744</b>	<b>7,289,984,817</b>	<b>6,441,887,106</b>
<b>Noncurrent Assets</b>			
Investments in associates and joint ventures (Note 10)	10,578,321,124	9,912,859,401	9,589,007,650
Property, plant and equipment (Note 11)	5,877,554,921	3,379,668,607	2,260,461,407
Right-of-use assets (Note 24)	22,112,091	442,360,406	672,222,914
Investment properties (Note 12)	924,056,600	863,642,001	757,280,601
Deferred income tax assets (Note 20)	13,759,370	20,414,257	34,013,474
Other noncurrent assets (Note 13)	1,850,135,618	1,518,926,825	1,167,489,781
<b>Total Noncurrent Assets</b>	<b>19,265,919,724</b>	<b>16,137,871,497</b>	<b>14,480,475,827</b>
<b>TOTAL ASSETS</b>	<b>P26,440,803,468</b>	<b>P23,427,756,314</b>	<b>P20,922,362,933</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Current portion of trade and other payables (Note 14)	P1,522,807,377	P1,032,237,239	P875,837,380
Current portion of long-term notes payable (Note 15)	1,115,158,717	92,076,898	2,819,508,120
Current portion of lease liabilities (Note 24)	13,340,222	200,707,787	360,063,325
Short term notes payable (Note 15)	1,170,300,000	-	749,300,741
Advances from related parties (Note 16)	10,886,165	5,689,112	5,689,112
Income tax payable	7,828,408	4,016,925	36,915,819
<b>Total Current Liabilities</b>	<b>3,839,520,809</b>	<b>1,334,727,961</b>	<b>4,847,354,297</b>
<b>Noncurrent Liabilities</b>			
Long-term notes payable - net of current portion (Note 15)	3,508,465,451	4,381,465,942	-
Lease liabilities - net of current portion (Note 24)	13,469,739	138,012,021	303,114,979
Pension liability (Note 19)	64,195,472	61,469,008	87,541,366
Deferred income tax liabilities (Note 20)	267,362,207	275,504,973	189,832,424
Other noncurrent liabilities - net of current portion (Notes 14 and 23)	838,293,831	838,293,931	837,635,182
<b>Total Noncurrent Liabilities</b>	<b>4,691,786,791</b>	<b>5,714,754,875</b>	<b>1,418,123,891</b>
<b>Total Liabilities</b>	<b>8,531,307,600</b>	<b>7,049,482,836</b>	<b>6,265,478,188</b>
<b>Equity Attributable to Equity Holders of the Parent</b>			
Capital stock - P1 par value (Note 21)			
Authorized - 2,000,000,000 shares			
Issued - 1,023,456,698 shares	1,023,456,698	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452	8,339,452
Other components of equity:			
Share in remeasurement losses on employee benefits of associates and joint ventures (Note 19)	(94,016,067)	(94,016,067)	(96,181,114)

(Forward)



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	December 31		January 1
	2021	2021	2021
	(As Restated -	(As Restated -	(As Restated -
	2022	Notes 3 and 13)	Note 3)
Remeasurement gain (loss) on employee benefits (Note 19)	P7,123,993	(P56,940)	(P13,035,095)
Unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI)	26,517,514	4,643,039	2,862,209
Equity reserves (Note 21)	(25,128,554)	(25,128,554)	(25,128,554)
Retained earnings (Notes 10 and 21):			
Appropriated for business expansion	6,828,697,482	6,198,363,882	5,213,900,230
Unappropriated	8,727,586,176	8,198,858,365	7,674,801,422
<b>Equity Attributable to Equity Holders of the Parent</b>	<b>16,494,496,694</b>	<b>15,314,459,875</b>	<b>13,789,015,248</b>
<b>Equity Attributable to Non-controlling Interests (Note 21)</b>	<b>1,414,199,094</b>	<b>1,663,833,603</b>	<b>867,869,497</b>
<b>Total Equity</b>	<b>17,908,695,788</b>	<b>16,378,293,478</b>	<b>14,656,884,745</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P26,440,803,468</b>	<b>P23,427,756,314</b>	<b>P20,922,362,933</b>

See accompanying Notes to Consolidated Financial Statements.

**VIVANT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
<b>REVENUE</b>			
Revenue from contracts with customers:			
Sale of power (Note 23):			
Generation	<b>₱2,813,298,456</b>	₱1,577,500,737	₱328,907,875
Ancillary services	<b>952,967,736</b>	1,174,695,315	1,407,752,125
Retail electricity supply	<b>633,488,002</b>	301,048,099	120,232,272
Management and service fees (Note 16)	<b>86,781,813</b>	102,589,626	210,189,238
Engineering service income	<b>30,887,803</b>	42,037,953	111,068,559
	<b>4,517,423,810</b>	3,197,871,730	2,178,150,069
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b> (Note 10)	<b>1,941,357,383</b>	1,838,491,265	1,602,986,086
<b>INTEREST INCOME</b> (Note 6)	<b>60,071,043</b>	22,961,585	62,242,191
	<b>6,518,852,236</b>	5,059,324,580	3,843,378,346
<b>COSTS OF SERVICES</b>			
Generation costs (Notes 17 and 23)	<b>3,684,022,986</b>	1,802,878,724	896,158,327
Engineering service fees (Note 17)	<b>24,844,346</b>	71,039,720	112,711,267
	<b>3,708,867,332</b>	1,873,918,444	1,013,869,594
<b>OPERATING EXPENSES</b>			
Salaries and employee benefits (Notes 18 and 19)	<b>390,186,858</b>	322,364,136	284,005,583
Professional fees (Note 16)	<b>167,109,166</b>	155,599,643	157,302,439
Taxes and licenses (Note 12)	<b>78,756,067</b>	40,165,758	58,940,183
Depreciation and amortization (Notes 11, 13 and 24)	<b>54,012,303</b>	51,548,016	48,356,782
Travel	<b>29,627,897</b>	13,294,561	10,788,470
Management fees (Note 16)	<b>29,219,324</b>	25,270,413	26,002,274
Outside services	<b>19,760,683</b>	36,535,466	25,698,856
Representation	<b>14,883,489</b>	9,529,837	5,998,099
Communication and utilities	<b>13,405,697</b>	9,523,925	7,276,738
Rent and association dues	<b>6,465,080</b>	8,564,767	5,949,841
Other operating expenses (Note 17)	<b>89,483,412</b>	81,773,381	78,333,134
	<b>892,909,976</b>	754,169,903	708,652,399
<b>INCOME FROM OPERATIONS</b>	<b>1,917,074,928</b>	2,431,236,233	2,120,856,353
<b>OTHER INCOME (CHARGES)</b>			
Finance costs on loans (Note 15)	<b>(259,880,671)</b>	(165,305,661)	(172,911,936)
Gain on fair value measurement of investment properties (Note 12)	<b>60,394,600</b>	106,361,400	-
Foreign exchange gains (losses) - net	<b>53,842,288</b>	16,129,762	4,313,061
Finance costs on lease liabilities (Note 24)	<b>(10,826,959)</b>	(52,513,071)	(75,342,137)
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	-
Gain on bargain purchase (Note 13)	-	32,120,469	-
Other income - net (Notes 11, 12 and 17)	<b>33,684,411</b>	24,797,384	56,411,994
	<b>(122,786,331)</b>	(31,645,443)	(187,529,018)

(Forward)



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	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
<b>INCOME BEFORE INCOME TAX</b>	<b>₱1,794,288,597</b>	₱2,399,590,790	₱1,933,327,335
<b>PROVISION FOR INCOME TAX</b> (Note 20)	<b>89,561,479</b>	167,101,028	154,412,620
<b>NET INCOME</b>	<b>1,704,727,118</b>	2,232,489,762	1,778,914,715
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 19)	<b>11,157,022</b>	17,451,341	(7,457,347)
Income tax effect	<b>(2,511,242)</b>	(3,453,873)	2,237,205
	<b>8,645,780</b>	13,997,468	(5,220,142)
Unrealized valuation gain on financial assets at FVOCI (Note 13)	<b>25,734,676</b>	2,550,000	30,000
Income tax effect	<b>(3,860,201)</b>	187,500	(4,500)
	<b>21,874,475</b>	2,737,500	25,500
Share in the remeasurement gains (losses) on employee benefits of associates and joint ventures, net of tax (Note 10)	-	2,165,047	(15,767,833)
Share in revaluation increment of an associate, net of tax (Notes 3 and 10)	-	-	-
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>30,520,255</b>	18,900,015	(20,962,475)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱1,735,247,373</b>	₱2,251,389,777	₱1,757,952,240
<b>NET INCOME</b>			
Attributable to:			
Equity holders of the parent	<b>₱1,595,263,961</b>	₱1,866,730,439	₱1,514,226,057
Non-controlling interests	<b>109,463,157</b>	365,759,323	264,688,658
	<b>₱1,704,727,118</b>	₱2,232,489,762	₱1,778,914,715
<b>TOTAL COMPREHENSIVE INCOME</b>			
Attributable to:			
Equity holders of the parent	<b>₱1,624,319,369</b>	₱1,883,654,471	₱1,495,719,384
Non-controlling interests	<b>110,928,004</b>	367,735,306	262,232,856
	<b>₱1,735,247,373</b>	₱2,251,389,777	₱1,757,952,240
<b>EARNINGS PER SHARE</b>			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	<b>₱1.559</b>	₱1.824	₱1.480

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱1,794,288,597	₱2,399,590,790	₱1,933,327,335
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	(1,941,357,383)	(1,838,491,265)	(1,602,986,086)
Depreciation and amortization (Notes 11, 13, and 24)	430,230,964	360,827,821	306,122,597
Finance costs on loans (Note 15)	259,880,671	165,305,661	172,911,936
Gain on fair value remeasurement of investment properties (Note 12)	(60,394,600)	(106,361,400)	—
Interest income (Note 6)	(60,071,043)	(22,961,585)	(62,242,191)
Pension expense (Note 19)	20,731,159	22,223,302	15,961,646
Finance costs on lease liabilities (Note 24)	10,826,959	52,513,071	75,342,137
Non-cash donation expense (Note 11)	8,482,143	—	—
Gain on disposal of property and equipment (Note 17)	(639,207)	(3,101,818)	(330,357)
Gain on disposal of an associate (Notes 1 and 10)	—	(3,684,540)	—
Gain on bargain purchase (Note 13)	—	(32,120,469)	—
Gain on loss of control of a subsidiary (Notes 1 and 10)	—	(3,079,734)	—
Unrealized foreign exchange gains	(53,842,288)	(16,129,762)	(4,313,061)
Operating income before working capital changes	408,135,972	974,530,072	833,793,956
Decrease (increase) in:			
Trade and other receivable	(510,762,517)	(235,835,774)	60,810,583
Inventories	(25,045,097)	73,650,755	(17,654,034)
Prepayments and other current assets	(121,272,673)	(44,969,824)	(119,190,857)
Increase (decrease) in trade and other payable	376,164,748	120,888,620	(261,872,673)
Net cash generated from operating	127,220,433	888,263,849	495,886,975
Interest paid	(281,763,405)	(199,430,760)	(241,567,931)
Income taxes paid	(94,273,379)	(180,075,218)	(147,936,527)
Contributions to the retirement fund (Note 15)	(6,755,102)	(30,853,258)	(3,122,623)
Benefits paid out of operating funds (Note 19)	(83,571)	—	—
Net cash flows from (used in) operating activities	(255,655,024)	477,904,613	103,259,894
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment (Note 11)	(2,610,405,413)	(721,327,849)	(1,010,719,915)
Dividends received from associates and joint ventures (Note 10)	1,375,935,658	1,755,155,896	1,884,511,195
Additions to financial assets at FVOCI (Note 13)	(270,000,000)	(94,000,000)	—
Additional investments and advances to associates and joint ventures (Note 10)	(68,400,000)	(49,742,306)	(102,381,502)
Decrease (increase) in other noncurrent asset	(58,417,375)	10,738,517	(123,180,917)
Interest received	56,534,070	20,397,915	66,969,905
Proceeds from:			
Disposal of property, plant and equipment (Note 11)	1,960,320	3,627,540	330,357
Disposal of an equity interest in an associate (Note 10)	—	33,225,513	—
(Forward)			



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	Years Ended December 31		
	2022	2021 (As Restated - Notes 3 and 13)	2020 (As Restated - Note 3)
Disposal of financial assets at FVOCI	₱—	₱2,620,000	₱—
Redemption of preferred shares (Note 10)	—	—	40,000,000
Net cash outflow from acquisition of subsidiaries (Note 13)	—	(392,811,115)	—
Cash in subsidiary whose control was lost (Notes 1 and 10)	—	(560,316)	—
Advances to suppliers on purchase of fixed asset	—	—	(104,303,524)
Net cash flows from (used in) investing activities	(1,572,792,740)	567,323,795	651,225,599
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans (Note 15)	1,663,345,070	4,506,974,410	779,300,741
Payments of:			
Cash dividends (Note 21)	(451,479,873)	(632,912,067)	(745,895,948)
Loans (Note 15)	(353,477,270)	(3,945,898,260)	(60,000,000)
Lease liabilities (Note 24)	(76,233,373)	(298,971,986)	(193,715,915)
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	248,037,487	55,847,565	89,009,492
Net proceeds (payments) of advances from related parties (Note 26)	(12,254,278)	31,295,643	(160,410,109)
Net cash flows from (used in) financing activities	1,017,937,263	(283,664,695)	(291,711,739)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(810,510,001)</b>	<b>761,563,713</b>	<b>462,773,754</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>53,842,288</b>	<b>16,129,762</b>	<b>4,313,061</b>
<b>TOTAL CASH AT BEGINNING OF YEAR</b>			
Cash and cash equivalents (Note 6)	5,650,024,939	4,872,331,464	4,405,244,649
Restricted cash (Notes 9 and 13)	2,003,311	2,002,202	650,000
	5,652,028,250	4,874,333,666	4,405,894,649
<b>TOTAL CASH AT END OF YEAR</b>			
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
	₱4,896,361,106	₱5,652,028,250	₱4,874,333,666

See accompanying Notes to Consolidated Financial Statements.



# Fiscal Year 2022: Management 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.

The financial statements as of and for the year ended December 31, 2021 are restated due to the following:

1. There was a change in accounting policy for accounting the Company's investment in an associate engaged in power distribution business with respect to the associate's power distribution utility assets, i.e., from the revaluation model to the cost model. PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires that the change in accounting policy is accounted for retrospectively, which impacts the investment in associate and joint ventures, retained earnings, equity in net earnings of associates and joint ventures, and share in revaluation increment of an associate, net of tax.
2. As allowed by PFRS 3, Business Combination, the assets recognized and liabilities assumed as a result of a subsidiary's acquisition of two power generation subsidiaries in 2021 were based on provisional assessment of the fair value of the assets and liabilities of the acquired companies. After the one-year provisional accounting period, the revised purchase price allocation 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. The recognition of these adjustments started in 2021, which was the year of investment.

