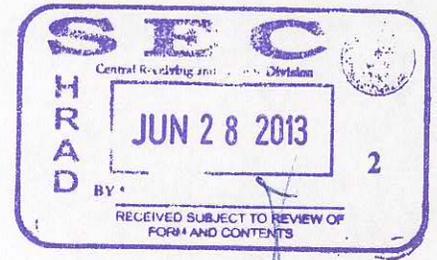




June 28, 2013

**CORPORATION FINANCE DEPARTMENT  
SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA Greenhills,  
Mandaluyong City, Metro Manila



ATTENTION : **ATTY. JUSTINA CALLANGAN**  
Director

RE : **ANNUAL CORPORATE GOVERNANCE REPORT**

Dear Atty. Callangan:

We file herewith three (3) original copies of the Annual Corporate Governance of Aboitiz Power Corporation in compliance with the Commission's directive.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ POWER CORPORATION**

By

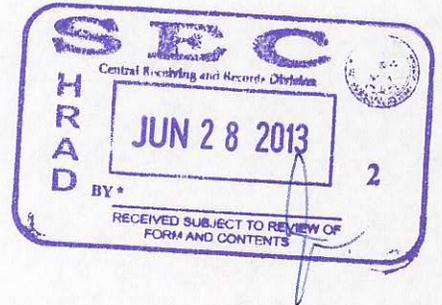
  
**CATHERINE R. ATAY**  
Office of the Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS



**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2012-2013
2. Exact Name of Registrant as Specified in its Charter ABOITIZ POWER CORPORATION
3. Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City 6000  
Address of Principal Office Postal Code
4. SEC Identification Number C199800134
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 200-652-460
7. (032) 411-1800  
Issuer's Telephone number, including area code
8. N.A.  
Former name or former address, if changed from the last report

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**A. BOARD MATTERS**

**1) Board of Directors**

<b>Number of Directors per Articles of Incorporation</b>	<b>nine (9)</b>
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<b>Actual number of Directors for the year</b>	<b>nine (9)</b>
--	-----------------

**(a) Composition of the Board**

**Complete the table with information on the Board of Directors: (2012-2013)**

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Enrique M. Aboitiz, Jr.	NED	NA	Erramon I. Aboitiz	2009	May 21, 2012	ASM	3
Jon Ramon Aboitiz	NED	NA	Erramon I. Aboitiz	1998	May 21, 2012	ASM	15
Erramon I. Aboitiz	ED	NA	Erramon I. Aboitiz	1998	May 21, 2012	ASM	15
Jaime Jose Y. Aboitiz	ED	NA	Erramon I. Aboitiz	2004-2007; 2009	May 21, 2012	ASM	6
Mikel A. Aboitiz	NED	NA	Erramon I. Aboitiz	1998	May 21, 2012	ASM	15
Antonio R. Moraza	ED	NA	Erramon I. Aboitiz	1999	May 21, 2012	ASM	14
Jose R. Facundo	ID	NA	Joy E. Ornopia	2008	May 21, 2012	ASM	5
Romeo L. Bernardo	ID	NA	Joanna Marie S. Abay	2008	May 21, 2012	ASM	5
Jakob G. Disch	ID	NA	Esmeralda C. Dano	2010	May 21, 2012	ASM	3

Sources: 2012 Information Sheet (SEC Form 20-IS)  
2012 AP Nomination Forms

**(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

The Company's **Manual of Corporate Governance** institutionalizes the principles of good corporate governance in the entire organization.

The Board of Directors, Management, Employees, and Shareholders of Aboitiz Power Corporation ("Company", "AP", AboitizPower") believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

necessary to create awareness within the organization as soon as possible.

- (i) The Company's Manual of Corporate Governance, approved by the Securities and Exchange Commission on March 30, 2011 and amended as of August 3, 2012, provides for shareholder rights as follows:

The Board shall be committed to respect the following rights of the stockholders, which include rights of minority shareholders:

1. Voting Right – The Company follows the principle of one share- one vote for each stockholder.
  - a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
  - b. Cumulative voting shall be used in the election of directors.
  - c. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

2. Pre-emptive Right

All shareholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto, and in documents signed by such shareholders. They shall have the right to subscribe to the capital stock of AP. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

3. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

4. Right to Information

- a. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of AP's shares, dealings with AP, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- b. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- c. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

## 5. Right to Dividends

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- b. AP intends to maintain an annual cash dividend payment ratio of approximately one-third of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances which may restrict the payment of cash dividends, such as the undertaking by AP of major projects and developments requiring substantial cash expenditures or restrictions on cash dividend payments under its loan covenants

## 6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any shareholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- c. In case of merger or consolidation.

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of AP. The shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholder's favor.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders' meaningful participation in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints. Accurate and timely information should be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders, in accordance with the By-laws, the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of AP.

*Source: Section VIII of Amended Manual of Corporate Governance*

- (ii) The following are the Company's governance policies regarding Disclosures:

Section VII of the Company's **Manual of Corporate Governance** provides:

## **"REPORTORIAL OR DISCLOSURE SYSTEM OF AP'S CORPORATE GOVERNANCE POLICIES**

- A. The reports of disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through AP's Compliance Officer.
- B. All material information shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- C. Other information that shall always be disclosed as required by law includes remuneration (including stock options) of all directors and senior management corporate strategy.
- D. All disclosed information shall be released via the approved stock exchange procedure for AP announcements and other required reports.
- E. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders."

In addition, the Company's **Information Disclosure Policy** has the following objectives:

- I. This Disclosure Policy shall be implemented in accordance with applicable laws, and in the best interests of the Company and its shareholders. The goal of disclosure is to provide information to stakeholders and interested parties in order to assist such persons in making sound investment decisions.
- II. When disclosing information, the Company shall be guided by the principles of accuracy, accessibility, timeliness, completeness, and regularity, and additionally, will seek to maintain a reasonable balance between the transparency of the Company and the protection of its commercial interests, while complying with relevant provisions of the laws of the Philippines, the Articles of Incorporation, this Policy and other internal documents of the Company.
- III. The Company shall not avoid the disclosure of negative information if such information might be considered material or essential to stakeholders or potential investors.
- IV. For purposes of disclosure, the preferential treatment of any one group of recipients of such information ("Selective Disclosure") shall be prohibited unless otherwise provided for by the laws of the Philippines, and other applicable and current rules and regulations."

Finally, the Company's **Code of Ethics and Business Conduct** mandates:

### **"PROVIDE FAIR AND TRUTHFUL DISCLOSURES TO THE PUBLIC**

The Company has a responsibility under the law to communicate effectively so that the public is provided with full and accurate information in all material respects. To the extent that you are involved in the preparation of materials for dissemination to the public, you should be careful to ensure that the information in these materials is truthful, accurate and complete. In particular, the Company's senior financial officers, executive officers and directors shall endeavor to promote full, fair, accurate, timely and understandable disclosure in the Company's public communications, including documents that the Company files with or submits to the Securities and Exchange Commission and other regulators.

If you become aware of a materially inaccurate or misleading statement in a public communication, you should report it immediately to the Office of the Corporate Secretary, Corporate Information Officer, Compliance Officer or the Audit Committee of the Board of Directors.

#### **MAINTAIN ACCURATE BOOKS AND RECORDS**

The Company must maintain accurate and complete books and records. Every business transaction undertaken by the Company must be recorded correctly and in a timely manner in the Company's books and records. The Company therefore expects you to be candid and accurate when providing information for these documents. You are specifically prohibited from making false or misleading entries in the Company's books and records. In particular, senior financial officers must endeavor to ensure that financial information included in the Company's books and records is correct and complete in all material respects."

(iii) The following are the Company's governance policies regarding Board Responsibility:

The Company's **Manual of Corporate Governance** provides for the following duties and responsibilities of members of the Board of Directors:

##### **1. Duties and Responsibilities of a Director**

A director shall comply with the following duties and responsibilities:

- a. *Conduct fair business transactions with AP and ensure that personal interest does not bias Board decisions.*

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of AP, or stands to acquire or gain financial advantage at the expense of AP.

- b. *Devote time and attention necessary to properly discharge his duties and responsibilities.*

A director should devote sufficient time to familiarize himself with AP's business. He should be constantly aware of and knowledgeable with AP's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- c. *Act judiciously.*

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

d. *Exercise independent judgment.*

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AP.

e. *Have a working knowledge of the statutory and regulatory requirements affecting AP, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.*

A director should also keep abreast with industry developments and business trends in order to promote AP's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.

f. *Observe confidentiality.*

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

To honor their responsibilities as Board members, representing all owners/shareholders and other key stakeholders, the Board Director must:

- a. Take time to understand the Aboitiz Group, its goals and strategies, its businesses, its governance, its brand and its key policies.
- b. Represent the Aboitiz Group positively and constructively in all external dealings, seeking to enhance the Aboitiz name and reputation.
- c. Perform the role of Board member effectively, by:
  - i. Regularly attending meetings
  - ii. Effectively contributing during discussion
  - iii. Willingly offering alternative viewpoints, to reflect own personal viewpoints
  - iv. Offering any viewpoints objectively, avoiding any comments of a personal nature about another member of the Board or his/her viewpoints
  - v. Listening to the viewpoints of other Board members with full respect and with care, to achieve optimal understanding
  - vi. Fully supporting decisions made by the Board in the external arena, even if that decision did not completely reflect own viewpoints.
- d. If an Executive Director, maintain a primary identity as a Board member, while dealing with Board matters, at the same time bringing to the Board the benefit of closer knowledge of operational considerations.
- e. If an Independent Director, bring fully to the Board the benefit of the particular experience or expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise.
- f. Be constantly vigilant related to maintaining complete external confidentiality on details of Board discussions, individual viewpoints and any matters of sensitivity, other than the Board agrees is to be communicated in a specific manner.

- g. Seek to find ways to continuously improve the efficiency and effectiveness of the Board, taking any suggestions related to this to the Board Chairman for his consideration.
- h. Be prepared to receive and act upon any feedback received through the Board Chairman on ways that the member might improve performance as a Board Director.

