



**AboitizPower**  
A Better Future

**CORPORATE  
GOVERNANCE** | **2014**

## “GEARING FOR GROWTH, GROUNDED ON CORPORATE GOVERNANCE”

### ABOITIZPOWER CORPORATE GOVERNANCE PRINCIPLES

AboitizPower remains steadfast in its commitment to good corporate governance best practices. AboitizPower abides by the following core principles and practices: (i) the independence of the Company’s personality from that of its Board, officers and employees; (ii) the view that the Company has its own distinct rights and duties; (iii) that the Board has the original power to decide the Company’s policies; (iv) that the Company can demand loyalty from its Board, officers and employees; (v) that the Company’s business must be pursued through a long term sustainability strategy; (vi) that shareholders and stakeholders must be treated Equitably and with Fairness; (vii) a system of Accountability; (viii) Transparency in corporate operations and company reports; (ix) an Ethical business; (x) Corporate Social Responsibility (CSR); and most importantly, (xi) Sustainability and Environmental Compliance.

Philippine corporate practices adopt the one-tier or unitary board system which is characterized by a single board of directors composed of executive and non-executive members. The board of directors functions in similar way to a Board of Commissioners in a two-tier system. The chief finance officer, chief executive officer, and other C-suite officers are considered as the Executive Management Team. This unitary system governance structure facilitates strong leadership and efficient decision-making.

The bedrock of the Company’s corporate governance practices under the unitary board system is a Board culture that fosters collegiality and promotes independent-mindedness of directors, an environment of candid and of robust discussions among directors and management promoting teamwork, innovation, responsibility and integrity. The Company’s functioning Board Committees enable free channels of communication on all levels within the corporate structure and the professional management team.

The AboitizPower Board is conscientiously performing its roles in ensuring accountability of past actions (e.g., report to shareholders, legal and regulatory compliance and audit reports review) and monitoring and supervision of executive performance, financial results and budgets and possible corrective action, and its roles in determining future corporate strategies and in the making of present and future policies. To support the Board in its roles, the Board participated in the Company’s annual strategy workshop held last September 1 to 3, 2014.

Throughout the year, members of the Board participated in forums, seminars, and briefings on various issues and topics affecting the Company with the end in view of gaining depth and understanding of the Company’s businesses and concerns. These seminars and trainings included, among others,

lectures and one-on-one briefings regarding the ASEAN Integration, ASEAN Corporate Governance Scorecard, Financial Reporting, Audit Process, Philippine and Asia Economic Briefings by the Credit Suisse Economic Briefing and BDO Unibank Economic Briefing.

## CORNERSTONE GOVERNANCE PRACTICES

The Company, its Board, and its professional management team exercise the fiduciary duties owed to the Company's stakeholders within the context of the Company's ownership structure, the social, cultural, political, economic and legal framework in the Philippines. AboitizPower's ownership structure may be categorized as a company with a controlling shareholder and therefore, the Company and its Management team are careful and conscientious in making sure that appropriate corporate governance controls are in place to avoid insider opportunism. More importantly, the Board and the Management team govern the Company as responsible owners because they believe that this contributes to increased corporate and stakeholder value over a long term.

The Board recognizes the independence of the Company from that of the Board and Management and is committed to governance practices that restrict insider opportunism to uphold stakeholder value. The Company is also committed to unhampered exercise of the minority shareholder rights under the protection and empowerment provisions under the Corporation Code of the Philippines. These statutory rules include the *One-Share, One-Vote rule, Cumulative Voting*, and *supermajority vote* for certain corporate acts, giving the minority shareholder the ability to influence Board composition (including Independent Directors) and approve major decisions of the Company's Board compensation, amendment of the Company's Articles of Incorporation and By-Laws, and the treatment of Board duties as utmost fiduciary responsibilities. Current Company procedures and mechanisms require accurate and timely disclosures for transparency of processes. Existing insider trading and trading blackout guidelines, conflict of interest and related party transaction disclosure rules have been adopted and reviewed to prevent controlling shareholder opportunism in the ever-changing business environment.

The AboitizPower Board is comprised of nine Directors. To promote critical review and control of the management process, the Company's Directors, are non-executive and independent of management, except for the Chief Executive Officer (CEO), Mr. Erramon I. Aboitiz, the President and Chief Operating Officer (COO), Mr. Antonio R. Moraza, and Executive Vice President & Chief Operating Officer-Power Distribution Group, Mr. Jaime Jose Y. Aboitiz, who are part of the Management team. The Board includes three highly-competent and independent-minded Independent Non-executive Directors to whom shareholder concerns may be raised and more importantly, can raise issues by themselves. Independent Directors are not subject to firing by management or by the Company's controlling shareholders since they are selected through the Board Corporate Governance Committee's process in accordance with the requirements of the Philippine Securities and Exchange Commission (SEC) and election procedures in the annual shareholders' meeting where directors are elected by the

shareholders at large. The Independent Directors have finance and audit experience. This process supports minority shareholder protection and empowerment. Other non-executive directors are independent-minded directors.

The Chairman for the year 2014 to 2015, Mr. Enrique M. Aboitiz, a Non-Executive Director, and the Company's CEO, Mr. Erramon I. Aboitiz, are brothers. However, despite their relationship, their respective roles are clearly delineated in the Company's Articles of Incorporation and By-Laws to avoid overlapping of roles and to ensure checks and balances. Each of these Directors is independent-minded and is known for their high regard and commitment for governance within the organization.

Pursuant to the *One-Share, One-Vote rule*, the Company does not have any arrangements that unbundle or separate voting rights and cash flow rights of shareholders. *All shareholders are equally entitled to voting and dividend rights in accordance with their equity holdings.* This rule ensures that the Company's controlling shareholders' interests are aligned with the minority shareholders' interests. There are *no shareholders agreements or arrangements affecting, limiting or controlling voting rights of any other class of shareholders.*

The Company has entrenched policies on transactions with related parties requiring the full disclosure thereof in the Company's financial statements and in other Company reports. The Company's related party transactions include, among others, written service level agreements with its affiliates and subsidiaries for human resources, internal audit, legal, treasury and corporate finance services, for guarantees of credit accommodations of subsidiaries and affiliates and intercompany advances for working capital requirements of subsidiaries and affiliates. The Company does not set thresholds for disclosure of related party transactions, but rather fully discloses all related party transactions regardless of amounts in full compliance with existing Philippine financial accounting standards. The Company also ensures that they have the character of arm's length transactions consistent with, among others, existing rules on transfer pricing. In 2014, the Company reviewed, studied and updated practices to comply with stricter transfer pricing rules, policies and best practices and for continuous improvement of processes. These related party transactions are disclosed in the Company's Annual Audited Financial Statements and Management Reports.

The Company strictly follows the Philippine Corporation Code and SEC rules on voting for specific corporate acts where levels of approvals for specific types of related party transactions in the Board and in shareholders' meetings levels may be required. The Company's Independent Directors and the Board Audit Committee play an important role in reviewing significant related party transactions as it does in the regular course of its work. The Company's related party transactions are typically agreements entered into in the ordinary course of business to maximize efficiencies and realize cost synergies. These are reported to the Board as they are entered into.

## GOOD GOVERNANCE FOR SUSTAINABLE BUSINESS

Sound corporate governance principles are the foundations for building our reputation and preserving the trust of investors and stakeholders. The Company takes a long term and sustainable position on its corporate existence, goals and strategies. A balancing of all stakeholders' interests is necessary to avoid being locked in a short term business perspective. The Company's corporate governance, rooted on a values-based corporate culture for a sustainable future, is its primary benchmark for corporate governance. AboitizPower is committed to preserving its fundamental core values and embedding these in its daily business practices.

Good corporate governance principles are being practiced by the Company to achieve sustainable growth. The Company has a mindset of finding better ways to do its businesses and at the same time adhering to the triple bottom line framework or the "Three Ps", namely, **People, Planet and Profit** as part of its corporate governance and sustainability practices. It continually endeavors to live up to its brand promise of increasing shareholder value based on a commitment to corporate governance best practices. AboitizPower is continually receiving and improving its governance practices.

### *The Regulatory Framework*

As a Philippine company listed on The Philippine Stock Exchange, Inc. (PSE), the Company must comply with a number of laws and rules that affect it and its subsidiaries' governance. In the pursuit of its core businesses and in its dealings with all stakeholders, the Company complies with the following general and special laws and various implementing rules and regulations which constitute its legal framework: The Philippine Constitution, the Securities Regulation Code (SRC), the Administrative Code, the Corporation Code of the Philippines, the Labor Code of the Philippines, the Civil Code of the Philippines, the Revised Penal Code and its amendments, the National Internal Revenue Code, the Electric Power Industry Reform Act of 2001, the Renewable Energy Law, the Clean Air Act, the Social Security System Law, the Consumer Protection Act, the Price Act, the Intellectual Property Code, the Foreign Investments Act, the Property Registration Decree, the Omnibus Investments Code, the Philippine Economic Zone Authority Law, the Anti- Pilferage of Electricity and Theft of Electricity Transmission Lines Act, Clean Air Act, Clean Water Act, Renewable Energy Law and other applicable statutes, implementing rules, regulations, guidelines, and governing circulars and policies of the SEC, the PSE, the Department of Energy (DOE), Department of Environment and Natural Resources (DENR), the Energy Regulatory Commission (ERC), the Wholesale Electricity Spot Market (WESM) and the Philippine Electricity Market Corporation (PEMC), the Philippine Grid Code, the Philippine Distribution Code, and other relevant administrative agencies with oversight of its core businesses. Our regulators include the SEC, the PSE, the DOE, the Bureau of Internal Revenue, (BIR) the ERC, the Board of Investments, the Land Registration Authority, the Bureau of Customs, National Commission on Indigenous Peoples, the National Water Resources Board, and the offices of the local government units, among others.

The internal regulatory framework of the Company is based on the policies of the Board Corporate Governance Committee, Board Audit Committee, Board Risk and Reputation Management Committee, the now reorganized AP Distribution Utilities Board, AP Generation Board, Group Mancom, AEV Mancom and other Company Departmental policies, Risk and Reputation Management Policies and other Company and Aboitiz Group policies and guidelines.

Since its public listing in 2007, AboitizPower has consistently been recognized for its commitment to adopt corporate governance best practices from the minimum statutory requirements for publicly listed companies to that of an Asian governance stalwart. It has climbed the ranks of a top well governed Philippine Company to a reputable Asean company, as recognized by the Institute of Corporate Directors (ICD) through the annual ICD governance scorecard, by the PSE through the PSE Bell Awards, and by Corporate Governance Asia and Finance Asia.

### ***Corporate Social Responsibility***

AboitizPower's Corporate Social Responsibility (CSR) policies and practices as well as that of Aboitiz Equity Ventures, Inc. (AEV) are rooted to a corporate generational history of philanthropy and responsibility way before CSR became a buzzword. AboitizPower CSR practices reflect an acceptance of the Company's responsibility towards the community and environment (both ecological and social) in which it operates its businesses, and a business model that enables it to establish an overall impact to society. As a corporate citizen, it is the Company's continuing commitment to behave ethically and contribute to the economic development while improving the quality of life of its workforce, their families, its customers, its local communities, its government and society at large whilst committed to sustainability. The bottom line is that CSR is about business giving back to society and acting in an ethical, fair and transparent manner in all its dealings with all stakeholders in society.

The Company's CSR has a long history. AboitizPower believes that CSR is an integral part of how it operates its businesses and part and parcel of its overall governance and philosophy of being responsible members of society by sharing and being a neighbor of choice wherever its companies operate.

In 1988, the Aboitiz Group established the Aboitiz Foundation, Inc. (Aboitiz Foundation or Foundation) as the corporate social responsibility arm of the Aboitiz corporate group. CSR teams from business units nationwide have been formed and these teams work together closely with the Aboitiz Foundation in areas where AboitizPower businesses are located. The AboitizPower companies such as Hedcor Group, Aboitiz Energy Solutions, Inc., AP Renewables, Inc. (APRI), Therma Luzon, Inc., Therma Marine, Inc., Luzon Hydro Corporation, Cebu Private Power Corporation, Davao Light & Power Company, Inc. (Davao Light), Cotabato Light & Power Company (Cotabato Light), Visayan Electric Company, Inc. (VECO), Subic EnerZone Corporation, Mactan Enerzone Corporation (MEZ) and Balamban Enerzone Corporation (BEZ), allocate a percentage of their profits every year

to fund the Foundation's projects in their respective areas of operations with the goal of being the neighbor of choice to their host communities.

The Aboitiz Foundation's programs and development projects focus on education, enterprise development, primary health and child care, corporate donations, and environment. Over the last five years, the Aboitiz Group has allocated more than ₱2 bn for its various CSR projects. For 2014 alone, the Aboitiz Foundation earmarked around ₱423 mn for projects. AboitizPower contributed about ₱114 mn to these projects. In addition, Aboitiz Foundation also collaborated and partnered with other organizations and foundations where there was an alignment of goals or where a greater need of society required more interdependent CSR strategies. (See *Aboitiz Foundation Report at [www.aboitizfoundation.org](http://www.aboitizfoundation.org)*)

### ***AboitizPower Stakeholders***

AboitizPower is committed to positively engaging its key stakeholders whether statutory, contractual, or its community. The Company's contractual stakeholders include the Customers, Employees, Business Partners, Suppliers, Shareholders, Lenders, and Alliances. The Company also recognizes its community stakeholders who are consumers, regulators, government agencies, local governments, politicians, local communities, traditional and social media, non-governmental organizations, trade groups, advocacy groups and other groups within the general spheres of influence. Management's direction is to also take ownership of its output because AboitizPower, its Board, officers, and management team are also stakeholders.

### ***Internal Company Controls***

In the pursuit of its core businesses and in its dealings with all stakeholders, AboitizPower complies with its external and legal framework involving various general and special laws and their implementing rules and regulations.

AboitizPower's internal regulatory framework is primarily based on the corporate governance principles and policies laid down in its Articles of Incorporation and By-Laws, the Amended Manual of Corporate Governance (Manual), the Code of Ethics, Board Protocol, and Board Committees' Charter and work procedures and policies, policies of the Group Mancom, the former AP Distribution and AP Generation Boards (which have recently been merged into an AboitizPower Executive Committee), and other Departmental policies, Risk and Reputation Management Policies and other Company and Aboitiz Group wide and corporate center policies and guidelines.



## THE SEC CODE OF CORPORATE GOVERNANCE

The SEC, being both a company's registry and a securities regulator, require all publicly listed companies to adopt its model manual of corporate governance providing for minimum standards and provisions. The Company has complied with these requirements.

The Company's Manual Corporate Governance clearly states that corporate governance is a necessary component of what constitutes sound strategic business management and enjoins the Board, the management and employees to undertake every effort necessary to not only create a culture of governance, but also create and embed a unique Aboitiz branded governance culture with the underlying core values of integrity, teamwork, innovation, and responsibility, as part of the Aboitiz corporate culture. The Manual was approved by the Board at its regular meeting on April 26, 2007, shortly before it became a publicly listed company.

Since the adoption of its Manual, the Company has reviewed, revised, updated and amended the Manual through subsequent Board actions in keeping with evolving best practices. AboitizPower is committed to adopting best practices corporate governance whenever possible, including the continued compliance with the SEC's form corporate governance manual. The Board regularly reviews the Manual in order to update its practices in line with the SEC's and the PSE's regulatory amendments and global developments.

To ensure that the Manual remains updated and responsive to the demands of the business and legal environments, the Board committees regularly review the Manual. The Company amended the Manual and updated the Company's practices in the following areas: (a) Selection of the Board of Directors and Officers; (b) Composition of the Board Corporate Governance Committee; (c) Changes in the Board Risk Management to Board Risk and Reputation Management Committee; and (d) Updates to the Board Audit Committee Charter.

The Board Corporate Governance Committee oversees and initiates any changes or amendments to the Manual. On May 11 and August 1, 2012, the Board Corporate Governance Committee approved the proposed amendments to the Manual to comply with new requirements of the SEC, such as the rule on the terms of Independent Directors under SEC Memorandum Circular No. 9, Series of 2011. The most recent amendments were submitted to the SEC on July 30, 2014.

## COMPANY VISION: A BETTER FUTURE

### Dream Big

The AboitizPower story is closely intertwined with the Philippine Power Sector evolution that began



in 2001 with the passage into law of Republic Act No. 9136 (EPIRA) – the first milestone. EPIRA was intended to provide a framework for the restructuring of the electric power industry based on the privatization of the assets of the National Power Corporation (NPC), the transition to the desired competitive structure and the definition of the responsibilities of the various government agencies and private entities. EPIRA’s goal was to provide ample and reliable supply of electricity and provide competitive electricity sales.

AboitizPower actively participated in the Philippine power industry reform and in the NPC/PSALM assets privatization. In 2003, AboitizPower through Hedcor, Inc. (Hedcor) bid and won the 4 MW Talomo mini-hydroelectric power plant, its first asset acquired from the privatization process.

Following the success of this acquisition, AboitizPower continued to pursue the bidding of bigger NPC assets. With its Norwegian partner, SN Power, AboitizPower successfully won the bid for the 360 MW Magat hydroelectric power plant in 2006. At about the same time, its distribution utilities began the migration to the world standard, Performance-Based Rate (PBR) making methodology established by the ERC pursuant to the EPIRA mandate.

The traction of the EPIRA mandated privatization provided the impetus for AboitizPower’s growth. In 2007, AboitizPower undertook an initial public offering (IPO) transforming it to a publicly listed company on the PSE. The IPO enabled AboitizPower to fund its major acquisitions and greenfield projects and begin benchmarking its business to world class standards.

With the transformation of its distribution utilities adopting to better or world-class standards, and the growth of its generation assets from 149 MW attributable capacity in 2005 to 2,250 MW attributable capacity in 2014, AboitizPower set its sights to bigger, more efficient, more competent and more strategic businesses in the power industry space.

By September 10, 2014, AboitizPower issued a second retail bond offering to further fund the financing requirements of projects such as its 400 MW Pagbilao Pulverized Coal-Fired Expansion Unit 3 project, its 68 MW Manolo Fortich hydropower plant project, the 300 MW Cebu Coal Project, the 300 MW Davao Coal Project, the 14 MW Sabangan hydropower plant project, the 12 MW Hedcor Tamugan hydropower plant and to explore solar and wind based energy projects. The retail bonds were rated by Philippine Rating Services Corporation as a “PRS Aaa”.

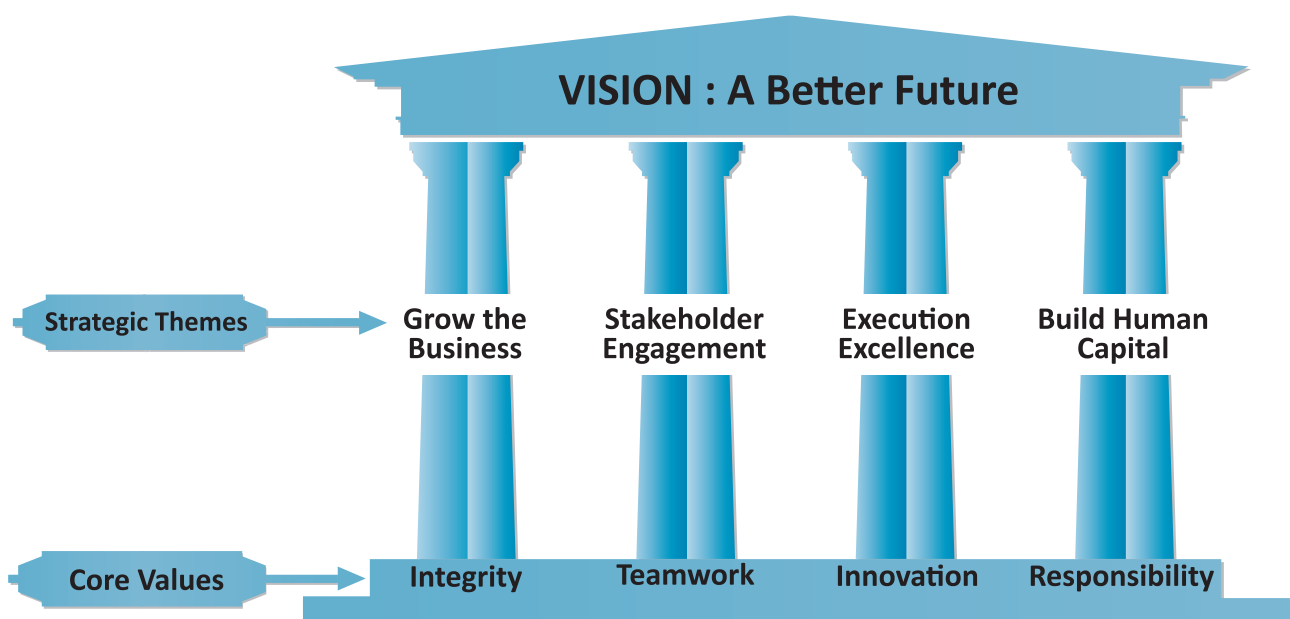
## COMPANY VISION, RESPONSIBILITY & CHALLENGES

AboitizPower set its compass to a **vision**: *A Better Future*. Its **mission**: *To Find Better Solutions*. Its **corporate brand attributes**: *Pro-active, Expert, Responsible*. Its **responsibility**: *To provide reliable and ample power supply needed by our country; To ensure that supply of electricity is provided*

at a reasonable competitive price with the least possible adverse effect on the environment and communities.