The table below shows the comparative figures of the key performance indicators for the years 2022 and 2021, as restated.

<b>Key Performance Indicators</b> Amount in php '000, except for ratios	<b>2022</b>	<b>2021</b> (Restated)
Equity in Net Earnings of Associates and Joint Ventures	1,941,357	1,838,491
EBITDA	2,380,990	2,816,861
Cash Flow Generated From/ (Used in)	(810,510)	761,564
Net cash flows from (used in) operating activities	(255,655)	477,905
Net cash flows from (used in) investing activities	(1,572,793)	567,324
Net cash flows from (used in) financing activities	1,017,938	(283,665)
Debt-to-Equity Ratio (x)	0.48	0.43
Current Ratio (x)	1.87	5.46

The Company's share in the net earnings of associates and joint ventures as of end-December 2022 amounted to Php 1.9 billion (bn), representing a 6% year-on-year (YoY) increase from Php 1.8 bn. This was a result of the following:

1. 40%-owned AHI posted a 13% increase in its income contribution to Php 382.4 million (mn) as of end-2022 from Php 338.2 mn as of end-2021. This was driven by the increase in profitability of its associate, CEDC. CEDC's robust performance during the period in review was on the back of higher revenue on the sale of excess capacity to the WESM and reduced debt service.
2. 40%-owned MPC brought in earnings contribution of Php 373.4 mn as of end-2022, 70% higher vis-à-vis the Php 220.2 mn as of end-2021. This was on account of the 18% YoY growth in the gross profit from bilateral contracts and lower debt service after the principal amortizations of a long-term loan were made during the year in review.
3. 20%-owned TVI recorded an income contribution of Php 380.3 mn as of end-2022, which was 111% higher YoY from Php 180.6 mn. One-off gains resulting from the company's fuel cost management was recognized during the year. TVI was likewise able to take advantage of favorable market conditions at the spot market, which resulted to a 26% expansion in revenue contribution. These offset the lower sales from bilateral contracts (down by 8% YoY) due to the devastation caused by Typhoon Odette in December 2021 and lower revenues from RES contracts (down by 25% YoY) due to increased cost of power.
4. 50%-owned DPI recorded a 45% YoY growth in its income contribution to Php 36.5 mn as of end-2022. This was mainly attributable to the 34% YoY increase in volume of energy sold during the year in review. As the island of Palawan opened up, the local economy has shown recovery with business activities picking up. Moreover, DPI incurred lower cost of repairs during the year in review.
5. 50%-owned CIPC showed an 85% YoY rise in its income contribution to Php 47.5 mn as of end-2022. This was mainly brought about by the 32% YoY rise in volume of energy sold backed by the recovery in economic activities in the islands.
6. 45%-owned FLOWS, through its 89.6%-owned subsidiary, PPWRLC, shored in a fresh income contribution of Php 6.4 mn during the year in review. This was on account of the earnings from the sewage and septage component of its wastewater treatment operations in Palawan, which commenced commercial operations in the first quarter of 2022.

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

1. VECO, the Company's distribution utility, posted a Php 755.3 mn income contribution during the year in review, a 7% drop from its Php 814.1 mn<sup>1</sup> earnings contribution as of end-2021. The devastation caused by Typhoon Odette in December 2021 resulted to a prolonged power outage in Cebu. Restoration works of VECO resulted to phased in energization of its franchise area. The volume of electricity sold in the months of January and February 2022 went down by 29% compared to the same period in 2021. The utility's electricity sales volume recovered starting in March as it posted a 7% YoY increase for the remaining ten (10) months of the year. This, however, was offset by the waiver of certain charges as a financial assistance to its customers and the delayed recovery of generation charges, which resulted to the lower profit contribution for the year.
2. 40%-owned CPPC recorded a Php 31.6 mn net loss contribution during the year in review, a reversal of the Php 221.1 mn net income contribution as of end-2021. Revenue from its sale of energy to the WESM rose by 164% YoY, but this did not fully compensate for the termination of its bilateral contract in August 2021.
3. 40%-owned Prism Energy, a RES company, saw a 77% YoY decline in its income contribution to Php 4.9 mn as of end-2022. Increased cost of purchased power per kilowatt-hour (kWh), which went up by 20% YoY, mainly accounted for this earnings contraction.

<sup>1</sup> Reported as Php 745.6 mn in the SEC 17A FY 2021, which accounted the share in the equity earnings from VECO using the revaluation model. In 2022, the Company elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model.

EBITDA as of end-2022 was down by 15% YoY to Php 2.4 bn from Php 2.8 bn<sup>2</sup>. This was mainly an outcome of the 21% YoY decrease in operating income to Php 1.9 bn, which stemmed from:

1. Management and service fees fell by 15% YoY to Php 86.8 mn. This was mainly due to a non-recurring service contract with an associate in 2021. The reduced fee of a service contract with another associate also contributed to the drop in revenue.
2. Engineering service revenue as of end-2022 was at Php 30.1 mn, 27% lower than end-2021's Php 42.0 mn. Wholly-owned Corenergy saw improved topline contribution from its engineering solutions business, which shored in a revenue of Php 30.9 mn as of end-2022. This, however, was offset by the significant reduction in 60%-owned WMP's revenues from third party engagements. In 2022, WMP's revenue from service contracts with external customers was significantly outweighed by the revenue from an Engineering, Procurement and Construction (EPC) contract with another subsidiary through wholly-owned VHFI for the development of a desalination plant. In 2021, WMP had engineering service contracts with external customers, which were completed in the same year.
3. 98% YoY spike in total cost of services as generation cost was 104% higher YoY. This was on the back of the increased dispatch of 55.2%-owned 1590 EC and 65%-owned INPC<sup>3</sup>, higher plant repairs and depreciation incurred by 1590 EC, higher cost of purchased power of Corenergy as energy sales went up, and the increased direct costs incurred to service additional customers of 100%- owned CSSC as of end-2022.

The cost of operating the solar energy supply contracts of 100%-owned VSC starting in January 2022 and Corenergy's solar rooftop business starting in the first quarter of 2022, and a full year's worth of generation cost incurred by 90%-owned BPC and NBPC also contributed to the cost expansion during the year in review. Equity stakes in BPC and NBPC were acquired in May 2021.

4. 18% YoY rise in operating expenses.

However, the reduction in EBITDA was mitigated by the following:

1. Sale of power grew by 44% YoY to Php 4.4 bn from Php 3.1 bn. This can be attributed to the revenue generated by the Company's investments in oil-fired power plants, RES and solar rooftop businesses.

#### **Oil-fired Power Plants**

- 65%-owned INPC shored in a revenue contribution of Php 752.9 mn (up by 703% YoY) driven by higher energy sales during the period with the completion and operation of its 23.3-MW power generation facility in November 2021.
- 90%-owned BPC and NBPC brought in revenue contributions of Php 97.2 mn and Php 72.3 mn, respectively, as of end-2022. The Company, through wholly-owned subsidiaries VEC and VIDC acquired both BPC and NBPC in May 2021.
- 55.2%-owned 1590 EC saw a rise in topline performance to Php 2.8 bn as of end- 2022, 10% higher YoY. This was on account of higher revenue from WESM sales as volume of energy sales went up by 35% YoY.

#### **Retail Electricity Supply**

- 100%-owned Corenergy showed higher RES revenues (up 112% YoY) as of end-2022. This strong showing was due to the increased volume sales and customer base.

#### **Solar Rooftop**

- 100%-owned CSSC, posted a 78% YoY expansion in its topline performance on account of improved customer base during the period in review.
- 100%-owned VSC and the solar rooftop component of 100%-owned Corenergy contributed fresh revenue of Php 3.5 mn and Php 3.6 mn, respectively. This was a result of the commercial operations of their facilities in in the first quarter of 2022.

<sup>2</sup> Includes the impact of the change in accounting for the equity share in the net earnings of VECO from revaluation method to cost method.

<sup>3</sup> On May 19, 2022, INEC and INPC entered into a plan of merger with INPC as the surviving company, and that the Securities and Exchange Commission (SEC) subsequently approved the Articles and Plan of Merger on December 29, 2022.

2. 6% YoY expansion in equity earnings resulting from the increase in the income contributions of four associates and two joint ventures as of end- 2022. These are AHI, MPC, TVI, DPI, CIPC and FLOWS.
3. Interest income increased by 162%, which was driven by higher interest rates for short-term money market placements.
4. Engineering service fees were 65% lower YoY, which was mainly a consequence of the reduced service billings of WMP. Most of its contracts with external customers were completed in 2021. In 2022, WMP's service contracts with IMCC outweighed its service contracts with external customers. On the other hand, Corenergy saw a significant increase in its engineering cost (up by 523% YoY) to service a robust growth in its engineering solutions business.

The Company ended 2022 with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 810.5 mn. This was a shift from the net increase in cash as of end-2021 in the amount of Php 761.6 mn. Investing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 1.6 bn as of end-2022 vis-à-vis the net cash inflows of Php 567.3 mn as of end-2021. The net cash flows used in operating activities amounting to Php 255.7 mn further contributed to the reduction in cash level during the year in review. The net decrease was tempered by the net cash inflows of Php 1.0 bn from financing activities as of end-2022.

Operating activities showed a net cash outflow of Php 255.7 mn as of end-2022, which was mainly from reduced operating results before working capital changes (down by 58% YoY). Increased trade receivables (due to improved operations of 1590 EC, INPC, Corenergy, VSC and CSSC), advance payment to suppliers (mostly for WMP's technical and engineering service providers), and higher interest payments (coming from the short-term loans of 1590 EC, additional loan drawn by INPC, and the refinancing of the long-term loans of BPC and NBPC which had higher loan amount and interest rate) further contributed to the cash outflow during the year in review. As of end-2021, the Company generated cash from operating activities in the amount of Php 477.9 mn.

Investing activities ended the year in review with a net cash outflow of Php 1.6 bn, which was on account of the following:

1. 1590 EC's purchase of the previously leased BDPP;
2. Capital expenditure for the acquisition of a real property and equipment by INPC, pre-development costs incurred by IMCC for a desalination plant, solar projects of CSSC and VSC, and the Company's purchase of other fixed assets; and
3. Additional investments in an associate and a financial asset.

These were offset by dividends received from VECO, AHI, MPC, CIPC and DPI during the year in review.

In 2021, the Company's investing activities posted a net cash inflow of Php 567.3 mn, which was mainly on account of the dividends received from associates and joint ventures, proceeds from the disposal of fixed assets and equity shareholdings in an associate by VEC and VREC, and the sale of an Available-for-sale (AFS) investment by 50.9%-owned HDFE.

Financing activities as of end-2022 generated cash in the amount of Php 1.0 bn, a reversal of the Php 283.7 mn net cash outflow as of end-2021. The inflows during the year in review mainly stemmed from 1590 EC's short-term loan, which was used to settle the advances from its shareholders, and the additional equity infusion made by its minority shareholders to fund the purchase of the BDPP. Also, proceeds from the additional investments of the minority shareholder of INPC, BPC's and NBPC's long-term loan drawn in June 2022 (net of the settlement of another loan), and INPC's long term loan drawn in July 2022 and short term loan drawn in October 2022 were additional sources of cash. Meanwhile, spending as of end-2021 were mainly for the payment of dividends by the Company, 1590 EC and BPC, and lease payments by the Company, 1590 EC and WMP.

## Financial Ratios

Debt-to-Equity ratio went up to 0.48x as of end-2022, vis-à-vis as of end-2021 level of 0.43x<sup>4</sup>. Total liabilities increased by 21%, which was mainly attributable to the short-term loan of 1590 EC used to pay off the advances from its shareholders to fund the purchase of the BDPP. Trade and other payables also went up on the back of improved energy operations of 1590 EC, INPC and Corenergy, on-going engineering work for a project of WMP, price increase for spare parts seen in 1590 EC, dividend payable by the Company (unclaimed portion only) and NBPC. The liability expansion was offset by the derecognition of the finance lease liability related to the termination of the lease agreement with the PGLU because of the BDPP acquisition in April 2022. Meanwhile, total equity rose by 9%, which stemmed from the earnings for the period and an unrealized valuation gain on financial assets at fair value through other comprehensive income (FVOCI), net of the dividends declared by the Company during the year in review.

The Company's current ratio declined to 1.87x as of end-2022 from year-end 2021 level of 5.46x. Current liabilities significantly grew by 188% from end-2021 level. The short-term loan of 1590 EC and INPC, the reclassification of the Company's Php 1.0 bn FRCN maturing on January 2023 from noncurrent to current liability, increase in trade and other payables (attributed to improved operations and price increases for fuel and spare parts), and higher income tax payable ((due to increased taxable income from improved operations of Corenergy, INPC, VSC, WMP, BPC, NBPC and rental income of 100%-owned Vivant Realty Ventures Corporation (VRVC)) contributed to the rise in current liabilities. This was offset by the derecognition of the current portion of the finance lease liability booked in 1590 EC. On the other hand, current assets dipped by 2%. The lower cash levels as of end-2022 were offset by the increase in trade receivables given the improved operations of 1590 EC, INPC, Corenergy, CSSC, VSC, BPC and NBPC, purchase of fuel inventories of 1590 EC and INPC, advance payment made by WMP for various technical and engineering services, and advances to an associate and a joint venture for pre-development project requirements.

## Material Changes in Line Items of Registrant's Income Statement

As of end-2022, the Company's total revenues amounted to Php 6.5 bn, recording a 29% YoY rise from Php 5.1 bn. The topline performance was attributable to the following:

1. Sale of power grew by 44% YoY to Php 4.4 bn from Php 3.1 bn. This was mainly due to the revenue generated by the Company's investments in oil-fired power plants, RES and solar rooftop businesses.

### Oil-fired Power Plants

- 65%-owned INPC shored in a revenue contribution of Php 752.9 mn (up by 703% YoY) driven by higher energy sales during the period with the completion and operation of its 23.3-MW power generation facility in November 2021.
- 90%-owned BPC and NBPC brought in revenue contributions of Php 97.2 mn and Php 72.3 mn, respectively, as of end-2022. The Company, through wholly-owned subsidiaries VEC and VIDC acquired both BPC and NBPC in May 2021.
- 55.2%-owned 1590 EC saw a rise in topline performance to Php 2.8 bn as of end- 2022, 10% higher YoY. This was on account of higher revenue from WESM sales as volume of energy sales went up by 35% YoY.