A Board member may also be invited to become a member of one or more Board Committees. That committee(s) will have been formed by the Board to satisfy Board needs in relation to focused consideration of matters in a specific arena, as described in the Committee mandate, for the purpose of better ensuring that the Board is in a position to make properly informed decisions in that arena. To honor their responsibilities as a Board Committee member, the Board Director must:

- a. Become familiar with the Committee mandate
- b. Become familiar with specific content areas covered by the Committee, and not seek to divert into areas of content not specifically envisioned by the Committee mandate
- c. Regularly attend Committee meetings
- d. Effectively contribute during discussion
- e. Willingly offer alternative viewpoints, to reflect own personal experiences and opinions
- f. Constructively engage with the Group CEO and any other senior leader of the Group, who may be consulted for the purpose of the Committee being better informed, or better positioned to offer the Board a more reliable recommendation
- g. Maintaining external confidentiality related to details of Committee discussion, including the individual views of members, other than as agreed for formal communication to the Board and/or Senior Management by the Committee as a whole
- h. Seek to find ways to continuously improve the efficiency and effectiveness of the Committee, taking any suggestions related to this to the Committee Chairman for his consideration.
- i. Be prepared to receive and act upon any feedback received through the Committee Chairman on ways that the member might improve performance as a Committee member.

Should the Board member accept an invitation to act in the capacity of the Chairman of the Board Committee, these responsibilities are expanded to include overseeing the conduct of the Board Committee in line with the Committee Mandate, including:

- a. Managing the agenda of Committee meetings.
- b. Chairing Committee meetings, ensuring proper consideration of matters for discussion and recommendation to the full Board.
- c. Ensuring each member of the Committee has full opportunity to express views and contribute effectively to discussion.
- d. Drawing attention to a Committee member in any situation where for one reason or another the member is not contributing to discussion and recommendations as effectively as he/she could.
- e. Drawing to the attention of the Board Chairman any situation where for one reason or another a Committee member is failing consistently to honor responsibilities as a Committee member, as outlined above.
- f. Ensuring appropriate record of Committee deliberations and conclusions are maintained.
- g. Leading and facilitating the Committee in reporting back to the Chairman of the Board, or the Board overall, on considerations and recommendations on any matter, including both majority conclusions and recommendations and minority conclusions and recommendations.

The Company's **Board Protocol** provides for the following general responsibilities of members of the Board Directors:

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

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

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

With the above, the Director is therefore expected to:

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

**(c) How often does the Board review and approve the vision and mission?**

The Board participates in an Annual Board Retreat and Strategy Refresh to discuss both the strategic roadmap and policies of the Company, and a review of the Company's vision and Mission. For the year 2012, the Board held its annual retreat on November 9-10, 2012 in Makati City. For the year 2013, the Board is scheduled to have its annual retreat on November 8 and 9.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group<sup>2</sup>**

Identify, as and if applicable, the members of the Company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Enrique M. Aboitiz, Jr.	Aboitiz Equity Ventures, Inc. (AEV) and Aboitiz & Company, Inc.	Executive

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Aboitiz Land, Inc., Aboitiz Jebsen Manpower Solutions, Inc., Jebsens Maritime, Inc. and WeatherPhilippines Foundation, Inc.	Non-Executive, Chairman
	AP Renewables, Inc., Manila - Oslo Renewable Enterprise, Inc., Aboitiz Jebsen Company, Inc. and Selandia Crew Management Philippines, Inc.	Non-Executive
Jon Ramon Aboitiz	Aboitiz & Company, Inc. and AEV	Non-Executive, Chairman
	Aboitiz Jebsen Company, Inc., Cotabato Light & Power Company, and Davao Light & Power Company, Inc.; Union Bank of the Philippines (UnionBank)	Non-Executive
Erramon I. Aboitiz	AEV	Executive
	Davao Light & Power Company, Inc., San Fernando Electric Light & Power Co., Inc., Cotabato Light & Power Company, Subic Enerzone Corporation, SN Aboitiz Power - Magat, Inc., SN Aboitiz Power - Benguet, Inc., Manila - Oslo Renewable Enterprise, Inc., Aboitiz Renewables, Inc., Therma Marine, Inc., Therma Power, Inc., Therma Luzon, Inc., Therma Mobile, Inc., Therma South, Inc., Balamban Enerzone Corporation, Mactan Enerzone Corporation and Abovant Holdings, Inc.	Non-Executive, Chairman
	Visayan Electric Company, Inc.; STEAG State Power Inc., UnionBank, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, AP Renewables, Inc., Redondo Peninsula Energy, Inc. and WeatherPhilippines Foundation, Inc.	Non-Executive

Jaime Jose Y. Aboitiz	Aboitiz Construction Group, Inc., Metaphil International, Inc. and Metaphil, Inc.	Non-Executive, Chairman
	Visayan Electric Company, Inc.	Executive
	Aboitiz Renewables, Inc., Hedcor Sibulan, Inc., Cebu Private Power Corporation, San Fernando Electric Light & Power Co., Inc., Abovant Holdings, Inc. and Hedcor, Inc.	Non-Executive
Mikel A. Aboitiz	Aboitiz & Company, Inc.	Executive
	Cebu Praedia Development Corporation	Non-Executive, Chairman
	Visayan Electric Company, Inc., Cotabato Light & Power Company, Davao Light & Power Company, Inc., Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Cebu Praedia Development Corporation, AP Renewables, Inc., AEV Aviation, Inc., Therma Power, Inc., Propriedad del Norte, Inc. and Therma Luzon, Inc.	Non-Executive
Antonio R. Moraza	AEV, Propriedad Del Norte, Inc., Cebu Energy Development Corporation and Aboitiz Land, Inc., SN Aboitiz Power-Benguet, Inc., SN Aboitiz Power-Magat, Inc., Southern Philippines Power Corporation, STEAG State Power Inc., Therma Marine, Inc. and Western Mindanao Power Corporation,	Non-Executive
	Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, East Asia Utilities Corporation, Therma Visayas, Inc., Luzon Hydro Corporation and Cebu Private Power Corporation	Non-Executive, Chairman
	AP Renewables, Inc., Hedcor, Inc., Hedcor Tudaya, Inc. and Hedcor Sibulan, Inc.	Executive, Chairman
	Aboitiz & Company, Inc., Therma Power, Inc., Therma Mobile, Inc., Therma South, Inc. and Manila - Oslo Renewable Enterprise, Inc., Therma Luzon, Inc.	Executive
Jose R. Facundo	None	

Romeo L. Bernardo	None	
Jakob G. Disch	None	

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jon Ramon Aboitiz	International Container Terminal Services, Inc.	Non-Executive
Jon Ramon Aboitiz	Bloomberry Resorts Corporation	Independent
Jose R. Facundo	Security Bank Corporation	Non-Executive
Romeo L. Bernardo	Bank of the Philippine Islands	Independent
Romeo L. Bernardo	RFM Corporation	Independent
Romeo L. Bernardo	National Re-insurance Corporation of the Philippines	Independent
Romeo L. Bernardo	Globe Telecom, Inc.	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Enrique M. Aboitiz, Jr.	Aboitiz Equity Ventures, Inc.	Director/ SVP
Enrique M. Aboitiz, Jr.	Aboitiz Equity Ventures, Inc.	Director/ SVP
Jon Ramon Aboitiz	Aboitiz Equity Ventures, Inc.	Chairman
Erramon I. Aboitiz	Aboitiz Equity Ventures, Inc.	Director/ President/CEO
Antonio R. Moraza	Aboitiz Equity Ventures, Inc.	Director
Mikel A. Aboitiz	Aboitiz Equity Ventures, Inc.	SVP/Chief Information Officer

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	As provided in the Company's Manual of Corporate Governance, the following guidelines shall be used in the determination of the number of directorships for Board members:  a) The nature of the business of AP;  b) Age of the director;	As a holding company, the Company's executive directors are appointed to Board seats of the Company's Business Units or operational companies within the group.  The Company follows the SEC rule on term and directorship limits of directors.

	<p>c) Number of directorship/active memberships and officerships in other corporations or organizations; and</p> <p>d) Possible conflict of interest.</p> <p>The optimum number of directorships a Director shall hold shall be related to the capacity of a Director to perform his duties diligently in general.</p> <p>The CEO and other executive directors shall submit themselves to a low inactive limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</p>	
<b>Non-Executive Director</b>	Same as above	Same as above
<b>CEO</b>	Same as above	Same as above

The Company's Independent Directors sit in no more than five boards of PLCs, as shown in the certification of affiliations required from each of the nominated Independent Directors. Likewise, executive directors do not generally sit on other boards of PLCs outside the Group, unless they have substantial interest in the said company 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 listed companies outside the Aboitiz Group.

