



AboitizPower
A Better Future

BOARD POLICY Protocol



Commitment to a Common Purpose for the Company

The Board of Directors commits to serve and promote the best interest of the Company. The Directors owe their duty and responsibility to the Company and in the process promote the long-term sustainability and success of the Company in a manner consistent with the evolving corporate governance best practices.

The Governance Style of the Board

The Board will govern with an emphasis on:

- Outward vision rather than an internal preoccupation
- Strategic leadership more than administrative detail
- Clear distinction of board and chief executive roles
- Collective rather than individual decisions.
- Future rather than past or present, and
- Proactivity rather than reactivity.

In view of the above, the Board commits to:

- a. Deliberate in many voices, but govern as one.
- b. Cultivate a sense of group responsibility.

The Board, not management, will be primarily responsible for excellence in governance. The Board will be an initiator of policies. The Board will use the expertise of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the board's values.

- c. Direct, control and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives.
- d. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuity of governance capability. Continual board

development will include orientation of new members in the board's governance process and periodic board discussion of process improvement. The Board will not allow any officer, individual or committee of the board to hinder or be an excuse for not fulfilling its commitments.

- e. Regularly monitor and discuss the board's process and performance.

Duties and Responsibilities of the Board

The Board through its members and committees shall perform the following duties and responsibilities:

- a. Articulate a corporate culture and ensure that it is lived.

The Board shall set the standards of appropriate behavior by prescribing Corporate Values and a Code of Ethics and Business Conduct to be imbibed by the Directors, officers, and employees of the Company and its subsidiaries.

- b. Set the appropriate moral tone and corporate social responsibility.
- c. Approve and periodically review the corporate vision and mission.
- d. Help formulate and subsequently set the Company's strategic directions.
- e. Review and approve the annual budget, medium and long-term strategic plans, and set up a mechanism for performance monitoring and evaluation.
- f. To establish a policy for properly managing risks.
- g. The Board shall put in place an appropriate reporting system so that it may effectively monitor the implementation of policies, strategies and budgets.
- h. The Board shall appoint a President/Chief Executive Officer who is motivated, principled, professional, and competent enough to assume operational responsibility over the Company. To ensure continuity, the Board shall also put in place an effective succession plan for the President/Chief Executive Officer, all the members of the Board, and key executive positions.
- i. Through an annual governance retreat, the Board shall conduct an assessment of its performance in relation to its set targets in the preceding year. They shall also review the performance of the President and Chief Executive Officer, to include identified key executives.

- j. The Board shall keep its authority within the powers of the institution as prescribed in its charter and existing laws, rules, and regulations.
- k. The Board shall always maintain the highest standard of integrity, fairness, transparency and accountability.
- l. The Board commits to a professional development program for the Board and its members. For this purpose, the Board in coordination with the Board Corporate Governance Committee, shall develop and promulgate a formal professional development program for the Board and the Directors.

Board Committees

The Board shall establish committees within the Board, to help carry-out certain Board responsibilities. The following committees are hereby created:

- Board Corporate Governance Committee
- Board Audit Committee
- Board Risk and Reputation Management Committee

The above committees, which shall be composed of Directors, will likewise have its own committee Charters. The Committees shall:

- a. Function as part of and under the control of the Board, not management.
- b. Exercise such authority that is delegated by the Board.
- c. Exercise such authority or accountability that is not delegated to management.
- d. Recognize and assert its ultimate accountability for corporate affairs.
- e. Not have the authority to instruct management.
- f. Be entitled to a per diem for every Committee meeting attended. An absentee Committee member (even if he sends a proxy or representative) shall not be entitled to any per diem from the Company.

Expectations of Directors

The Directors may want to articulate what they expect from:

- a. Management - such as, but not limited to transparency, cooperation and administrative support.
- b. Other Directors – such as, but not limited to, openness, preparation for meetings and objective assessments.

The Benefits of Directors

- a. To compensate Directors for their services rendered to the Company, they shall be entitled to a monthly allowance as approved by the shareholders. In addition, each Director and the Chairman of the Board will receive a per diem for every Board meeting attended.
- b. Directors who absent themselves during a particular Board meeting shall not be entitled to any meeting allowance. Such allowances shall be reviewed from time to time to ensure that these reflect the industry standards.