<sup>4</sup> Reported as 0.39x in the SEC 17A FY2021. The change is attributed to the increase in total liability for the recognition of a deferred tax liability on the net assets of BPC and NBPC booked at fair value (deemed cost) after the finalization of the purchase price allocation under PFRS 3, Business Combination. There was also a reduction in the total equity resulting from the derecognition of the share in revaluation increment of an associate due to the change in accounting policy, i.e, from revaluation to cost method.

#### Retail Electricity Supply

- 100%-owned Coreenergy showed higher RES revenues (up 112% YoY) as of end-2022. This strong showing was attributable to increased volume sales and customer base.

#### Solar Rooftop

- 100%-owned CSSC, posted a 78% YoY expansion in its topline performance on account of improved customer base during the period in review.
- 100%-owned VSC and the solar rooftop component of 100%-owned Coreenergy contributed fresh revenue of Php 3.5 mn and Php 3.6 mn, respectively. This was a result of the commercial operations of their facilities in the first quarter of 2022.

2. Management and service fees fell by 15% YoY to Php 86.8 mn. This was mainly due to a non-recurring service contract with an associate in 2021. The reduced fee of a service contract with another associate also contributed to the revenue drop.

3. Engineering service revenue as of end-2022 was at Php 30.1 mn, 27% lower than end-2021's Php 42.0 mn. Wholly owned Coreenergy saw improved topline contribution from its engineering solutions business, which shored in a revenue of Php 30.9 mn as of end-2022. This, however, was offset by the significant reduction in 60%-owned WMP's revenues from third party engagements. In 2022, WMP's revenue from service contracts with external customers was significantly outweighed by the revenue from an EPC contract with another subsidiary. In 2021, WMP had engineering service contracts with external customers, which were completed in the same year.

3. Equity in net earnings of associates and joint ventures as of end-December 2022 amounted to Php 1.9 bn, representing a 6% YoY increase from Php 1.8 bn. This was a result of the following:

- 40%-owned AHI posted a 13% increase in its income contribution to Php 382.4 mn as of end-2022 from Php 338.2 mn as of end-2021. This was driven by the increase in profitability of its associate, CEDC. CEDC's robust performance during the period in review was on the back of higher revenue on the sale of excess capacity to the WESM and reduced debt service.
- 40%-owned MPC brought in earnings contribution of Php 373.4 mn as of end-2022, 70% higher vis-à-vis the Php 220.2 mn as of end-2021. This was on account of the 18% YoY growth in the gross profit from bilateral contracts and lower debt service after the principal amortizations of a long-term loan were made in during the year in review.
- 20%-owned TVI recorded an income contribution of Php 380.3 mn as of end-2022, which was 111% higher YoY from Php 180.6 mn. One-off gains resulting from the company's fuel cost management was recognized during the year. TVI was likewise able to take advantage of favorable market conditions at the spot market, which resulted to a 26% expansion in revenue contribution. These offset the lower sales from bilateral contracts (down by 8% YoY) due to the devastation caused by Typhoon Odette in December 2021 and lower revenues from RES contracts (down by 25% YoY) due to increased cost of power.
- 50%-owned DPI recorded a 45% YoY growth in its income contribution to Php 36.5 mn as of end-2022. This can be attributable to the 34% YoY increase in volume of energy sold during the year in review. As the island of Palawan opened up, the local economy has shown recovery with business activities picking up. Moreover, DPI incurred lower cost of repairs during the year in review.
- 50%-owned CIPC showed an 85% YoY rise in its income contribution to Php 47.5 mn as of end-2022. This was mainly brought about by the 32% YoY rise in volume of energy sold backed by the recovery in economic activities in the islands.
- 45%-owned FLOWS, through its 89.58%-owned subsidiary, PPWRLC, shored in a fresh income contribution of Php 6.4 mn during the year in review. This was on account of the earnings from the sewage and septage component of its wastewater treatment operations in Palawan, which commenced commercial operations in the first quarter of 2022.

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

- VECO, the Company's distribution utility, posted a Php 755.3 mn income contribution during the year in review, a 7% drop from its Php 814.1 mn earnings contribution as of end-2021. The devastation caused by Typhoon Odette in December 2021 resulted to a prolonged power outage in Cebu. Restoration works of VECO resulted to phased in energization of its franchise area. The volume of electricity sold in the months of January and February 2022 went down by 29% compared to the same period in 2021. The utility's electricity sales volume recovered starting in March as it posted a 7% YoY increase for the remaining ten (10) months of the year. This, however, was offset by the waiver of certain charges as a financial assistance to its customers and the delayed recovery of generation charges, which resulted to the lower profit contribution for the year.
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- 40%-owned Prism Energy, an RES company, saw a 77% YoY decline in its income contribution to Php 4.9 mn as of end-2022. Increased cost of purchased power per kilowatt-hour (kWh), which went up by 20% YoY, mainly accounted for this earnings contraction.

4. Interest income increased by 162%, which was driven by higher interest rates for short-term money market placements.

Total cost of services and operating expenses as of end-2022 expanded by 43% YoY, from Php 2.6 bn to Php 4.6 bn. Said movement can be accounted for by the following:

1. Total cost of service spiked by 98% YoY to Php 3.7 bn. This can be mainly attributed to the 104% YoY increase in generation cost to Php 3.7 bn from Php 1.8 bn, which resulted from the following cost expansion during the year in review:
  - Increased fuel cost on the back of the rise in fuel consumption by 1590 EC (higher WESM sales) and INPC (servicing of a long-term PSA with a local electric cooperative);
  - Higher cost of purchased power incurred by Corenergy as energy sales volume of its RES business went up by 38% YoY;
  - Hike in the prices of spare parts for plant repairs and higher depreciation seen in 1590 EC;
  - Cost of generation of BPC and NBPC covering a 12-month period. Both subsidiaries were acquired in May 2021;
  - 21% YoY rise in CSSC's cost of service. The installation of additional rooftop facilities led to higher technical services, insurance and depreciation cost;
  - VSC's cost of operating a solar energy supply contract starting in January 2022; and
  - Cost of generation incurred by Corenergy for the operation of its solar rooftop business starting the first quarter of 2022.

Meanwhile, engineering service fees were 65% lower YoY, which was mainly a consequence of the reduced service billings of WMP since most contracts with external customers were completed in 2021. In 2022, WMP's service contracts with IMCC outweighed its service contracts with external customers. However, Corenergy saw a significant increase in its engineering cost (up by 523% YoY) to service a robust growth in its engineering solutions business.

2. Salaries and employee benefits went up by 21% YoY to Php 390.2 mn from Php 322.4 mn. Increase in headcount, upward adjustment in salary rate, and the payment of the annual performance bonus mainly accounted for the cost expansion. Also, employees had more trainings during the year in review.
3. Professional fees rose by 7% YoY to Php 167.1 mn. This was mainly attributable to higher consultancy fees incurred for project development during the year.
4. Taxes and licenses significantly increased by 96% YoY to Php 78.8 mn from Php 40.2 mn. Documentary stamp taxes were incurred for the infusions made to subsidiaries to fund various power and water infrastructure projects.
5. Depreciation and amortization was 5% higher YoY to Php 54.0 mn. This can be attributed to the depreciation of newly purchased fixed assets.

6. Travel expenses rose by 123% YoY to Php 29.6 mn from Php 13.3 mn. This can be mainly attributed to the increased frequency of business travel brought about by less restrictive travel requirements that started in the second quarter of 2021. Further to this, the oil price hike and higher fuel consumption for fleet cars because of increased face-to-face transactions and more employees working on premise during the year in review contributed to the cost expansion.
7. Management and directors' fees went up by 16% YoY to Php 29.2 mn. The increase in the frequency of board and committee meetings and director's per diem accounted for the cost expansion.
8. Outside services amounted to Php 19.8 mn, 46% lower YoY. In 2021, 1590 EC incurred a non-recurring technical service fee.
9. Representation expenses rose to Php 14.9 mn as of end-2022, which was a 56% increase from end-2021's Php 9.5 mn. This was mainly due to the increase in face-to-face business meetings with partners and project stakeholders.
10. Communication and utilities were higher by 41% YoY to Php 13.4 mn. This was mainly due to the settlement of delayed billings from the Company's communications service providers covering the fourth quarter of 2021. Higher consumption of water and electricity as a result of the increased number of employees working on premise also contributed to the increase in cost during the year in review.
11. Rent and association dues as of end-2022 dropped to Php 6.5 mn, 25% lower YoY. As of end-2021, the Company settled delayed billings for common use service area (CUSA) and association dues covering various months in 2020.
12. Other operating expenses was at Php 89.5 mn as of end-2022, a 9% increase vis-à-vis Php 81.8 mn as of end-2021. This was mainly attributable to the increased costs for hosting fees for the Company's Enterprise Resource Planning (ERP) and premium for subscriptions to project management and communication software solutions, and higher out-of-pocket expenses related to professional consultancy engagements.

Vivant booked Php 122.8 mn in other charges as of end-2022, vis-à-vis previous year's other charges of Php 31.6 mn<sup>5</sup>. This was an outcome of the following account movements:

1. Finance cost for interest bearing loans rose by 57% YoY to Php 259.9 mn. Debt servicing of three subsidiaries accounted for the cost expansion. In 2021, INPC's finance cost was capitalized prior to the start of commercial operation in November 2021. In addition, finance cost of BPC and NBPC as of end-2022 covers twelve months whereas finance cost as of end-2021 covers seven months since equity stakes in both subsidiaries were acquired in May 2021. Meanwhile, the Company's debt service costs related to the FRCN were reduced resulting from the principal amortization payments made during the year in review.
2. The one-off gain of Php 60.4 mn earned as a result of the increase in the fair value of investment properties of three subsidiaries was 43% lower than the Php 106.4 mn in fair value gain for the same investment properties booked in 2021.
3. In 2021, the Company, through its subsidiaries, booked the following one-off gains:
  - VEC booked a gain on bargain purchase of Php 32.1 mn as a result of the finalization of the purchase price allocation under PFRS 3, Business Combination, related to its acquisition of the BPC and NBPC in May 2021.
  - VEC and 100%-owned VREC booked a net gain of Php 3.7 mn on the sale of their equity stake in an associate.
  - VEC booked a gain of Php 3.1 mn from the dilution of its equity stake (from 100% to 50%) in a company that will undertake a 15-MW on-grid bunker-fired power plant project in Pampanga.

<sup>5</sup> Reported as Php 63.8 mn in the SEC 17A FY 2021. The reduction to Php 31.6 mn is due to the recognition of the gain on bargain purchase amounting to Php 32.1 mn resulting from the finalization of the purchase price allocation for the acquisition of BPC and NBPC in compliance to PFRS 3, Business Combination.

The above charges were mitigated by the following:

1. 234% YoY increase in unrealized foreign exchange gain to Php 53.8 mn. This significantly pertains to the translation of the US Dollar and Euro cash accounts maintained by the Company and its subsidiaries.
2. Finance cost-lease liabilities significantly dropped to Php 10.8 mn, 79% lower YoY. This was mainly attributable to the derecognition of the finance lease liability booked by 1590 EC resulting from the termination of its lease agreement with the PGLU because of the plant acquisition in April 2021. Amortization of the finance lease liabilities booked by the Company and WMP also contributed to the reduced finance cost.
3. Other income-net rose by 36% YoY to Php 33.7 mn. One-off gain which resulted from the collection of additional proceeds from a share sale transaction entered into and executed by two subsidiaries in 2018, and a one-off billing of a subsidiary for the reimbursement of operating expenses to an associate mainly accounted for the income expansion.

As of end-2022, the Company booked a consolidated provision for income tax of Php 89.6 mn, which was 46% lower than previous year's Php 167.1 mn<sup>6</sup>. This was mainly due to the lower 2022 taxable earnings of 1590 EC and INPC.

Taking all of the above into account, the Company recorded a total net income of Php 1.7 bn for the period ending December 31, 2022, which is 24% lower than last year's Php 2.2 bn<sup>7</sup>. Net income attributable to parent, net of the share of the minority shareholders of seven subsidiaries, amounted to Php 1.6 bn, down by 15% YoY.

During the year in review, the Company recognized other comprehensive income (OCI), net of tax, of Php 30.5 mn. This was mainly attributable to the remeasurement gain on employee benefits of the Company, VEC and 1590 EC, and unrealized valuation gain on financial assets at FVOCI booked by a wholly-owned subsidiary.

This compares to the OCI, net of tax, of Php 18.9 mn<sup>8</sup> recognized as of end-2021, which was attributed to the remeasurement gains on the employee benefits of the Company, VEC and 1590 EC, the unrealized valuation gain on financial assets at FVOCI booked by the Company, and share in the remeasurement gains on employee benefits of two associates and a joint venture.

The total comprehensive income as of end-2022 was at Php 1.7 bn. Out of the said amount, Php 1.6 bn was attributable to the equity holders of the parent, which was 14% lower compared to last year's Php 1.9 bn.

#### Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's total assets grew by 13%, from end-2021 level of Php 23.4 bn<sup>9</sup> to Php 26.4 bn. The following are the material movements in the consolidated assets of the Company as of end-2022.

1. Cash and cash equivalents was reduced to Php 4.9 bn as of end-2022. Spending for investing activities in the amount of Php 1.6 bn and operating activities in the amount of Php 255.7 mn during the year in review mainly drove the decline in cash. This was offset by the cash inflows from financing activities amounting to Php 1.0 bn.
2. Trade and other receivables went up by 55% YoY to Php 1.4 bn. This was mainly due to the higher trade receivables in 1590 EC, INPC, Corenergy, VSC and CSSC as a result of improved topline performance. This was tempered by the receipt of dividends from DPI and CIPC that were declared in 2021.
3. Advances to associates, joint ventures, and stockholders rose by 6% YoY to Php 294.0 mn. This was on account of the advances made by two subsidiaries to an associate and a joint venture to defray pre-development project expenses.
4. Inventories were higher by 16% YoY to Php 177.7 mn as of end-2022. This was attributed to the fuel purchases by 1590 EC and INPC on the back of increased volume of energy sales.
5. Prepayments and other current assets rose by 35% YoY to Php 446.3 mn. During the year in review, WMP made advance payments to an engineering and technical services provider for an on-going engineering project. Improved operations of INPC and Corenergy resulted to higher creditable withholding tax (CWT) and deferred input VAT. Moreover, IMCC had excess input VAT in 2022 from its domestic purchase of goods and services related to the development of its desalination plant.