**(c) Shareholding in the Company**

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Enrique M. Aboitiz, Jr.	686,758	0	0.01%; 0.00%
Jon Ramon Aboitiz	33,001	12,175,720	0.00%; 0.16%
Erramon I. Aboitiz	1	23,015,346	0.00%; 0.31%
Jaime Jose Y. Aboitiz	5,367,397	2,264,254	0.07%; 0.03%
Mikel A. Aboitiz	1	13,283,959	0.00%; 0.18%
Antonio R. Moraza	1	26,178,965	0.00%; 0.36%
Jose R. Facundo	1,000	0	0.00%

Romeo L. Bernardo	1,000	0	0.00%
Jakob G. Disch	1,000	0	0.00%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Enrique M. Aboitiz, Jr.
CEO/President	Erramon I. Aboitiz

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	The Chairman, who may be a non-Executive Director, shall preside in all meetings of the Board of Directors and stockholders. He shall approve the agenda for all meetings of the Board of Directors and stockholders and also inform the Board of Directors and the stockholders of matters of interest to them at their respective meetings.	The President shall have "general supervision of the business affairs and property of the Corporation and over its several offices and employees. He shall execute all resolutions of the Board and sign all certificates, contracts and other written undertakings of the Corporation. He shall submit to the Board, as soon as possible, at each annual meeting, a complete report of the operations of the Corporation for the preceding year and the state of its affairs. He shall also from time to time, report to the Board matters within his knowledge which the interests of the Corporation may require to be brought to its notice. He shall do and perform such other duties as from time to time may be assigned to him by the Board of Directors."
Accountabilities	<p>BOARD LEADERSHIP AND THE ROLE OF THE CHAIRMAN</p> <p>a. The Chairman shall exercise independent judgment, act objectively, and ensure (alongside the President and Chief Executive Officer) that all relevant matters are included in the agenda and prioritized properly, giving more weight to "performance duties" (i.e. strategy and policy) over "compliance duties" (i.e. monitoring and accountability).</p> <p>b. The Chairman shall ensure that all the Directors are fully involved and</p>	<p>THE PRESIDENT AND CEO</p> <p>All Board authority delegated to management is delegated through the President, so that all authority and accountability of management – as far as the board is concerned – is considered to be the authority and accountability of the President.</p> <p>a. The Board will specify to the President of the Company the strategic directions and expects him to achieve certain results based on a set of measures/milestones and targets that</p>

	<p>informed of any business issue on which a decision has to be taken.</p> <p>c. The Chairman, with the assistance of the Corporate Secretary and the President and Chief Executive Officer, shall determine the annual Board Plan and Agenda and other strategic issues.</p> <p>d. The Chairman shall be responsible for the integrity of the Board process, such that decisions made shall be explicit, timely, relevant to the Company's vision and strategy, and anchored on policies, values and ethical standards.</p> <p>e. In the event that the Chairman may not be available or capable of performing the above functions, the Vice Chairman or in his absence, any of the directors present, may act as "Lead Director" and shall automatically take over the leadership in the meeting of the Board. The following are the conditions upon which this provision would apply:</p> <ul style="list-style-type: none"> <li>i. Physical absence;</li> <li>ii. Conflict of interests; or</li> <li>iii. As the Board may deem necessary.</li> </ul> <p>f. It is also strongly desired to have a Chairman who, among other traits, possesses the following:</p> <ul style="list-style-type: none"> <li>i. Wide experience, preferably at board level, in successful organizations;</li> <li>ii. Capacity for strategic thinking and ability to make quick and important</li> <li>iii. decisions;</li> <li>iv. Working understanding of finance as well as accounts and reports systems;</li> <li>v. Excellent leadership and communication skills;</li> <li>vi. Appropriate training in corporate governance and professional directorship; and</li> <li>vii. Limited number of other directorships.</li> </ul>	<p>had been clearly communicated and understood.</p> <p>b. As long as the President uses any reasonable interpretation of the Board's directions, the President is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all initiatives.</p> <p>c. Only decisions of the Board acting as a body are binding upon the President.</p> <p>d. Decisions or instructions of individual board members, officers, or committees are not binding on the President except in rare circumstances when the Board has specifically authorized such exercise of authority.</p> <p>e. In the case of board members or committees requesting information or assistance without board authorization, the President can refuse such requests that require – in the President's judgment – a material amount of staff time or funds or are disruptive.</p>
Deliverables	(as enumerated above)	(as enumerated above)

Source: Article III of the By-laws  
Board Protocol

**3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?**

The Company has in place the Aboitiz Talent Management Program (ATMP). This program addresses the top executive succession planning and group-wide organizational executive and management bench. The program guidelines and developments are presented and reviewed by the Board Corporate Governance Committee.

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

It is the policy of the Company to nominate and elect directors who represent a mix of highly competent directors and officers with in-depth knowledge and experience in the core industry of AP or corporate management and financial expertise valuable to the Company. Other factors considered are independent-mindedness, ethical behavior and value contribution. The Company follows a formal and transparent board nomination and election process to ensure protection of 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.

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

The Company's selection process ensures that at least one non-executive director has experience in the industries the Company operates in. For example, Messrs. Enrique M. Aboitiz, Jr. and Jon Ramon Aboitiz, who have been non-executive directors of the Company since 2009 and 1998, respectively, have held management positions and have extensive experience in the Company's various subsidiaries engaged in its main business of power generation and distribution. Moreover, Mr. Jakob G. Disch, who has held the position of Independent Director since 2010, gained extensive experience in the energy business from serving in various capacities in the ABB group of companies, among others as member of the Top Management Council of ABB and President of ABB Enertech Ltd. with Global Responsibility; Executive Vice President Power Generation and member of the Asia Pacific Regional Management of ABB Asia Pacific Ltd.; Chairman of the Board of ABB India and Singapore; President of ABB Power Generation Sdn. Bhd. in Malaysia; and Vice President for Marketing, Sales and Project Management of ABB Kraftwerke AG of Baden, Switzerland.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	A director's office is one of trust and confidence. A director shall act in the best interest of AP in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AP towards sustained progress.	A director's office is one of trust and confidence. A director shall act in the best interest of AP in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AP towards sustained progress.	A director's office is one of trust and confidence. A director shall act in the best interest of AP in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AP towards sustained progress.
	It shall be the Board's	It shall be the Board's	It shall be the Board's

	<p>responsibility to foster the long-term success of AP and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AP, its shareholders and stakeholders.</p>	<p>responsibility to foster the long-term success of AP and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AP, its shareholders and stakeholders.</p>	<p>responsibility to foster the long-term success of AP and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AP, its shareholders and stakeholders.</p>
Accountabilities	<p>A director shall comply with the following duties and responsibilities:</p> <p>a) <i>Conduct fair business transactions with AP and ensure that personal interest does not bias Board decisions.</i></p> <p>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of AP, or stands to acquire or gain financial advantage at the expense of AP.</p>	<p>A director shall comply with the following duties and responsibilities:</p> <p>a) <i>Conduct fair business transactions with AP and ensure that personal interest does not bias Board decisions.</i></p> <p>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of AP, or stands to acquire or gain financial advantage at the expense of AP.</p>	<p>The independent director has the same duties and responsibilities as the executive and non-executive directors.</p> <p>In addition, independent directors have the additional responsibility to "bring fully to the Board the benefit of the particular experience or expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise."</p>

	<p>b) <i>Devote time and attention necessary to properly discharge his duties and responsibilities.</i></p> <p>A director should devote sufficient time to familiarize himself with AP's business. He should be constantly aware of and knowledgeable with AP's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.</p> <p>c) <i>Act judiciously.</i></p> <p>Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</p> <p>d) <i>Exercise independent judgment.</i></p> <p>A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AP.</p> <p>e) <i>Have a working knowledge of the statutory and regulatory requirements affecting AP, including the contents of its Articles of</i></p>	<p>b) <i>Devote time and attention necessary to properly discharge his duties and responsibilities.</i></p> <p>A director should devote sufficient time to familiarize himself with AP's business. He should be constantly aware of and knowledgeable with AP's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.</p> <p>c) <i>Act judiciously.</i></p> <p>Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</p> <p>d) <i>Exercise independent judgment.</i></p> <p>A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AP.</p> <p>e) <i>Have a working knowledge of the statutory and regulatory requirements affecting AP, including the contents of its Articles of</i></p>	
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	<p><i>Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.</i></p> <p>A director should also keep abreast with industry developments and business trends in order to promote AP's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.</p> <p>f) <i>Observe confidentiality.</i></p> <p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</p> <p>g) <i>Keep abreast of good corporate governance practices.</i></p> <p>A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.</p>	<p><i>Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.</i></p> <p>A director should also keep abreast with industry developments and business trends in order to promote AP's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.</p> <p>f) <i>Observe confidentiality.</i></p> <p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</p> <p>g) <i>Keep abreast of good corporate governance practices.</i></p> <p>A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.</p>	
Deliverables	(as enumerated above)	(as enumerated above)	(as enumerated above)

Source: Amended Manual of Corporate Governance

*AP Board Protocol*

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

The Company uses the definition of independence of the SEC which is "a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director." To ensure compliance with the said definition, the Corporate Governance Committee adopted its own guidelines on the nomination of the Company's independent directors, which includes a list of qualifications and disqualifications for independent members of the Board. The said committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with a list of qualifications and disqualifications provided in its guidelines.

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.**

The Company adopted SEC Memorandum Circular No. 9, Series of 2011, regarding Term Limits for Independent Directors, which allow an Independent Director to serve for two terms of five (5) consecutive years each, provided there is a two-year cooling off period in between the terms. This circular aims to enhance the effectiveness of Independent Directors and encourage the infusion of fresh ideas into the Board of Directors. In compliance with the said Memorandum, the Board Corporate Governance Committee regularly monitors the tenure of the Company's Independent Directors.

**5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Resignation/Death/Removal**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None			

**(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."	A member of the Board must be: a) a holder of at least one (1) share of stock of AP; b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; c) at least twenty one (21) years old; d) proven to possess

		<p>integrity and probity;</p> <p>e) have no conflict of interest;</p> <p>f) able to devote his time in fulfilling his duties and responsibilities as Director;</p> <p>g) has practical understanding of the businesses of AP;</p> <p>h) membership in good standing in relevant industry, business or professional organizations; and</p> <p>i) has previous business experience.</p>
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Nominations for independent directors are accepted starting January 1 of the year in which such nominee director is to serve and every year thereafter, with the table for nominations to be closed by February 15 of the same year.	Same as above
<b>b. Re-appointment</b>		
(i) Executive Directors	<p>"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."</p>	<p>A member of the Board must be:</p> <p>a) a holder of at least one (1) share of stock of AP;</p> <p>b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</p> <p>c) at least twenty one (21) years old;</p> <p>d) proven to possess integrity and probity;</p> <p>e) have no conflict of interest;</p> <p>f) able to devote his time in fulfilling his duties and responsibilities as Director;</p> <p>g) has practical</p>

		<p>understanding of the businesses of AP;</p> <p>h) membership in good standing in relevant industry, business or professional organizations; and</p> <p>i) has previous business experience.</p>
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Nominations for independent directors are accepted starting January 1 of the year in which such nominee director is to serve and every year thereafter, with the table for nominations to be closed by February 15 of the same year.	Same as above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	<p>The following shall be grounds for the permanent disqualification of a director:</p> <p>a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</p> <p>b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer,</p>