Board Leadership and the Role of the Chairman

- a. The Chairman shall exercise independent judgment, act objectively, and ensure (alongside the President and Chief Executive Officer) that all relevant matters are included in the agenda and prioritized properly, giving more weight to “performance duties” (i.e. strategy and policy) over “compliance duties” (i.e. monitoring and accountability).
- b. The Chairman shall ensure that all the Directors are fully involved and informed of any business issue on which a decision has to be taken.
- c. The Chairman, with the assistance of the Corporate Secretary and the President and Chief Executive Officer, shall determine the annual Board Plan and Agenda and other strategic issues.
- d. The Chairman shall be responsible for the integrity of the Board process, such that decisions made shall be explicit, timely, relevant to the Company’s vision and strategy, and anchored on policies, values and ethical standards.

- e. In the event that the Chairman may not be available or capable of performing the above functions, the Vice Chairman or in his absence, any of the directors present, may act as “Lead Director” and shall automatically take over the leadership in the meeting of the Board. The following are the conditions upon which this provision would apply:
 - Physical absence;
 - Conflict of interests; or
 - As the Board may deem necessary.

- f. It is also strongly desired to have a Chairman who, among other traits, possesses the following:
 - Wide experience, preferably at board level, in successful organizations;
 - Capacity for strategic thinking and ability to make quick and important decisions;
 - Working understanding of finance as well as accounts and reports systems;
 - Excellent leadership and communication skills;
 - Appropriate training in corporate governance and professional directorship; and
 - Limited number of other directorships.

The Board Director

A Director should be aware of his role and appreciate the crucial differences between management and direction. He should have an understanding of the legal framework within which they operate. A Director should have a good understanding of a board’s operation and how to ensure its effectiveness.

In this regard, the following are the basic qualities and competencies that a Board Director should possess or endeavor to acquire:

- a. Strategic business direction;
- b. Basic principles and practice of finance and accounting;
- c. Human resource direction;
- d. Improving business performance; and
- e. Organizing for the future.

With the above, the Director is therefore expected to:

- a. Owe his duty of care and loyalty to the Company.
- b. Respect and uphold all decisions made by the Board as a collegial body.
- c. Devote time and attention necessary to properly discharge his duties and responsibilities.
- d. A Director shall observe prudence in the handling of sensitive company information.
- e. A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.

Duties and Expectations of the corporate secretary

- a. The Corporate Secretary shall be the primary executive that shall administer the affairs of the Board of Directors.
- b. Working closely with the Board Chairman or Lead Director, the Corporate Secretary shall help ensure that the Board functions effectively, by providing the entire Board and individual Directors when requested with guidance as to the nature and extent of their duties and responsibilities, and how such duties and responsibilities are to be properly discharged in the best interest of the Company and its stakeholders.
- c. The Corporate Secretary shall assist the Chairman and the President and Chief Executive Officer in determining the annual Board Plan and/or Agenda and other strategic issues.
- d. The Corporate Secretary shall be responsible for reporting on and noting any inconsistencies of Board actions.
- e. The Corporate Secretary shall be responsible for the interpretation of all Board decisions/resolutions.
- f. The Corporate Secretary shall be responsible for the integrity of Board documents.

The President and CEO

All Board authority delegated to management is delegated through the President, so that all authority and accountability of management – as far as the board is concerned – is considered to be the authority and accountability of the President.

- a. The Board will specify to the President of the Company the strategic directions and expects him to achieve certain results based on a set of measures/milestones and targets that had been clearly communicated and understood.
- b. As long as the President uses any reasonable interpretation of the Board's directions, the President is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all initiatives.
- c. Only decisions of the Board acting as a body are binding upon the President.
- d. Decisions or instructions of individual board members, officers, or committees are not binding on the President except in rare circumstances when the Board has specifically authorized such exercise of authority.
- e. In the case of board members or committees requesting information or assistance without board authorization, the President can refuse such requests that require – in the President's judgment – a material amount of staff time or funds or are disruptive.