<sup>6</sup> Reported as Php 171.2 mn in the SEC 17A FY 2021. The change in amount is mainly due to the increase in income tax benefit resulting from the finalization of the purchase price allocation under PFRS 3, Business Combination, related to the acquisition of BPC and NBPC in May 2021.

<sup>7</sup> Reported as Php 2.1 bn in the SEC 17A FY 2021. The change is mainly due to the restatements of the financial statements as of and for the year ended December 31, 2021, as briefly described above.

<sup>8</sup> Reported as Php 130.9 mn in the SEC 17A FY 2021 report, which accounted the share in the equity earnings from VECO using the revaluation model. In 2022, the Company elected to change its policy in applying the equity method with respect to VECO's power distribution utility assets, i.e., from the revaluation model to the cost model.

<sup>9</sup> Reported as Php 25.0 bn in the SEC 17A FY 2021 report. The change is due to the restatements in the financial statements as of and for the year ended December 31, 2021, as briefly described above.

6. Investments in associates and joint ventures amounted to Php 10.6 bn as of end-2022. The Company saw a 6% YoY increase in equity in net earnings of associates and joint ventures during the year in review, which mainly accounted for the 7% increase from end-2021's total investments of Php 9.9 bn.
7. Property, plant, and equipment significantly rose by 74% YoY to Php 5.9 bn, which was mainly attributable to 1590 EC's acquisition of the BDPP. Other capital expenditures that contributed to the asset expansion during the year in review include land acquisition and equipment purchase by INPC, pre-development costs for a seawater desalination plant of wholly-owned IMCC, solar projects of CSSC, and purchase of service vehicles and other assets by the Company.
8. Right-of-use assets (ROU) significantly dropped by 95% YoY to Php 22.1 mn. This was on account of the derecognition of the ROU booked in 1590 EC as the lease contract for the BDPP was terminated resulting from its acquisition of the same asset. This was further reduced by the recurring amortization of the ROUs booked in the Company and WMP.
9. Investment properties amounted to Php 924.0 mn, a 7% YoY increase from Php 863.6 mn. This movement is mainly attributable to the gain recorded from the fair valuation of the investment properties in three subsidiaries.
10. Deferred income tax assets<sup>10</sup> declined to Php 13.8 mn as of end-2022 from Php 20.4 mn as of end-2021. Deferred income tax liability recognized on the unamortized debt issue cost of the long-term loans and unrealized forex gains outweighed the deferred income tax asset on the pension liabilities booked by the Company, 1590 EC and VIHI during the year in review.
11. Other noncurrent assets went up by 22% YoY to Php 1.9 bn, which was mainly attributable to the investment in a financial asset. Rise in noncurrent VAT also contributed to the expansion of this account.

Total consolidated liabilities amounted to Php 8.5 bn as of end-2022, 21% higher than previous year's level of Php 7.0 bn. The increase can be attributed to the following:

1. Short-term notes amounting to Php 1.2 bn was drawn by 1590 EC. Proceeds of which were used to settle the shareholder advances that funded the purchase of BDPP. INPC also had a short term borrowing for working capital requirements during the year in review.
2. Trade and other payables grew by 47% to Php 1.5 bn. This was mainly due to:
  - Higher deferred output VAT and increased fuel billings on the back of improved topline performance of 1590 EC and INPC;
  - Increased billings for purchased power, materials and engineering service contracts of Corenergy resulting from improved RES and engineering solutions operations;
  - Increased costs related to the on-going engineering work for a project of WMP;
  - Price increase for spare parts of 1590 EC; and
  - Unclaimed dividends of the Company and the dividend declared by NBPC.

Advances from related parties went up to Php 10.9 mn from Php 5.7 mn. This was mainly attributable to advances from the minority shareholders of 50.9%-owned Hijos de F. Escano, Inc. (HDFE) for working capital requirement and of INPC to fund a capital expenditure requirement during the year in review.

Income tax payable increased by 87% YoY to Php 7.5 mn, which was due to the taxable earnings of Corenergy, INPC, VSC, BPC, NBPC, WMP and VRVC.

The acquisition of the BDPP resulted to the derecognition of the related finance lease liability and deferred income tax liabilities booked in 1590 EC. However, the reduction in deferred income tax liabilities was tempered by the deferred income tax liabilities related to the gain on fair value remeasurement of investment properties of three subsidiaries. Consequently, current and non-current finance lease liabilities dropped to Php 26.8 mn (down by 93% YoY), and deferred income tax liabilities was reduced to Php 267.4 mn (3% lower YoY).

<sup>10</sup> Under International Accounting Standards (IAS) 12, Income Taxes, deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

Other components of equity was lower by 25% to Php 85.5 mn as of end-2022, which can be attributed to the significant movements discussed below.

1. The Company, VEC and 1590 EC recorded re-measurement gains on the employee benefits in the amount of Php 7.1 mn during the year in review. This was a reversal of the remeasurement loss of Php 0.06 mn as of end-2021.
2. 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 26.5 mn as of end-2022, 471% higher than Php 4.6 mn as of end-2021.

As a result of the net income generated, net of the dividends declared during the year in review, total stockholders' equity increased by 9% to Php 17.9 bn as of end-2022 from Php 16.4 bn<sup>11</sup> as of end-2021. Meanwhile, equity attributable to parent ended higher by 8% YoY at Php 16.5 bn as of end-2022.

### Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were lower by 13% from Php 5.7 bn as of end-2021 to Php 4.9 bn as of end-2022.

The Company ended 2022 with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 810.5 mn. This was a shift from the net increase in cash as of end-2021 in the amount of Php 761.6 mn. Investing activities, which significantly accounted for the net decrease in cash, showed a spending of Php 1.6 bn as of end-2022 vis-à-vis the net cash inflows of Php 567.3 mn as of end-2021. The net cash flows used in operating activities amounting to Php 255.7 mn further contributed to the reduction in cash level during the year in review. The net decrease was tempered by the net cash inflows of Php 1.0 bn from financing activities as of end-2022.

Operating activities showed a net cash outflow of Php 255.7 mn as of end-2022, which was mainly from reduced operating results before working capital changes (down by 58% YoY). Increased trade receivables (due to improved operations of 1590 EC, INPC, Corenergy, VSC and CSSC), advance payment to suppliers (mostly for WMP's technical and engineering service providers), and higher interest payments (coming from the short-term loan of 1590 EC, additional loan drawn by INPC, and the refinancing of the long-term loans of BPC and NBPC which had higher loan amount and interest rate) further contributed to the cash outflow during the year in review. As of end-2021, the Company generated cash from operating activities in the amount of Php 477.9 mn.

Investing activities ended the year in review with a net cash outflow of Php 1.6 bn, which was on account of the following:

1. 1590 EC's purchase of the previously leased BDPP;
2. Capital expenditure for the acquisition of a real property and equipment by INPC, pre-development costs for a desalination plant, solar projects of CSSC and VSC, and the Company's purchase of other fixed assets; and
3. Additional investments in an associate and a financial asset.

These were offset by dividends received from VECO, AHI, MPC, CIPC and DPI during the year in review.

In 2021, the Company's investing activities posted a net cash inflow of Php 567.3 mn, which was mainly on account of the dividends received from associates and joint ventures, proceeds from the disposal of fixed assets and equity shareholdings in an associate by VEC and VREC, and the sale of an AFS investment by 50.9%-owned HDFE.

Financing activities as of end-2022 generated cash in the amount of Php 1.0 bn, a reversal of the Php 283.7 mn net cash outflow as of end-2021. The inflows during the year in review mainly stemmed from 1590 EC's short-term loan, which was used to settle the advances from its shareholders, and the additional equity infusion made by its minority shareholders to fund the purchase of the BDPP. Also, proceeds from the additional investments of the minority shareholder of INPC, BPC's and NBPC's long-term loan drawn in June 2022 (net of the settlement of another loan), and INPC's long term loan drawn in July 2022 and short term loan drawn in October 2022 were additional sources of cash. Meanwhile, spending as of end-2021 were mainly for the payment of dividends by the Company, 1590 EC and BPC, and lease payments by the Company, 1590 EC and WMP.

<sup>11</sup> Reported as Php 18.0 in the SEC 17A FY 2021. The change is mainly due to the restatements of the financial statements as of and for the year ended December 31, 2021, as briefly described above.

## Financial Ratios

Debt-to-Equity ratio went up to 0.48x as of end-2022, vis-à-vis as of end-2021 level of 0.43x. Total liabilities increased by 21%, which was mainly due to the short-term loan of 1590 EC used to pay off the advances from its shareholders to fund the purchase of the BDPP. Trade and other payables also went up on the back of improved energy operations of 1590 EC, INPC and Corenergy, on-going engineering work for a project of WMP, price increase for spare parts seen in 1590 EC and dividend payable by the Company (unclaimed portion only) and NBPC. The liability expansion was offset by the derecognition of the finance lease liability related to the termination of the lease agreement with the PGLU because of the BDPP acquisition in April 2022. Meanwhile, total equity rose by 9%, which stemmed from the earnings for the period and an unrealized valuation gain on financial assets at FVOCI, net of the dividends declared by the Company during the year in review.

The Company's current ratio declined to 1.87x as of end-2022 from year-end 2021 level of 5.46x. Current liabilities significantly grew by 188% from end-2021 level. The short-term loan of 1590 EC and INPC, the reclassification of the Company's Php 1.0 bn FRCN maturing on January 2023 from noncurrent to current liability, increase in trade and other payables (attributed to improved operations and price increases for fuel and spare parts), and higher income tax payable (due to increased taxable income from improved operations of Corenergy, INPC, VSC, WMP, BPC, NBPC and VRVC) contributed to the rise in current liabilities. This was offset by the derecognition of the current portion of the finance lease liability booked in 1590 EC. On the other hand, current assets dipped by 2%. The lower cash levels as of end-2022 were offset by the increase in trade receivables given the improved operations of 1590 EC, INPC, Corenergy, CSSC, VSC, BPC and NBPC, purchase of fuel inventories of 1590 EC and INPC, advance payment made by WMP for various technical and engineering services, and advances to an associate and a joint venture for pre-development project requirements.

# REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

## For the year-ended 31 December 2022

The 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.

In compliance with our mandates under the Audit Committee Charter, we confirm that majority of the Audit Committee members are Independent Directors, including its Chairman.

In 2022, the Audit Committee convened on January 19, March 11, May 11, August 10 and November 10, during which it:


- reviewed and discussed the Interim and Annual Financial Statements of the Company before its submission for approval to the Board of Directors and have considered the completeness and consistency of the statements relative to the information known to the Audit Committee members, particularly on the following matters:
  - Any change/s in the accounting policies and practices;
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustment resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- reviewed and approved the Internal Audit Department's annual audit plan, all major changes to the audit plan, and the department's performance relative to the audit plan.
- Through the Internal Audit Department, monitored and evaluated the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. The Audit Committee also reviewed and monitored Management's responsiveness in addressing the findings and recommendations of the Internal Audit Department. These activities were performed to ensure that well-designed internal control procedures and processes that will provide a system of checks and balances are in place in order to:
  - Safeguard the Company's resources and ensure their effective utilization;
  - Prevent occurrence of fraud and other irregularities;
  - Protect the accuracy and reliability of the Company's financial data; and,
  - Ensure compliance with applicable laws and regulations.


- reviewed and discussed with the Company's External Auditor, SGV & Co., the latter's audit plan, and thereafter discussed the nature, scope and costs of the audit plan with Management;
- discussed the significant findings and observations of the SGV & Co. and Management's responses to the same;
- reviewed and evaluated the audit fees and non-audit fees of SGV & Co. to ensure that the non-audit services are not considered as proscribed services under the Code of Conduct for Auditors, and (ii) for the external auditor maintain its independence;
- reviewed and approved all non-audit services conducted by SGV & Co.; and
- reviewed the Audit Committee Charter relative to the functions and responsibilities of the Audit Committee in accordance with regulatory requirements and amended the same to enhance the integrity of the audit process and compliance with good governance principles.


As a result of the audit activities of the Internal Audit Department and SGV & Co, the Audit Committee found the Company's internal controls and risk management systems adequate.


In addition to the foregoing, the Audit Committee recommends to the Board of Directors the approval of the Audited Financial Statements of the Company for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. The Audited Financial Statements will be attached to the SEC Form 17-A Annual Report for 2022. After finding the performance of SGV in 2022 satisfactory, the Audit Committee further recommends to the Board of Directors of the Company the re-appointment of SGV as the External Auditor of Vivant for 2023.


March 16, 2023

  
**JOSE CARLITOS G. CRUZ**  
Chairman

  
**CHARLES SYLVESTRE A. GARCIA**  
Member

  
**JOSE MARKO ANTON G. SARMIENTO**  
Member

  
**JOSE M. LAYUC, JR.**  
Member

  
**JOSEPH L. SULLIVAN**  
Member

Notes:

1. Mr. Jose Marko Anton G. Sarmiento and Mr. Joseph L. Sullivan were elected as members of the Audit Committee during the Organizational Board Meeting of Vivant on June 16, 2022.

## REPORT OF THE CORPORATE GOVERNANCE COMMITTEE TO THE BOARD OF DIRECTORS

For the year-ended 31 December 2022

The Corporate Governance Committee (the “CGCom”) 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 CGCom 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 of Directors.

In compliance with our mandates under the Corporate Governance Committee Charter, we confirm that all of the CGCom members are all Independent Directors, including its Chairman.

In 2022, the CGCom convened on March 17 and April 22, during which it:

- approved the list of nominees for directors for election at the 2022 Annual Stockholders’ Meeting after ensuring that all nominees to the Board have met all the qualifications and none of the disqualifications as set forth in the Corporation’s Manual on Corporate Governance Manual, the Revised Corporation Code, the Securities Regulation Code, as amended, its Implementing Rules and Regulations and other relevant issuances by the Securities and Exchange Commission;
- reviewed and discussed the Compensation Framework and the Disclosure Topics for the 2021 Sustainability Report and
- reviewed and discussed the ASEAN Corporate Governance roadmap of Vivant and its way forward to achieving its target goals.

March 16, 2023

  
**JOSEPH L. SULLIVAN<sup>1</sup>**  
Chairman

  
**JOSE CARLITOS G. CRUZ**  
Member

  
**JOSE M. LAYUG, JR.<sup>1</sup>**  
Member

Note:  
1. Mr. Joseph L. Sullivan and Mr. Jose M. Layug, Jr. were elected as members of the Corporate Governance Committee during the Organizational Board Meeting of Vivant on June 16, 2022.

## REPORT OF THE FINANCE COMMITTEE TO THE BOARD OF DIRECTORS

For the year-ended 31 December 2022

The Finance Committee (the “Committee”) oversees the formulation and implementation of the Vivant Corporation’s (the “Corporation”) financial policy and strategy, including capital structure, dividend policy, and capital allocation decisions that may be brought to the Board of Directors for approval.