		<p>investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c) Any person finally convicted judicially or by competent administrative body of an offense involving moral turpitude or fraudulent act or transgressions;</p> <p>d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted,</p>
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		<p>counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;</p> <p>e) Any person judicially declared to be insolvent;</p> <p>f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>g) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p>
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	<p>In addition to the above grounds for disqualification of a director, an independent director shall be disqualified when:</p> <p>(a) the independent director becomes an officer or employee of AP he shall be automatically disqualified from being an independent director;</p> <p>(b) If the beneficial equity ownership of an independent director in AP or its</p>

		<p>subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <ul style="list-style-type: none"> <li>a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</li> <li>b) Absence or non-participation for whatever reason for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, on any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</li> <li>c) Dismissal from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</li> <li>d) Being under preventive suspension by AP;</li> <li>e) If the independent director becomes an officer or employee of AP he shall be automatically disqualified from being an independent director;</li> <li>f) Conviction that has not yet become final referred to in the grounds for the disqualification of directors; and</li> </ul>

		A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
<b>e. Removal</b>		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	The commission of a third violation of the Company's Manual of Corporate Governance by any member of the board of AP or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
<b>f. Re-instatement</b>		
(i) Executive Directors	"Nominations for the election of directors for the ensuing	A member of the Board must be:

	<p>year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law.”</p>	<p>a) a holder of at least one (1) share of stock of AP;</p> <p>b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</p> <p>c) at least twenty one (21) years old;</p> <p>d) proven to possess integrity and probity;</p> <p>e) have no conflict of interest;</p> <p>f) able to devote his time in fulfilling his duties and responsibilities as Director;</p> <p>g) has practical understanding of the businesses of AP;</p> <p>h) membership in good standing in relevant industry, business or professional organizations; and</p> <p>i) has previous business experience.</p>
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	<p>Nominations for independent directors are accepted starting January 1 of the year in which such nominee director is to serve and every year thereafter, with the table for nominations to be closed by February 15 of the same year.</p>	Same as above
<b>g. Suspension</b>		
(i) Executive Directors	<p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>	<p>Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.</p>
(ii) Non-Executive Directors	<p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend</p>	<p>Suspension from office shall be imposed in the case of a second violation. The duration of the suspension</p>

	to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board.	shall depend on the gravity of the violation.
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board.	Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.

*Source: Article I, Section 7 of the Company's Amended By-Laws  
Amended Manual of Corporate Governance  
Guidelines for the Nomination and Election of Independent Directors*

**Voting Result of the last Annual General Meeting**

Name of Director	Votes Received
Enrique M. Aboitiz, Jr.	6,557,564,126
Jon Ramon Aboitiz	6,557,564,126
Erramon I. Aboitiz	6,557,564,126
Jaime Jose Y. Aboitiz	6,557,564,126
Mikel A. Aboitiz	6,557,564,126
Antonio R. Moraza	6,557,564,126
Jose R. Facundo	6,557,564,126
Romeo L. Bernardo	6,557,564,126
Jakob G. Disch	6,557,564,126

**6) Orientation and Education Program**

**(a) Disclose details of the company's orientation program for new directors, if any.**

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, regular seminars and briefings are conducted during Board meetings regarding the Company's business especially geared towards familiarizing new directors with the Company's business environment.

Newly-elected directors are likewise provided with copies of all company policies prior to their assumption of their new positions.

**(b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:**

To improve Board knowledge depth and efficiency of its Members, the Board attends various training seminars. In 2012, the members of the Board attended the Philippine Economic Briefing, Ancillary Services Agreement Briefings, and the (AON) Directors & Officers – Liability Insurance Briefing. In line with the Company's efforts at sustainability, to go paperless and achieve better efficiency, the Board and its key officers also underwent a Boardbooks User Training program to embrace new technology designed to efficiently access board meeting materials and create an

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

online Board resource center.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
All Directors	Sept. 27, 2012	Economic Briefing	Leif Eskesen and Trinh Nguyen of HSBC
All Directors	November 9 - 10, 2012	Board Retreat	Company-sponsored
All Directors	November 10, 2012	Boardbooks User training	Company-sponsored
All Directors (except Enrique M. Aboitiz, Jr.)	November 28, 2012	Ancillary Service Briefing	Company-sponsored
All Directors	Nov. 28, 2012	(AON) Directors & Officers-Liability Insurance	Company-sponsored

**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

The Company's Code of Ethics and Business Conduct is applicable to all directors, officers and all members of the organization.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients.</p> <p>It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies):</p>	<p>All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients.</p> <p>It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies):</p>	<p>All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients.</p> <p>It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies):</p>

	<ol style="list-style-type: none"> <li>1. Accepting special favors as a result of a member's position with the Company from any person or organization with which the Company has a current or potential business relationship</li> <li>2. Competing with the Company for the purchase or sale of property, services, or other interests.</li> <li>3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies).</li> <li>4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company.</li> <li>5. Working for a competitor while an employee of the Company.</li> <li>6. Directing business to a supplier owned or managed by, or which employs, a relative or friend.</li> </ol> <p>Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.</p>	<ol style="list-style-type: none"> <li>1. Accepting special favors as a result of a member's position with the Company from any person or organization with which the Company has a current or potential business relationship</li> <li>2. Competing with the Company for the purchase or sale of property, services, or other interests.</li> <li>3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies).</li> <li>4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company.</li> <li>5. Working for a competitor while an employee of the Company.</li> <li>6. Directing business to a supplier owned or managed by, or which employs, a relative or friend.</li> </ol> <p>Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.</p>	<ol style="list-style-type: none"> <li>1. Accepting special favors as a result of a member's position with the Company from any person or organization with which the Company has a current or potential business relationship</li> <li>2. Competing with the Company for the purchase or sale of property, services, or other interests.</li> <li>3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies).</li> <li>4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company.</li> <li>5. Working for a competitor while an employee of the Company.</li> <li>6. Directing business to a supplier owned or managed by, or which employs, a relative or friend.</li> </ol> <p>Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.</p>
(b) Conduct of Business and Fair	The Company seeks to outperform its	The Company seeks to outperform its	The Company seeks to outperform its

Dealings	competition fairly and honestly through superior performance. Every employee, officer and director must therefore always keep the best interests of the Company's clients paramount and endeavor 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.	competition fairly and honestly through superior performance. Every employee, officer and director must therefore always keep the best interests of the Company's clients paramount and endeavor 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.	competition fairly and honestly through superior performance. Every employee, officer and director must therefore always keep the best interests of the Company's clients paramount and endeavor 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.
(c) Receipt of gifts from third parties	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. An employee and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government 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. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources Department.	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. An employee and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government 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. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources Department.	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. An employee and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government 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. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources Department.
(d) Compliance with Laws & Regulations	As a publicly-listed holding company, AP is subject to numerous laws and regulations. It is every member's	As a publicly-listed holding company, AP is subject to numerous laws and regulations. It is your responsibility to know	As a publicly-listed holding company, AP is subject to numerous laws and regulations. It is every member's

	<p>responsibility to know and understand the laws applicable to his job responsibilities and to comply with both the letter and the spirit of these laws. This requires that every member avoid not only actual misconduct but also even the appearance of impropriety. Every member should assume that any action he takes ultimately could be publicized, and consider how he and the Company would be perceived. When in doubt, stop and reflect.</p> <p>Ask questions. The Company strongly encourages every member to discuss freely any concerns. In particular, if a member is unclear about the applicability of the law to his job responsibilities, or if he is unsure about the legality or integrity of a particular course of action, he should seek the advice of his supervisor or the Legal or Human Resources Department. A member should never assume that an activity is acceptable merely because others in the industry engage in it. A member is encouraged to trust his instincts—if something does not appear to be lawful or ethical, it may not be.</p>	<p>and understand the laws applicable to your job responsibilities and to comply with both the letter and the spirit of these laws. This requires that you avoid not only actual misconduct but also even the appearance of impropriety. Assume that any action you take ultimately could be publicized, and consider how you and the Company would be perceived. When in doubt, stop and reflect.</p> <p>Ask questions. The Company strongly encourages you to discuss freely any concerns. In particular, if you are unclear about the applicability of the law to your job responsibilities, or if you are unsure about the legality or integrity of a particular course of action, you should seek the advice of your supervisor or the Legal or Human Resources Department. You should never assume that an activity is acceptable merely because others in the industry engage in it. Trust your instincts—if something does not appear to be lawful or ethical, it may not be.</p>	<p>responsibility to know and understand the laws applicable to his job responsibilities and to comply with both the letter and the spirit of these laws. This requires that every member avoid not only actual misconduct but also even the appearance of impropriety. Every member should assume that any action he takes ultimately could be publicized, and consider how he and the Company would be perceived. When in doubt, stop and reflect.</p> <p>Ask questions. The Company strongly encourages every member to discuss freely any concerns. In particular, if a member is unclear about the applicability of the law to his job responsibilities, or if he is unsure about the legality or integrity of a particular course of action, he should seek the advice of his supervisor or the Legal or Human Resources Department. A member should never assume that an activity is acceptable merely because others in the industry engage in it. A member is encouraged to trust his instincts—if something does not appear to be lawful or ethical, it may not be.</p>
(e) Respect for Trade Secrets/Use of Non-public Information	<p>Proprietary and confidential information generated and gathered in the business is a valuable Company asset. Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures</p>	<p>Proprietary and confidential information generated and gathered in the business is a valuable Company asset. Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures</p>	<p>Proprietary and confidential information generated and gathered in the business is a valuable Company asset. Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures</p>