The Company’s Cleanergy Brand reflects AboitizPower’s vision: to offer energy solutions that leave a lighter impact on the Earth’s climate and its limited resources and to promote the usage of clean and renewable energy from sources that are sustainable and cleaner than fossil fuels. (See details of Cleanergy Brand in Sustainability Report at [www.aboitizfoundation.org](http://www.aboitizfoundation.org))

AboitizPower’s key strategies are best articulated in its strategic corporate pillars supported by the corporate brand attributes of Integrity, Teamwork, Innovation and Responsibility:



AboitizPower has been working to grow its organization. From a total group manpower count of 3,756 in 2011, it has grown to a total manpower count of 5,312 in 2014. This expansion and the needed further expansion is per se a challenge. The expansion of the Company requires no less than a restructuring and an organization redesign to address the future. The goal for 2014 was to build an organization to catch up with current and future growth, and most especially to address succession and competency building. In 2014, management participated in the Leadership Circle Program designed by Catalyst Leadership. The program created leadership circles within the Aboitiz Group and AboitizPower for their top management. The aim is to shape and develop the creative leadership competencies that are characteristics of a high performing world class organization. The leadership circles also agreed on six leadership dimensions that would characterize the way its leaders lead. These dimensions are: Mentoring and Developing; Fostering Teamwork; Courageous Authenticity, Achieving Results, Sustaining Growth; and Integrity. AboitizPower identified key technical and leadership competencies

required across the Company's organization for new existing talents. The organizational redesign is intended to build an integrated organization that is responsive to the Company's current and future needs, ably manned by competent professionals with a relatively decent bench.

2014 saw major challenges to the EPIRA reforms, the regulatory framework of AboitizPower's business model. These current market and regulatory challenges continue to reshape the power industry through judicial review. AboitizPower is striving to navigate through these challenges but staying steadfast to its core principles, vision and mission and most especially, strengthening and organization for tomorrow's power industry landscape.

## **AN ETHICAL BUSINESS**

The Aboitiz Code of Ethics and Business Conduct adopted by the Company in 2002 sets out how the Executive Management, team leaders and team members can achieve and maintain ethical standards in the Company's day to day operations and summarizes the Company's fundamental policies and directives. All Directors, officers, management team and employees are required to comply with the Code.

The Code of Ethics and Business Conduct clearly sets the standards, policies and procedures on proper business conduct with co-employees, shareholders, investors, suppliers, customers, analysts, creditor and financial institutions, fair dealings, conflicts of interest and related party transactions, inappropriate gifts and favors, appropriation of corporate opportunities, dealing with proprietary and confidential information and Company systems and assets, use and misuse of inside information, fair and truthful disclosures to the public, maintenance of accurate books and records, respect and dignity accorded to others, promotion of safe and healthy working environment and the enforcement and administration of the Code of Ethics. The Code of Ethics and Business Conduct guides employees, the Board and Management in the Company's day to day business operations in confronting the myriad issues that arise in a business as diverse and dynamic as that of the Company. The detailed implementation of the Code of Ethics and Business Conduct is overseen by the Board Corporate Governance Committee, by the Chief Compliance Officer, as well as the functional team leaders in the Company.

In 2011, the Board mandated a corporate governance seminar program for all employees, for both Team Leaders and Team Members. All newly-hired employees of the Company attend a new hires' seminar and an annual Quality Focus seminar that includes a re-orientation on the Company's Manual and Code of Ethics and Business Conduct. AboitizPower's online Corporate Governance E-learning Course for all employees and new hires is taken through a web-based portal and application. These mandatory seminars are conducted to inculcate in and refresh all employees' awareness and understanding of the Manual and the Code and the underlying principles of corporate governance and ethical behavior and conduct. Employees receive compliance certificates for such seminars. In

2014, the Company conducted its first Annual Corporate Governance Seminar in compliance with SEC Memorandum Circular 20, Series of 2013 for all members of the Board of Directors and key officers of the Company, on topics relating to the ASEAN Corporate Governance Scorecard, ASEAN Integration, and Financial Reporting and Audit Procedures.

To protect proprietary information of the Company, its subsidiaries and its affiliates, the Directors, Officers and Team Members of the Company sign a Non-Disclosure Agreement in accordance with the applicable provisions of the laws of the Philippines, the Company's Articles of Incorporation and applicable rules and regulations issued by the regulatory bodies.

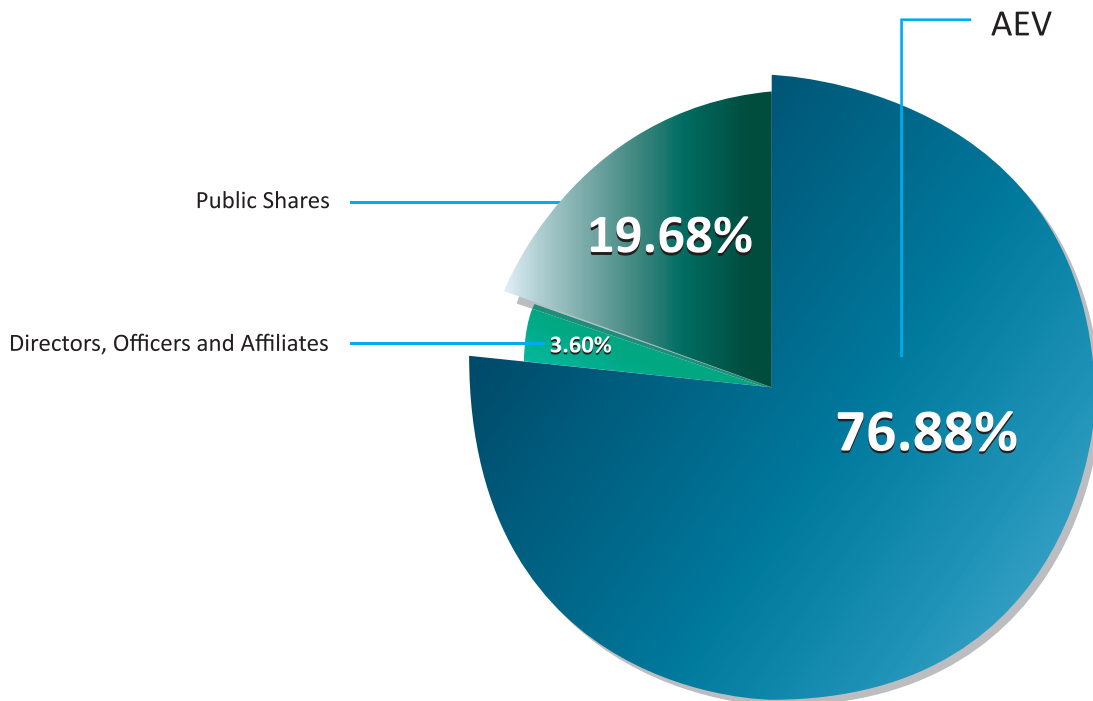
All directors, officers and employees have an individual responsibility to ensure that business practices adhere to the rules of the Code of Ethics and Business Conduct. In 2014, no employee or officer sought any exemption from the application of the corporate governance rules and guidelines of the Company. Adherence to the Code of Ethics and Business Conduct is actively encouraged. Employees are encouraged to exercise their sound judgment and decision in day to day life, and demonstrate one's commitment to the core values of the Company. There has been no incident of non-compliance with the Code.

## **ABOITIZPOWER OWNERSHIP STRUCTURE**

The share capital of the Company consists of one class of listed common shares and a class of non-listed preferred shares. All common shares are voting shares following the rule of One-Share, One-Vote. The preferred shares are non-voting, non-participating, non-convertible, cumulative, reissuable shares and may be issued from time to time by the Board in one or more series. These preferred shares are generally issued to financial institutions or financial market intermediaries and are treated by the Company and its auditors as debt instruments and disclosed as such in its books, in conformity with the Philippine Accounting Standards and the International Financial Reporting Standards as implemented by the SEC. *(See Management's Discussion and Analysis or Plan of Action and the Company's Financial Statements at [www.aboitiz.com](http://www.aboitiz.com))*

According to the share register kept by The Hongkong and Shanghai Banking Corporation Limited, the Company's stock and transfer agent, as of December 31, 2014, AboitizPower had 601 shareholders. As of the same period, AEV, another publicly listed holding company, owned 5,657,530,774 shares or 76.88% of the 7,358,604,307 total outstanding and common stock entitled to vote. Of the Company's total outstanding shares, 1,448,260,153 shares or 19.68% was held by the public. Moreover, the Company's Directors, Officers and Affiliates owned 252,813,380 shares or 3.44% of the total outstanding common stock entitled to vote.

Below is a general view of the Company's shareholder composition:



AEV is also a publicly listed company with 9,494 shareholders as of December 31, 2014.

## THE BOARD'S VISION AND MISSION

The Company's Board of Directors recognizes its role of providing leadership and stewardship to the Company, its stockholders, and all other stakeholders. The role of the Board is to represent and protect the interests of the owners of the business and other key external stakeholders, regardless of category, within the boundaries of its corporate charter, and all relevant statutes and legal regulations and rules. The primary purpose of the Company's Board is to provide governance and oversight to the Company and its businesses in which it has direct or indirect interests. In addition, its responsibilities extend to other stakeholders in respect of compliance with regulatory standards; the provision of appropriate information and updates; and the effective representation and protection of the Aboitiz brand and reputation. The Board is responsible for the success of the Company through its supervision and oversight over affairs in a responsible and effective manner.

## CHALLENGES & STRATEGIES

There are many challenges that face every individual player in the power sector. These challenges are par for the course in the transformation of the power sector under EPIRA from the nationalized monopolistic model where transmission, generation and supply were controlled by NPC, to the competitive unbundling of transmission, distribution, generation and retail supply of electricity model. The EPIRA reforms opened new investments from the private sector, freeing taxpayer sourced public funds to be spent for other infrastructure needed for the country. However, certain stakeholders perceive that some of the reforms under EPIRA have not delivered the reliable, ample, but lowered cost of electricity as promised by EPIRA resulting in a clamor for more government intervention.

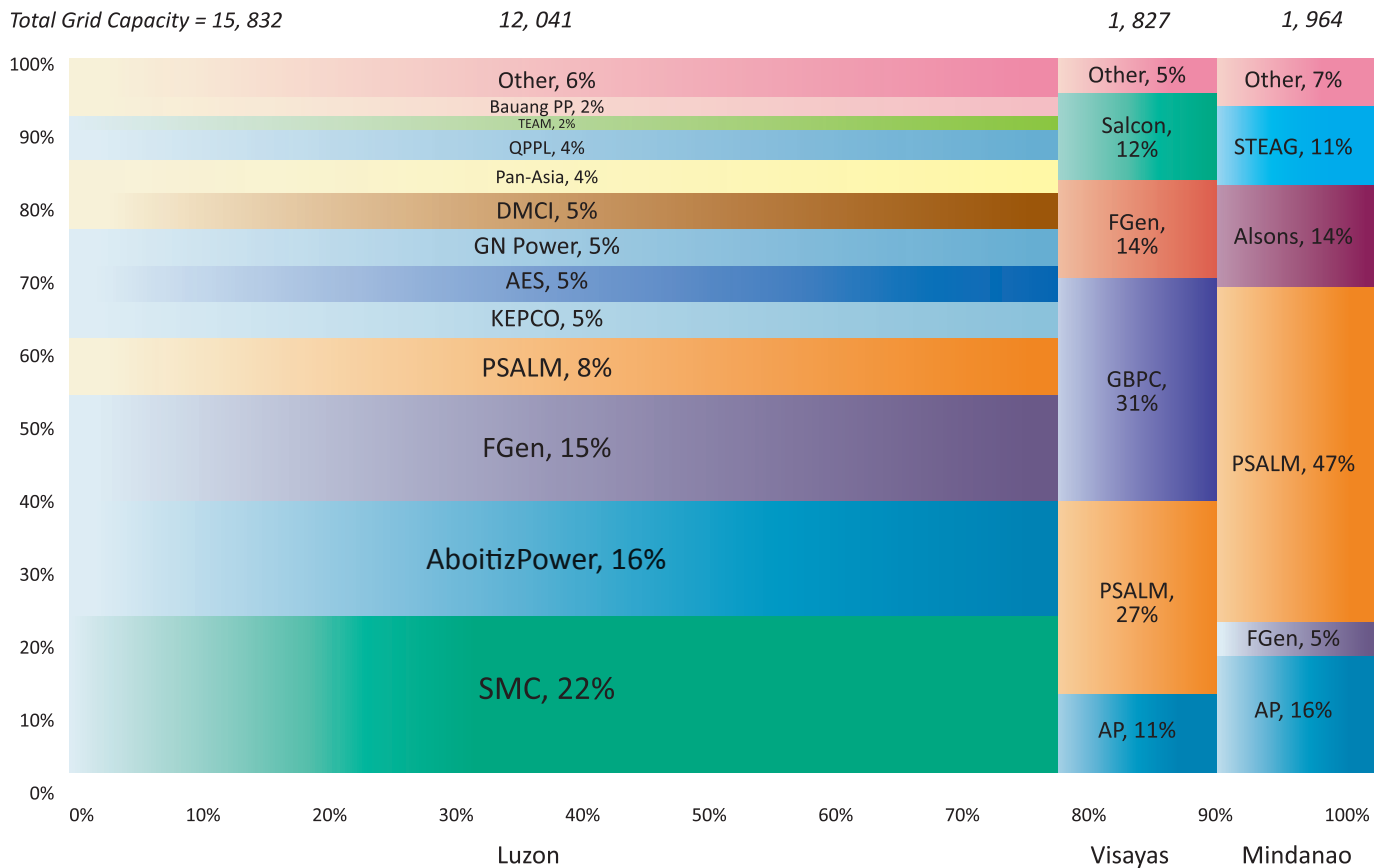
In 2014, all power industry players including those unregulated industry players experienced the strong hand of government intervention in the industry. The top challenge of AboitizPower for the year 2014 was increased regulation with tendency of intervention from the DOE and the ERC. There was high regulatory intervention for the non-regulated industries designated under the EPIRA. The energy regulator, i.e. the ERC, declared its implied authority to exercise police power, ordered regulated prices, and declared market failure of the WESM when there was an allegation of excessive high prices in the WESM, even though energy market prices cleared based on rules approved by the ERC and the PEMC. The ERC has also been making policy shifts to the existing ERC-established PBR methodology for the 2nd regulatory period forcing AboitizPower Distribution Utilities to make adjustments to their existing rate-making model.

The 2014 regulatory interventions and shifts in existing energy policies are reflected by the DOE and the ERC intervention in the WESM but with a corresponding exemption of the Malaya Power Plant, an NPC owned and operated power plant, from the must offer rule of WESM. The ERC also started implementing conditional final approvals of Power Supply Agreements between generators and distribution utilities where the final rates are subject to further review after the construction of the new power plants. In another shift of policy, the ERC prohibited generators or affiliates of distribution utilities from obtaining licenses to operate as retail energy suppliers (RES). On this prohibition, certain power industry participants are of the position that the ERC is a contrarian in the implementation of the EPIRA mandate for the retail supply sector.

Given these shifting regulatory policies, AboitizPower's top challenges in 2014 were and still remains, sustaining viability and growth of its power business while working through the dynamic environment of permitting and regulation for greenfield and existing generation projects, its continuing exposure to a weak grid infrastructure, and on the distribution business side, changes in the PBR methodology that has been in place since the implementation of EPIRA. More importantly, AboitizPower needed to build its organization for the present needs as well as for future expansion. Another major challenge that faced the Company is how to build a competent workforce in the industry. The Company has therefore set as its goals, the training of fuel experts, building of team networking skills and a company-wide performance management mindset.

Despite stakeholders' concerns on the existence of monopolistic power players, statistics actually show that EPIRA has actually created a more competitive electricity market since the breakup of the NPC monopoly. Below is a table showing the 2014 percentage of capacity within the Philippine national and regional grids and the industry players participants.

### 2014 Installed Grid Capacity (MW)



Source: ERC Resolution, March 10, 2014

Under EPIRA, no company or related group can own, operate or control more than 30% of the installed generating capacity of a regional grid and/or 25% of the national installed generating capacity.

In response to many challenges in 2014, the Company focused on improving efficiency and straightforward processes across its utilities by engaging Renoir Consulting. In addition, the concept of shared services for the eight distribution utilities was introduced in the areas of accountancy, finance and information. The same concept is also the subject of an ongoing study for the entire AboitizPower business.



The functional boards consisting of AP Generation and AP Distribution Utilities continued to oversee the Company's lines of businesses. The AP Corporate Center continued to assist and provide general and specific expertise to the business units, to take part and drive the strategic planning process, to set financial, fiscal and operating parameters, to source and optimize key or necessary talent, to identify synergies and determine group-wide policies and help improve and uplift the overall performance of all business units. To further support AboitizPower in the successful execution of its business strategies, it maintained its service level agreements with AEV Corporate Center for its additional Human Resources services, Treasury, Accounting, Risk Management, Legal & Corporate, and Computer and Information Technology services. These shared services are intended to provide corporate governance controls, knowledge building, and a business partnership net for AboitizPower for itself, as well for the Company's subsidiaries and affiliates, in order to keep it aligned to its strategies and anchored on solid grounds. These arrangements are made on an arms length basis and with market-based benchmarks.

## **PERFORMANCE AND GOVERNANCE SCORECARD AND STRATEGIC INITIATIVES**

### ***Alignment and Execution of Strategies***

In annual budget reviews and strategic planning sessions of all AboitizPower companies, each business unit sets the goals and initiatives for the incoming year. In 2014, the goals and initiatives of all business units of AboitizPower were aligned to that of the Company's strategic pillars namely: Grow the Business, Stakeholder Engagements, Execution Excellence and Build Human Capital. AboitizPower's strategic themes are also aligned to that of Aboitiz Equity Ventures, Inc. as a group.

In 2014, AboitizPower reviewed, studied, assessed and improved protocols and organizational structures to gear up for its planned growth of businesses. The alignment and execution of goals follows the framework of the strategic balanced scorecard.

Its 2013 corporate strategic goals and the initiatives focused on implementing Risk Management Plans, Asset Management programs, Building the organization to catch up with current and future growth, Building the Aboitiz culture across the Group, Implementing Project Management Training, Implementing Safety Management, Integrating Corporate Social Responsibility, Sustainability, and Branding programs and Implementing Environmental Compliance System. These goals and initiatives were continued in 2014. In addition, the Company decided to engage Renoir Consulting for improvement of processes and organizational design of the entire Company. These are some of the non-financial performance indicators of the Company.

The AboitizPower Business Development Team expanded its team to evaluate new business opportunities whether greenfield, brownfield or acquisition opportunities in the Philippines and overseas.

### ***Balanced Scorecard for Performance***

AboitizPower uses the Balanced Scorecard approach to setting of strategic initiatives and goals and performance rating. The achievement of key performance indicators are also monitored through Success Factors, a web-based technology tool for the alignment of strategies and goals. Success Factors is a management tool enabling alignment of goals from the CEO and cascading these all the way down to the team leaders and members of an organization. Success Factors is an on-demand Performance and Talent Management software module enabling all team members in the organization to create their individual goals on line and allowing employees to understand what is expected from them, giving them a sense of accountability on their deliverables in relation to the alignment to corporate goals. It provides a very critical key in maintaining clear and unobstructed line of sight-employees are able to see and appreciate how their goals contribute to the Company's overall goals. The Company's Corporate Center and its Distribution businesses use Success Factors.