In 2022, the Committee convened on January 27, April 21, May 13, and September 15 and had joint committee meetings with the Vivant Energy Corporation Finance Committee on July 15, August 23<sup>1</sup> and November 4, during which it:

- reviewed, discussed, evaluated, and endorsed for the Board of Director’s approval the following matters:
  - Project Investments:
    - in relation to the Corporation’s conventional generation project in Mindanao, the renegotiation and refinancing of a loan of a business unit;
    - in relation to the Corporation’s waste water treatment project, revisiting the Corporation’s internal interest rate policy in relation to an Interim Financing Agreement;
  - Business Operations and Corporate Matters:
    - 2022 Budget for the business operations of the Corporation and its business units, taking into account environmental, social and governance related concerns and the shift of Vivant to a hybrid work set up;
    - 2022 Financial Statements of the Corporation; and
    - cash flow statements, the latest thinking forecast and costs savings for the Corporation and its business units;

The Committee also reviewed, discussed and evaluated the following matters:

- funding requirements of a business unit and capital raising strategies;
- potential tax exposures of new investments;
- financial performance of the Corporation and its business units;
- status of the projects of the Corporation's subsidiaries and operating companies throughout the year 2022; and
- proposed policy on advances extended by the Corporation to its subsidiaries.

January 31, 2023

  
**JOSE CARLITOS G. CRUZ<sup>1</sup>**  
Chairman

  
**JOSE MARKO ANTON G. SARMIENTO**  
Member

  
**CHARLES SYLVESTRE A. GARCIA**  
Member

  
**CARMELO MARIA L. BAUTISTA**  
Member

## REPORT OF THE RISK AND SUSTAINABILITY COMMITTEE TO THE BOARD OF DIRECTORS

For the year-ended 31 December 2022

The Risk and Sustainability Committee (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. With the adoption of the disclosure recommendations of the Task Force on Climate-related Financial Disclosures, the Committee expanded its oversight functions to include the development and establishment of a Sustainability Management Framework covering key areas of Environment, Social and Governance ("ESG").

In compliance with our mandates under the Risk and Sustainability Committee Charter, we confirm that majority of the Risk and Sustainability Committee members are Independent Directors, including its Chairman.

In 2022, the Risk and Sustainability Committee convened on March 18, May 13, August 18, and November 11, and had a joint committee meeting with the Vivant Energy Corporation Risk Committee on December 2, during which it:

- reviewed the 2021 risk management of Vivant and its business units;
- reviewed and discussed the 2022 Top Operational Risks, risk landscape, Risks Initiatives, ORMP, BCM Results, and risk management updates;
- assessed and deliberated about the material risk exposures of Vivant in relation to Vivant's and its business units' investments and operational initiatives; and
- reviewed and deliberated on the duties and responsibilities of the Committee and thereafter amended its charter (i) to reflect the change in the name of the Committee from "Board Risk and Oversight Committee" to "Risk and Sustainability Committee"; and (ii) to include oversight functions related to sustainability such as, but not limited to, climate-related risks and opportunities.

January 31, 2023

  
**JOSE M. LAYUG, JR.**  
Chairman

  
**GILL A. GARCIA II**  
Member

  
**JOSE MARKO ANTON G. SARMIENTO<sup>1</sup>**  
Member

  
**JOSEPH L. SULLIVAN<sup>1</sup>**  
Member

<sup>1</sup>During this meeting, the Vivant Energy Corporation Risk Committee members were also present.

Note:  
1. Mr. Jose Carlitos G. Cruz was elected as member and Chairman of the Finance Committee during the Organizational Board Meeting of Vivant Corporation on June 16, 2022.

Note:  
1. Mr. Jose Marko Anton G. Sarmiento and Mr. Joseph L. Sullivan were elected as members of the Risk and Sustainability Committee during the Organizational Board Meeting of Vivant on June 16, 2022.

# Material Disclosure Index

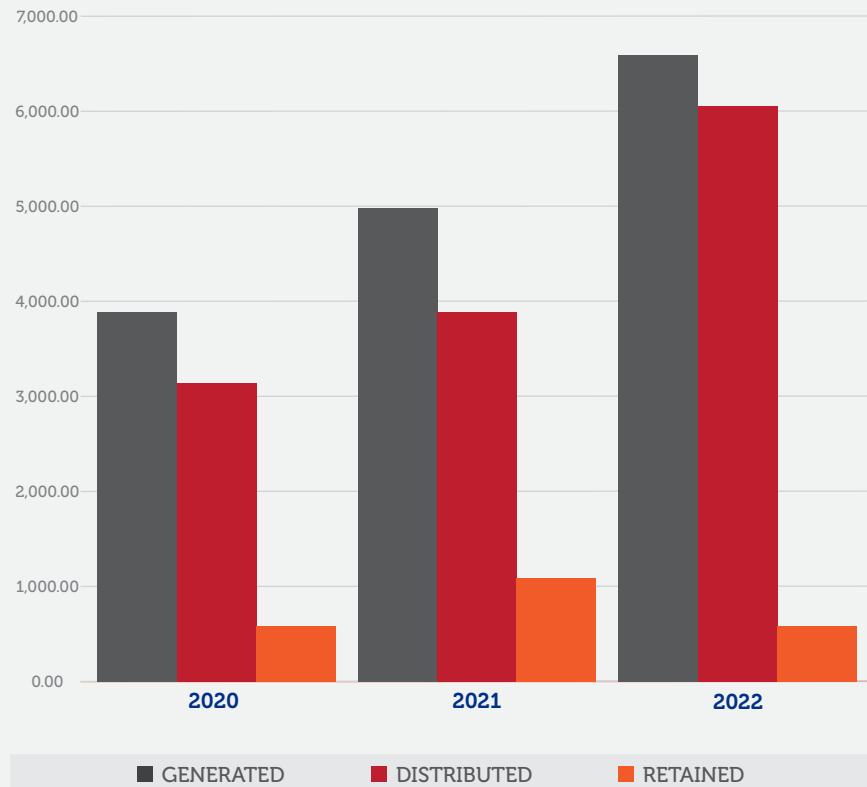
Sustainability Pillar	Specific Topic	Supported UN SDG	GRI Standard Disclosure	Section
Economic	Direct economic value generated and distributed	SDG 8	201-1 This is the direct impact our business has to the economy	Vivant's Value Creation  Vivant's Sustainability Journey: Governance
Economic	Infrastructure investments and service supported  Significant indirect economic impacts	SDG 3 SDG 4 SDG 6 SDG 8 SDG 11	203-1, 203-2 Initiatives undertaken through the Company's foundation and its subsidiaries' CSR projects provide support to help build capability, improve lives and community resiliency.	Vivant's Value Creation  Vivant's Sustainability Journey: Social
Environmental	Energy consumption	SDG 12	302-1, 302-2 To provide products and services to our customers, we consume energy both in the form of electricity and fuel.	Vivant's Sustainability Journey: Environmental  Key Performance Metrics
Environmental	Water withdrawal Water discharge Water consumption	SDG 12	303-3, 303-4, 303-5 How our operations impact the environment through our consumption	Vivant's Sustainability Journey: Environmental  Key Performance Metrics
Environmental	Direct (Scope 1) GHG emissions Other indirect (Scope 3) GHG emissions	SDG 12	305-1, 305-3 Greenhouse gases. How operations affect the environment given the by-product	Vivant's Sustainability Journey: Environmental  Key Performance Metrics
Environmental	Waste generated Waste diverted from disposal Waste directed to disposal	SDG 12	306-3, 306-4, 306-5 How operations affect the environment	Vivant's Sustainability Journey: Environmental  Key Performance Metrics

Sustainability Pillar	Specific Topic	Supported UN SDG	GRI Standard Disclosure	Section
Social	New employee hires and employee turnover Parental leave	SDG 8	401-1, 401-3 How our business result to job and wealth creation	Vivant's Value Creation  Vivant's Sustainability Journey: Social  Key Performance Metrics
Social	Training and Education: Average hours of training per year per employee  Percentage of employees receiving regular performance and career development reviews	SDG 8	404-1, 404-3 Continuous learning for our team members should ensure the Company's sustainability	Vivant's Value Creation  Vivant's Sustainability Journey: Social  Key Performance Metrics
Social	Diversity and equal opportunity: Diversity of governance bodies and employees	SDG 8	405-1 How diverse background, knowledge and experience bring value to the business	Vivant's Value Creation  Key Performance Metrics
Social	Local communities Operations with local community engagement, impact assessments and development programs	SDG 3 SDG 4 SDG 6 SDG 8 SDG 11	413-1 Sustainability development	Vivant's Value Creation  Vivant's Sustainability Journey: Social

# 2022 Key Performance Metrics

## ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED IN PHP

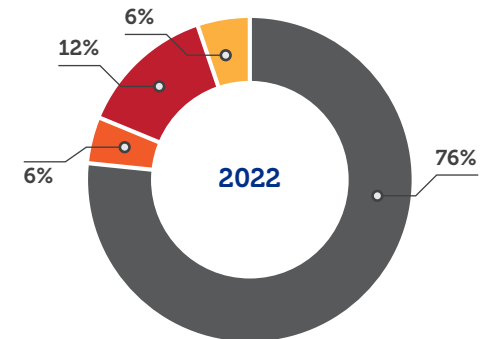
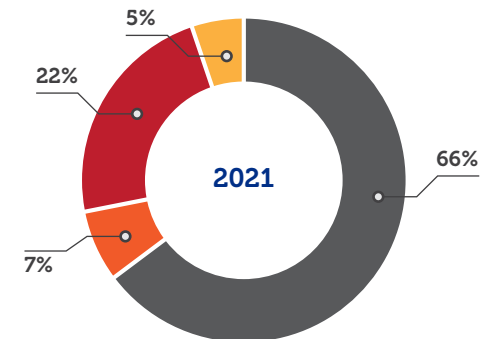
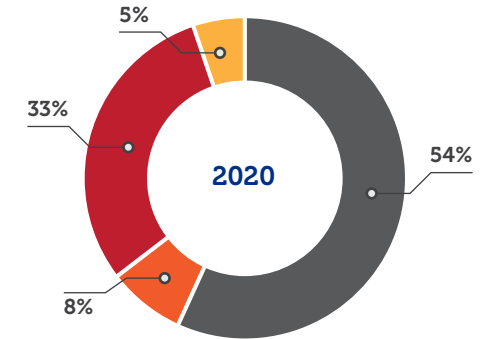
Millions (201-1)



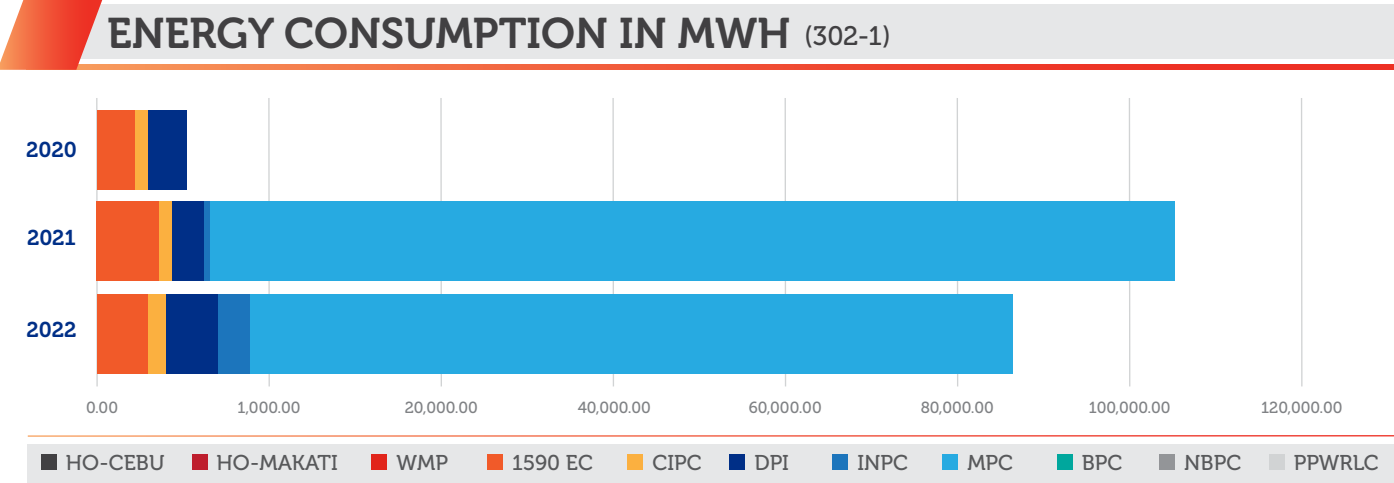
## BREAKDOWN OF ECONOMIC VALUE DISTRIBUTED

Millions (201-1)

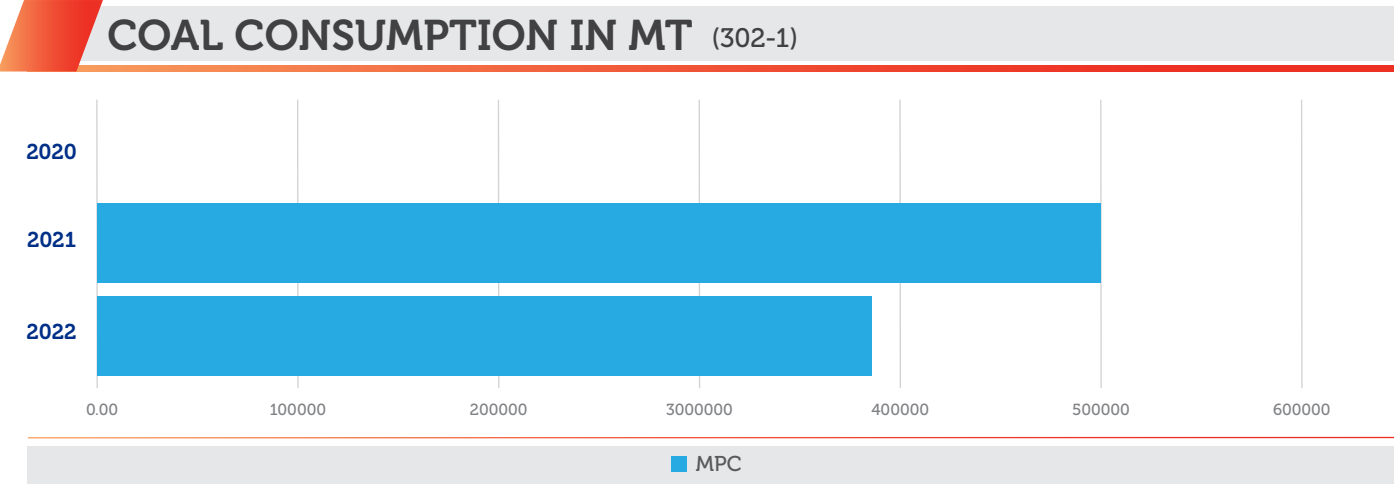
- OPERATING COSTS
- PAYMENTS TO EMPLOYEES
- PAYMENTS TO PROVIDERS OF CAPITAL
- PAYMENTS TO GOVERNMENT