	<p>compliance with the complex regulations governing the financial services industry. Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law.</p> <p>"Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality.</p> <p>Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. Every member's obligation to protect the Company's proprietary and confidential</p>	<p>compliance with the complex regulations governing the financial services industry. Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law.</p> <p>"Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality.</p> <p>Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. Every member's obligation to protect the Company's proprietary and confidential</p>	<p>compliance with the complex regulations governing the financial services industry. Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law.</p> <p>"Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality.</p> <p>Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. Every member's obligation to protect the Company's proprietary and confidential</p>
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	information continues even after he leaves the Company, and he must return all such information in his possession upon his departure.	information continues even after he leaves the Company, and he must return all such information in his possession upon his departure.	information continues even after he leaves the Company, and he must return all such information in his possession upon his departure.
(f) Use of Company Funds, Assets and Information	<p>Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department.</p> <p>In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).</p>	<p>Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department.</p> <p>In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).</p>	<p>Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department.</p> <p>In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).</p>
(g) Employment & Labor Laws & Policies	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for all members and to avoid	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for all members and to avoid	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and regulations. The Company strives to provide a safe and healthy work environment for all members and to avoid

	adverse impact and injury to the environment and communities in which it conducts its business. Achieving this goal is the responsibility of all employees, officers, and directors.	adverse impact and injury to the environment and communities in which it conducts its business. Achieving this goal is the responsibility of all employees, officers, and directors.	adverse impact and injury to the environment and communities in which it conducts its business. Achieving this goal is the responsibility of all employees, officers, and directors.
(h) Disciplinary action	<p>To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on AP's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:</p> <ol style="list-style-type: none"> <li>1. In the case of a first violation, the subject person shall be reprimanded.</li> <li>2. Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.</li> <li>3. For a third violation, the maximum penalty of removal from office shall be imposed.</li> </ol>	<p>If you are an employee or officer, this Code forms part of the terms and conditions of your employment at the Company. Employees, officers and directors are expected to cooperate in internal investigations of allegations of violations of the Code, and actual violations may subject you to the full range of disciplinary action by the Company. The Company may also report certain activities to its regulators, which could give rise to regulatory or criminal investigations. The penalties for regulatory and criminal violations may include significant fines, permanent bar from employment in the securities industry and, for criminal violations, imprisonment.</p>	<p>If you are an employee or officer, this Code forms part of the terms and conditions of your employment at the Company. Employees, officers and directors are expected to cooperate in internal investigations of allegations of violations of the Code, and actual violations may subject you to the full range of disciplinary action by the Company. The Company may also report certain activities to its regulators, which could give rise to regulatory or criminal investigations. The penalties for regulatory and criminal violations may include significant fines, permanent bar from employment in the securities industry and, for criminal violations, imprisonment.</p>
(i) Whistle Blower	<p>All directors, officers and employees are the Company's first line of defense against unethical business practices and violations of the law. If any member observes or becomes aware of any conduct that he believes is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management.</p>	<p>All directors, officers and employees are the Company's first line of defense against unethical business practices and violations of the law. If any member observes or becomes aware of any conduct that he believes is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management.</p>	<p>All directors, officers and employees are the Company's first line of defense against unethical business practices and violations of the law. If any member observes or becomes aware of any conduct that he believes is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management.</p>

	<p>They will notify and consult with Legal, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security.</p> <p>Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.</p> <p>Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly.</p> <p>AP does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual</p>	<p>They will notify and consult with Legal, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security.</p> <p>Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.</p> <p>Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly.</p> <p>AP does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual</p>	<p>They will notify and consult with Legal, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security.</p> <p>Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.</p> <p>Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly.</p> <p>AP does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual</p>
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(j) Conflict Resolution	The Company has in place a policy of "Talk to the CEO" through which any team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.	The Company has in place a policy of "Talk to the CEO" through which any team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.	The Company has in place a policy of "Talk to the CEO" through which any team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.

**2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

The Company's Code of Ethics and Conduct and Manual of Corporate Governance are easily accessible from the Company's website. New employees are required to undergo a New Hires Orientation Program (NHO) where the Company's Code of Ethics and Business Conduct is extensively discussed. Hard copies of the same may also be made available by the Company to requesting directors, senior management and employees. Every year, the Office of the Chief Compliance Officer organizes mandatory corporate governance seminars for all officers and employees. The Company's governance policies are discussed during these seminars and at the end of the same, all attendees sign a confirmation that they understood and abide by the matters discussed during the seminar.

**3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

The Company recognizes that the employees are the Company's first line of defense against unethical business practices and violations of the law. The Company's Code of Ethics and Business Conduct provide the following:

"If you observe or become aware of any conduct that you believe is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party—you must communicate that information to your direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Law, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, you may also raise your concerns directly with Law, Compliance or Corporate Security.

If you are a supervisor, you have an additional responsibility to take appropriate steps to stop any misconduct that you are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.

If you prefer to report an allegation anonymously, you must provide enough information about the incident or situation to allow the Company to investigate properly.

AP will not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage."

To enforce the above provision, the Company has a Lex Committee (LexCom) composed of the Chief Compliance Officer, Chief Finance Officer, Chief Human Resources Officer, and members of the Legal and Corporate Services Team.

The LexCom initiates the formal adoption of the Company's Code and proper conduct that guides individual behavior and decision-making, clarifies responsibilities, and informs other stakeholders on the conduct expected from company personnel. The LexCom sets the policies and procedures for curbing and penalizing company or employee involvement in unethical behavior, such as offering, paying and receiving inappropriate rewards. The Office of the Chief Legal Officer is responsible for ensuring compliance by the Company, subsidiaries and affiliates, with all relevant laws, rules and regulations, as well as all 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 BUs.

In addition to the foregoing, In case of violation of company policies, team leaders of erring members concerned is empowered and obligated to report the violation to the Human Resources Department for proper action.

**4) Related Party Transactions**

**(a) Policies and Procedures**

**Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.**

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. AboitizPower has policies on related-party transactions requiring full disclosure 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, 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. It fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards and ensures that they have the character of arm's length transactions.
(2) Joint Ventures	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. AboitizPower has policies on related-party transactions requiring full disclosure 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, 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. It fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards and ensures that they have the character of arm's length

	transactions.
(3) Subsidiaries	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. AboitizPower has policies on related-party transactions requiring full disclosure 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, 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. It fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards and ensures that they have the character of arm's length transactions.
(4) Entities Under Common Control	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. AboitizPower has policies on related-party transactions requiring full disclosure 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, 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. It fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards and ensures that they have the character of arm's length transactions.
(5) Substantial Stockholders	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. AboitizPower has policies on related-party transactions requiring full disclosure 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, 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. It fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards and ensures that they have the character of arm's length transactions.

<p>(6) Officers including spouse/children/siblings/parents</p>	<p>Directors shall disclose to the Board, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these notifications must be communicated promptly to the Board of Directors through the Company's Corporate Secretary.</p> <p>It is the responsibility of each director and senior manager to promptly notify the Board, through the Company's Corporate Secretary, of any proposed related-party transaction as soon as they become aware of it. It is the responsibility of a director or senior manager who is involved in a proposed related-party transaction to inform the Board, through the Company's Corporate Secretary, and obtain approval prior to entering into the transaction.</p> <p>Conflicted board members shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues.</p> <p>The Board shall decide whether or not to approve the related party transaction involving a director in the absence of that director.</p> <p>In addition to the rules above, the Aboitiz Family Constitution provides policy rules for handling of corporate interest vis-à-vis the stakeholders of the Company. The Rule on Conflict of Interest applies to this group.</p>
<p>(7) Directors including spouse/children/siblings/parents</p>	<p>Directors shall disclose to the Board, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these notifications must be communicated promptly to the Board of Directors through the Company's Corporate Secretary.</p> <p>It is the responsibility of each director and senior manager to promptly notify the Board, through the Company's Corporate Secretary, of any proposed related-party transaction as soon as they become aware of it. It is the responsibility of a director or senior manager who is involved in a proposed related-party transaction to inform the Board, through the Company's Corporate Secretary, and obtain approval prior to entering into the transaction.</p> <p>Conflicted board members shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues.</p> <p>The Board shall decide whether or not to approve the related party transaction involving a director in the absence of that director.</p> <p>In addition to the rules above, the Aboitiz Family Constitution provides policy rules for handling of corporate interest vis-à-vis the stakeholders of the Company. The Rule on Conflict of Interest applies to this group.</p>
<p>(8) Interlocking director relationship of Board of Directors</p>	<p>The rule on interlocking director relationship is not applicable to directors elected to companies within the conglomerate of</p>

	<p>business. If outside the conglomerate, the policy is for full disclosure.</p> <p>The Company complies with the rule on approval of contracts between corporations with interlocking directors, as mandated by Section 33 of the Corporation Code.</p>
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Source: 2012 Full Corporate Governance Report

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

**(ii) Mechanism**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p>As provided in the Company's Code of Ethics and Business Conduct, employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your business unit or Division for specific reporting and approval procedures.</p> <p>Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.</p>
Group	<p>As provided in the Company's Code of Ethics and Business Conduct, employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your business unit or Division for specific reporting and approval procedures.</p> <p>Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the</p>

	Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.
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**5) Family, Commercial and Contractual Relations**

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

The holders of significant equity in the Company, or stockholders with shareholdings of 5% or more of the total outstanding capital stock, are Aboitiz Equity Ventures, Inc., PCD Nominee Corp (Filipino) and PCD Nominee Corp (Foreign).

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Aboitiz Equity Ventures, Inc.	Investor- investee	76.83% interest
PCD Nominee Corp (Filipino)	Investor- investee	9.56% interest
PCD Nominee Corp (Foreign)	Investor- investee	8.76% interest

Source: 2012 Definitive Information Statement (SEC Form 20-IS)

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Aboitiz Equity Ventures, Inc.	Investor- investee	AEV provides corporate center functions and shared services for management, technical and professional services.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

**6) Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Company has no shareholder disputes. The Investor Relations Office is the go-to person for any issues of shareholders.

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

	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 from 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.
<b>Corporation &amp; Third Parties</b>	The Company is currently reviewing contracts providing for ADR.
<b>Corporation &amp; Regulatory Authorities</b>	Regulatory agencies provide the mechanisms for dispute resolution for the Company's business units.

### C. BOARD MEETINGS & ATTENDANCE

#### 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Company's Board meetings are scheduled during the last Board meeting of the previous year. The schedule is disseminated at the beginning of the year to all members of the Board.