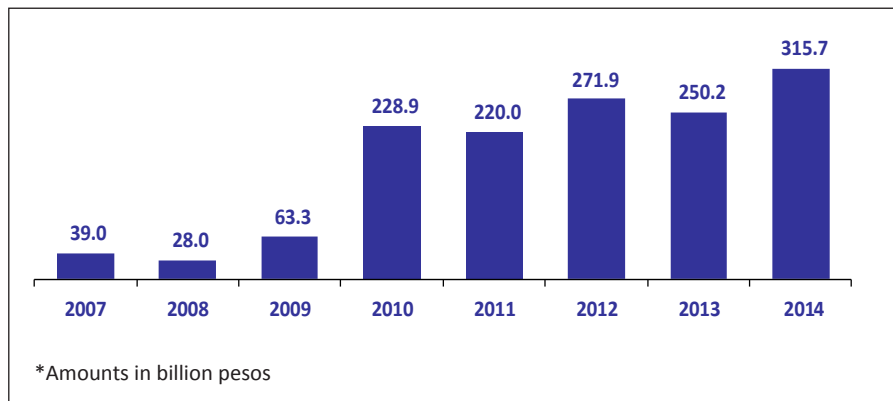
The Success Factors Performance Management technology allows AboitizPower team leaders and members to set goals and monitor progress of each employee's goals and determine gaps in skills and competencies. Through Success Factors' suite of tools, each employee can view his tangible contribution and alignment of his corporate and personal goals all the way through to top management while top management, i.e., the CEO, the AP Generation, the AP Distribution Utilities and the AP Trading and Marketing Team Leaders, can also view the cascade of his goals to all employees. This accessible view includes the status of the execution of all goals of Team AboitizPower.

For performance, the Board Corporate Governance Committee organizes the assessment of the performance of the CEO by the members of the Board and the Board's own performance through an annual performance scorecard, while Corporate HR provides the numerous annual key officers, performance and competence assessment reviews, whether it be a 360-degree survey, a Key Talent Review, a Success Factors Goals accomplishment review or other annual job performance measures.

### Market Capitalization as Non-Financial Performance Indicator

One compelling non-financial performance indicator is the price of the Company's shares on the PSE. At the end of 2007, the year when AboitizPower went public, its market capitalization was ₱39 billion. By the end of 2014, its market capitalization grew to ₱315.7 billion, or a growth of 709%. The share price on the PSE indicates noteworthy growth and gains for AboitizPower.

Below is a historical view of the Company's market capitalization:



### ABOITIZ INTEGRATED MANAGEMENT SYSTEM (AIMS)

The Company, together with AEV, uses two recognized management systems - Information Security Management System (ISMS) ISO 27001:2005 and the Quality Management System (QMS) ISO 9001:2008, as merged. This created a simplified and unified approach to data security, quality services and products, with the objective of attaining company sustainability, transparency, and ultimately investor and customer satisfaction.

In 2009, the Aboitiz Group Data Center was certified for ISO 27001:2005. The Company Data Center passed its surveillance audit. It has continually implemented and maintained a coherent set of policies, processes and systems to manage risks of the Company's information assets, thus ensuring acceptable levels of information security risk. The Company also recognizes the need for a well-documented system for non-IT assets and processes that ensure consistency and improvements of working practices including the products and services produced. With the merger of ISMS and QMS, the Aboitiz Group Data Center was re-certified for the 27001:2005 at the end of 2013 by TUV Rheinland, an international certifying body based in Germany. This was again re-certified in December 2014.

QMS defines and interacts with all activities of the organization, beginning with the identification of customer requirements and ending with their satisfaction, at every transaction interface. It provides consistency and satisfaction in terms of methods, materials, equipment, and other items.

The AIMS is committed to Customer Confidence and Satisfaction, Continual Improvement, Measurable Processes, Confidentiality, Integrity, and Availability of Information.

With the integration of the ISMS and QMS systems under the AIMS in every department, the Company has become more disciplined in defining precise procedures, responsibilities and documentation. The Company will also gain a better insight of the system and can identify the improvement areas easily.

The Company, together with AEV, has adopted the eight management principles of Customer Focus, Leadership, Involvement of People, Process Approach, System Approach to Management, Continual Improvement, Factual Approach to Decision Making, and Mutually Beneficial Supplier Relationships. The Renior Consultancy engagement in 2014 is intended to further upgrade, update and reorganize the Company's process for future requirements.

## **ENTERPRISE RISK MANAGEMENT (ERM) AND REPUTATION MANAGEMENT**

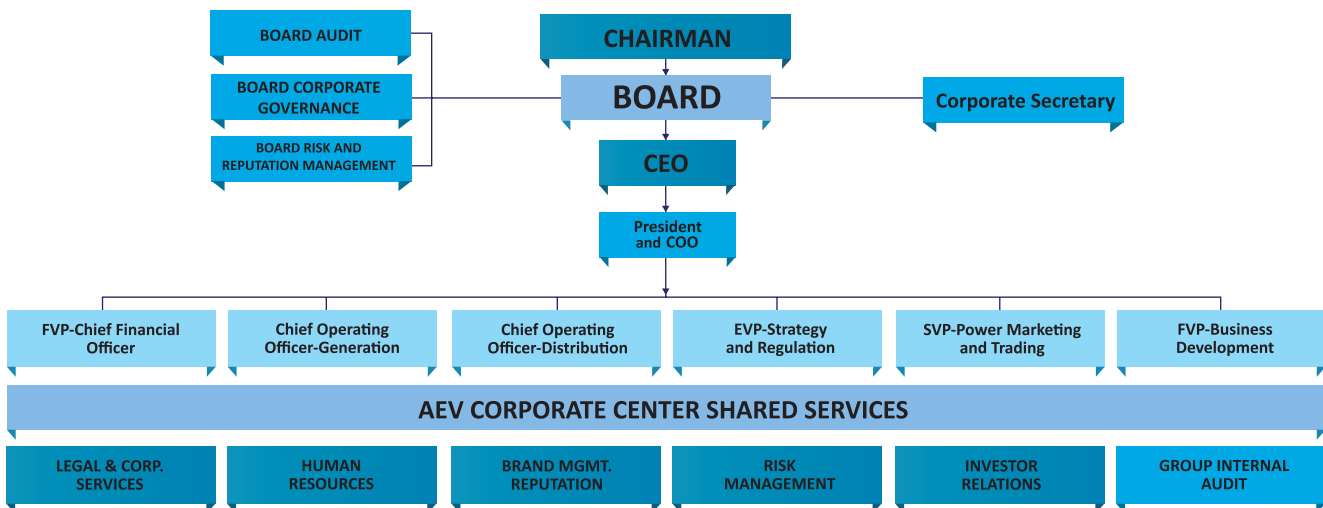
The Company implemented enhancements and undertook initiatives to elevate risk management maturity Groupwide to Level 4. Level 4 represents the Group's goal of having Risk Management (RM) policies and practices consistently implemented across the Group.

Now on its third year of assessing group-wide risk maturity, the Group's average rating is at 3.9 on a scale 1-5. This rating puts the Aboitiz Group at the top 15% of all participating organizations in the global Risk Maturity Index (RMI) assessment conducted by AON annually.

The assessment conducted in 2014 was participated in by 110 Aboitiz Group team leaders, which included Board Members, C-Suite executives, key operating team leaders and risk managers from 16 business units.

## ORGANIZATIONAL STRUCTURE

Below is the 2014 AboitizPower organizational structure delineating the responsibilities of the functional boards and teams that execute and oversee the Company's strategies, goals, vision and mission:



2014 was marked by an intense focus on succession planning and building of the future AboitizPower organization as well as the entire Aboitiz Group's future workforce and succession. The focused discussions in 2014 led to a decision to reorganize the functions of the President, CEO and COO. AboitizPower's By-Laws were amended so that the President and CEO positions were separated. Mr. Erramon I. Aboitiz remained the CEO, while Mr. Antonio R. Moraza, current COO of the generation business, was promoted to President and COO of AboitizPower. The CEO will then focus on strategies and setting of vision and values, corporate directions and performance directions. The President and COO will focus on making the organization ready to execute the strategies. The other important decision made in 2014 was to extend the retirement date of the Aboitiz Group CEO and AboitizPower CEO, Mr. Erramon I. Aboitiz, as well as Mr. Antonio R. Moraza's retirement date, both to 2019. The extension is intended to ensure that the Company builds an organization ready to execute its long term goals and ready for the successor.

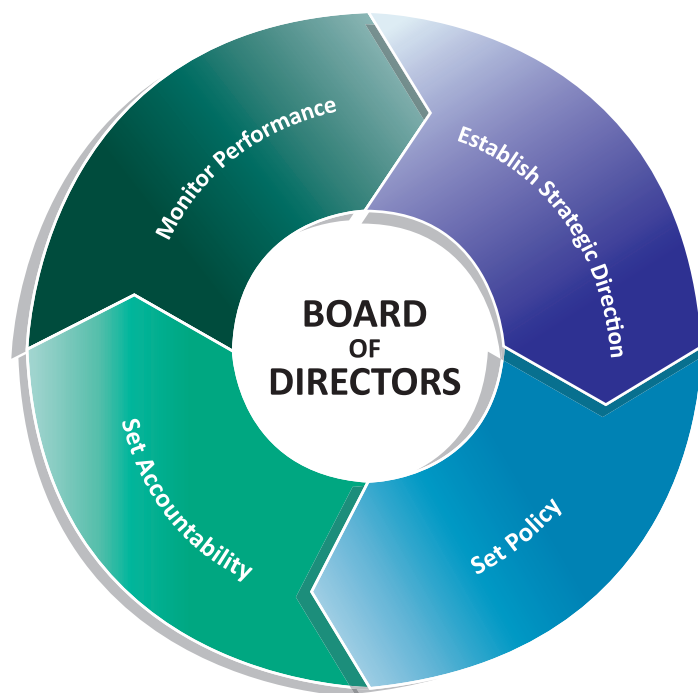
## BOARD RESPONSIBILITY

The Company believes that compliance with the principles of good governance begins with the Board of Directors. The Director's office is one of utmost trust and confidence. The Board of

Directors is expected to act in the best interests of the Company in a manner characterized by transparency, accountability and fairness in the exercise of leadership in directing AboitizPower towards a sustainable growth. The Company’s Board responsibility is a recurring cycle as shown below:

The Company’s Board of Directors sets the standards for the Company’s corporate governance practices. The Board of Directors is committed to the adoption and observance of best practices in corporate governance as well as compliance with all relevant laws, regulations and codes of business practice.

The Board of Directors approved additional policies and protocols recommended by the Board Corporate Governance Committee as part of its commitment in its effort to continuously adopt evolving best practices. These Board Protocols include Policy on Information Disclosure, Policy on Related Party Transactions, Policy on Conflict of Interest, and Whistle Blowing Policy.



In 2014, the Board approved additional protocols recommended by the Board Corporate Governance Committee for continuous improvement of solutions to shareholder concerns.

The Board is responsible for ensuring long term success of the Company and its sustained competitiveness in a manner consistent with its fiduciary responsibility. It exercises these duties for the best interests of AboitizPower, its shareholders and other stakeholders pursuant to the principles adopted in the Manual and applicable laws. The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It shall provide an independent check on Management.

The Company’s By-laws require that the quorum for board meetings is a majority of the members of the Board, in accordance with the Corporation Code of the Philippines. The quorum needed to approve Board resolutions of the Company is a majority of the directors, there being a quorum for the meeting. As a matter of Board practice, decisions of the Company’s Board are always made with the consensus or vote of all of the Company’s independent directors, thus resulting in a unanimous vote of all directors of the Board.

The Board is actively engaged in discussions of strategic business issues of the Company and the directors are consulted for their invaluable inputs through the special strategy board meetings, the informal director's lunches, dinners and gatherings with the management teams. The Board Corporate Governance Committee formalized these gatherings into an annual Board Retreat or strategy meetings in an atmosphere of relaxed, open and intellectual exchange.

As part of its director development program and to ensure that the members of the Board remain up to date with business and legal developments, the Board is provided regular legal bulletins, and invited to economic and industry-specific briefings and strategy and management conferences within the Aboitiz Group. All directors, including the Independent Directors, actively participate in these activities. The Board of Directors of the Company is likewise required to attend and participate in corporate governance seminars to further enhance their knowledge and capabilities.

## **AN EFFECTIVE BOARD: SELECTION & COMPOSITION**

For an effective Board, the Company takes serious consideration of the selection of Members of the Board. The selection is based on the following qualifications: (i) ownership of at least one share of stock of AboitizPower in compliance with the Corporation Code of the Philippines; (ii) university education or sufficient experience in managing the business, in lieu of a college education; (iii) at least 21 years old; (iv) proven to possess integrity and probity; (v) no conflict of interest; (vi) able to devote his time in fulfilling his duties and responsibilities as Director; (vii) practical understanding of the businesses of the Company; (viii) membership in good standing in relevant industry, business or professional organizations; and (ix) previous business experience. Each member of the Board is identified and selected for the depth of experience and wisdom he is expected to provide to the Company, considering that the Company's business is a unique aggrupation of businesses, requiring the capability to understand power industry financials and technical matters.

The annual selection process is intended to appoint a diverse mix of highly competent directors and officers with in-depth knowledge and experience in the core industries of AboitizPower or corporate management, financial expertise, audit and governance experiences. Other factors considered are independent-mindedness, ethical behavior and value contribution of each director. The Company follows a formal and transparent board nomination and election process to ensure the interests of all shareholders. Any shareholder may nominate a director and Independent Director. Nominees for directors are submitted to the Board Corporate Governance Committee, to which the Nominations and Compensation Committee has been merged into. The overall procedure is in compliance with the Amended Implementing Rules and Regulations of the Securities Regulation Code.

As a corporate practice, Directors of the Company sit as directors in no more than five (5) publicly-listed companies.



A Board director holds office for one year until his successor is elected at the next Annual Shareholders' Meeting (ASM) in accordance with the Corporation Code of the Philippines, the Company's By-Laws and the SEC guidelines. Shareholders may nominate board members individually through the nominations process. At the ASM, and in accordance with the Corporation Code of the Philippines, the Company follows the rule of One-Share, One-Vote. Under this rule, any minority shareholder can influence the board composition by individual nomination and by the power of cumulative voting rights. The right to cumulative voting is a statutory right granted by the Corporation Code of the Philippines.

The roles and responsibilities of a member of the Board of Directors are clearly defined in the Company's Amended By-Laws and in the Manual. The main purpose of the Board, as expressly stated in the Manual, is to represent and protect the interests of the owners of the business, i.e., the internal shareholders, and all other key external stakeholders, regardless of category, in accordance with the Company's corporate charter and applicable laws. To ensure a clear distinction of the responsibilities in the management of the Company's business, the positions of the Company's Chairman and CEO are held separately by different individuals.

The AboitizPower Board recognizes that, for an effective corporate governance system, senior executives must constantly review and assimilate the principles of corporate governance consistently with the commitment of the Board of Directors. Newly hired or newly transferred team leaders and team members are required to take the in-house corporate governance e-learning seminar mandated by the Board. In addition, all Directors, together with key officers of the Company, are also required to attend annual in corporate governance seminars in compliance with SEC Memorandum Circular No. 20-2013, issued on December 6, 2013. Directors and officers attended the Company's SEC mandated Corporate Governance Seminar held in July 24, 2014 in partnership with the Institute of Corporate Directors.

The Company is compliant with Section 38 of the Securities Regulation Code and Rule 38 of its Amended Implementing Rules requiring public companies to have independent directors constituting 20% of the total number of directors. As defined in the Securities Regulation Code, an independent director "is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director". The Company also adopted SEC Memorandum Circular No. 9, Series of 2011, imposing term limits for Independent Directors aimed at enhancing the effectiveness of Independent Directors and at encouraging the infusion of fresh ideas to a Board of Directors. In compliance with the said Memorandum, the Board Corporate Governance Committee regularly monitors the tenure of the Company's Independent Directors. The Company has adopted a 5-year tenure for its Independent Directors counted from the effectivity of the SEC Circular.

The Independent Directors sit in no more than five boards of publicly listed companies (PLCs), as shown in the certification of affiliations required from each of the nominated Independent Directors submitted to the SEC. Among the independent directors of the Company, only Messrs. Romeo L. Bernardo and Carlos C. Ejercito have directorships in other publicly listed companies. Mr. Bernardo is a director of the Bank of the Philippine Islands, Globe Telecommunications, National Reinsurance Corporation of the Philippines, RFM Corporation, and Trans-Asia Petroleum Corporation, and a trustee of the Philippine Institute for Development Studies, while Mr. Ejercito is a director of Bloomberry Resorts Corporation. Likewise, executive directors do not generally sit on other boards of PLCs outside the Group, unless they have substantial interests in those PLCs or they have been asked to sit in the capacity as independent directors. The executive directors do not sit in more than two boards of publicly listed companies outside the Aboitiz Group.

The Company's Independent Directors are independent from Management; are not encumbered with any management responsibility; and are free from any business or other relationship with the Company or any major/substantial shareholders which could materially interfere with their exercise of independent unfettered judgment as members of the Board. More importantly, the Independent Directors chosen to the Company's Board are independently-minded professionals. There is nothing in the Company's By-Laws and in any shareholder agreements or arrangements that constrain the Independent Director's ability to vote independently.

At the 2014 ASM, the shareholders elected the following Board members for the 2014-2015 term:

<b>BOARD OF DIRECTORS (2014 - 2015)</b>	
Enrique M. Aboitiz	Chairman (Non-Executive)
Jon Ramon Aboitiz	Vice Chairman (Non-Executive)
Erramon I. Aboitiz	Director (Executive)
Antonio R. Moraza	Director (Executive)
Mikel A. Aboitiz	Director (Non-Executive)
Jaime Jose Y. Aboitiz	Director (Executive)
Carlos C. Ejercito	Independent Director
Romeo L. Bernardo	Independent Director
Alfonso A. Uy	Independent Director

The Company is committed to a gender, race and religion biased-free environment in its employee selection policy. The Company hires and promotes employees on the basis of competencies, credentials, and merit. While there is no incumbent female director currently sitting in the Board of the Company, a number of senior officers and Management Committee members are female. Female to male employees' ratio is about or almost equal.

All newly-elected directors undergo a director's orientation program provided by independent service providers and other training programs that will enhance their understanding of roles and develop their technical knowledge to discharge their functions effectively. In addition, each new director undergoes an onboarding process where each is given a briefing kit which contains relevant information on the Company and their duties and responsibilities as incoming directors. The onboarding kit includes the Company's Annual Report, Code of Ethics and Business Conduct, Manual of Corporate Governance, and Board Protocol, among others. Briefings on relevant industry specific issues are also given to new directors.

Members of the Board annually assess the Board's, the CEO's and their own individual performance through a Board Assessment Review overseen by the Board Corporate Governance Committee. The Board Corporate Governance Committee regularly conducts the Board Self-Assessment Review and the CEO assessment. Results of the Board, Self and CEO Assessments are presented to the Board Corporate Governance Committee and circulated to the Board for their review and feedback.

To date, there have been no instances where non-executive directors resigned and raised issues of governance-related concerns. There have also been no major or minor corporate governance scandals that have affected the Company.

The attendance of individual directors in board meetings is reported to the Board Corporate Governance Committee by way of the Board Performance Report and to the SEC through the filing of the Annual Corporate Governance Report. The attendance of the directors to the Company's board meetings in 2014 was good with an overall percentage of 86.11% attendance record for the eight regular and special strategy meetings for 2014 for each director and 86.11% presence of directors per meetings.

Directors	Regular and Special Meetings 2014								
	23-Jan Regular	11-Mar Special	27-Mar Regular	19-May Regular	17-Jun Special	24-Jul Regular	25-Sept Regular	27-Nov Regular	% of Attendance
Enrique M. Aboitiz	√	X	X	√	√	√	√	X	62.50%
Jon Ramon Aboitiz	X	√	√	√	√	√	√	√	87.50%
Erramon I. Aboitiz	√	√	√	√	√	√	√	√	100%
Antonio R. Moraza	√	√	√	X	√	√	√	√	87.50%
Mikel A. Aboitiz	√	√	√	√	X	X	√	X	62.50%
Jaime Jose Y. Aboitiz	√	√	√	√	X	√	X	√	75%
Romeo L. Bernardo	√	√	√	√	√	√	√	√	100%
Alfonso A. Uy	√	√	√	√	√	√	√	√	100%
Jose R. Facundo	√	√	√	√	N/A	N/A	N/A	N/A	100%
Carlos C. Ejercito (Appointed on May 19, 2014)	N/A	N/A	N/A	N/A	√	√	√	√	100%
Total no. of directors present	8	8	8	8	7	8	8	7	
% of Directors Present	88.89%	88.89%	88.89%	88.89%	77.78%	88.89%	88.89%	77.78%	

The Company's 2014-2015 Directors are well-respected individuals of proven competence, integrity, and known to be independently-minded professionals. The Board is led by a Chairman who is very knowledgeable about the Company's core businesses, seasoned in corporate finance and strategy and with a broad business perspective. The Chairman ensures that the Board functions in an effective, robust and collegial manner. Although the Company's CEO and the Chairman of the Board are brothers, their decisions and dealings with each other are done in a professional manner and in keeping with an Aboitiz Family Constitution that sets strict standards for each member's work involvement in the Aboitiz Group of companies. (See Section on Information on Directors and Officers at [www.aboitiz.com](http://www.aboitiz.com))

## BOARD REMUNERATION

The Board members' remuneration is a form of reward and recognition to attract, retain and optimize the directors who continually deliver quality services for the growth of the Company.