# 2022 Key Performance Metrics



- MPC and BPC 2020 data not available

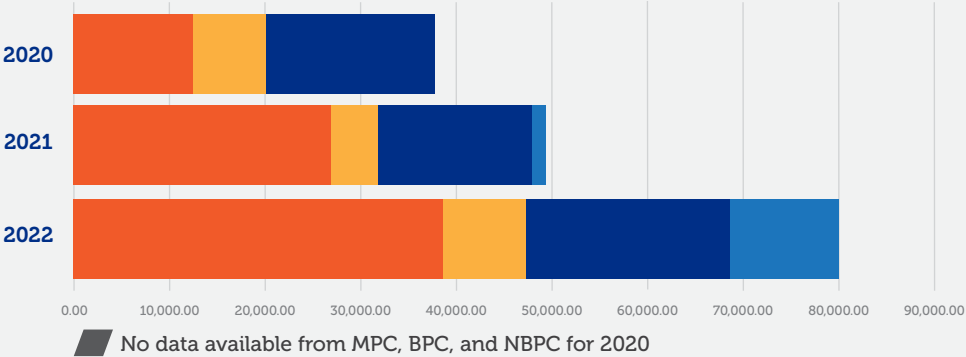


- No data available for 2020
- Only MPC operates using local coal

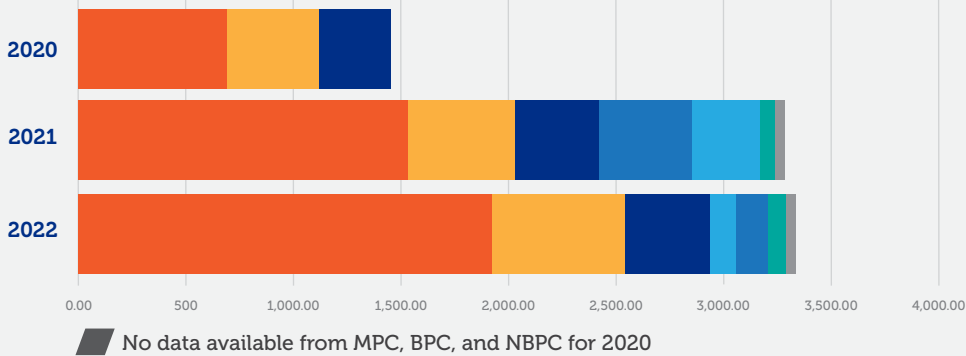
# 2022 Key Performance Metrics

## FUEL CONSUMPTION WITHIN ORGANIZATION

HFO IN THOUSANDS OF L (302-1)



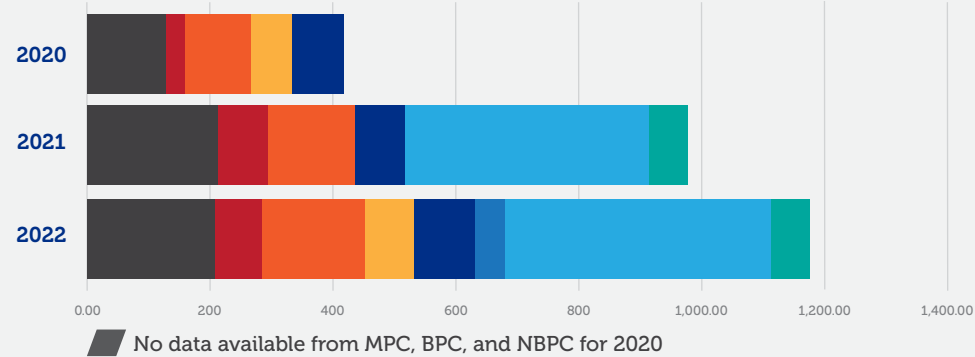
LFO IN THOUSANDS OF L (302-1)



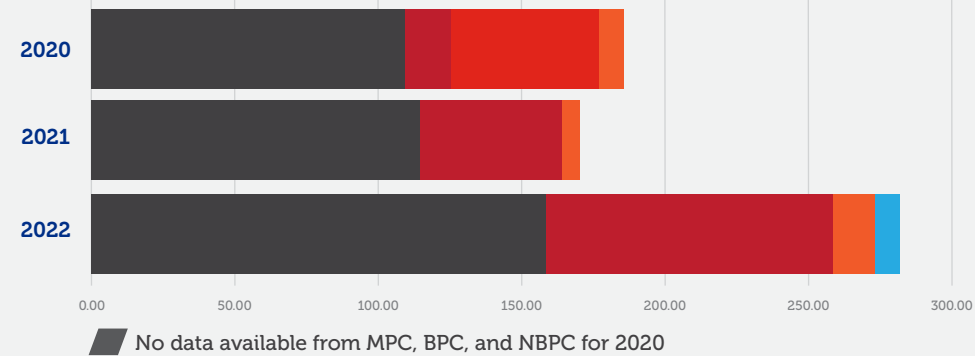
1590 EC CIPC DPI INPC MPC BPC NBPC

## FUEL CONSUMPTION OUTSIDE ORGANIZATION

DIESEL IN HUNDREDS OF L (302-2)



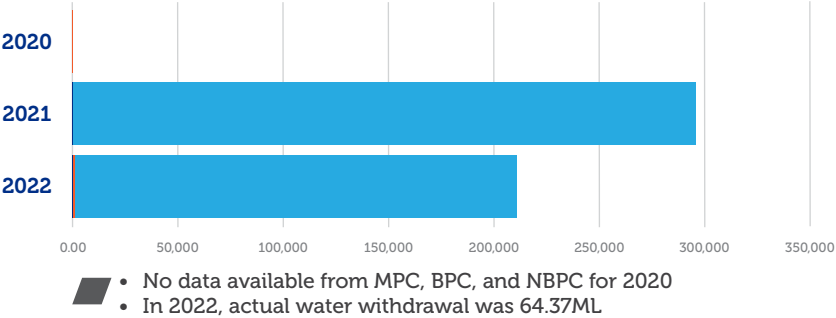
GASOLINE IN HUNDREDS OF L (302-2)



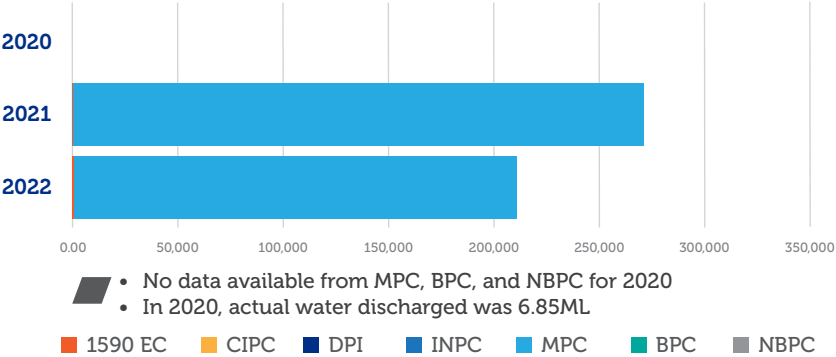
HO-CEBU HO-MAKATI WMP 1590 EC CIPC DPI INPC MPC BPC NBPC PPWRLC

# 2022 Key Performance Metrics

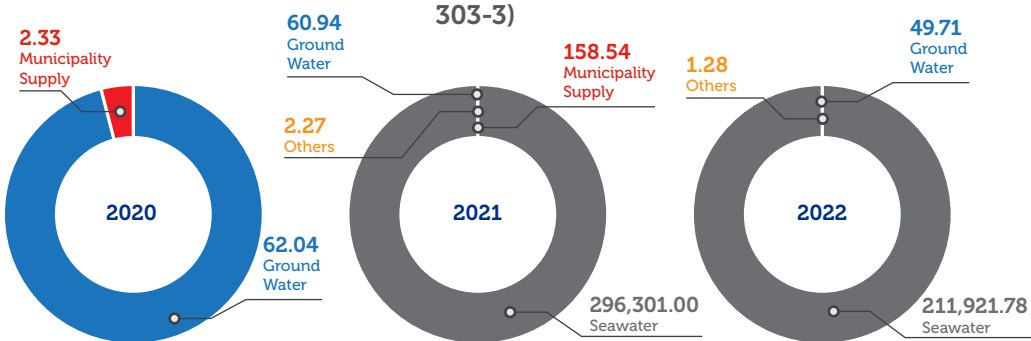
## WATER WITHDRAWAL IN ML (303-3)



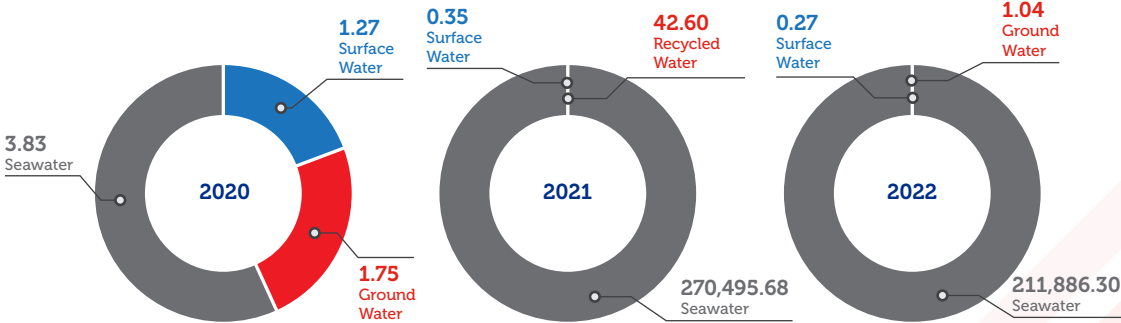
## WATER DISCHARGE IN ML (303-4)



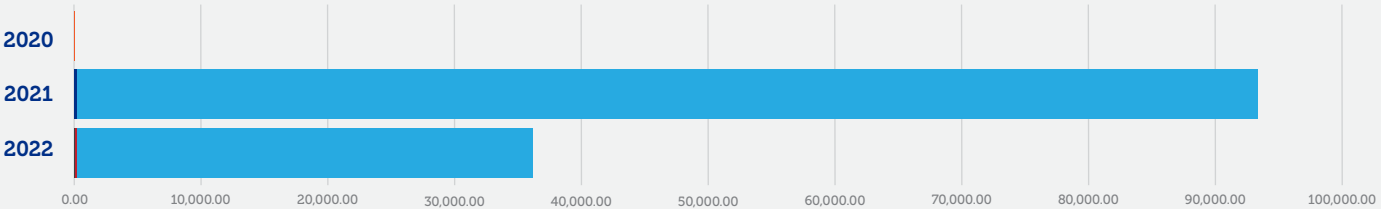
## WATER WITHDRAWAL BY SOURCE IN ML (303-3)



## WATER DISCHARGE BY DESTINATION IN ML (303-3)



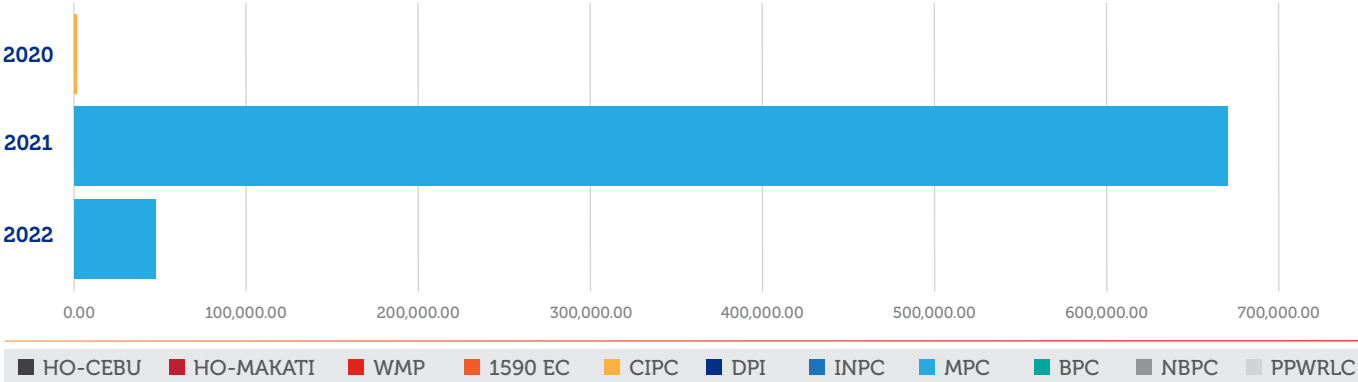
## WATER CONSUMPTION IN ML (303-5)



No data available from MPC, BPC, and NBPC for 2020

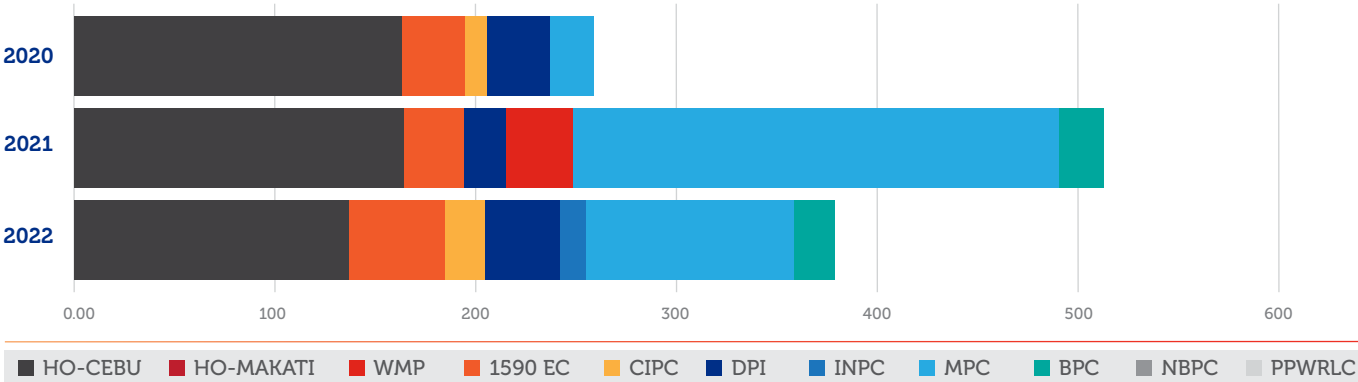
# 2022 Key Performance Metrics

## SCOPE 1 GHG EMISSION in tco2e (305-1)



- No data available from MPC, BPC, and NBPC for 2020
- Decline in MPC emissions is due to lesser operating period in 2022 brought by scheduled major overhaul