#### 2) Attendance of Directors (Updated as of December 31, 2013)

<u>Board</u>	<u>Name</u>	<u>Date of Election</u>	<u>No. of Meetings Held during the year</u>	<u>No. of Meetings Attended</u>	<u>%</u>
<u>Chairman</u>	<u>Enrique M. Aboitiz, Jr.</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Member</u>	<u>Jon Ramon Aboitiz</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Member</u>	<u>Erramon I. Aboitiz</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Member</u>	<u>Jaime Jose Y. Aboitiz</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Member</u>	<u>Mikel A. Aboitiz</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Member</u>	<u>Antonio R. Moraza</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Independent</u>	<u>Jose R. Facundo</u>	<u>20 May 2013</u>	<u>9</u>	<u>8</u>	<u>89</u>
<u>Independent</u>	<u>Romeo L. Bernardo</u>	<u>20 May 2013</u>	<u>9</u>	<u>9</u>	<u>100</u>
<u>Independent</u>	<u>Jakob G. Disch</u>	<u>21 May 2012</u>	<u>4</u>	<u>4</u>	<u>100</u>
<u>Independent</u>	<u>Alfonso A. Uy</u>	<u>20 May 2013</u>	<u>3</u>	<u>3</u>	<u>100</u>

#### 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

As provided in the Company's Board Protocol, the Company's Independent Directors meet at least once a

year for an Executive Session. The Independent Directors may also meet periodically in an executive session with no other Director or management present except for the Chairman of the Board Corporate Governance Committee who shall call for and preside the meeting. Topics for discussion during these executive sessions shall be determined by the Independent Directors, but actions of the Board generally should be taken separately during Board meetings.

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

In accordance with Section II Article 3 of the Company's By-laws, a majority of the members of the Board shall constitute a quorum. This same requirement is in accordance with Section 25 of the Corporation Code.

**5) Access to Information**

**(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?**

In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting.

The Office of the Board Secretariat recently adopted the use of Diligent Boardbooks technology and platform to assist the Board in its work. The Boardbooks is a brand portal that looks and functions like a book of all Board materials in an IPAD or laptop. The application is used by the Board of Directors and its Committees during their actual meetings.

**(b) Do board members have independent access to Management and the Corporate Secretary?**

Members of the Board have access to Management and the Office of the Corporate Secretary. It is every Director's duty to keep abreast of the recent developments in the Company and the Company encourages the members of the Board to obtain the necessary information from various sources, which include the Management and the Corporate Secretary.

**(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?**

(1) In accordance with Article III, Section 3 of the Company's By-laws, the Corporate Secretary shall keep the minutes of all the meetings of the stockholders and the Board of Directors. He shall have charge of the corporate seal, the stock certificate books and such other books and papers of the Corporation. He shall countersign with the President the certificate of stock issued as well as such other instruments which require his signature. He shall attend to the giving and serving of all notices required by the corporation law or by these By-laws. He shall also perform such other duties as are incident to his office and as the Board of Directors may from time to time direct.

(2) Also, the Company's Manual of Corporate Governance provides that the Corporate Secretary:

- a) Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to AP.
- b) Is ultimately responsible for compliance with governmental reportorial requirements with the SEC, and with the Philippine Stock Exchange, among others
- c) As to Board meetings, secures a complete schedule thereof at least for the current year and puts the Board on notice within a reasonable period before every meeting. He also prepares and issues the agenda in consultation with

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<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

senior management and ensures that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

- d) Assists the Board in making business judgments in good faith and in the performance of their responsibilities and obligations.
- e) Attends all Board meetings and personally prepares the minutes of such meetings.
- f) Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of AP;
- g) Ensures that all Board procedures, rules and regulations are strictly followed by the members.

(3) All Board meeting minutes and all resource and presentation materials are uploaded to the Boardbooks and accessible by each Director on his iPad.

**(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.**

The incumbent Corporate Secretary, M. Jasmine S. Oporto, is a lawyer with extensive legal and corporate secretarial and compliance experience.

Ms. Oporto, 53 years old, Filipino, has been the Corporate Secretary of AboitizPower since 2007. She was appointed as Chief Compliance Officer of AboitizPower in December 2012. She was also promoted as Senior Vice President - Chief Legal Officer, Corporate Secretary and Compliance Officer of AEV in May 2012. She is Vice President for Legal Affairs of Davao Light & Power Company, Inc.; Corporate Secretary of Visayan Electric Company, Inc., Luzon Hydro Corporation and Hijos de F. Escaño, Inc. Prior to joining AboitizPower, she worked in various capacities with the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm and the Singapore-based consulting firm, Albi Consulting Pte. Ltd. A member of both the Philippine and New York bars, she obtained her Bachelor of Laws from the University of the Philippines.

**(e) Committee Procedures**

**Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:**

Yes

No

Committee	Details of the procedures
Audit	<p>In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting.</p> <p>The minutes and material of the previous meetings are also available to the members of the Board through the Diligent Boardbooks application.</p> <p>The Company's Corporate Center likewise updates members of the Board with recent developments significant to their practice through regular circulation of new laws, rules and regulations, and the like which may affect the workings of the board committees. All materials for the previous as well as future meeting are uploaded to the Boardbooks and accessible by each Director on his iPad.</p> <p>Directors are likewise provided access to updates involving the</p>

	<p>Company and its subsidiaries through daily news updates circulated by electronic mail through the facility called Newswire. Directors are likewise given updates by the Company's Legal Department on significant changes in laws and rules of regulatory agencies, such as tax and regulatory updates.</p>
Corporate Governance Committee	<p>In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting.</p> <p>The minutes and material of the previous meetings are also available to the members of the Board through the Diligent Boardbooks application.</p> <p>The Company's Corporate Center likewise updates members of the Board with recent developments significant to their practice through regular circulation of new laws, rules and regulations, and the like which may affect the workings of the board committees. All materials for the previous as well as future meetings are uploaded to the Boardbooks and accessible by each Director on his iPad.</p> <p>Directors are likewise provided access to updates involving the Company and its subsidiaries through daily news updates circulated by electronic mail through the facility called Newswire. Directors are likewise given updates by the Company's Legal Department on significant changes in laws and rules of regulatory agencies, such as tax and regulatory updates.</p>
Risk and Reputation Management Committee	<p>In accordance with the Company's Board Protocol Process Flow, the board materials of directors are provided to the Board at least five (5) calendar days prior to the board meeting.</p> <p>The minutes and material of the previous meetings are also available to the members of the Board through the Diligent Boardbooks application.</p> <p>The Company's Corporate Center likewise updates members of the Board with recent developments significant to their practice through regular circulation of new laws, rules and regulations, and the like which may affect the workings of the board committees. All materials for the previous as well as future meetings are uploaded to the Boardbooks and accessible by each Director on his iPad.</p> <p>Directors are likewise provided access to updates involving the Company and its subsidiaries through daily news updates circulated by electronic mail through the facility called Newswire. Directors are likewise given updates by the Company's Legal Department on significant changes in laws and rules of regulatory agencies, such as tax and regulatory updates.</p>

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Office of the Chief Legal Officer provides assistance to directors if they need external	Electronic mail, personal discussions, seminars or presentation.

<p>advice.</p> <p>The Chief Legal Officer can refer directors to external resource persons or request for advice on behalf of the Board.</p> <p>Moreover, the Management regularly invites resource persons, who are experts in various fields such as risk, insurance, banking, etc., to conduct briefings or seminars on topics relevant to the Board.</p>	
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**7) Change/s in existing policies**

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Company's Manual of Corporate Governance	Amendment of the Company's Manual of Corporate Governance to incorporate revisions required by SEC Memorandum Circular No. 4, Series of 2012	To improve the Company's corporate governance practices.
Approval of the Board Audit Committee Charter	Adoption of a new charter	To assist the Board in making audit decisions effectively and in a timely manner.

**D. REMUNERATION MATTERS**

**1) Remuneration Process**

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Company rewards the individual directors and 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	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.  AP's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.  AP ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation,

	<p>Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in a regular ASM. As approved by the shareholders during the Annual Shareholders' Meeting (ASM) held last May 16, 2011, each Director receives a monthly allowance of ₱100,000, for 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 have been no changes so far to the Board compensation approved by shareholders in 2012.</p> <p>As mentioned, 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.</p>	<p>if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>
(2) Variable remuneration	<p>The Company rewards the individual directors and 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</p>	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AP's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AP ensures that it pays its</p>

	<p>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 ASM. As approved by the shareholders during the Annual Shareholders' Meeting (ASM) held last May 16, 2011, each Director receives a monthly allowance of ₱100,000, for 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 have been no changes so far to the Board compensation approved by shareholders in 2012.</p> <p>As mentioned, 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.</p>	<p>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 the Annual Stockholders' Meeting.</p>
(3) Per diem allowance	<p>The Company rewards the individual directors and 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</p>	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AP's performance reward philosophy is based on objective</p>

	<p>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 ASM. As approved by the shareholders during the Annual Shareholders' Meeting (ASM) held last May 16, 2011, each Director receives a monthly allowance of ₱100,000, for 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 have been no changes so far to the Board compensation approved by shareholders in 2012.</p> <p>As mentioned, 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.</p>	<p>performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AP ensures that it pays its 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 the Annual Stockholders' Meeting.</p>
(4) Bonus	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to	The Company rewards the individual directors and officers based on their stretched strategic goals and ability to

	<p>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 ASM. As approved by the shareholders during the Annual Shareholders' Meeting (ASM) held last May 16, 2011, each Director receives a monthly allowance of ₱100,000, for 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 have been no changes so far to the Board compensation approved by shareholders in 2012.</p> <p>As mentioned, 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</p>	<p>execute their duties and responsibilities.</p> <p>AP's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AP ensures that it pays its 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 the Annual Stockholders' Meeting.</p>
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	shares or bonuses.	
(5) Stock Options and other financial instruments	At present, AP does not have any stock option or grants other financial instruments to its officers. AP has a stock transfer program for key management position.	At present, AP does not have any stock option or grants other financial instruments to its officers. AP has a stock transfer program for key management position.
(6) Others (specify)	NA	NA

**2) Remuneration Policy and Structure for Executive and Non-Executive Directors**

**Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.**

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	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.	To compensate Directors for their services rendered to the Company, they are entitled to a monthly allowance as approved by the shareholders. In addition, each Director and the Chairman of the Board receives a per diem for every Board and Board Committee meeting attended.  Directors who absent themselves during a particular Board meeting shall not be entitled to any meeting allowance. Such allowances shall be reviewed from time to time to ensure that these reflect the industry standards.	AP rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is AP's philosophy to reward based on individual performance.  Performance is evaluated and compensation is reviewed on an annual basis. AP ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Committee but with full discussion and concurrence by the Board.
Non-Executive Directors	The Board members' remuneration is a form of reward and recognition to attract, retain and optimize the directors who continually deliver	To compensate Directors for their services rendered to the Company, they are entitled to a monthly allowance as approved by the shareholders. In addition, each Director and the Chairman of the	AP rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is AP's philosophy to reward based on individual

	quality services for the growth of the Company.	Board receives a per diem for every Board and Board Committee meeting attended.  Directors who absent themselves during a particular Board meeting shall not be entitled to any meeting allowance. Such allowances shall be reviewed from time to time to ensure that these reflect the industry standards.	performance.  Performance is evaluated and compensation is reviewed on an annual basis. AP ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Committee but with full discussion and concurrence by the Board.
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Shareholders approve any proposed compensation package of directors.