The Company rewards the individual directors through a board compensation package and the officers based on their stretched strategic goals and ability to execute their duties and responsibilities. AboitizPower's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.

AboitizPower ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in a regular shareholders' meeting. As approved by the shareholders during the ASM held last May 16, 2011, each director receives a monthly allowance of ₱100,000 for each member and ₱150,000 for the Chairman. Each director receives a per diem of ₱100,000 per board meeting attended except for the Chairman of the Board who receives a per diem of ₱150,000. In every board committee meeting attended, each director is entitled to a per diem of ₱80,000 except for the Chairman of the Committee who receives ₱100,000. There were no changes to the Board compensation recommended in 2012 and 2013 for shareholder approval. The remuneration package is in line with a 2012-2013 study benchmarking the market compensation for directors in the Philippines.

All proposed changes in Board remuneration are approved by the shareholders and disclosed to the public in a timely manner through PSE and SEC disclosures and the Company's Annual Report. The Company reviews Board remuneration by benchmarking against other Philippine PLCs. It participates in market surveys for benchmarking of board remuneration.

The non-executive directors do not receive options, performance shares or bonuses. Company executive officers do not receive stock options or performance shares.

## CORPORATE COMPLIANCE REPORT

The Office of the Corporate Secretary and the Chief Compliance Officer regularly monitor the Company's compliance with the PSE, Philippine Dealing and Exchange Corp. (PDEx) and the SEC regulatory requirements. Below is the Company's PSE, PDEx and SEC Reportorial Compliance Record for 2014. The PSE, PDEx and SEC compliance reports are regularly presented to the Board Corporate Governance Committee for review and discussion.

### AboitizPower Compliance Report

Nature of Report	No. of filings
Annual Corporate Governance Report	2
Annual List of Stockholders - Annual Stockholders Meeting	2
Certification - Affiliations of Independent Directors	Complete
Certification - Attendance of Directors in Board Meetings	Complete
Certification - Attendance of Directors in CG Seminar	Complete
Certification - Compliance with Manual on Corp. Governance	2
Clarifications to News Articles	9
Corporate Governance Disclosure	Complete
Foreign Ownership Monitoring Report	12
General Form for Financial Statement	N/A
General Information Sheet	6
List of Top 100 Stockholders	4
Public Ownership Report	4
Report on Number of Shareholders & Board Lot	12
SEC Form 17 - A (Annual Report)	1
SEC Form 17 - C (Current Report)	37
SEC Form 17 - L (Inability to File Report)	N/A
SEC Form 17 - Q (Quarterly Report)	4
SEC Form 20 - IS (Definitive Info Statement)	1
SEC Form 20 - IS (Preliminary Info Statement)	2
SEC Form 23 - A (Initial Statement of Beneficial Ownership of Securities)	7
SEC Form 23 - B (Statement of Changes in Beneficial Ownership of Securities)	31

The Company is fully compliant for the year 2014. There was no incidence where the Company did not comply with any listing rules and regulations over the past year.

The Company also disclosed to the SEC and the PSE its compliance with SEC Memorandum Circular No. 4-2012, Guidelines for the Assessment of the Performance of Audit Committee of Companies Listed on the Exchange last October 4, 2012. No other assessments have been required by the SEC to date.

## MONITORING AND CONTROL

The Board of Directors is fully compliant with the Company's Manual for the year 2014. The Manual clearly defines the Board's responsibilities and the corporate governance policy of the Company. The Board acknowledges that the attainment of corporate goals is by no small measure supported by the commitment to the principles of corporate governance. Proof of the Board's strict adherence to the Manual is the Company's clear record of compliance with SEC and PSE rules and regulations. The Manual was adopted with AboitizPower's vision and mission of proactively working with customers to anticipate the unique and diverse range of industrial, commercial, and residential energy needs and to build customer intimacy because the Company believes that customers deserve no less than the best service it can possibly give.

To continuously keep itself updated with current best practices, the Company regularly reviews and updates its Manual. The Board recently approved an amendment of the Manual on July 30, 2014 to update the Company's corporate governance practices. The Manual is regularly reviewed against SEC's requirements. The Manual designates a Chief Compliance Officer; defines his duties as well as outlines a Plan of Compliance revolving around the Board of Directors, its composition, qualifications, roles and responsibilities, the delineation of the roles of the Chairman and the CEO, conflict of interest and business interest disclosures, Board meeting quorum requirements, and adequate and timely information and accountability of audits. The Board Committees provide quality assurance that the Board functions are fulfilled.

The Company's Manual also specifies the composition and duties of the newly created and restructured Board Committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy, a risk management policy, communication process and training process, reportorial or disclosure system of the Company's corporate policies, shareholders' benefit statement and a monitoring and assessment system. The Chief Compliance Officer coordinates with the regulatory officers of the Company's business units to ensure compliance with other laws as well as to ensure the checks and balances and mitigating penalty measures are imposed.

The Company's Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities through management of a Board Secretariat, through inputs to the agenda, review of reports and PSE and SEC compliance, through an oversight of investor concerns, oversight of stock and transfer agent, and active participation at Board meetings. The current Corporate Secretary is a member in good standing of the Philippine and New York State Bar and alumni of the Institute of Corporate Directors and Professional Directors' Program. The professional members of the Board Secretariat are lawyers and accountants who are also alumni of the Corporate Governance and Professional Directors' Program.

The members of the Board have free access to the Chief Legal Officer of the Company and to the legal team in general. This line of communication supports effectiveness of governance practices. Recent global practices show that the governance effectiveness at any company benefits from the board of directors' expanded interaction with the general counsel or chief legal officer. This enhanced interaction goes beyond the traditional practice of general counsel attendance at board meetings, responding to questions and presenting reports on specific agenda matters. Although the level of interaction has not reached a formal practice, AboitizPower directors have informal opportunities to share perspectives with the legal team. The Company's non executive directors and Independent Directors meet at least once a year without the presence of the executive directors for an informal discussion. In August 2014, the directors met at Taguig City for their annual discussions.

## **BOARD COMMITTEES**

The Company's Board Committees consist of the following: Board Audit Committee, Board Risk and Reputation Management Committee and Board Corporate Governance Committee.

Members of the Board Committees are the duly qualified and elected directors of the Company's Board of Directors as regular members and are assisted by key officers of the Company on ex-officio basis. These Board Committees hold meetings at least every quarter to ensure that sound strategies for the Company's development are reviewed, monitored, executed and achieved.

The Board decided at its May 17, 2010 meeting to amend the Manual and have the functions of the Board Strategy Committee subsumed under the scope of functions of the full Board membership. As a result, the Board regularly holds a special strategy Board meeting in addition to the strategy sessions at regular board meetings and the informal strategy meetings of the Directors.

The Board folded in the Board Nominations and Compensation Committee into the Board Corporate Governance Committee. On February 1, 2012, the Board Corporate Governance Committee endorsed the creation of an expanded Board Risk Management Committee into a Board Risk and Reputation Management Committee. Membership of Independent Directors to both Board Corporate Governance Committee and Board Risk and Reputation Committee was recently increased. Independent Directors now comprise 60% of the voting members of the Board Corporate Governance Committee, 60% for the Board Audit Committee, and 20% for the Board Risk and Reputation Management Committee.

## **BOARD CORPORATE GOVERNANCE COMMITTEE**

The Board's ability to make decisions with governance impact is supported by the work of the



Board Corporate Governance Committee. The Board Corporate Governance Committee provides information and recommendations necessary for making good governance decisions.

The Board Corporate Governance Committee assists the Board but does not pre-empt any board responsibilities in making final decisions on corporate governance, nomination and compensation matters.

In performing its duties, the Board Corporate Governance Committee maintains effective working relationships with the Board and the Group's senior leadership to enable it to perform its roles effectively. Each Committee member strives to obtain an understanding of the detailed responsibilities of Committee members as well as the Group's businesses and operating environment.

The Committee is expected to contribute to the management of the Group's affairs through good governance practices for the overall interests of the stakeholders.

Since the Board Corporate Governance Committee is a merger of the Nomination and Compensation Committees and the original Corporate Governance Committee, the Board Corporate Governance Committee formulates policies, guidance in selecting nominees for the Board of Directors, among others, in a coordinated way. In performing its duties, the Committee maintains an effective working relationship with the Board of Directors. The Board Corporate Governance Committee performs the functions of the Nominations and Remuneration Committee. It accepts, receives and recommends directors nominated by shareholders, as well as assesses succession issues of management.

The Committee is composed of a majority of Independent Directors (three out of five directors). The Chairman of the Committee is a non-executive director and brings with him his past valuable experience and expertise in the major businesses of the Company, having served as its Chairman of the Board from 1998 to 2008.

The Board Corporate Governance Committee is currently composed of the following:

<b>BOARD OF CORPORATE GOVERNANCE COMMITTEE (2014 - 2015)</b>	
Jon Ramon Aboitiz	Chairman (Non-Executive)
Erramon I. Aboitiz	Director (Executive)
Carlos C. Ejercito*	Independent Director
Romeo L. Bernardo	Independent Director
Alfonso A. Uy	Independent Director
M. Jasmine S. Oporto	Ex-officio Member
Xavier Jose Y. Aboitiz	Ex-officio Member

*\*Mr. Jose R. Facundo served as a Member of the Board Corporate Governance Committee from May 20, 2013 to May 19, 2014. He was replaced by Mr. Carlos C. Ejercito who was elected to the Board on May 19, 2014.*

The resolutions of the Board Corporate Governance Committee cannot be approved without the vote of at least one Independent Director.

The Company accesses all available resources for the selection of Directors, whether through professional search firms or other external sources of candidates.

The Board Corporate Governance Committee tackled the following agenda items in 2014:

DATE	TYPE OF MEETING	MATTERS DISCUSSED
February 27, 2014	Regular	<ol style="list-style-type: none"> <li>1. Nominations for Members of the Board of Directors</li> <li>2. Preparation of Information Statement and 2013 Corporate Governance Report</li> <li>3. Proposed Agenda for the 2014 Annual Shareholders' Meeting</li> <li>4. 2013 Statutory Compliance Report</li> <li>5. Regulatory Updates</li> <li>6. Transfer Pricing Updates</li> <li>7. Organization of New Tax Team</li> <li>8. Investor Relations</li> </ol>
May 22, 2014	Regular	<ol style="list-style-type: none"> <li>1. Updates on Corporate Governance Scorecards</li> <li>2. Regulatory Updates</li> <li>3. CEO and Board Assessment Forms</li> <li>4. Updates on 2014 ASM Preparations</li> <li>5. 2014 Dividend Distribution</li> <li>6. Investor Relations</li> </ol>
August 27, 2014	Regular	<ol style="list-style-type: none"> <li>1. Updates on Corporate Governance Scorecards and Practices</li> <li>2. Regulatory Updates</li> <li>3. Board Assessment</li> <li>4. Investor Relations</li> </ol>
December 5, 2014	Regular	<ol style="list-style-type: none"> <li>1. Corporate Governance Updates</li> <li>2. Review of any SEC/PSE Violations or Request for Clarifications</li> <li>3. Regulatory Updates</li> <li>4. SEC Issuances</li> <li>5. PSE Matter : Memorandum on Issuance of Temporary Restraining Order on Revenue Regulation 1 - 2014</li> <li>6. BIR Issuances</li> <li>7. Investor Relations Report</li> </ol>

The attendance record of members of the Board Corporate Governance Committee has been good. Individual directors' percentage record of attendance at meetings of the Committee and overall percentage of directors present at those meetings was at 90%, as shown below:

Board Corporate Governance Committee Attendance for 2014						
Members	27-Feb-14	22-May-14	27-Aug-14	5-Dec-14	Total no. of directors present in each meeting	% of Directors in each meeting
Jon Ramon Aboitiz	√	√	√	√	4/4	100%
Erramon I. Aboitiz	√	√	√	√	4/4	100%
Jose R. Facundo	√	N/A	N/A	N/A	1/1	100%
Carlos Ejercito	N/A	√	√	√	3/3	100%
Romeo L. Bernardo	√	√	√	√	4/4	100%
Alfonso A. Uy	X	√	√	X	2/4	50%
<b>Total no. of directors present in each meeting</b>	4/5	5/5	5/5	4/5		
<b>% of no. of directors in each meeting</b>	80%	100%	100%	80%		

*\*Mr. Jose R. Facundo served as a Member of the Board Corporate Governance Committee from May 20, 2013 to May 19, 2014. He was replaced by Mr. Carlos C. Ejercito who was elected to the Board on May 19, 2014.*

The annual performance assessments of the CEO, the individual members of the Board, and the Board of Directors as a body are conducted by the Board Corporate Governance Committee. The attendance of directors at Board meetings is reported to the Board Corporate Governance Committee through the Board Performance Report and the Certificate of Attendance. Pursuant to SEC Memorandum Circular 1-2014, the Company updated its Annual Corporate Governance Report in its corporate governance website to reflect the attendance of the members of the Board of Directors in meetings conducted for the year 2014.

The Office of the Corporate Secretary and Chief Compliance Officer, pursuant to the mandate of the Board Corporate Governance Committee, implements the current written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations. These policies provide procedures and timelines for the disclosure of: material contracts, agreements and events that may impact on the control, ownership, and strategic direction of the Company, director and executive compensation policy, disclosures of groups or individuals who hold five percent or more ownership interest in the Company, significant cross-shareholding relationship and cross guarantees, as well as the nature and scope of the Company's ownership in other entities, annual and quarterly consolidated reports, cash flow statements and special audit revisions, consolidated financial statements and interim reports, changes to its corporate governance manual and practices, information necessary for shareholders decision making, trading of Company shares by directors, officers and controlling shareholders, annual reports, and any material event or information.

## **BOARD RISK AND REPUTATION MANAGEMENT COMMITTEE**

The Board is committed to establishing a fully functioning enterprise risk management system for the Company and its businesses. The Board oversees the Company's risk management functions through the Board Risk and Reputation Management Committee. The Board has adopted a formal risk management policy to guide and direct the Company's risk management and compliance processes and procedures.

The Board Risk and Reputation Management Committee represents the Board in discharging its responsibility of oversight of all risk management related matters across the AboitizPower's companies. Among many tasks, the Committee considers and reviews operational risks, environmental risks, financial asset risks, security risks, and any other form of risk as approved by the Board, with the objective of assessing exposures and strategies, and recommending actions to mitigate these risks.

The Board Risk and Reputation Management Committee primarily assists the Board, and to some extent the Board Audit Committee, in fulfilling the corporate governance responsibilities relating to

risk management and brand reputation. The Board Risk and Reputation Management Committee assists in defining the Company’s risk appetite and tolerance levels and oversees the risk profile and performance against the defined risk appetite. It is also responsible for overseeing the identification, measurement, monitoring and controlling of the Company’s principal business risks. With respect to reputation management, the Committee likewise oversees reputational risks and provides guidance to management in corporate branding and communication strategies.

The Board Risk and Reputation Management Committee oversees the Company’s Enterprise Risk Management (ERM) initiatives. The Company’s ERM pillars are Risk Management Governance, Process and Integration, Risk Finance and Capability Building.

The Board Risk & Reputation Management Committee is composed of four directors, one of whom is independent, as well as two non-voting members in the persons of the Chief Financial Officer (CFO) and the Chief Risk and Reputation Management Officer.

The Board Risk and Reputation Management Committee is currently composed of the following:

**BOARD RISK & REPUTATION MANAGEMENT COMMITTEE  
(2014 - 2015)**

Enrique M. Aboitiz	Chairman (Non-Executive)
Antonio R. Moraza	Director (Executive)
Mikel A. Aboitiz	Director (Non-Executive)
Carlos C. Ejercito	Independent Director
Alfonso A. Uy	Independent Director
Manuel R. Lozano	Ex-officio Member
Susan V. Valdez	Ex-officio Member

In its 2014 meetings, the Board Risk and Reputation Management Committee reviewed, discussed, updated and approved the following matters:

DATE	TYPE OF MEETING	MATTERS DISCUSSED
February 27, 2014	Regular	1. 2014 Plans - Risk Management and Reputation Management 2. 2014 Strategic Risks 3. Risk Finance Updates
June 2, 2014	Regular	1. Strategic business units Top Risks Presentation 2. Presentation - Aboitiz Foundation, WeatherPhilippines Foundation, Inc. 3. Risk Finance Updates
July 22, 2014	Joint with Audit Committee	1. Risk Management Plan Validation Audit Results 2. AEV and AboitizPower Top Risks
August 27, 2014	Regular	1. Risk Maturity Index Assessment - Board Items 2. Risk Finance Updates
December 11, 2014	Regular	1. 2015 Aboitiz Group Top Risks 2. Review of Php2 billion and above insurance covers 3. 2014 Risk and Reputation Management Year-end Report 4. 2015 Risk and Reputation Management Plans, Initiatives, Programs 5. Risk and Reputation Management Policy Review and Approval
December 11, 2014	Joint with Audit Committee	1. Highlights of the Audit Results of the 2014 ERM Process Review 2. 2014 AEV and AboitizPower Top Risks - Risk Management Plan Validation Audit Results

Attendance record of members of the Board Risk and Reputation Management Committee has been consistently good. Individual directors' percentage record of attendance was at 88.60% and overall percentage of directors present at said meetings was at 92%.

#### AP Board Risk & Reputation Management Committee Attendance for 2014

Members	27-Feb-14	2-Jun-14	June 2, 2014 (Joint with Audit)	27-Aug-14	11-Dec-14	11-Dec-14 (Joint with Audit)	Total no. of meetings attended by each Director	% of Directors in each meeting
Enrique M. Aboitiz	√	√	√	√	√	√	6/6	100%
Antonio R. Moraza	N/A	X	X	√	√	√	3/5	60%
Mikel Aboitiz	N/A	√	√	√	√	√	5/5	100%
Carlos Ejercito*	N/A	√	√	√	√	√	5/5	100%
Alfonso A. Uy	X	√	√	√	√	√	5/6	83%
Total no. of directors present in each meeting	1/2	4/5	4/5	5/5	5/5	5/5		
% of no. Directors in each meeting	50%	80%	80%	100%	100%	100%		

\*Mr. Jose R. Facundo served as a Member of the Board Corporate Governance Committee from May 20, 2013 to May 19, 2014. He was replaced by Mr. Carlos C. Ejercito who was elected to the Board on May 19, 2014.

The Board Risk and Reputation Management Committee's oversight focuses on the Company's ERM framework, i.e. Governance, Process and Integration, Risk Finance and Capability Building. The Board Risk and Reputation Management Committee Team's initiatives for the Company in 2014 included the development and implementation of a Level 5/Regional Scenario Business Continuity Plan (BCP), consolidation of the Optimal Risk Management Plan, alignment of other management systems with the ERM, risk management integration with key internal processes, asset valuation, risk quantification for natural catastrophe modeling and blast assessment for power plants, among many others.

This Board Committee's Risk Oversight responsibilities are all set in the Manual. All internal controls procedures are incorporated in the policies of the revised Board Risk and Reputation Management Charter.

The Company discloses its internal control procedures and risk management systems through the Risk Management Report of its Chief Risk and Reputation Management Officer in the Annual Report. The report assesses the Company's material controls and risk management systems, key Group risk management developments, and a discussion of Group top risks.

## **BOARD AUDIT COMMITTEE**

The Company has a well-entrenched independent internal audit group, the Group Internal Audit (GIA), which is overseen by the Board through the Board Audit Committee. The independent internal auditors reports directly to the Board Audit Committee, and the Board Audit Committee has the ultimate authority and responsibility to select, evaluate, recommend, and where appropriate, re-appoint or replace the Company's Independent External Auditors. The Board Audit Committee represents the Board in its oversight responsibility over all audit-related matters of the Company's group companies. It oversees the optimization of effective financial management, as well as compliance with regulatory reporting requirements for all business units.