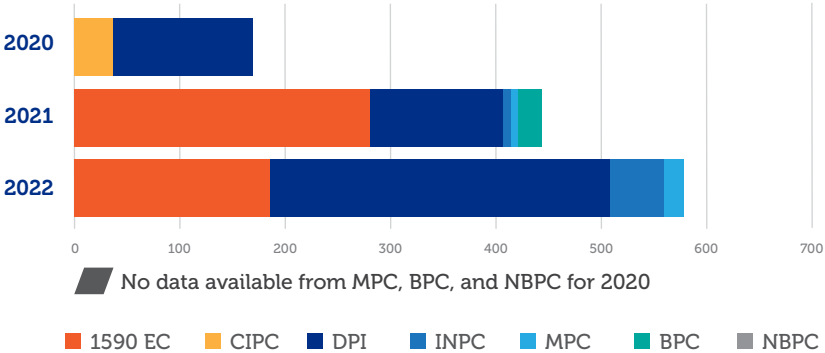
## SCOPE 3 GHG EMISSION in tco2e (305-3)



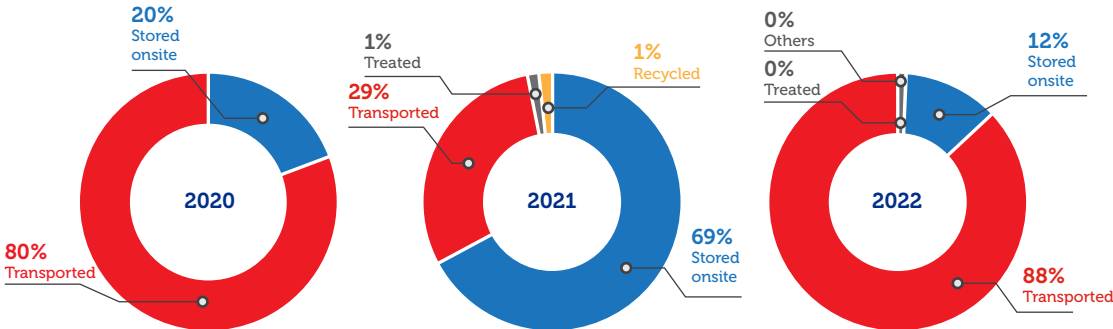
- No data available from MPC, BPC, and NBPC for 2020

# 2022 Key Performance Metrics

## HAZARDOUS WASTE GENERATED IN T (306-3)

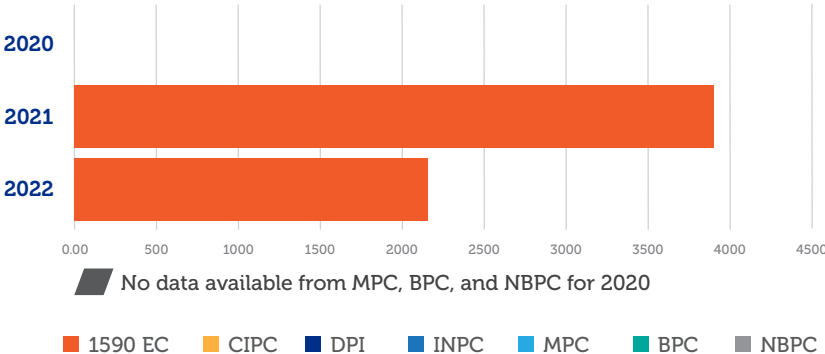


## HAZARDOUS WASTE DIVERTED FROM OR DIRECTED TO DISPOSAL IN MT (306-4, 306-4)

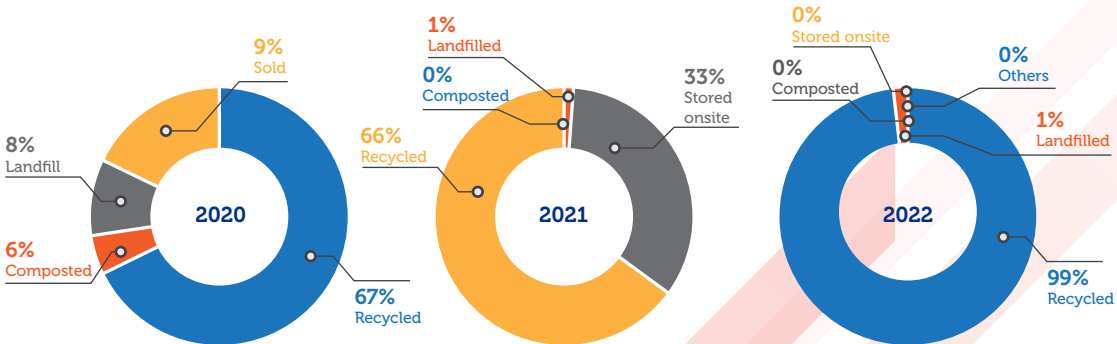


## NON-HAZARDOUS WASTE GENERATED IN T (306-3)

(303-4)

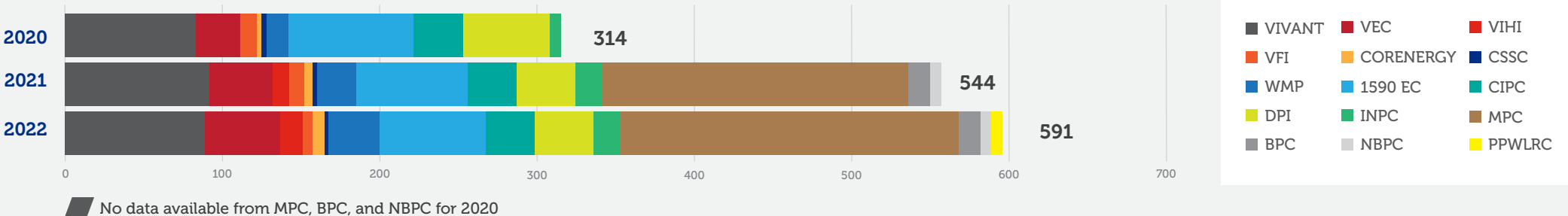


## NON-HAZARDOUS WASTE DIVERTED FROM OR DIRECTED TO DISPOSAL IN MT (306-4, 306-4)

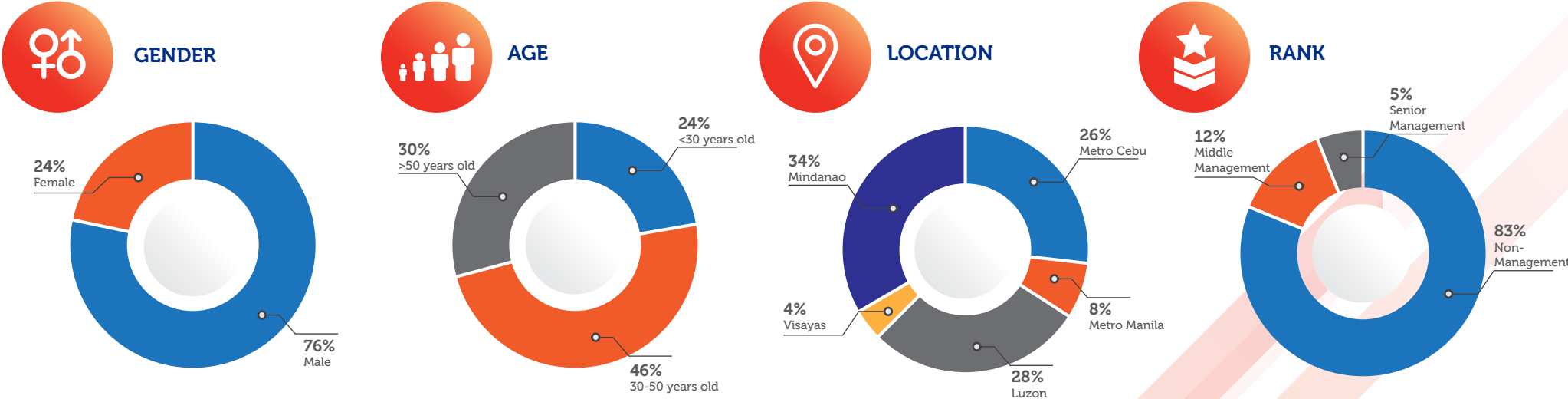


# 2022 Key Performance Metrics

## TOTAL WORKFORCE 108-2

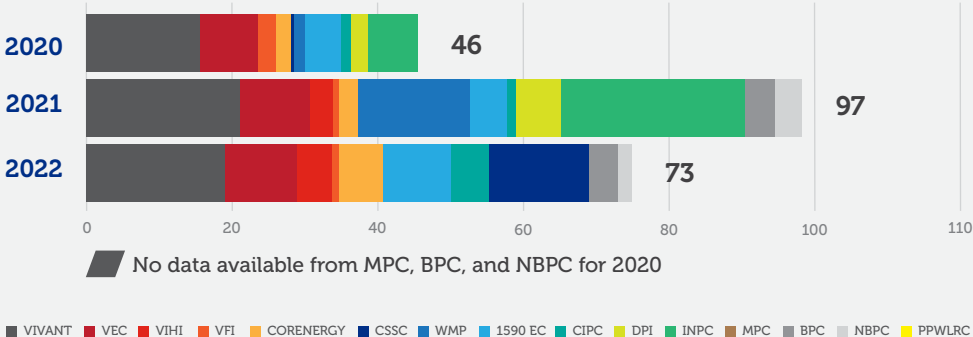


## WORKFORCE DISTRIBUTION IN 2022 (102-7, 108-2, 405-1)

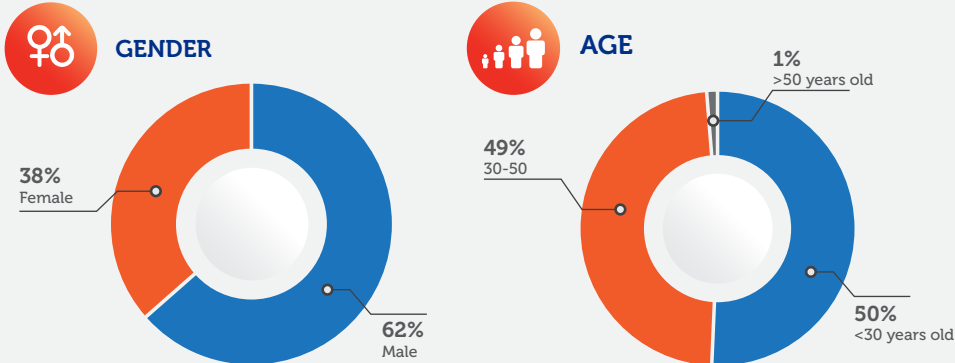


# 2022 Key Performance Metrics

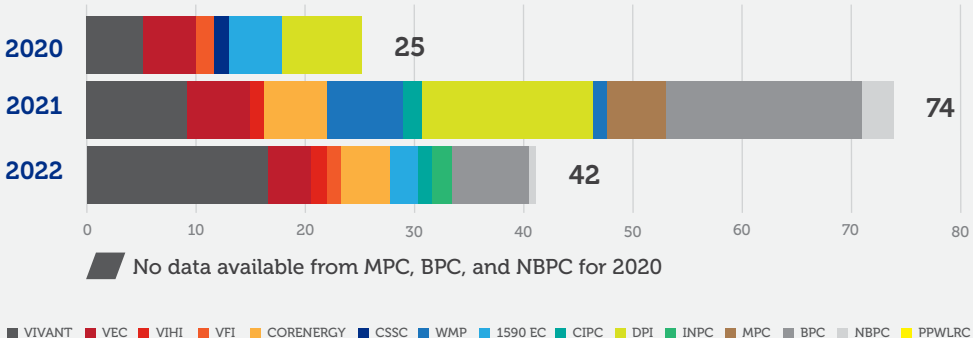
## NEW HIRES (401-1)