Remuneration Scheme	Date of Stockholders' Approval
No change in remuneration scheme.	May 21, 2012
Increased the monthly allowance and the per diem allowance of members of the Board in their attendance of board and committee meetings.	May 16, 2011
Increased the per diem allowance of members of the Board in their attendance of board and committee meetings.	May 17, 2010

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item		Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Chairman of the Board	NA	Php150,000	NA
	Board Member	Php100,000	Php100,000	Php100,000
	Board Committee Chairman	NA	Php150,000	NA
	Board Committee Member	Php100,000	Php100,000	Php100,000

(b) Variable Remuneration		None	None	None
(c) Per diem Allowance	Chairman of the Board	NA	Php150,000	NA
	Board Member	Php100,000	Php100,000	Php100,000
	Board Committee Chairman	NA	Php100,000	Php100,000
	Board Committee Member	Php80,000	Php80,000	Php80,000
(d) Bonuses		None	None	None
(e) Stock Options and/or other financial instruments		None	None	None
(f) Others (Specify)		None	None	None
<b>Total</b>				

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify) Director and Officer Liability Insurance	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer
<b>Total</b>			

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

At present, AP does not grant any stock option to its directors or officers.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
NA	NA	NA	NA	NA

**(b) Amendments of Incentive Programs**

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

At present, AP does not grant any incentive program, other than per diem allowance to its directors.

Incentive Program	Amendments	Date of Stockholders' Approval
NA	NA	NA

**5) Remuneration of Management**

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

The following list pertains to Chief Executive Officer and the Four Most Highly Compensated Officers of the Company:

Name of Officer/Position	Total Remuneration
Erramon I. Aboitiz President & Chief Executive Officer	Php64,230,000.00
Antonio R. Moraza Executive Vice President & Chief Operating Officer – Power Generation Group	
Jaime Jose Y. Aboitiz Executive Vice President & Chief Operating Officer – Power Distribution Group	
Iker M. Aboitiz First Vice President/Chief Financial Officer/ Corporate Information Officer	
Thomas J. Sliman Jr. First Vice President - Business	

Source: 2012 Definitive Information Statement (SEC Form 20-IS)

**E. BOARD COMMITTEES**

**1) Number of Members, Functions and Responsibilities**

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)				
Audit	1	1	3	The Board Audit Committee shall be composed of at least three (3) directors, two (2) of whom shall be independent directors and two (2) non-voting members in the persons of the Chief Financial Officer and Chief Risk Management Officer. The Chairman of the Audit Committee shall be an independent director. Each member,	The Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders, potential shareholders and investment community relating to the:  1. Integrity of AP's financial statements 2. AP's compliance with legal/regulatory	The Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders, potential shareholders and investment community relating to the:  5. Integrity of AP's financial statements 6. AP's compliance with legal/regulatory	The Committee is authorized by the Company to deal with any activity within its Charter. It is authorized to seek any information it requires from any employee or members of the Company's Management in discharging its duties.  The Committee is authorized by the Company to obtain outside legal or other

			<p>preferably with accounting and finance backgrounds, shall have adequate understanding, familiarity and competence at most of AP's financial management systems and environment.</p>	<p>requirements 3. The independent auditor's qualifications and independence 4. The performance of AP's internal audit function and independent auditors</p> <p>As part of this process, the external auditors will report to the Audit Committee, and the Group Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval.</p> <p>The Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of the highest quality. Each committee member must</p>	<p>requirements 7. The independent auditor's qualifications and independence 8. The performance of AP's internal audit function and independent auditors</p> <p>As part of this process, the external auditors will report to the Audit Committee, and the Group Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval.</p> <p>The Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of the highest quality. Each committee member must</p>	<p>independent professional advice and to secure the attendance of outsider experts with relevant experience and expertise as it deems necessary in the performance of its duties.</p> <p>The Committee may evaluate and update this Charter as it deems appropriate but only doing so with the sanction of the full Company.</p>
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				exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.	exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.		
Corporate Governance (assumed the functions of the Nomination and Remuneration Committees)	1	1	3	<p>The Board believes that it can usefully supplement its ability to make decisions related to governance principles and guidelines effectively and in a timely manner if it can delegate the task of preparing a strategic agenda for the Board and ensuring that the Board is given the information necessary for making good governance decisions. The Corporate Governance Committee is intended to assist the Board and not to pre-empt any board responsibilities in making the final decisions on corporate governance, nomination and compensation matters.</p> <p>In performing its duties, the Committee will maintain effective working relationships with the Board and the Group senior</p>	<p>The Committee has five main broad responsibilities:</p> <ol style="list-style-type: none"> <li>1. Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group.</li> <li>2. Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against the approved criteria.</li> <li>3. Assist the Board by</li> </ol>	<p>The Committee has five main broad responsibilities:</p> <ol style="list-style-type: none"> <li>1. Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group.</li> <li>2. Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against the approved criteria.</li> <li>3. Assist the Board by developing for</li> </ol>	<p>In performing its duties, the Committee shall have the authority to retain at the expense of the Group such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, subject to Board approval of such appointment.</p> <p>The Committee is required to contribute to the management of the Group's affairs to ensure good governance, as outlined here, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.</p>

		<p>leadership. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.</p>	<p>developing for approval criteria for the identification and selection of independent non-executive Directors and executive senior management directors, and by making specific recommendation to the Board on the director or directors to be nominated for election at the next annual meeting of shareholders.</p> <p>4. Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the Group CEO and other key senior leadership roles.</p> <p>5. Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for</p>	<p>approval criteria for the identification and selection of independent non-executive Directors and executive senior management directors, and by making specific recommendation to the Board on the director or directors to be nominated for election at the next annual meeting of shareholders.</p> <p>4. Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the Group CEO and other key senior leadership roles.</p> <p>9. Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation</p>	
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				compensation structures and levels for Board Directors, the Group CEOs and other senior leaders.	structures and levels for Board Directors, the Group CEOs and other senior leaders.		
Risk and Reputation Management	1	1	2	<p>The Board believes that it can usefully supplement its ability to make decisions related to risk management effectively and in a timely manner if it can delegate to a Risk Committee the task of preparing an appropriate strategic agenda for the Board and ensuring that the Board is given the information necessary for making good risk management decisions. The Committee is intended to assist the Board and not to pre-empt any board responsibilities in making any decisions related to risk management.</p> <p>In performing its duties, the Committee will maintain effective working relationships with the Board and the Group senior leadership. To perform his or her role effectively, each Committee</p>	<p>The Risk Committee shall represent the Board in discharging its responsibility relating to risk management related matters around the Group as outlined below.</p> <p>1. Review and consider the Group's risk management policy, from time to time, but no less regularly than annually. For this purpose, the Committee may consider operational risks, environmental risks, financial risks, financial and asset risks, other than those coming within the purview of the Board Audit Committee, security risks, and any other form of risk as approved by the Board. The Committee shall provide a forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers and make</p>	<p>The Risk Committee shall represent the Board in discharging its responsibility relating to risk management related matters around the Group as outlined below.</p> <p>1. Review and consider the Group's risk management policy, from time to time, but no less regularly than annually. For this purpose, the Committee may consider operational risks, environmental risks, financial and asset risks, other than those coming within the purview of the Board Audit Committee, security risks, and any other form of risk as approved by the Board. The Committee shall provide a forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers and make recommendatio</p>	<p>The Committee does not have decision-making authority, except in the circumstances described herein or to the extent that such authority is expressly delegated by the Board.</p>