Board Meetings

- a. **Meetings** – The Board shall hold a regular meeting at least once for every quarter. The Chairman, if necessary may call special board meetings.
- b. **Quorum** – The quorum for a meeting is fifty percent (50%) plus one (1) of the total number of directors.
- c. **Agenda** – The Chairman of the Board and the President/Chief Executive Officer (with due consideration to suggestions from the Corporate Secretary and the Directors) shall set the agenda for each Board meeting and ensure that such agenda is distributed by the Corporate Secretary in advance, to each Director. To enable the Board to give proportionate attention to more high-level matters of importance, the following shall comprise the bulk of each meeting's agenda:
 - financial reports and management matters
 - matters of strategy
 - matters of policy
 - matters of governance
 - matters of investment decision
 - matters prescribed by the Company Policy on Approving Authorities

- d. **Distribution of Board Meeting Materials** – The Office of the Corporate Secretary and management shall ensure that all information relevant to the Board’s understanding of matters to be discussed at an upcoming Board meeting shall be distributed either in writing or electronically, to all members of the Board in advance of the meeting. Confidential items or information of an extremely sensitive nature shall be sealed in an envelope and hand carried to each Director. This will help facilitate the efficient use of Board time to deliberate and make decisions on key issues.
- e. **Company Personnel as Resource Persons** – The President/Chief Executive Officer is given the discretion to invite Company personnel to any Board meeting at which their presence and expertise would help the Board in having a full understanding of matters being considered.
- f. **Executive Session of Independent Directors** – The Independent Directors may meet periodically in an executive session with no other Director or management present except for the Chairman of the Board Corporate Governance Committee who shall call for and preside the meeting. Topics for discussion during these executive sessions shall be determined by the Independent Directors, but actions of the Board generally should be taken separately during Board meetings.
- g. **Minutes** – All Board and Committee meetings must be duly documented and filed. The minutes of Board or Committee meetings must be available for review and approval not more than 5 business days after the meeting and for signature at the next board meeting. The minutes of the meetings must be readily available to everyone in the organization as well as the stakeholders.

Independent Directors

Independent Directors are elected to provide the Board an objective “compass” to determine the best interests of the Company and all its stakeholders.

These Directors should not be related to any group or management. Furthermore, they cannot or should not be instruments of one group for the purpose of pushing their own sectoral agenda.

Their independence must be perceived as such by stakeholders, the beneficiaries and the general public.

In view thereof, the Board of Directors commits to, within the purview of existing legal framework, elect qualified and independent Directors to the Board of the Company.

The Board Corporate Governance Committee shall be primarily tasked to draw up a plan of getting such Independent Directors to the Board and ensure that there will always be a minimum of three (3) Independent Directors at any one time.

As defined in the Securities Regulation Code, an independent director “is a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.”

An independent director of the Board must be:

- a. An independent director as defined by the Securities Regulation Code, its Implementing Rules and Regulations and relevant SEC rules and regulations;
- b. Holder of at least one (1) share of stock of the Company;
- c. At least a college graduate or possessed sufficient experience in managing the business to substitute for such formal education;
- d. At least twenty one (21) years old;
- e. Proven to possess integrity and probity;
- f. Assiduous, and willing to devote time and effort to the responsibilities of being a Director of the Company; and
- g. With no conflict of interest.

**PROCESS FLOW FOR BOARD AND COMMITTEE MEETINGS
AS OF NOVEMBER 10, 2011**

Process Flow	Timeline
Verify if set meeting is pushing through	5 weeks prior to meeting date
Advise Corsec to send out notice of meeting cancellation thereof	5 weeks prior to meeting date
Corsec sends out notice or cancellation of meeting to all concerned (Corsec Team)	4 weeks prior to meeting date
Solicit board resolution requests and send reminder to submit board/committee reports (Corsec Team)	4 weeks prior to meeting date
Send initial agenda to Board/Committee Chairman and CEO for approval	3 weeks prior to meeting date
CEO and Board/Committee Chairman to discuss agenda	3 weeks prior to meeting date
Approval of agenda by the Board/Committee Chairman	2 weeks prior to meeting date
Agenda is sent out on behalf of the Chairman (Corsec Team)	2 weeks prior to meeting date
Board /Committee materials must be submitted for compilation (Corsec Team)	8 days prior to meeting date
Board /Committee materials (hard & soft) are sent out to the Board/Committee Members (Corsec Team)	5 days prior to meeting date