The Board Audit Committee oversees the function of the Group Internal Audit in maintaining a comprehensive enterprise-wide compliance program and a robust institutionalized quality service platform for the Company's internal audit functions that are annually reviewed. The Board Audit Committee, in conjunction with the Group Internal Audit, performs the following functions: reviews and approves non-audit services conducted by the external auditor and corresponding fees, assesses and recommends the external auditor on behalf of the Board to ensure a selection of credible, competent external auditor with the ability to understand the complexity of the entire range of the transactions of the Company, provides the Board with adequate and relevant information on the external auditors for a fair and transparent selection or tender process, and schedules regular meetings and dialogues with the external audit team (with and without management teams present). The Company's CFO, when invited by the Board Audit Committee, attends the meetings



of the Board Audit Committee (a) to ensure immediate clarification and feedback of audit issues to the Board Audit Committee, and (b) to give prompt instructions to the Company of any policy that the Board Audit Committee proposes to implement.

Existing corporate audit policies require that the financial reports are attested to by the CEO and CFO and that a sound internal audit, control and compliance system is in place and working effectively in the Company. The Company follows the policy of rotating its lead external audit partner of every five years.

The Group Internal Audit ensures that existing Company mechanisms allow all stakeholders to raise valid audit issues to the Board Audit Committee. The Company's internal audit team, together with AEV Corporate Center, is working on an ISO 9001:2008 QMS certification to further raise the quality of internal audit services of the Company to itself and to all business units.

The Board Audit Committee's executive decision-making authority is delineated in the Manual, its Audit Charter and under such delegated authority issued by the Board. By defined policy, the Board Audit Committee recommends to the Board of Directors the choice of external auditor and pre-approves audit plans and the scope and frequency of audits before an audit is actually conducted. Services of external auditors for the past five years were approved by the Board Audit Committee. The Board Audit Committee also reviews the extent and nature of these services to ensure that the independence of the external auditors, are preserved. The Board Audit Committee has the primary responsibility to recommend the appointment and removal of the external auditors to the Board of Directors.

The Board Audit Committee is composed of at least three directors. Currently, three Independent Directors sit in the Committee. The Chairman of the Board Audit Committee is an Independent Director.

Each member, generally with accounting and finance backgrounds, has adequate understanding, familiarity and competence on most of the Company's financial management systems and environment.

For 2014-2015, the Board Audit Committee membership is as follows:

<b>BOARD AUDIT COMMITTEE (2014 - 2015)</b>	
Jose R. Facundo	Chairman (Independent Director)
Carlos C. Ejercito*	Independent Director
Romeo L. Bernardo	Independent Director
Alfonso A. Uy	Independent Director
Mikel A. Aboitiz	Independent Director
Antonio R. Moraza	Ex-Officio

*\*Mr. Jose R. Facundo served as a Member of the Board Audit Committee from May 20, 2013 to May 19, 2014. He was replaced by Mr. Carlos C. Ejercito who was elected to the Board on May 19, 2014.*

Below are the highlights for the Board Audit Committee work for the year 2014:

DATE	TYPE OF MEETING	MATTERS DISCUSSED
March 4, 2014	Regular	<ol style="list-style-type: none"> <li>1. SGV Presentation of Audit Results for Financial year 2013</li> <li>2. AboitizPower Year to Date 2013 Financials</li> <li>3. Presentation of Internal Audit               <ol style="list-style-type: none"> <li>a. Overall Opinion 2013</li> <li>b. Statement of Independence</li> <li>c. Audit Highlights</li> <li>d. Audit Master Plan for 2014</li> <li>e. 2014 Audit Plans &amp; Deliverables</li> </ol> </li> <li>4. Board Audit Committee Self-Assessment for 2013</li> </ol>
May 6, 2014	Regular	<ol style="list-style-type: none"> <li>1. AboitizPower Year to Date March Financials</li> <li>2. Presentation of Internal Audit               <ol style="list-style-type: none"> <li>a. Audit Highlights</li> <li>b. Organizational Updates</li> </ol> </li> </ol>
June 2, 2014	Regular	<ol style="list-style-type: none"> <li>1. Strategic Business Units Top Risks Presentation</li> <li>2. Presentation - Aboitiz Foundation, WeatherPhilippines Foundation</li> <li>3. Risk Finance Updates</li> </ol>
July 22, 2014	Joint with Risk and Reputation Committee	<ol style="list-style-type: none"> <li>1. Appointment of External Auditor for 2014</li> <li>2. AboitizPower YTD June 2014 Financials</li> <li>3. Presentation of Group Internal Audit               <ol style="list-style-type: none"> <li>a. Audit Highlights of Completed Engagements</li> <li>b. Audit Master Plan for Second Semester 2014</li> </ol> </li> </ol>
July 30, 2014	Regular	<ol style="list-style-type: none"> <li>1. Approval of June Financials for Disclosure</li> </ol>
October 28, 2014	Regular	<ol style="list-style-type: none"> <li>1. YTD September 2014 Financials</li> <li>2. Presentation of Group Internal Audit               <ol style="list-style-type: none"> <li>a. Audit Highlights of Completed Engagements</li> <li>b. Master Plan for 2015</li> <li>c. Review of Audit Charters</li> </ol> </li> </ol>
December 11, 2014	Joint with Risk and Reputation Committee	<ol style="list-style-type: none"> <li>1. Highlights of the Audit Results of the 2014 ERM Process Review</li> <li>2. 2014 AEV and AboitizPower Top Risks - Risk Management Plan Validation Audit Results</li> </ol>

For 2014, the Company did not receive any sanctions from regulators on financial reports nor did it receive any qualified, adverse and disclaimer opinions on its external audit report. The Board Audit Committee also reported to the Board on the adequacy of the Company's current internal controls.

Attendance record in meetings by members of the Board Audit Committee has been good. Individual directors' record of attendance at meetings of the Committee has been 96.67% and overall percentage of directors present at said meetings has been 96% as can be seen below.

AP Board Audit Committee Attendance for 2014									
Members	4-Mar-14	6-May-14	2-Jun-14	July 22, 2014 (Joint with Audit)	30-Jul-14	28-Oct-14	Dec 11, 2014 (Joint with Audit)	Total no. of meetings attended by each Director	% of Directors in each meeting
Jose R. Facundo	√	√	N/A	N/A	N/A	N/A	N/A	2/2	100%
Carlos C. Ejercito*	N/A	N/A	√	√	√	√	√	5/5	100%
Romeo L. Bernardo	√	√	√	√	√	√	√	7/7	100%
Alfonso A. Uy	√	√	√	√	√	√	√	7/7	100%
Jaime Jose Y. Aboitiz	X	√	N/A	N/A	N/A	N/A	N/A	1/2	50%
Mikel A. Aboitiz	√	√	√	X	X	√	√	5/7	71%
Total no. of directors present in each meeting	4/5	5/5	4/4	3/4	3/4	4/4	4/4		
% of no. Directors in each meeting	80%	100%	100%	75%	75%	100%	100%		

\*Mr. Jose R. Facundo served as a Member of the Board Audit Committee from May 20, 2013 to May 19, 2014. He was replaced by Mr. Carlos C. Ejercito who was elected to the Board on May 19, 2014.

The Board Audit Committee Self-Assessment for 2014 showed exemplary compliance to the standards required of a Board Audit Committee under the SEC Revised Code of Corporate Governance. In compliance with SEC Memorandum Circular No. 4: Guidelines for the Assessment of the Performance of Audit Committees of PLCs, the Board Audit Committee and the Board of Directors approved the Amended Board Audit Committee Charter, on August 2, 2012 and September 27, 2012, respectively. The Company also disclosed to the PSE and SEC, the SEC FORM 17-C in compliance with the SEC Memorandum Circular No. 4 last October 4, 2012. No additional self-assessment was required to be conducted in 2014.

The role of the Board Audit Committee is important because it ensures that local investors and global capital markets rely on quality financial statements. The Board Audit Committee approves and submits accurate and transparent financial disclosures and observes adequate risk controls.

The Board Audit Committee Charter contains its purpose, membership, structure, operations, reporting procedures, resources, assessment of the members of the committee and other relevant information.

As reported by the Chairman of the Board Audit Committee in the Annual Report, the Company's internal controls are adequate and the basic control assertions of reliability and integrity have been satisfactorily complied with. Standardization and alignment of processes across the Group have also been satisfactorily addressed in 2013 and throughout 2014.

## OTHER COMPANY COMMITTEES & GROUP INITIATIVES

Aside from the Board Committees established under the Manual, the Company has other policy recommendatory and evaluation committees, such as, but not limited to, the AP Generation Companies Management Board and the AP Distribution Utilities Management Board. Recently, both boards were merged into the AP Excom. The Company is an active participant in the Aboitiz Group Management Committee, the AEV Corporate Center's Human Resources Committee, the Legal Executive Committee (LexCom), Finance Committee, and the Government Relations Committee, among others.

Since power generation and power distribution comprise the core businesses of the Company, the functional boards, namely AP Generation Companies Management Board and AP Distribution Utilities Management Board, provided the alignment, monitoring and execution of the Company's business strategies and that of its business units. In 2014, these functional management boards met every month to discuss financial operations, marketing and sales development, and basic general operational issues concerning the business units.

The LexCom is one of the Aboitiz Group's institutional venue enabling members of the Legal & Corporate Services Team to meet with the executive management to discuss legal issues and concerns that affect the group. It is overseen by the CFO of AEV and managed by the Chief Legal Officer of the Aboitiz Group. The Company is provided support of legal risk management through the monitoring by the LexCom. The Company allows the LexCom to have a degree of oversight over the Company's compliance with laws and regulations and contractual obligations. AEV's Chief Human Resources Officer, together with the Company's CFO, the legal team of the Legal and Corporate Services, and the regulatory and legal team of AboitizPower's business units participate in the LexCom meetings or in its extended Business Partnership meetings. The members of the LexCom report, discuss and assess corporate governance compliance track record, identification and mitigation of legal risks, review of litigation management procedures, tax protocols, current litigation issues and other related matters affecting the companies and its business units, including overall legal expenditure of the Company's business units.

The LexCom meets every two months to regularly update management on ongoing projects or activities handled by the Legal and Corporate Services Team. The purpose of these meetings is to provide Executive Management with up to date and relevant legal developments affecting the businesses of the Company. The LexCom also reviews if there are any requests for waivers or exemptions of company governance rules. The LexCom supports the Company's efforts in maintaining ethical and proper conduct of Company personnel.

The LexCom assists the Human Resources team in setting the policies and procedures for discipline of employees for involvement in unethical activities, such as offering, paying and receiving inappropriate rewards or benefits or participating in unauthorized procurement activities.

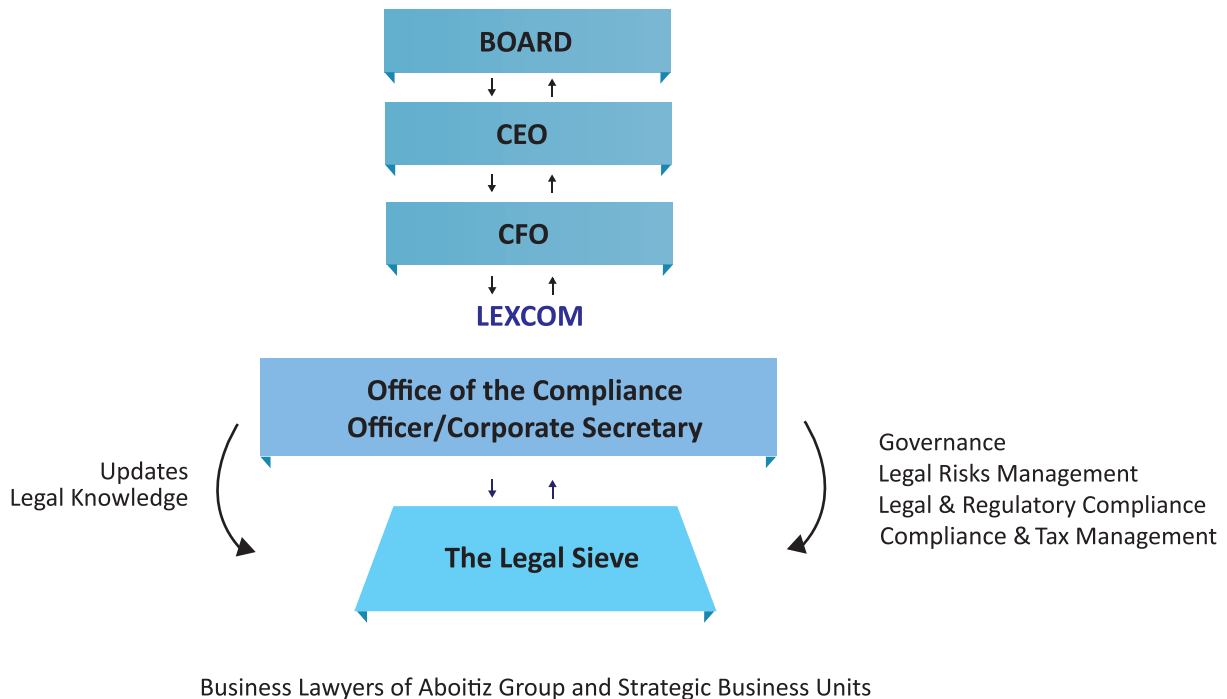
The Office of the Chief Legal Officer is responsible for ensuring compliance by the Company and its business units, with all relevant laws and regulatory requirements, including the protection and respect for intellectual property rights. The LexCom is responsible for the comprehensive legal compliance program of the Company. As part of its program, the LexCom and the Office of the Chief Legal Officer oversee the appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances by the employees and the business units. In 2014, the Chief Legal Officer initiated the drafting by the Legal and Corporate Services of a Governance, Legal Risks and Compliance Framework for the Group. As part of this initiative, the Group Mancom approved the newly created position of the Company's General Counsel.

In addition to the PSE and SEC compliance team under AEV, the Company has a Regulatory compliance team that handles energy related compliance issues for the Company, especially on the DOE and ERC rules and regulations. The Company also has a Government Relations Committee composed of senior management and certain members of the Board, having oversight over the Company's legislative and administrative concerns and issues.

The LexCom also reviews or recommends the appropriate dispute resolution system for conflicts and differences with counterparties, particularly with shareholders and other key stakeholders to ensure that they are settled in a fair and expeditious manner for the application of a law, rule or regulation especially when it refers to a corporate governance issue. The Office of the Chief Legal Officer explains the rationale for any such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.

While the whistleblowing venue is primarily that of the Aboitiz Group CEO, the LexCom also serves as an additional whistleblowing forum, in addition to the CEO's, the President and COO's, the Chairman's, and that of the Board Corporate Governance Committee's oversight. Any complaint of whistleblowers are encouraged, reviewed, investigated and reported to the CEO or the Chairman, and reported at the Lexcom for discussion and appropriate action.

The LexCom Functional and Strategic Structure below shows the two-way flow of information of legal issues from the BUs to the Board and the forum for addressing legal and corporate governance issues.



## BOARD MEETINGS

The Company, through its Board Secretariat, follows well-defined processes and protocols for Board meetings. One such practice of the Board Secretariat is to ensure that Board materials are provided to the Board at least five calendar days prior to the actual date of the board meeting.

For efficiency, convenience, security and overall improvement of Board work, the Board Secretariat adopted the use of Diligent Boardbooks technology and platform for other companies within the AboitizPower Group. The Boardbook is a brand portal that looks and functions like a book of all Board materials in an iPad or laptop and completely paperless and portable. The application is used by the Board of Directors and its Committees during their actual meetings. This application has helped improve governance through an easier and timely communications tool for the Directors and allows easy and portable access of current and historic Company information. The application is also in line with the Company's sustainability efforts to reduce the unnecessary usage of paper.



## THE RIGHTS OF SHAREHOLDERS

### *Effective Exercise of Shareholders' Rights*

The Company ensures the genuine exercise of shareholders' rights as granted by the Corporation Code of the Philippines, by other related laws, and by its corporate covenants under the Company's By-Laws and the Company's Manual.

Foremost among corporate governance principles established by the Company is its assurance that shareholders enjoy all the rights granted by the Corporation Code of the Philippines. The Board and management team ensure the promotion of these rights and have been mandated to institute remedial measures to swiftly address any violation or transgressions.

The Company is not involved in any legal proceedings for violations pertaining to labor and employment, insolvency, commercial, unfair competition or environmental issues.

The Company has not been charged with any sanctions for failure to make timely disclosures of material information. Shareholders continue to have access to relevant, sufficient and reliable information on a timely and regular basis through its website, PSE and SEC disclosures.

### *One-Share, One-Vote*

The exercise of a shareholder's voting right is encouraged by the Company to ensure meaningful participation in all shareholders' meetings. The Board is directed to remove excessive costs and other administrative or practical impediments to a shareholder's right to vote. The counting of shareholders' votes is done in accordance with the general provisions of the Corporation Code and the Company's internal procedures. The Office of the Corporate Secretary supervises the counting of votes through an electronic platform.

Voting methods and vote-counting systems employed by the Company are clearly explained to ensure the effective exercise of shareholders' right to vote. The Company follows the system of cumulative voting for the election of directors, to allow shareholders an opportunity to elect each member of the Board of Directors individually. Other matters are also decided through voting by shares of stock. The Company adheres to the One-Share, One-Vote policy for the same class of shares. *Proxy voting* is allowed at all meetings and is facilitated through proxy voting forms. In its regular board meeting last November 12, 2010, the Board of Directors of the Company approved the deletion of the notarization requirement of proxy forms to be used in all shareholders' meetings of the Company. This is to facilitate easy voting by shareholders, in line with the Company's efforts to improve corporate governance practices.

At the annual shareholders' meeting, the Company engages an independent third party to assist in the validation of proxy and the counting of votes. In 2014, a Proxy Validation Committee, consisting of representatives from senior management, was formed by the Board Secretariat in order to validate and count proxies received for the Annual Shareholders' Meeting. Luis Cañete & Co., an independent third party, conducted the proxy and vote validation functions for the 2014 Annual Shareholders' Meeting.

### ***Pre-emptive Rights***

Pre-emptive rights to subscribe to the capital stock of the Company, if offered, are also available pursuant to the Company's Corporation Code. The Company's Articles of Incorporation states the specific rights and powers with respect to each class of shares. Such rights and powers are protected insofar as they do not conflict with the Corporation Code.

The Company adopts the policy of statutory shareholder voter protection requirements of the Corporation Code of the Philippines and the rules of the PSE which require either supermajority vote or majority of minority vote on certain transactions.

The Company consistently provides all shareholders with the notice and agenda of the annual shareholders' meeting at least 30 days before a regular meeting and 20 days before a special meeting. The Company also publishes Notices of Shareholders' Meetings in national newspapers of general circulation. Under the Company's By-Laws, shareholders may call a special shareholders' meeting, submit a proposal for consideration at the annual shareholders' meeting or at a special meeting. The Company makes it a point that the external auditor and other relevant individuals attend the annual shareholders' meetings to answer shareholder questions in such meetings. The Office of the Corporate Secretary ensures that all relevant questions during the annual shareholders' meetings are answered and recorded.

The Company has clear and enforceable policies with respect to treatment of minority shareholders. Compliance with the Corporation Code ensures shareholder against anti-takeover maneuvers or similar devices that may entrench management or the existing controlling shareholder group to avoid shareholder opportunism, and provides all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.

The Company recognizes other ownership rights beyond voting. In addition to the right to vote, the Company's shareholders have the right to: inspect the corporate books and records, be furnished annual reports and financial statements without costs and restrictions, access to information, receive dividends in accordance with the Company's dividend policy, and to exercise appraisal rights. When applicable, the Company is committed to follow the mandatory tender offer requirements under the Securities Regulation Code.

### ***Right to Inspect Corporate Books and Records***

The Company recognizes the shareholders' statutory right to access certain Company information and records. Shareholders enjoy the right to inspect corporate books and records, including minutes of Board and Shareholders' meetings and the stock and transfer registry records affecting their shares, upon reasonable request made to the Office of the Corporate Secretary. The Office of the Corporate Secretary ensures that all minutes of annual and special meetings of shareholders clearly and satisfactorily reflect all matters taken up at these meetings. The issues and motions raised, agreements arrived at during the meetings and corporate acts approved or disapproved are concisely reported. Resolutions and corporate acts approved or disapproved by the shareholders or Board of Directors are accurately recorded in the minutes. The Corporate Secretary dutifully records the minutes of the meetings and notes the attendance of the members of the Board of Directors and other key officers, who are identified at meetings.