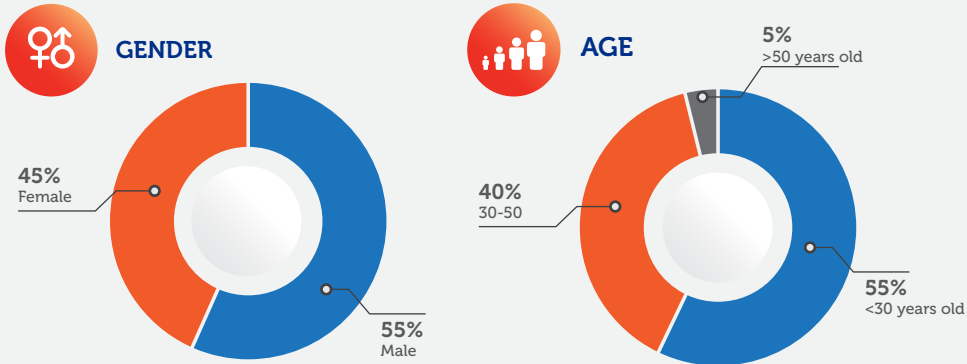
## NEW HIRE DISTRIBUTION IN 2022



## EMPLOYEE TURNOVERS (401-1)

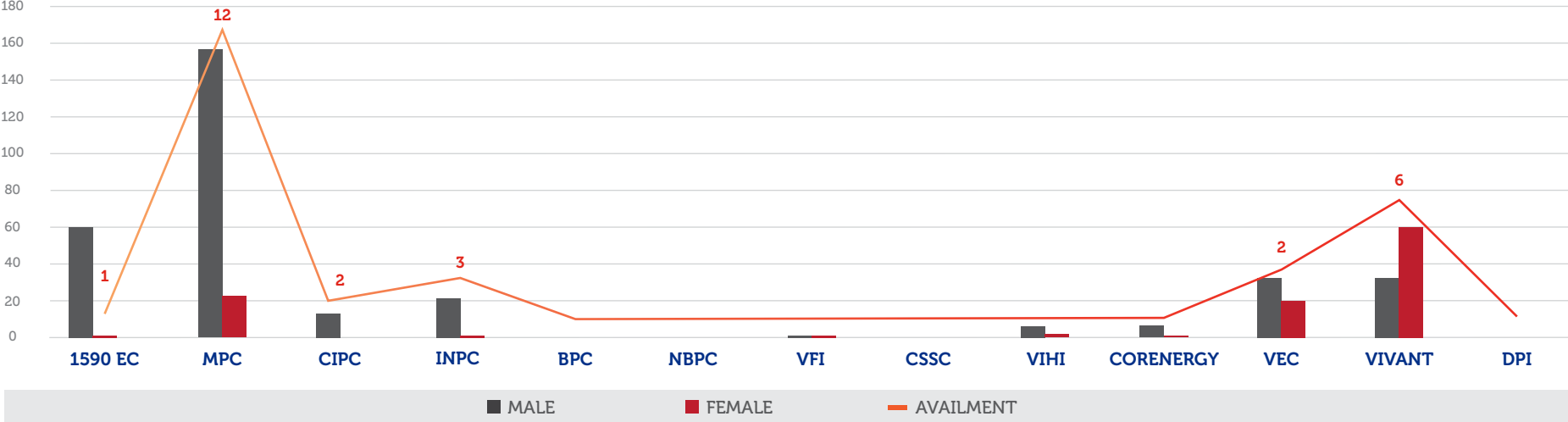


## TURNOVER DISTRIBUTION IN 2022

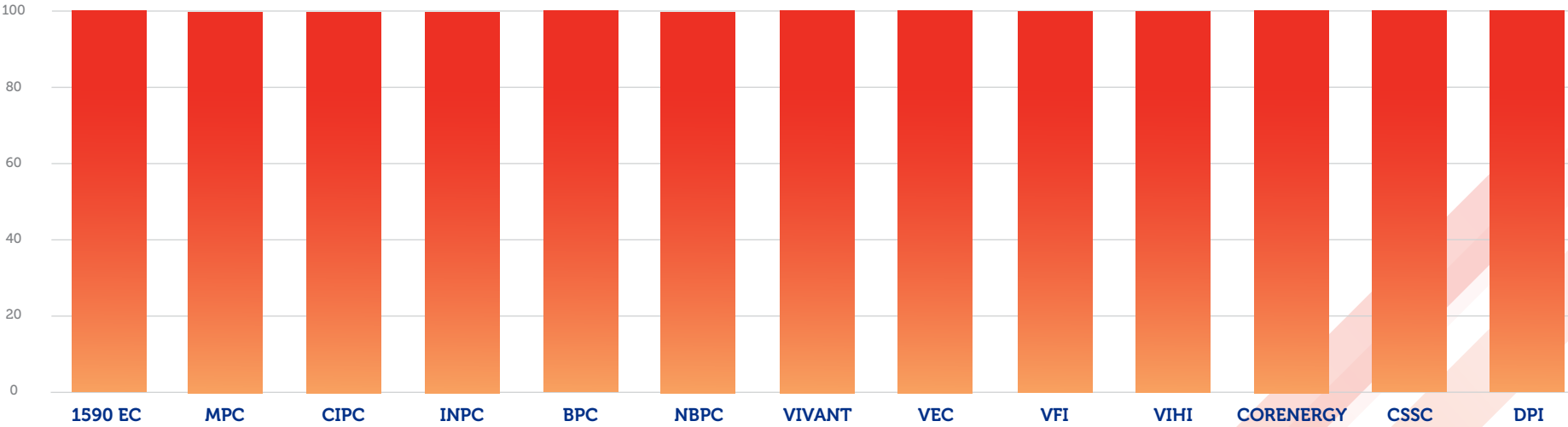


# 2022 Key Performance Metrics

## PARENTAL LEAVES IN 2022 (401-3)



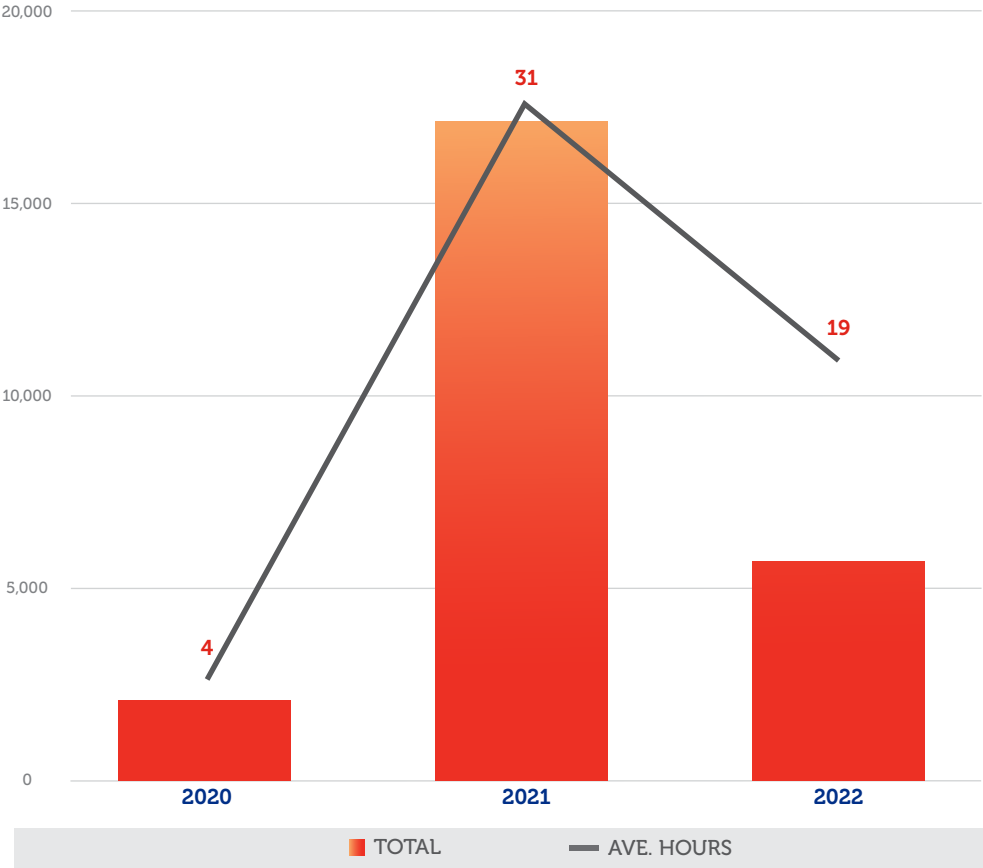
## PERFORMANCE REVIEW (404-3)



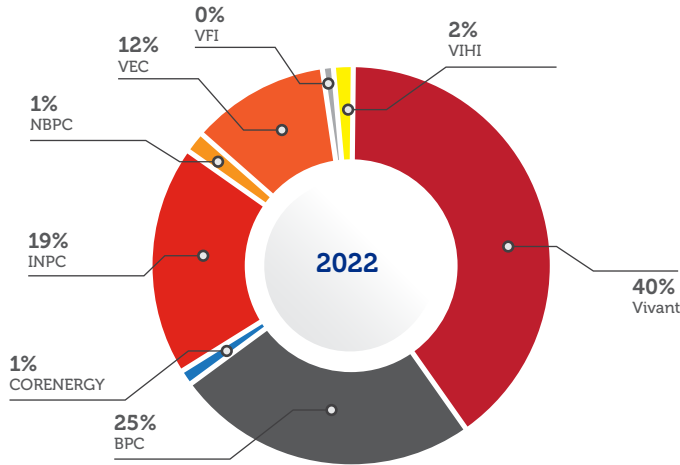
INPC only started doing performance reviews in 2022

# 2022 Key Performance Metrics

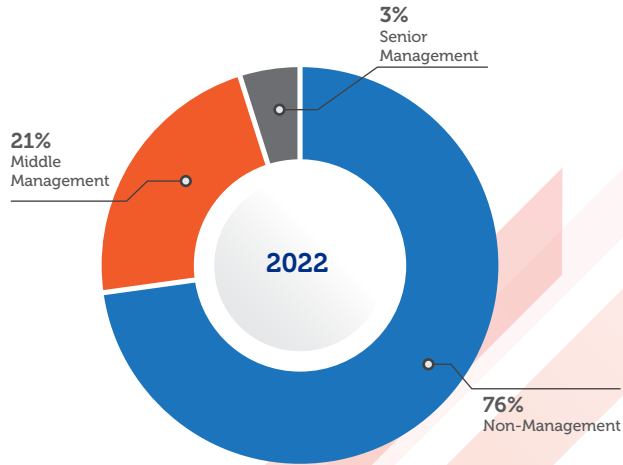
## TRAINING HOURS (404-1)



## TRAINING HOURS BY COMPANY (404-1)

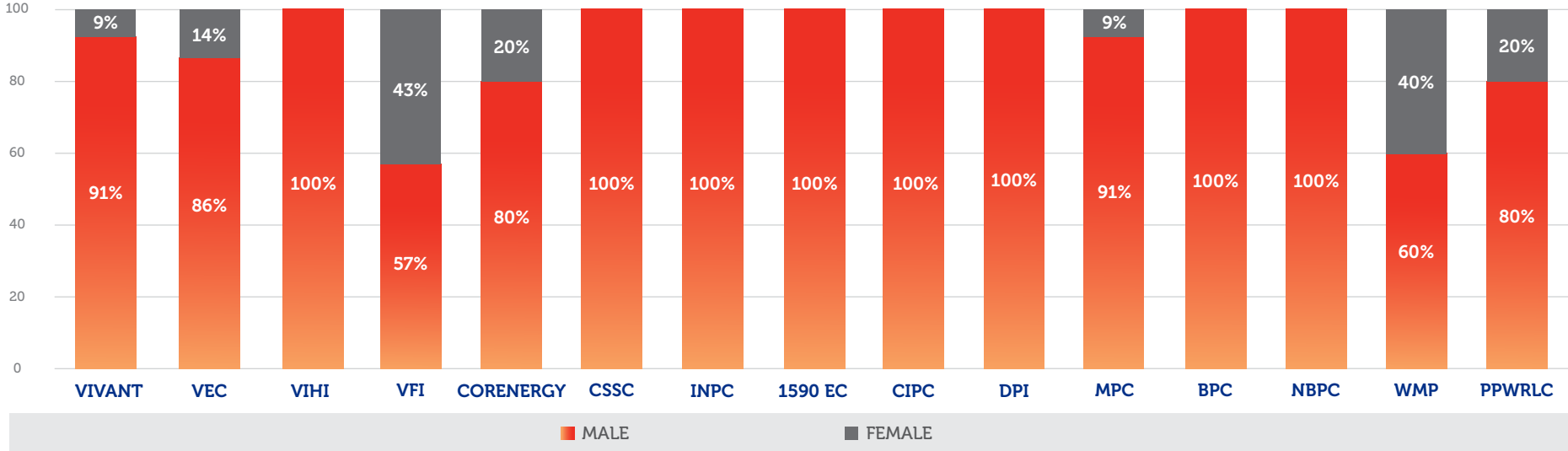


## TRAINING HOURS BY LEVEL (404-1)

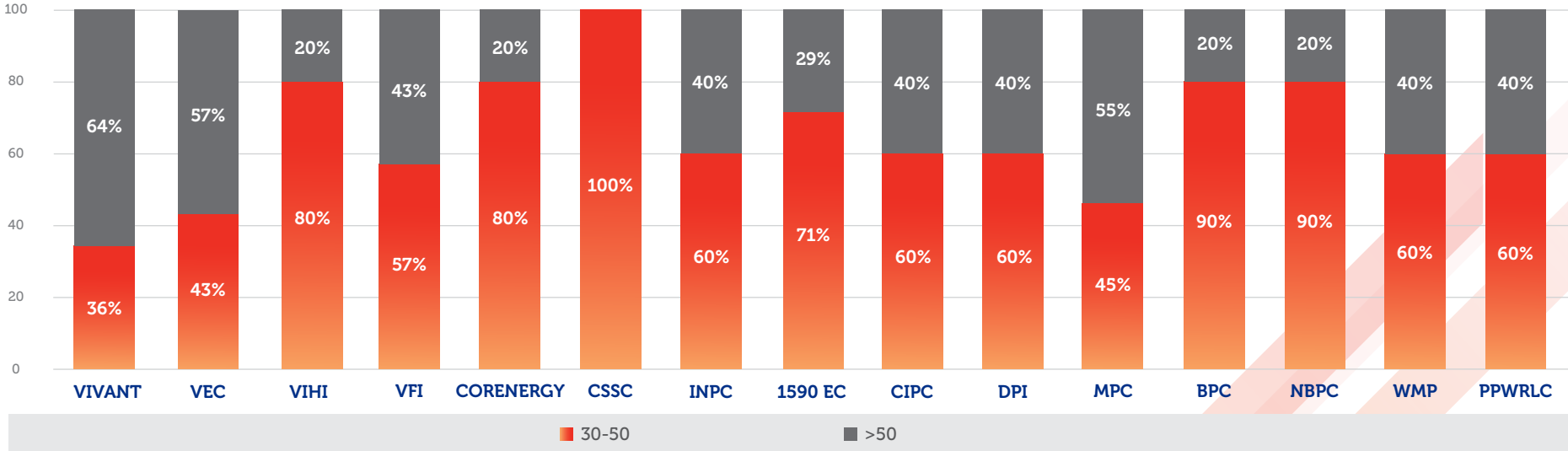


# 2022 Key Performance Metrics

## DIVERSITY BOARD (405-1) | BY GENDER



## DIVERSITY BOARD (405-1) | BY AGE



## Company Information

### For stakeholder general inquiries

Vivant welcomes inquiries from its stakeholders. Please contact:

Governance	<a href="mailto:corporatesecretary@vivant.com.ph">corporatesecretary@vivant.com.ph</a>
Sustainability	<a href="mailto:risk@vivant.com.ph">risk@vivant.com.ph</a>
Career	<a href="mailto:careers@vivant.com.ph">careers@vivant.com.ph</a>
Media	<a href="mailto:corpcomm@vivant.com.ph">corpcomm@vivant.com.ph</a>

### Shareholder Services

For inquiries regarding dividend payments, change of information details (address) and account status, reporting of lost or damaged stock certificates, please contact:

#### **STOCK TRANSFER SERVICE, INC.**

34th Floor, Rufino Plaza, Ayala Avenue, Makati City

Tel. no. (02) 8403 2410 and (02) 8403 2412

Fax No. (02) 8403 2414

Email Address: [mfyumol@stocktransfer.com.ph](mailto:mfyumol@stocktransfer.com.ph); [jscortez@stocktransfer.com.ph](mailto:jscortez@stocktransfer.com.ph)

Vivant's full audited financial statements and SEC reports are available on the Vivant website.  
[www.vivant.com.ph](http://www.vivant.com.ph)



**VIVANT**

# SUSTAINABILITY REPORT 2022

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