### ***Right to Information on the Corporation***

Pursuant to the corporate governance principle of disclosure and transparency, information on the Company is made readily available. The Company provides shareholders with periodic reports that include information about the Board of Directors and key officers, including relevant professional information on the Directors and Officers, their shareholdings and dealings with the Company and their aggregate compensation.

The Investor Relations Officer and the Office of the Corporate Secretary have an established communications strategy and protocols to promote effective communication and liaison with shareholders.

Annual reports and financial statements of the Company including minutes of the annual shareholders' meetings may be secured without cost or restrictions. All of these information are also available on the Company's website.

### ***Right to Participate in Shareholders' Meetings***

The Company strives to maintain a transparent and fair conduct of its annual and special shareholders' meetings and ensures that accurate and timely information are available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Annual Report, distributed prior to and during the annual shareholders' meeting and available from the Company's website, includes the highlights and summary of the financial condition of the Company. The Information Statement filed with the SEC is prepared with the objective of providing full and accurate information enabling stakeholders to make informed decisions. Shareholders are provided with individual profiles of new and returning directors, as well

as a summary of the Board meeting attendance and performance record of its directors. Agenda items are included in the notices and recently includes the rationale for these agenda items.

The Company's policy on directors' compensation is disclosed to shareholders and to the public and proposed directors' compensation is always presented for shareholder approval at the ASM.

SyCip Gorres Velayo & Co. (SGV) has been the Company's external auditing firm for the last 16 years. By policy, the Company changes its audit partner every five years. The Company complies with the requirements of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. SGV attends all annual shareholders' meetings of the Company.

Information on SGV, the Company's external auditor, is also disclosed to all shareholders, together with the name of the current audit partner and the engagement fees charged by SGV.

### ***Attendance at Annual Shareholders' Meeting (ASM)***

The Chairman and members of the Board of Directors, the CEO, the President and COO, the Chairmen of the Board Committees, and the Company Corporate Secretary all attend the annual shareholders' meetings of the Company to answer any questions which shareholders may have concerning the Company. Likewise, the Chairman and all members of the Board of Directors, other key officers and the Company's auditors are present at the shareholders' meeting and have been present at the past three annual shareholders' meetings. Shareholders and investors are encouraged to ask the CEO or any officer of the Company any questions they may want clarified.

### ***Voting Procedures and Voting Results***

All shareholders have the right to nominate individually the members of the Board.

Nominations for members of the Board of Directors are received by the Corporate Secretary in accordance with the Company's By-Laws and Guidelines for the Nomination and Election of Independent Directors. The rules and procedure for nomination are clearly set out in the Company's Definitive Information Statement, Annual Report, Guidelines for the Nomination and Election of Independent Directors, and these information are readily accessible through the Company's website.

The voting methods and vote-counting systems employed by the Company during every shareholders' meeting are clearly explained to shareholders to ensure the effective exercise of shareholders' right to vote.

Proxy voting is allowed in all meetings and is facilitated through proxy voting forms attached to the notice to the meeting distributed to all shareholders. In keeping with best practices, the proxies are not required to be notarized.

Voting during the ASM is done by poll, under the supervision of the Company's Corporate Secretary and the Stock and Transfer Agent and validated by the independent third party engaged specifically for that purpose. The Board Secretariat uses an electronic platform to record the votes.

The Company was not party to any merger although it participated through its business units in public biddings to acquire PSALM owned power plants. It is the Company's practice to engage independent parties to provide a fairness valuation where needed and where required by the SEC.

### ***Shareholder Participation at Shareholders' Meeting & Documentation of Minutes***

The Office of the Corporate Secretary ensures that all Minutes of annual and special meetings of shareholders clearly and satisfactorily reflect all matters voted on during these meetings. All shareholders are encouraged and given the right to participate in the meetings. The questions and answers, the issues and motions raised, the agreements and resolutions arrived at, the corporate acts approved or disapproved, and the voting results are reported in the Minutes. The Company also discloses to the PSE and the SEC all the items approved at the ASM based on the agenda items provided to all shareholders, no later than the next business day after the ASM. The Minutes of the 2014 Annual Shareholders' Meeting can be accessed on the Company's website.

At every annual shareholders' meetings, the Company ensures the effective exercise of the rights of its shareholders. There are no barriers or impediments preventing shareholders from consulting or communicating with one another, with the Directors and with the Corporate Secretary.

### ***Shareholders' Meeting Venue Accessibility***

The Company's 2014 Annual Shareholders' Meeting was held at the Blue Leaf Events Pavilion, Bonifacio Global City, Taguig City where the principal place of business of the Company is located. The venue was deemed accessible to majority of the shareholders.

### ***Shareholders Meeting Notice and Agenda***

The Company provides at least 30 days prior notice of the meeting and information on all proposed resolutions and rationale thereof with corresponding explanation for each agenda item requiring shareholders' approval in the notices of the ASM. Such notice is indicated in the Company's Preliminary and Definitive Information Statements and also published in newspapers both in

Cebu and in Manila. Each resolution relates to only one agenda item, and a brief rationale or explanation for its inclusion in the ASM is provided. The Company does not include any additional and unannounced agenda item in the ASM if not disclosed prior to the ASM.

The Notices, Minutes, and other Corporate Documents of the Company are written in English, the official language in the Philippines and generally known and understood by the Company's shareholders. The Company releases its Notice of ASM at least 30 days before the date of the meeting.

Together with the notice, the profiles of the nominees for the positions of Board of Directors and the current key officers of the Company are provided to shareholders through the Preliminary and Definitive Information Statements distributed to shareholders before the ASM. The profiles of the nominees, members of the Board and its key officers include their qualifications, work experience, age, and positions and offices held for the past five years, date of first appointment, and other directorships currently and previously held in other listed companies.

The auditors seeking an appointment or re-appointment are clearly identified by the Company in the disclosures.

### ***Voting by Proxy***

The shareholders may vote in person or by proxy. Arrangements for proxy voting or voting in absentia are in line with pertinent rules and regulations. The Company provides shareholders with a copy of the Proxy form through the following: (1) printed copy enclosed in the Definitive Information Statement; (2) digital copy inserted in the CD kit containing the soft files of the Definitive Information Statement; and (3) downloadable form from the Company's website.

An independent auditor, Luis Cañete & Company, was appointed as independent inspector for the validation of votes at the 2014 Annual Shareholders' Meeting.

### ***Right to Receive Dividends and Dividend Policy***

#### ***Dividend Policy***

The Company has a clear and transparent dividend policy. This is disclosed in the Operational and Financial Information section of the Annual Report, in the Information Statement and in the Report of its CFO.

In its regular board meeting held on November 28, 2012, the Board of Directors of the Company, approved a revised dividend policy consisting of an annual cash dividend payment ratio of 50% of

its consolidated net income from the previous fiscal year based on the audited financial statements of the Company. The Company's dividend policy took effect in its cash dividend declaration in 2013 based on 2012 net income after tax. Cash dividends declared by the Company to common stockholders from 2012-2014 are shown in the table below. This dividend policy remains unchanged. (See *Management's Discussion and Analysis or Plan of Action, Annual Report at www.aboitiz.com*)

In the last three years, the Company paid the following dividends:

Year	Cash Dividend per year	Total Declared
2014	₱1.26 (regular)	₱9.27 bn
	₱0.40 (special)	₱2.94 bn
2013	₱1.66	₱2.22 bn
2012	₱0.22 (special)	₱1.62 bn
	₱1.32 (regular)	₱9.71 bn

In respect to dividends, shareholders are treated equally, receiving an amount of dividends per share that is proportionate to his/their shareholdings. The period for payment of dividends is based on trading requirements or constraint of the SEC and PSE.

On March 10, 2015, the Company declared regular and special dividends in favor of shareholders of record as of March 24, 2015 payable on April 20, 2015 based on the consolidated net income for fiscal year 2014 under the existing dividend policy.

### ***Appraisal Right***

Shareholders enjoy the appraisal right or the right to dissent and demand payment of the fair value of their shares. The right is exercised under circumstances provided in the constitutive documents of the Company and within the statutory requirements of Section 82 of the Corporation Code of the Philippines, which disallows payment of such shares if the Company has no unrestricted retained earnings in its books to cover a payment. However, since the Company is listed on the PSE, any shareholder may freely sell his shares on the market.

## **EQUITABLE TREATMENT OF SHAREHOLDERS**

### ***Voting Rights of Minority Shareholders***

The Company believes in the value of building a sustainable and long-term relationship with its shareholders, and ensures that the Company's minority shareholders are equitably treated. All



minority equity shareholders of AboitizPower are entitled to the same voting rights as the other shareholders. The Company adheres to the One-Share, One-Vote policy for matters requiring shareholder approval and, through the cumulative voting system, allows minority shareholders the ability to influence Board composition. The removal of a director will not be allowed if this will result in a denial of minority shareholders representation in the Board.

The Company recognizes the need for balance of the allocation of power between the majority and the minority or arrangements that empower minority shareholders (or limit the power of the majority shareholders) with respect to certain decisions and with the ability to influence board composition.

Other rights enjoyed by minority shareholders include the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided that these items are for legitimate business purposes. The minority shareholders have access to any and all information relating to matters for which Management is accountable for and other information that is necessary. If certain information is not included, then the minority shareholders can propose to include legitimate matters in the agenda of shareholders' meeting.

## **FAIR DEALINGS FOR ALL SHAREHOLDERS**

As a publicly listed company, the Company is subject to numerous laws and regulations. It is the responsibility of everyone within the organization to know and understand the laws applicable to their job functions and to comply with both the letter and spirit of these laws and regulations to avoid actual misconduct and any appearance of impropriety. Every employee is responsible for fair dealings with the Company's suppliers, customers, creditors, analysts, financial market intermediaries, energy markets and participants. The Company also has a policy requiring full disclosure of details of related-party transactions in public communications.

The Company's Code of Ethics and Business Conduct outlines the general expectations of, and sets standards for, Director and employee behavior and ethical conduct. Board members, Management and all other employees are informed of the Code and strict adherence is enjoined.

The Code encompasses prohibited practices involving conflicts of interest, the proper way of dealing with proprietary and confidential information, and truthful disclosures in the best interests of the clients, the Company, and the public.

The Company strictly enforces a Policy on Trading of Company securities. The Trading Policy imposes a trading blackout on AboitizPower securities beginning ten trading days before until two full trading days after the release of the quarterly or annual earnings of the Company. The Chief Compliance Officer sends out notices requiring the strict observance of the trading blackout via various media

(email and short messaging services) to all the Directors, Officers and identified key employees of the Company during any relevant blackout period. Because non-compliance with the policy may carry criminal and civil liabilities as well as reputational damage to the Company, the Board, the Management and the Office of the Chief Compliance Officer strictly enforce compliance with the Trading Policy.

Insider trading is strictly prohibited under the Code of Ethics and Business Conduct, the Manual, and under the PSE and SEC Rules. The Company's Manual of Corporate Governance prohibits every member of the AboitizPower organization from any misuse of inside information. All team members of the Company are mandated to exercise prudence in handling material non-public information in the course of their work and in relation to the trading or dealing with AboitizPower securities.

For purposes of compliance with these rules, the Office of the Corporate Secretary conducts corporate governance seminars for all employees, from top management to team members. The seminars cover the rules prohibiting insider trading among many other topics on corporate governance rules of the Company. In 2013, this seminar was converted into a mandatory e-learning module for better employee convenience.

The Company has an existing policy requiring the Board of Directors and the officers to notify the Company at least one day before they deal in the company shares. Directors and key officers are required to regularly report their beneficial ownership of shares in the Company and any dealings in AboitizPower shares must be reported to the Corporate Secretary within one day from the sale or purchase of AboitizPower shares. In addition, the Company discloses beneficial ownership in its Annual Corporate Governance Report to the SEC including trading of Company shares of its directors and key officers. There has been no violation and conviction of insider trading and abusive self-dealing by directors, management and employees in the past five years that the Trading Policy has been in place.

The Company promotes a culture of service, excellence and leadership. We believe that this environment promotes the recognition of a duty for employees and officers to advance the Company's interests and that of its stakeholders. No employee, officer or director may use his position or corporate property or information for personal gain, and no employee, officer or director may take for himself Company opportunities for sales or purchases of products, services or interests. Protection of proprietary and confidential information generated and gathered in the conduct of business is considered the obligation of every member of the Company's organization. Everyone is also expected to respect the property rights of other companies.

AboitizPower employees and officers are encouraged to promptly report any potential relationship, action or transaction that may give rise to a conflict of interest to the Human Resources Department or to the Chief Compliance Officer. Directors are under the obligation to disclose any actual or potential conflicts of interest to the Chairman of the Board, to the Corporate Secretary, and to

the Chief Compliance Officer. All Directors are also required to inhibit themselves from any Board discussion or decision affecting their personal, business or professional interests. Legal proceedings involving Directors and Officers that could affect their ability and integrity to serve the Company are required to be disclosed to the Chief Compliance Officer. No issues relating to related party transactions or conflict of interest has been raised in the past or recent years.

## **DISCLOSURE AND TRANSPARENCY**

The Company is committed to elevating our standards of disclosure and transparency and the quality and depth of its corporate governance practices to enable the investing community to understand the true financial condition of the Company. Through the Investor Relations Office, the Annual Report, the Company's website, the Company's Information Statement and all disclosures to the PSE and SEC, the Company publishes timely material information on its businesses. Regular disclosures include details of the Company's subsidiaries, associates, joint ventures and special purpose vehicles, if any. There are no special arrangements enabling certain shareholders to obtain a degree of control disproportionate to their equity ownership that needs to be disclosed.

## **DISCLOSURE OF MATERIAL INFORMATION**

The Company periodically submits to the PSE a public ownership report detailing the extent of ownership of controlling shareholders, including the shareholdings of their subsidiaries and affiliates, and that of the Directors and Management. It submits to the PSE a list of its top 100 shareholders every quarter. It also discloses its top 20 shareholders, including shareholders of record and beneficial owners owning more than five percent of the Company's outstanding capital stock, and shareholdings of its Directors and Officers in the Company's Information Statement sent out to shareholders annually. The Company, however, has no control over outside shareholders who may choose to put their shares under nominee holding companies such as the PCD Nominee Corporation, and is thus unable to make any disclosure on details of that ownership.

## **DISCLOSURE OF BENEFICIAL OWNERSHIP OF DIRECTORS AND OFFICERS**

The Company has an existing policy requiring the Board of Directors and the officers to report to the Office of the Corporate Secretary any transaction related to the purchase and disposal of Company shares within five business days from date of transaction. The Company discloses the direct and indirect (deemed) shareholdings of major and/or substantial shareholders and the details of the

subsidiaries, associates, joint ventures and special purpose enterprises/vehicles. The Company's Definitive Information Statement and Public Ownership Report regularly filed by the Company likewise show the direct and indirect ownership of the Company's shareholders, which include its Board, management, and employees.

The Company has an existing Whistleblowing Policy to encourage all employees and other stakeholders to report illegal and unethical practices in the Company directly to the President or Chairman of the Board of Directors, in addition to other available avenues such as the employee's direct supervisor, the Legal Department, or the Human Resources Department. AboitizPower supports the disclosure of these practices as the Company believes it will support and further strengthen its competitive advantage. This policy does not allow for any kind of retaliation for reports or complaints by employees regarding the misconduct of others that were reported in good faith.

There has been no incidence where the Company failed to disclose the existence of capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to the disclosed equity ownership. To date, there are no such agreements.

The Company strives to publish a clear, comprehensive and informative Annual Report. The sections on Management Discussion and Analysis or Plan of Action, the Audited Financial Statements and Results of Operations of the Annual Report discuss in detail the financial and operating results of the Company. Other non-financial matters are discussed in the Results of Operations section of the Annual Report. Operating risks, particularly major risks, are also discussed in the section on Corporate Governance and Risk Management and Audited Financial Statements, and which also include discussions on the Financial Risk Management Objectives and Policies of the Company. These pieces of information are also posted on the Company's website. *(See related sections of the Annual Report at [www.aboitiz.com](http://www.aboitiz.com))*

The Company has a policy on transparency of compensation for its Directors and key executives, in accordance with SEC rules. Information on the basis of Board remuneration is readily accessible through the Company's Annual Report, Annual Corporate Governance Report, and its Board Corporate Governance Committee minutes. The Board Corporate Governance Committee ensures that the Directors' and executives' remuneration is consistent with the Company culture, strategy and business policies at a level sufficient to attract and retain directors and officers who are needed to run the Company successfully. The Company rewards its individual directors and officers based on ability to execute their duties and responsibilities. It is the Company's philosophy to reward officers and employees based on individual performance measured through established Human Resources management metrics. Performance is evaluated and compensation is reviewed on an annual basis. The Company ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through participation in and access to market salary surveys. Directors and officers do not have stock option plans. Current benefits include an executive stock purchase program.

The Company is compliant with the requirement for the Members of the Board of Directors and

Management to report or disclose to the SEC and the PSE, within five trading days from the disclosed transaction, any acquisition, disposal or change in their beneficial shareholdings in the Company. This is to monitor and ensure a proper relationship between Directors and the Company. Under its Manual, Directors have a duty to avoid conflicts of interest. Thus, a director must not do anything for and on behalf of the Company where his motivation and loyalties would be divided, or would result in favoring his own self-interest, or allowing someone connected or related to him to be given equal or higher stature to that of the Company. Directors have a duty to account to the Company for any profit or gain he may have obtained as a result of such activities. The Company may thus exercise certain rights against the director for acting in circumstances such as conflict of interest.

## **TRANSPARENCY OF AUDIT PROCESS**

The Company's Group Internal Audit Team and the Board Audit Committee conduct and review the Company's internal audit operations. The Group Internal Audit conducts its own internal audit, providing an independent review of the Company's internal organizational and operational controls and risk management policies to ensure its effectiveness and appropriateness, and that they are complied with. The Group Internal Audit reports to the Board Audit Committee.

With an independent audit function, the Group Internal Audit Team provides reasonable assurance that the Company's key organizational and operational controls are effective, appropriate and complied with. The team is also responsible for identifying and evaluating significant risk exposures and accordingly contributes to the improvement of risk management and control systems. The team does this by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems. The Group Internal Audit also utilizes other quality assurance providers within the organization.

The Group Internal Audit adheres to established professional standards and such standards promoted by the Institute of Internal Auditors' Code of Ethics.

The Board Audit Committee assists the Board of Directors in its oversight responsibility of monitoring the quality and integrity of the accounting, auditing, legal, ethical and regulatory compliance, risk management and reporting practices of the Group and such other duties as directed by the Board. The Committee assists the Board in fulfilling its responsibility of corporate governance. The role and responsibilities of the Board Audit Committee are clearly defined in the Manual of Corporate Governance, specifically the Board Audit Committee Charter. The Independent Director who acts as Chairman of the Board Audit Committee signs off on all Board Audit Committee Reports.

Aside from an internal audit, an annual external audit of the Company is performed by SGV, an independent, competent and qualified auditor. SGV has been the Company's external auditors for the fiscal years 1998 to 2014. SGV provides an external and objective assurance to the Board and

shareholders that the financial statements fairly represent the financial position and performance of the Company in all materials aspects. Ms. Leovina Mae V. Chu is the Company’s audit partner for 2014. She replaced Mr. Ladislao Z. Avila, Jr. who served as the audit partner of the Company in 2011. The external auditors also attend the Company’s Annual Shareholders’ Meeting to respond to any questions on the Company’s audited financial statements. They also have the opportunity to make a statement if necessary. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

There has been no event in the past 16 years where the Company and its external auditors or the handling partner had any serious or material disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

By policy, the Board Audit Committee makes recommendations to the Board of Directors concerning the selection of the external auditor and preapproves audit plans, scope and frequency before the audit is conducted. In 2014, the shareholders delegated to the Board the authority to qualify and appoint the Company’s external auditor.

Audit services of external auditors for the years 2013 and 2014 were pre-approved by the Board Audit Committee. The Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

In 2014, among the initiatives pursued, the Group Internal Audit underlook the standardization of audit measurement tools across the audit group; reviewed the GIA Operations Risk Management Plan update; update the integrated Risk Management-Audit guidelines, and the implementation of the aligned vulnerability measure of Audit and Risk Managements.

The fees paid to the external auditor for audit services are disclosed by the Company in its Information Statement. The external audit and other fees of the Company for the years 2013 and 2014 were as follows:

Fee Type	Year ended December 31, 2014	Year ended December 31, 2013
Audit Fees	₱365,400.00	₱348,000.00
Tax Fees	nil	nil
All Other Fees	₱6,642,534.00	₱725,000.00
Total	₱7,007,934 00	₱1,073,000.00



With the tremendous opportunities for growth and investments in Asean countries, the Company commissioned various studies by SGV on Asean regulatory reportorial and the framework. In 2013 and in 2014, the Company pursued investment opportunities, for which the item on other fees were paid.

## **LINKAGES TO THE COMPANY**

The Company's website contains up-to-date corporate information of the Company, including details of its business operations. The Investor Relations section of the Company's website provides financial highlights, recent press releases, audio recordings of media briefings, and information on the shareholding structure and organizational structure of the Company, among others.

Stakeholders are invited to visit the Company's website and its corporate governance webpage for its policies and practices. The Company's website provides, among others, a description on the governance practices in the Company, its corporate structure, its sustainability and corporate social responsibility initiatives, its company policies, and the awards it has garnered in recent years. An electronic copy of the Annual Report including the Corporate Governance Report can also be downloaded from the website. In addition, Management regularly uploads updated news and disclosures on the Company's website. The Company's corporate governance initiatives, such as newly approved policies, circulars and board policies are also made available to the public on the Company's website.

In addition, the Office of the Corporate Secretary, the Company's Investor Relations Office, its shareholder affairs contact person and its Stock and Transfer Agent are also available for any communications, requests, inquiries or any clarifications. The contact details are provided in the Annual report and in the Company's website. The Investor Relations team provides a venue for shareholders to air out comments or any suggestions and organizes regular analysts' briefing for every disclosure of financial statements. It also ensures that investors/shareholders' queries are responded at least three to five business days.

There have been no major grievances for any alleged violation by the Company of shareholders' rights.

## **RELATED PARTIES TRANSACTIONS DISCLOSURES**

The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements.



The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz Group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of its corporate organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.

Significant or material related party transactions, other than the routinary shared services transactions, are within the scope of the review by the Board Audit Committee, where the majority of membership are the Independent Directors.

The SEC issued new disclosure guidelines on retirement benefit funds. These guidelines enumerate the minimum disclosure requirements under PAS 24, Related Party Disclosures, and prescribe additional disclosure requirements on the information that would for a better understanding of the transactions of retirement funds with an entity whose employees are the beneficiaries and other investments in securities of the related entity. These disclosure guidelines are applicable to annual financial statements for the period ending December 31, 2014. The Company is compliant with the disclosure rules in respect of its annual reports.

There has been no reported case of non-compliance with the laws, rules and regulations pertaining to significant or material related party transactions in the past three years.

The Company's Annual Audited Financial Statement (AFS) is filed within 120 days from the end of its fiscal year, as required by the SEC. The Company's AFS reflects a true and fair representation of the financials that are affirmed by the Board of Directors and relevant officers of the Company. There have been no revisions and restatements of the financials approved by the Board Audit Committee prior to the approval of the Board. Copies of the AFS are given to all shareholders and are also available on the Company's website.

## ABOITIZPOWER AND STAKEHOLDERS ENGAGEMENT

### We can do well by doing good.

Stakeholder engagement is one of the four strategic pillars of the Company. AboitizPower is committed to positively engaging its stakeholder through establishment of appropriate communication venue and building strategic relationships. The Company's stakeholders are team members, team leaders, the host communities, regulators, customers, its shareholders and investors, its Board of Directors, the lenders, financing providers and intermediaries, and the national and local government units.

The Company recognizes that corporate governance principles revolve around relationships between and among these stakeholders and the goals set by the Company. Together, they contribute to the successful pursuit of the Company's business goals. Good corporate governance requires policies and procedures that promote awareness and observance of stakeholders' rights at the company level. This is why AboitizPower makes sure that its various stakeholders' concerns are addressed and relationships nurtured with fairness and honesty, consistent with its mission, vision and its commitment to service.

The Company's corporate social responsibility programs run deep in AboitizPower's culture. In the recent years, the Company formalized its commitment to the principles of sustainability by documenting the myriad programs across the Group. Early on, its subsidiaries and affiliates, namely SN Aboitiz Power-Benguet, Inc. and Hedcor Sibulan, Inc., registered their hydroelectric power plants under the Clean Development Mechanism (CDM) for carbon trading of the United Nations Framework on Climate Change. This is a contribution to the international response to climate change as well as the promotion of hydroelectric power plants as a major source of renewable energy for the country. CDM is a mechanism agreed in the Kyoto Protocol to enable industrialized countries to reduce greenhouse gas, to invest in climate change friendly projects in developing countries, and to allow them to develop emission reduction projects to earn carbon emission credits. (*See also the Sustainability Report at [www.aboitiz.com](http://www.aboitiz.com)*)

## COMPLIANCE WITH HEALTH, SAFETY AND ENVIRONMENTAL LAWS

The Company's power generation and distribution operations are subject to stringent safety, health, environmental and other regulatory standards. For the year 2014, the Company, its subsidiaries and affiliates were fully compliant with the legal standards. AboitizPower and all its generation companies and distribution utilities were granted Certificates of Compliance from the relevant governmental agencies and bureaus requiring certification. The business units of the Company committed to the needed expenditure and compliance requirements on occupational health and safety measures. The Company has a good reputation in the operation of its businesses with none

or limited accidents, a clear demonstration of how the Company values health and safety measures in the work environment.

Existing regulations, in particular the DOE's Energy Regulation 1-94 (ER 1-94), require the business units of the Company to allocate funds for the benefit of host communities. Compliance with the mandatory provisions of law is not only for the protection of the natural environment, but for the upliftment of the neighboring communities as well. The Company's subsidiaries have gone beyond mere compliance with these regulatory requirements on these benefits to host communities as well as on health, safety and environmental laws.

In 2014, the Company's distribution utility businesses obtained on behalf of its rural communities in their franchise areas, a record release of ER 1-94 funding. 12 Barangays in Visayan Electric Company's franchise area benefited from a P24 million funding. In Davao, 79 rural projects worth P37.2 million were completed by Davao Light from the ER 1-94 funding, benefiting 1,450 households.

In a nutshell, the Company's Compliance Committee with health, safety and environmental standards is aligned to its Sustainability Program. (See [www.aboitiz.com](http://www.aboitiz.com) for Sustainability Report)

## THE EMPLOYEE AS A STAKEHOLDER

AboitizPower's strategic pillar of *Building Human Capital* remained a major focus in 2014. At the core of AboitizPower's businesses are the people: the team leaders and team members. The Distribution business' dream is becoming a world class electric utility delighting customers and engaging the stakeholders. The Generation business' dream is to promote optimum performance of a workforce, cultivate a mindset of continuous improvement and responsibility to achieve world-class operations. These goals are achieved through a persistent program of technical and leadership trainings.

The Company follows Aboitiz Equity Ventures, Inc.'s Universal Training Program (UTP) for all employees. This universal training program includes personal development skills such as, Seven Habits of Highly Effective People, Creating the Future Organization, The Aboitiz Way, Working Program, Frontline Leadership, and Practice of Supervision, to name just a few in-house training skills training program.

In 2014, the Company implemented this UTP as well as the Success Factors program. The Company also provided opportunities for cross functional skills and knowledge building and sharing through cross posting, continuous exposure and training with local and international organizations. It focused on strengthening regulatory competence, building team engineering bench and piloted metric-based incentive program within the business units.

2014 was also the year that the Company committed to the Leadership Circles for the development and mentoring of top leadership as well as incoming leadership across its organization with a focus to developing the Aboitiz leadership brand and leadership succession and continuity. The Company continues to adhere to a merit-based performance incentive pay compensation package that includes some form of employee stock ownership plans, merit increase schemes and bonus schemes for performance and incentives to employees. The Company offers not only statutory benefits but also additional internal benefits program to enhance the quality of life of our employees while satisfying the four needs: need to belong, to learn and grow, to give back and to be physically comfortable.

The AboitizPower employee benefit package aims to foster a culture that realizes, rewards and celebrates the Aboitiz values and culture across the group. The Company participates in the Aboitiz Groupwide Team Awards for Service, Excellence, and Innovation.

In respect of a gender equality practice in the workplace, the Company makes sure that there is no discrimination for all types of employees based on the gender. The employees are hired and promoted on the basis of their qualifications, experiences, competence and capabilities and meritorious performance of their jobs; not on the basis of gender or sexual preferences.

The table below shows the gender mix of female employees and male employees in the Company for the year 2014, indicating a fairly equal representation:

Position	Female	Male
Senior Management	6	27
Middle Management	84	89
Staff	64	48
<b>Total</b>	<b>154</b>	<b>164</b>
Percentage	48.43%	51.57%

## EMPLOYEE RELATIONS

The Company believes in inspiring our employees, developing their talents and recognizing their value as business partners. The contribution of every employee is important to the fulfillment of the Company's goals. The Company is committed to a workplace in which all individuals are treated with dignity and respect. The Code also promotes a safe and healthy working environment which provides equal employment opportunities and prohibits discriminatory practices.

Employees' professional and personal growth is of paramount concern to the Company and the Company is keen to provide opportunities to deepen employee's understanding of the Company's

value-creating proposition. The Company cultivates a culture of life-long learning through high value, relevant, quality training programs designed to support employee career development path and personal growth. The Company's numerous "Kabisig" and "Kauban" programs strive to strengthen the ties that bind employees and the Company together. Exemplary performers are nurtured through a talent management program designed for the development of the next generation of corporate leaders.

In 2014, AboitizPower Generation launched its **Buklod-Kabisig Program**, a culture-building initiative that seeks to promote shared values across its workforce which supports its mission of having a world-class organization. In this program, team members were treated to momentous yet fun-filled sessions full of group activities and inspiring messages from top management. "*Buklod Kabisig*" signifies the shared values between Aboitiz and the AboitizPower generation workforce. "*Buklod*" means a bond which brings people together while "*Kabisig*" which originated from Hedcor's team building program literally means "*linked arms*" that symbolizes unity.

The Company also implemented "Innovation", the Power generation group's Quality Improvement Program (QIP), designed to encourage Kabisigs to look at process improvements, to discover effective measures, to strategize for business growth and to take responsibility to achieve world-class operations.

The Company maintains robust lines of communication between Management and employees, allowing the Company's employees to interact with top executives in the organization and provide opportunities for leadership role models and mentoring. All these allow a free exchange of ideas and shared experiences, promoting teamwork, collaboration, cooperation, innovation and diversity within the organization.

Hedcor's Labor-Management Committee (LMC) is one of the most successful and acclaimed LMCs in the country today. The Chairman of the Board and the CEO also organize regular formal and informal get-togethers with the Board of the Directors and key officers of the Company and its business units providing invaluable interaction between the Board and the management team leaders.

## **RELATIONS WITH SHAREHOLDERS, CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND FINANCING PROVIDERS**

The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company. The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated spokespersons for clarifying information and issues as well as dealing with investor concerns. AboitizPower's commitment to its shareholders is reiterated annually through

its comprehensive reports on its operations, particularly the Company's Report to Stockholders in the Annual Report and through its investors' briefings, investor conferences, non-deal road shows and one-on-one meetings. The Company continually plans website content management initiatives to regularly keep its shareholders updated with the latest Company developments. (*See Investor Relations, [www.aboitzpower.com](http://www.aboitzpower.com)*)

The Investor Relations Office conducted investors' briefings in March 12, May 7, July 30, and October 29, 2014 to enable investors to discuss with the top management the full year 2013 Financial Operating Results, First Quarter 2014 Financial and Operating Results, Second Quarter 2014 Financial and Operating Results and Third Quarter 2014 Financial and Operating Results.

In dealings with its customers, suppliers and business partners, the Company abides by the Fair Dealing Policy found in its Code of Ethics and Business Conduct. The basis of the policy is the Company's objective to out perform its competition fairly and honestly through superior performance. Every employee, officer and Director therefore always prioritizes the best interests of the Company's clients and endeavors to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

## CUSTOMER AS STAKEHOLDER

2014 proved to be troublesome in terms of power supply for the Island of Mindanao, where Davao Light and Cotabato Light electric utilities have their franchise areas. However, the outages in Davao Light and Cotabato Light were minimized by the companies operation of their own standby power plants as well as by the participation of many large customers in the successful Interruptible Load Program (ILP) pioneered by the Company's subsidiary, Visayan Electric Company, Inc., in 2010. The ILP is being replicated by the DOE in Luzon to mitigate shortage of supply in 2015.

Inspired by a vision to become world-class, the Company engaged Renoir Consulting to improve efficiency and standardize and harmonize processes across the eight utilities managed by AboitizPower. Across companies, a Business Process Improvement team is now in place to ensure the gains of the Renoir project are continued and sustained.

To further improve efficiency and standardization of processes, the concept of shared services with AboitizPower corporate center was introduced in the area of Accounting, Finance and Information Technology. Various projects were completed to further improve on service efficiency and reliability. Visayan Electric Company completed its first one-kilometer underground system beneath Cebu City's most important thoroughfare. 2x100-megavolt ampere power transformers were also commissioned to improve the distribution system's efficiency.



The Hawkeye Smart Elevated meter cluster technology was devised and deployed in order to keep one step ahead of electricity theft. Davao Light geared up for incoming power from Therma South, Inc. (TSI) by completing its 69-kilovolt (kV) substation. It also commenced a seven year project of building a robust and reliable distribution network through the installation of a 69-kV loop system. For MEZ and BEZ, a unified SCADA (Supervisory Control and Data Acquisition) system was installed.

Notwithstanding numerous regulatory challenges, AboitizPower's distribution utilities have accomplished a lot in 2014, with these achievements redounding to the benefit of its customers.

Total system losses of all of its utilities are now under the 8.5% government-mandated cap that results in lower rates. Its economic zone utilities have system losses that are even substantially below this government cap, namely 2.7% in 2013 and 2.4% in 2014.

Some Performance metrics for the electric utilities relating to services show that they are well within global averages. The Company's System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI) statistics are in the lowest or lower levels of the range of all its peers in the country compared to private utilities and cooperatives, and in the average of its peers in Asia as well as against benchmarked peers in the United States with similar operations.

By global electric utility standards, SAIDI is a good indicator of a utility's ability to dispatch crews and repair the electric power system to restore power after an outage. SAIFI reflects a menagerie of performance drivers including the grid's resilience, performance of protection system from weather and animals, from age of components and anything else that might contribute to causing or preventing failures.

The AboitizPower sales and marketing team implemented several programs for a more efficient and effective handling of customer concerns in 2014. The sales and marketing team also conducted trainings for their customers regarding Open Access, implemented Technical Services Projects for Open Access customers, documented trading and sales processes, streamlined bills and payment collection, and executed Priority Customer events. In partnership with WeatherPhilippines Foundation, the Company's sales and marketing team also deployed automated weather stations for localized weather information for its customers.

### ***Policy on Safeguarding Investors' and Creditors' Rights***

AboitizPower and its management team maintain and disseminate accurate and comprehensive reports for its investors, shareholders and creditors, especially with respect to the annual financial statements and annual and quarterly reports. This discipline reflects the Company's commitment to its investors and lenders and financial partners.



Its senior financial officers, executive officers and directors endeavor to inform and assure stockholders of the timely discharge of financial responsibilities through the Annual Report of the Company. The unconditional Audited Financial Statements of the Company give a clear view of the Company's financial condition. All pending legal and tax proceedings, tax assessment notices, and voluntary assessment program or tax relief availment that are potentially material to the Company's businesses are disclosed through the Legal Proceedings section of the Information Statement of the Company.

In September 2014, AboitizPower issued a ₱10 billion fixed rate retail bond offer to the public with a "PRS Aaa" rating from the Philippine Ratings Services Corporation. A "PRS Aaa" rating is the highest rating, which means the Company's obligation is of the highest quality with minimal credit risk. The rating is an indication of a strong capability of the Company to meet its financial obligations. The bonds are listed on the Philippine Dealing and Exchange Corporation (PDEX). As issuer, the Company made timely disclosures and submissions in 2014 both to the PSE and the PDEX to enable its lenders and investors to get relevant information.

The Treasury Services Group (TSG) of the Aboitiz Group, together with the Company's and the BUs' CFOs, regularly hold a dialogue with its creditors and lenders. Every year, the Company organizes a Banker's Night where senior officers of the Company meet the lenders for informal talks on any matter.

The role of TSG is to enable the Company to address its short and long term funding requirements. These requirements are geared towards a sustained growth of the Company for the expansion of its business operations, and pursuing new projects and acquisitions. TSG adopts best practices in cash management, funding and loan structuring. To ensure the long term viability of the Company's business and to safeguard creditor's interests, the TSG manages liquidating risks and maturing loan payment schedule risks through strict adherence to loan agreement covenants (financial and non-financial). The Company maintains close relationships with counterparties that are strong financial institutions (local and foreign).

TSG also maintains open communications with its lawyers, its lenders and regulatory authorities (such as BSP and SEC). It provides its lenders with timely disclosures of all of the Company's disclosures to PSE, PDEX, and SEC to its lenders. It also monitors the single borrowers' limits of the Company in relation to its lenders.

### ***Risk Management Plan***

Risk Management Planning is integral to the Company's business plans and strategies. Typhoon Yolanda in 2013 and Typhoons Glenda and Ruby in 2014 also showed how the power generation plants as well as electric utilities' distribution systems can be extremely vulnerable to weather conditions.

In 2014, AboitizPower's management was busy with developing and/or implementing the Business Continuity Plans (BCP) of various business units. The BCPs address emergency responses, crisis management and business recovery. The Generation group began consolidation of these BCPs and also aligning their Operational Risks Management Plans (ORMP). The Company also organized a group wide Team of Experts (TOE) to address issues and concerns for regional scenario based (multi business units) group, in respect of assets, risks, health, safety and environment and operational risks.

If any lessons were learned from the typhoons, it is that the Company needs better weather forecasting to address these natural disaster risks. With the help of WeatherPhilippines Foundation and other available technologies, the Company can get better at forecasting and get better at anticipating natural calamities. The Company has developed the Regional Business Continuity Plans, where the business units are ready with mutual response and mutual aid for Level 5 weather conditions.

### ***Anti-Corruption Policy***

As a publicly listed company, the Company is subject to numerous stringent laws and regulations. All Company employees are made aware of their responsibility to know and understand the laws applicable to their respective job responsibilities and are directed to comply with both the letter and the spirit of these laws. All employees are expected to behave properly within the bounds of law and are also cautioned to avoid any appearance of impropriety. The Company ensures that all stakeholders are aware of these various laws operating within its own environment, and adopts policies to encourage participation and prevent any violation of these laws. One such policy is the non-acceptance of gifts from persons who have a beneficial relationship with the Company. The Company makes it a point that employees know that gifts and special favors may create an inappropriate expectation or feeling of obligation. It is a policy of the Company that business gifts to, and entertainment of, nongovernment employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest.

Moreover, in dealings with suppliers and other business partners, the Company likewise ensures that they are compliant with the laws, for example, requiring appropriate registration from the Bureau of Internal Revenue, the local government units, the ERC, SEC and PSE, and other regulatory bodies. The Company's Code of Ethics and Business Conduct, as well as internal policies not only require a disclosure of conflict of interest but also require a behavior to refrain from entering into transactions of the Company. All employees are required to take a corporate governance e-learning course dealing with the Company's governance policies. At the Board level, directors are encouraged to disclose and refrain from participating or voting matters that affect their personal, business or professional interests that are likely to give rise to conflicts of interest situation. All employees, officers and directors have an obligation to act in the best interests of the Company.

## ***Policy on Occupational Health and Safety***

The Company has a clear corporate policy on Occupational Health and Safety, which mandates Management to eliminate any potential hazards or work situations that may result to property loss or damage, accidents or personnel illness and injury. It is the policy of the Company to protect both people and property. This is also included in its risk management plans. To strengthen its compliance, the Company recently appointed an Occupational, Health, Environmental & Safety Compliance Officer.

The Company is committed to striking a balance among economic growth, social development and environmental stewardship factors in the conduct of its business. The Company implements programs that promote environmental preservation as well as social and economic development in the communities where its businesses operate. To fulfill this commitment, Management provides and maintains a healthy and safe work environment in accordance with industry standards and in compliance with legislative requirements. All Team Members are equally responsible for maintaining healthy and safe workplaces that minimize the probability for accidents or hazardous incidents. Accidental loss can be controlled through proactive management and active employee involvement.

In 2014, 77% of the total member of employees in the Company availed of their medical benefits and 80% received the good health bonus, which is a reward for keeping oneself healthy.

All corporate service units and business units comply with all legislated occupational health and safety requirements as they relate to planning, operation and maintenance of facilities and equipment usage. All personnel perform their job tasks properly and in accordance with established safe work practices and procedures. The Company enjoins all stakeholders to make occupational health and safety a way of life at Aboitiz.

Some of the Company's business units conduct and also participate in safety and skills competitions in Davao (Mindanao) and Benguet (Luzon). These competitions include training on emergency preparedness skills such as firefighting, basic life support, bandaging and emergency transport. These events are held annually to refresh employees on safety practices and technical skills. In 2014, Davao Light bagged the prestigious Department of Labor and Employment Secretary's Award, particularly the Child Labor Free Establishment award.

The SN Aboitiz Power Group also received Silver and Bronze Awards in the Department of Labor and Employment's 9th Gawad Kaligtasan at Kalusugan last October 27, 2014. The Magat and Ambuklao hydroelectric power plants operated by SN Aboitiz Power-Benguet and SN Aboitiz Power-Magat won Silver Awards while the Binga plant bagged the Bronze Award, all under the Institutional category.

AboitizPower's occupational health and safety record for its generation business for 2014 is quite good. The Company ended the year 2014 with 7.1 million man-hours worked with only one lost time case, one minor medical treatment case and only 23 first-aid cases. While the statistics are low by the power generation industry worldwide standards, the Company believes there is still a lot of room for continuous improvement. The Company is on track with its OHSAS 18001 Safety Management Systems certification. It recently initiated the Maximo Health Safety and Environment module to leverage key safety management system tools.

"Kabisigs" from APRI, SNAP-Magat, and STEAG State Power, Inc. received the 2014 Corporate Safety and Health Excellence Award during the 10th Energy Safety and Health Conference last December 2014.

The Safety and Health Association of the Philippines Energy Sector, Inc. (SHAPES) and the DOE recognized the APRI MakBan and Tiwi geothermal power plants, SNAP-Magat hydroelectric power plant, and STEAG Power's coal-fired power plant for achieving one million man hours of no lost-time incidents in the course of one year.

Safety professionals and practitioners of AboitizPower were also cited for their contribution towards achieving a safe working environment through their various expertise.

## RELATIONS WITH THE COMMUNITY AND THE ENVIRONMENT

The Company creates value to the stakeholder communities where its businesses are situated by focusing its CSR efforts on education, enterprise development, and environment. In times of calamities, the Company through its business units as well as through the Aboitiz Foundation, are always ready to help, aiming to be among the first to respond.

The Aboitiz mindset is that *WE CAN DO WELL BY DOING GOOD*. The continuing journey towards an *Aboitiz BetterWorld* is anchored on the Aboitiz Group's sustainability mindset that "we can do well by doing good", always making the right long-term decisions that balance the interests of people, planet, and profit. *AboitizPower is doing good by living out its core values of responsibility through its CSR initiatives.*

Over the past 26 years since the Aboitiz Foundation was established, it has proven its commitment to the mission of helping people help themselves and pursuing the vision to be the neighbor of choice. This is the legacy and tradition that AboitizPower has inherited and is committed to uphold and pass on to future leaders and team members.

The Company's broader obligations to society and the community are reflected in the Company's Manual, its compliance with relevant laws and regulations, and the principles of sustainable

development practices of the Company and its business units. (See Aboitiz Foundation Annual Report and the Aboitiz Sustainability Report for details of specific programs for the communities on education, community development and environmental sustainability on the website.)

The Aboitiz Group is committed to the environment by creating a sustainability mindset across the group. The Group doubled its target of planting trees to six million trees by 2020, as it surpassed its three million trees target one year ahead of schedule in 2014, and firmed up its commitment to build a BetterWorld through sustainable environmental practices. In the same year, the Aboitiz Group obtained Global Reporting Initiative (GRI)- Checked Level B Certification for its 2013 Sustainability Report covering 52 performance indicators. For its 2014 Sustainability Report, the Company has adopted the GRI G4 reporting framework, which will allow it to focus reporting on what is critical and material to its business and stakeholders. The Company likewise continues to sponsor the original publication of books highlighting local themes, indigenous culture and medicinal flora as part of the sustainability mindset, such as the coffee-table book “Shades of Majesty,” which was awarded the Gintong Aklat Awards for Best Book in Natural Sciences.

The Brigada Eskwela is a nationwide effort to clean-up and repaint public school buildings geared towards helping improve basic education. The Aboitiz Group’s regular Adopt-a-School Program brings its professional volunteers to public schools to teach public school students outside the school system.

These programs and activities are in addition to the following scholarships granted by the Aboitiz Foundation to students across the country in 2014:

Level	No. of Scholars
Pre-school	250
Elementary	141
Secondary	2,036
Tertiary	377
Post Graduate	18
Technical Vocational (TechVoc)	475
<b>TOTAL</b>	<b>3,297</b>

The Company contributed to the funding of these scholarships.

In pursuit of striking a balance between economic growth and sustainability, the Company implements programs that promote environmental preservation, such as the Mt. Apo Natural Park rejuvenation projects, and social and economic development in the communities where its businesses operate through the Aboitiz Foundation. The Company's business units also implement their unique programs designed to make their operations more cost-efficient at the same time foster meaningful and long term partnerships with their host communities. The disbursement of record amounts of ER 1-94 funding for the local communities by the utilities in 2014 also shows the Company's commitment to its host communities. The Company not only respects sustainability of the environment and natural resources, but also considers the immeasurable legacy and culture of indigenous peoples with its celebration and preservation of indigenous peoples' cultural activities.

The policy of sustainability of businesses is now part of the Company's corporate governance culture. The Company continues to engage in activities leading to sustainable development such as Race to Reduce and commitment to Earth Hour. *(See Sustainability Report at [www.aboitiz.com](http://www.aboitiz.com))*

The Company believes that for it to continue to grow and flourish, it has to operate within a rational financial model, with a collaborative community, and within sustainable ecological framework. As the Company looks to the providing better solutions for a better future, it remains cognizant of its power to uplift the future of our communities.

## **CORPORATE SOCIAL RESPONSIBILITY COMMITMENT**

The Company continues to address the social and economic development needs of the less privileged through community empowerment activities through the Aboitiz Foundation and through its business units. The Company and its business units have been able to obtain the Free Prior and Informed Consent from the Indigenous Communities in areas where AboitizPower companies operate because of the well-entrenched corporate social responsibility programs of the group. The Company adheres to the practice of priority in hiring qualified disadvantaged individuals in the community for better employment opportunities. The Company prioritizes programs in education, such as but not limited to, scholarship plans, construction or renovation of school buildings, and computer and library kit donations. These programs help improve the learning development of students from all levels in the community. As part of its corporate social responsibility, the Company also engages in enterprise development, microfinance operations and primary health and child care services to improve the quality of life of its beneficiaries through the Aboitiz Foundation. *(See Aboitiz Foundation Report at [www.aboitizfoundation.org](http://www.aboitizfoundation.org))*

The Company implements programs that promote environmental preservation as well as social and economic development of the communities where its business units operate. The Aboitiz Group, driven by its passion for a better world, continues to pursue initiatives to help enrich the planet through sustainable projects promoting sustainability. One of the notable achievements of its "green efforts" is the A-Park Program launched in 2010 with the goal of planting three million trees for the five years thereafter.



By 2014, the Aboitiz Group exceeded its target to plant three million trees nationwide one year ahead of schedule. With the achievement of the three million trees target, the Aboitiz Group is now doubling its target to six million trees planted by 2020, or a total of nine million trees planted by 2020, firming up its commitment to build a BetterWorld through sustainable environmental practices. The seedlings planted were mostly of native or indigenous species as well as of the fruit bearing variety. This supports Aboitiz Group's policy of sustainability of businesses being an integral part of the way the Company conducts its businesses. An ingrained CSR agenda is part of the Company's contribution to enriching the lives of its neighboring communities as well as a legacy to the country. (See *Aboitiz Foundation Annual Report at [www.aboitizfoundation.org](http://www.aboitizfoundation.org)*)

In 2013, the Aboitiz Foundation's CSR efforts were focused on its **#BangonVisayas** relief efforts in response to the earthquake and Typhoon Yolanda/Haiyan that left a trail of devastation across the Visayas Region. The Foundation raised a total of ₱264 million for its Yolanda relief efforts from its **#BangonVisayas** campaign, ₱194 million of which was allocated to the schools rehabilitation program. The campaign mobilized 5,000 volunteers for the assembly and distribution of 52,000 relief packs and 14,000 hygiene kits benefitting 106 barangays and restored a total of 1,209 electric posts in Cebu and Leyte. AboitizPower participated in both the funding, and the relief and rehabilitation efforts of the Foundation. The AboitizPower distribution group played a major role in the Typhoon Yolanda rehabilitation, in particular in the efforts to re-install the distribution poles and lines of Ormoc City and Northern Cebu.

In 2014, the Aboitiz Foundation surpassed its target of repairing and constructing a total of 200 classrooms that were hard-hit by super typhoon Yolanda in the Towns of Bogo and San Remigio in Northern Cebu, Philippines, turning over in November 12, 2014 a total of 157 repaired and 70 newly constructed classrooms that will benefit 15,000 students.

In the more recent devastation caused by Typhoon Ruby in December 2014, Aboitiz Foundation also mobilized teams to distribute relief packs to more than 5,300 affected families in Northern Cebu, Mindoro Central, and Batangas. AboitizPower team members also participated in these CSR efforts. The Company's team members also participate in the Foundation's Christmas outreach and the Brigada Eskwela. This Brigada Eskwela is an annual program to refurbish public school's infrastructure for incoming students.

As part of AboitizPower's commitment to nurturing the environment and conserving the Earth's diminishing resources, the Company adopted a female Philippine Eagle, and named her Pangarap or Hope. Pangarap's home is at the Philippine Eagle Center in Calinan, Davao City. By providing Pangarap food and shelter, the Company hopes to protect the Philippine Eagle, one of the most endangered species in the world. It is the hope that Pangarap can successfully give birth to offsprings in the future, and contribute to saving the Philippine's national bird from extinction.



The Aboitiz Group is working together with donors in the private sector, to support the Philippine Government in its efforts to reduce weather-related disaster risks in the country through Weather Philippines Foundation (WeatherPhilippines). The Aboitiz Group co-founded WeatherPhilippines to operate a premiere weather forecasting system across the country with the installation of automated weather stations (AWS) across the country. By December 2014, WeatherPhilippines completed the installation of 700 AWS across the country. WeatherPhilippines, provides accurate and reliable weather forecasts throughout the whole country. The ultimate goal of WeatherPhilippines is to complement the Department of Science and Technology's Project NOAH (Nationwide Operational Assessment of Hazards). WeatherPhilippines also operates a portal, "[www.weather.com.ph](http://www.weather.com.ph)" featuring a wealth of weather information transmitted through telecommunications and other multi media accessible to all persons. The portal was upgraded in 2013 to include integration of the severe weather warning map with color coded alerts, integration of the severe warnings on the detail weather page, and activation of two weather models for better forecasting. In 2014, WeatherPhilippines conducted Weather 101 and Tropical Cyclone 101 trainings for private organizations to increase people's knowledge of weather for timely response to adverse weather conditions and climate changes. A number of trainings were held for the AboitizPower group, and WeatherPhilippines' partners, namely Visayan Electric Company, Davao Light, Cotabato Light, SN Aboitiz Power Group and the Center for Disaster Emergency Response. The Company, through WeatherPhilippines, provides accurate, live weather forecasts throughout the entire country. (See *WeatherPhilippines website at [www.weather.com.ph](http://www.weather.com.ph)*)

On November 25, 2014, WeatherPhilippines launched its **#WeatherWiserNation Conference**. The event was intended to give the Philippine media and its partners, knowledge and insight to enable them to put weather data in context for news reports and utilize the information for business, government and technology. The **#WeatherWiserNation Campaign** engages all communities to build a nation that uses accurate weather information for practical decision making in business, government, and personal matters. It also aims to change the attitude of Filipinos towards weather, from apathy to interest and concern. AboitizPower's business units who are partners of WeatherPhilippines actively participated in this event.

On August 28, 2013, the Company launched its Cleanergy Center at the MakBan Geothermal Complex in Bay, Laguna, to firm up its long standing commitment to responsible energy development and education in the areas it operates in. The Cleanergy Center — taken from the words "clean energy" and named after AboitizPower's brand for clean and renewable energy—is the country's first renewable energy learning facility. The Cleanergy Center is being maintained by APRI.

In 2014, Davao Light in partnership with the Foundation, launched a biodiversity park focusing on turtle management and habitat conservation; mangroves and coastal forest development and preservation with information tagging; seedling nursery and botanical garden; weather station observatory; and marine species breeding and preservation. The Aboitiz Cleanergy Park is an 8-hectare property owned by the Aboitiz Group located at Sitio Punta Dumalag, Matina Aplaya,

Davao City. The park's premises and its surrounding areas have a rare and diverse ecosystem consisting of a mangrove forest, coastal forest, marine turtle habitat and nesting area, shoal, coral reefs, sea grasses and a fish sanctuary. This area has been declared as a protected marine area.

In the second half of 2014, a scientific baseline research and biodiversity assessment was conducted by a group of professors from University of the Philippines Mindanao and the University of South Eastern Philippines to ensure sustainability of this ecosystem. The research project covered the following: (1) turtle habitation behaviors and habitat conservation; (2) biodiversity assessment and baseline inventory of thriving species; (3) impact of human settlement and activities surrounding the site; (4) overall ecological status; and (5) recommendations for resource management and biodiversity enhancement.

In March 2014, Ambuklao Hydroelectric Power Plant, is owned by SNAP-Benguet, a joint venture between SN Power Norway and AboitizPower, secured a favorable certification audit for its Environmental Management System (EMS) conducted by TUV Rheinland. An EMS certification indicates a company's commitment to monitoring, managing and improving its environmental performance, which means that the company has identified significant environmental aspects of its operations and that it is taking steps to manage them through effective means.

The SN Aboitiz Power Group CSR projects consisted of various types of projects that focused on their host communities' needs. The wide array of projects included medical, health and sanitation related projects, construction of disaster preparedness facilities, educational buildings, and of road and bridges infrastructure, environmental projects, water system projects, and barangay and community halls. Total project cost is estimated at about P22 million.

### ***Other Sustainability Initiatives***

In 2014, Hedcor Group planted over 14,000 trees simultaneously in Benguet, Mountain Province, Ilocos Sur, Davao del Sur, Davao City and Bukidnon. In the same year, the Hedcor Group also distributed 9,000 seedlings to Brgy. Tamugan, Davao City, Brgy. Sibulan, Sta. Cruz, Davao del Sur, and in Manolo Fortich, Bukidnon for planting by these communities. In February 2014, Hedcor completed its pledge to manage 1,000 hectares of watershed within the protected areas of Mt. Apo Natural Park, where more than a half a million trees were planted for reforestation, roadside rehabilitation, riverbank stabilization and agro-forestry.

Therma South Inc., another subsidiary of AboitizPower, has partnered with the Matigsalog tribe to implement a widespread reforestation and rehabilitation project inside the ancestral land of the Matigsalog tribe in Marilog District in Davao City. The project will cover around 1,000 hectares of the ancestral lands for planting. The partnership targets the planting of around one million trees within the period of ten years.

As a manifestation of the Company's commitment to transparency of its sustainability program, AboitizPower adopted the GRI framework for its sustainability reporting. The Aboitiz Group obtained GRI-Checked Level B Certification for its 2013 Sustainability Report covering 52 performance indicators. For its 2014 Sustainability Report, the Company will adopt the GRI G4 reporting framework, which will allow it to focus reporting on what is critical and material to its business and stakeholders.

The Company conducted last August 28, 2014 a Sustainability Forum participated by Sustainability Stewards and Sustainability Council members. This forum is conducted to sustain the Group's momentum and build on sustainability successes and practices. Invited guest speakers talked about effective Strategies for Sustainability Communication and Embedding sustainability in Business Processes and Corporate Culture. The Company intends to make this forum an annual event.

A 4-Course Technical Training was also organized for Sustainability Stewards, Pollution Control Officers and Facility Officers groupwide last October 14 to 15, 2014. This training was attended by 35 participants from Aboitiz Group business units. The training revolved around four important topics whose impact and relevance are being closely monitored globally: GHG Inventory and Management (ISO 14064), Energy Management Systems (ISO 50001), Water Management & Waste Management.

The Company is committed to do its share to protect and enrich the planet and to uplift the well-being of its communities through the implementation of the various sustainability and CSR projects following the "Three Ps" model. The Company is continually exerting efforts to ensure that its value chain is environmentally friendly and is consistent with promoting sustainable development.

## COMPANY AWARDS & RECOGNITION

In February 2014, AboitizPower's hydroelectric power plants, Hedcor Sibulan in Davao del Sur, Hedcor in Benguet and Davao City, and APRI's – MakBan Geothermal Power Plants in Laguna were awarded the Official Seal of Approval by the Department of Environment and Natural Resources for showing exemplary performance in protecting the environment. The Seal was handed out during the 5th Philippine Environment Partnership Program awarding ceremonies held at the Sulo Riviera Hotel in Quezon City.

Last December 4, 2014, WeatherPhilippines bagged the *Yahoo! Internet for Good Award* given during Public Affairs Asia's Gold Standard Awards held in Hong Kong. WeatherPhilippines was recognized for its excellent use of the internet as an interactive engagement tool by the public in promoting charitable activities, especially in the field of weather forecasting. WeatherPhilippines was also nominated for Public-Private Partnership and the Corporate Citizenship award categories.

The Company has been consistently considered as one of the top Philippine companies in terms of corporate governance by the Institute of Corporate Directors, the PSE and Corporate Governance Asia for its commitment to good corporate governance practices.

In October 24, 2014, the Company received an award in the 4th Asian Excellence Recognition Awards of Corporate Governance Asia held in Hong Kong, where the Company was recognized as Asia's Outstanding Company on Corporate Governance. The Asian Excellence Recognition Awards are designed to recognize excellence in investor communications, business ethics, CSR, environmental practices and financial performance.

The Company was likewise recognized by the Institute of Corporate Directors as one of the Top 50 ASEAN Companies in the recently concluded 2014 ASEAN Corporate Governance Scorecard Assessment.

In November 10, 2014, AboitizPower was likewise recognized by the PSE as one of the awardees of the 2014 PSE Bell Awards for exemplary corporate governance practices.

## Awards

AboitizPower has built and consistently maintained its core values and conformed to corporate governance principles in the face of evolving stakeholder concerns and demands in their ever-changing business environment. AboitizPower's dedicated and steadfast adherence to these values and principles is clear proof of the value of the Aboitiz business motto: We can do well by doing good.

The numerous awards received by AboitizPower, especially in the field of corporate governance and stakeholder engagement, reflect the commitment of the Aboitiz Group to adopt and implement good corporate governance best practices. AboitizPower, along with its subsidiaries and affiliates have been consistently recognized in local and international surveys, assessments, and scorecards as among the Philippines' best-managed companies. AboitizPower received the following awards in 2014.

Award- Giving Bodies	Awards	Recipients
Corporate Governance Asia 9 <sup>th</sup> Recognition Awards	Asia's Outstanding Company on Corporate Governance	Aboitiz Power Corporation
Corporate Governance Asia 4 <sup>th</sup> Asian Excellence Awards	Best Chief Financial Officer	Aboitiz Power Corporation
Corporate Governance Asia 4 <sup>th</sup> Asian Excellence Awards	Best Environmental Responsibility	Aboitiz Power Corporation
Finance Asia Best Companies 2014	Best Managed Company (Ranked 9 <sup>th</sup> )	Aboitiz Power Corporation
Finance Asia Best Companies 2014	Best Investor Relations (Ranked 5 <sup>th</sup> )	Aboitiz Power Corporation
Finance Asia Best Companies 2014	Most Committed To A Strong Dividend Policy(Ranked 5 <sup>th</sup> )	Aboitiz Power Corporation
Alpha Southeast Asia 4 <sup>th</sup> Annual Corporate Awards	Most Improved Investor Relations	Aboitiz Power Corporation
Philippine Stock Exchange	2014 PSE Bell Awards Winner, Listed Companies Category	Aboitiz Power Corporation
Institute of Corporate Directors	One of the Top 50 Philippine Companies in the 2014 ASEAN Corporate Governance Scorecard	Aboitiz Power Corporation
Cebu Chamber of Commerce and Industry	Tribute Of Highest Distinction	Aboitiz Group
8 <sup>th</sup> Annual Alpha Southeast Asia Deal & Solution Awards 2014	Best Project Finance Deal of the Year In Southeast Asia	Aboitiz Power Corporation (Pagbilao Energy Corporation)