		<p>member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.</p> <p>The primary purpose of the Risk Committee is to assist the Board, and to some extent the Audit Committee of the Board, in fulfilling its corporate governance responsibilities relating to risk management.</p> <p>The Risk Committee also assists in defining the Group's risk appetite and oversees the Group's risk profile and performance against the defined risk appetite.</p>	<p>recommendations to the Board related to changes to the policy based on this review.</p> <p>3. Undertake a periodic review of the delegated authorization and control levels. Following consultation with the Group CEO and Group CFO, make recommendations to the Board related to any changes in these levels seen to be appropriate based on this review.</p> <p>Review the Group's senior leadership's proposed risk appetite statement at least annually and if advisable, recommend it for Board approval.</p> <p>4. Review with the Group senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of the Group's credit, market, and liquidity risk (as well as other treasury related risk) consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to</p>	<p>ns to the Board related to changes to the policy based on this review.</p> <p>2. Undertake a periodic review of the delegated authorization and control levels. Following consultation with the Group CEO and Group CFO, make recommendations to the Board related to any changes in these levels seen to be appropriate based on this review.</p> <p>Review the Group's senior leadership's proposed risk appetite statement at least annually and if advisable, recommend it for Board approval.</p> <p>3. Review with the Group senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of the Group's credit, market, and liquidity risk (as well as other treasury related risk) consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to the Board those policies for</p>	
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				<p>the Board those policies for adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice.</p> <p>5. Review with the Group senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of other forms of risk, including operational, environmental and security risks, in consultation with individual business leaders and risk managers, consistent with the Group's approved risk limits and overall risk appetite. As</p>	<p>adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice.</p> <p>4. Review with the Group senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of other forms of risk, including operational, environmental and security risks, in consultation with individual business leaders and risk managers, consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to</p>	
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				<p>appropriate, recommend to the Board those policies for adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate.</p> <p>6. Review with the Group senior leadership key policies and procedures for the effective identification of the Group's reputation and legal risks. Annually, the Committee shall review management's report on compliance with these policies and procedures and report back to the Board.</p> <p>7. Monitor and review the Group's senior leadership's reports on the Group's risk profile, identifying material risks associated with the Group's business and operations, emerging risk issues and trends and compliance with the risk limits and policies and procedures established with a view to assessing overall adherence to the</p>	<p>the Board those policies for adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate.</p> <p>5. Review with the Group senior leadership key policies and procedures for the effective identification of the Group's reputation and legal risks. Annually, the Committee shall review management's report on compliance with these policies and procedures and report back to the Board.</p> <p>6. Monitor and review the Group's senior leadership's reports on the Group's risk profile, identifying material risks associated with the Group's business and operations, emerging risk issues and trends and compliance with the risk limits and policies and procedures established with a view to assessing overall adherence to the Group's defined risk appetite.</p>	
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				Group's defined risk appetite. As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice.	7. As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice.	
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**2) Committee Members**

**(a) Executive Committee**

The Company does not have an Executive Board Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

The Company has a Corporate Center Management Committee composed of the Chief Executive Officer, Chief Human Resources Officer, Chief Risk Management Officer, and all function heads of the Company. It meets and discusses policies and directions for management actions.

**(b) Audit Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jose R. Facundo	May 21, 2012	7	7	100	2008 -2013
Member (ID)	Romeo L. Bernardo	May 21, 2012	7	7	100	2008 -2013

Member (ID)	Jakob G. Disch	May 21, 2012	7	6	86	November 12, 2010 – May 20, 2013
Member (NED)	Mikel A. Aboitiz	May 21, 2012	7	6	86	2007-2013
Member (ED)	Jaime Jose Y. Aboitiz	May 21, 2012	7	4	57	2010-2013

**Disclose the profile or qualifications of the Audit Committee members.**

1. Jose R. Facundo (Independent Director, Chairman – Board Audit Committee, Member – Board Corporate Governance Committee, Member- Board Risk and Reputation Management Committee), 74 years old, Filipino, has been an Independent Director of AboitizPower since 2008. He currently serves as member of the Board of Directors of Security Bank Corporation and Siemens, Inc. (Philippines). Mr. Facundo has an extensive career in banking. He served as a member of the Board of Directors and Executive Committee and as President of BPI Capital Corporation. He was also a member of the Board of Directors and Executive Committee of the Bank of the Philippine Islands (BPI). Prior to BPI's merger with CityTrust Banking Corp. (CityTrust), Mr. Facundo served as President and CEO of CityTrust and was a member of its Board and Executive committees. He was a Senior Managing Director of Ayala Corporation and formerly a Senior Officer of Citibank Manila. He also served as member of the Board of Directors of Temic Phil., Inc, and Chairman and member of the Board of Directors of the Philippine Clearing House. He was likewise a member of the Philippine Business for Social Progress, Junior Achievement of the Philippines and the Rotary Club. He holds a degree in AB Engineering and took post graduate studies in Statistics and Engineering.
2. Romeo L. Bernardo (Independent Director, Member – Board Audit Committee, Member– Board Corporate Governance Committee), 58 years old, Filipino, has been an Independent Director of AboitizPower since 2008. He is the Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a boutique financial advisory firm based in Manila, and the local economist of GlobalSource Partners in the Philippines. He is also the Chairman of ALFM Family of Funds and Philippine Stock Index Fund. He is likewise a Director of several companies and organizations including Globe Telecom, BPI, RFM Corporation, Philippine Investment Management, Inc., Philippine Institute for Development Studies (PIDS), BPI-Philam Life Assurance Corporation (formerly known as Ayala Life Assurance, Inc.), National Reinsurance Corporation of the Philippines and Institute for Development and Econometric Analysis. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.), and served as Deputy Chief of the Philippine Delegation to the GATT (WTO), Geneva. He was formerly President of the Philippine Economics Society; Chairman of the Federation of ASEAN Economic Societies and a Faculty Member (Finance) of the University of the Philippines. Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Masters degree in Development Economics at Williams College (top of the class) from Williams College in Williamstown, Massachusetts.
3. Jakob G. Disch (Independent Director, Member – Board Audit Committee – Board Corporate Governance Committee, Member– Board Risk and Reputation Management Committee), 58 years old, a Swiss national, has been an Independent Director of AboitizPower since March 2010. He is the Chairman, Chief Executive Officer and Founder of Convergence GmbH, an energy and environmental consulting firm located at Wintherthur, Switzerland. He gained extensive experience in the energy business from serving in various capacities in the ABB group of companies, among others as member of the Top Management Council of ABB and President of ABB Enertech Ltd. with Global Responsibility; Executive Vice President Power Generation and member of the Asia Pacific Regional Management of ABB Asia Pacific Ltd.; Chairman of the Board of ABB India and Singapore; President of ABB Power Generation Sdn. Bhd. in Malaysia; and Vice President for Marketing, Sales and Project Management of ABB Kraftwerke AG of Baden, Switzerland.

4. Mikel A. Aboitiz (Director, Member – Board Audit Committee), 58 years old, Filipino, has been a Director of AboitizPower since 1998. He is also a Senior Vice President/Chief Information Officer of AEV; Director and Senior Vice President for Strategy of Aboitiz & Company, Inc.; President & Chief Executive Officer of City Savings Bank, Inc.; Chairman of the Board of Directors of Cebu Praedia Development Corporation; Director of Visayan Electric Company, Inc., Cotabato Light & Power Company, Davao Light Power Company, Inc., Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Cebu Praedia Development Corporation, AP Renewables, Inc., AEV Aviation, Inc., Therma Power, Inc., Propriedad del Norte, Inc. and Therma Luzon, Inc.; and Trustee and Treasurer of Ramon Aboitiz Foundation, Inc. He holds a degree in Bachelor of Science, major in Business Administration, from Gonzaga University, Spokane, U.S.A.
5. Jaime Jose Y. Aboitiz (Director, Member – Board Audit Committee, Executive Vice President & Chief Operating Officer – Power Distribution Group), 51 years old, Filipino, has been a Director of AboitizPower from 2004 to April 2007. He was again elected as Director of AboitizPower in 2009. He is also the Chairman of the Board of Directors of Aboitiz Construction Group, Inc., Metaphil International, Inc. and Metaphil, Inc.; Director and Executive Vice President of Visayan Electric Company, Inc.; President and Chief Executive Officer of Cotabato Light & Power Company, Subic Enerzone Corporation and Davao Light & Power Company, Inc.; President of Mactan Enerzone Corporation and Balamban Enerzone Corporation; and Director of Aboitiz Renewables, Inc., Hedcor Sibulan, Inc., Cebu Private Power Corporation, San Fernando Electric Light & Power Co., Inc., Abovant Holdings, Inc. and Hedcor, Inc. He holds a degree in Mechanical Engineering from Loyola Marymount University in California and a Masters degree in Management from the Asian Institute of Management.

**Describe the Audit Committee's responsibility relative to the external auditor.**

Based on the Manual of Corporate Governance, the Audit Committee has the following responsibilities to the external auditor:

1. Review and approve the hiring policies regarding partners, employees and former partners and employees of the Group's external auditors, and make appropriate recommendations to the Board.
2. Select, monitor and review the independence, performance and effectiveness, and remuneration of external auditors, in consultation with the Group CEO, the Group CFO and the Group internal auditor, and where appropriate recommend to the Board replacing the current external auditor with another, after having conducted a rigorous search.
3. Ensure that external auditors are ultimately accountable to the Board and to the shareholders of the Group.
4. Meet with external auditors and the Group CFO to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, receive the external auditor's report, reviewing and discussing their comments and recommendations, in consultation with the Group CEO and the Group CFO, and make specific recommendations to the Board for adoption.
5. Consider whether the external auditor's performance of specific nonaudit services is compatible with the auditor's independence, and if so, determine the specific policies and processes to be adopted as part of the external auditor's appointment to ensure that independence is maintained.
6. Provide an open avenue of communication where necessary between Group senior leadership, the Group internal auditor, the Board and the external auditor.
7. Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements/restrictions between management and

external auditor. Review any unadjusted differences brought to the attention of management by the external auditors and the resolution of the same.

8. Review and discuss with the Group CEO, the Group CFO and the external auditors the accounting policies which may be viewed as critical, and review and discuss any significant changes to the accounting policies of the Group and accounting and financial reporting proposals that may have significant impact on the Group's financial reports.

In addition, the Audit Committee Charter provides for the following additional responsibilities with respect to the External Auditor:

1. Appoint, determine the compensation of, and review the scope of work, fees and performance of, including re-appointment and resignation, of the independent auditors of the Company.

The independent auditors of the Company shall report directly to the Committee and the Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, re-appoint or replace the independent auditors. The independent auditors shall report to the Committee, and the Committee shall oversee the resolution of, disagreements between management and the independent auditors in the event that they arise.

At least annually, the Committee shall evaluate the independent auditors' professional qualifications, performance, independence and compensation. The evaluation shall include a review of the qualifications, performance and independence of the lead partner of the independent auditors.

In conducting the review, the Committee shall take into account the Auditor's Report stated in the succeeding section and the independent auditors' work throughout the year, as well as the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Company.

2. Ensure that independent auditors comply with the International on the Professional Practice of Internal Auditing (ISPPIA).

3. Ensure that the independent auditors shall not at the same time provide the services of an internal auditor to the same client. The Committee shall ensure that other non-audit work shall not be in conflict with the functions of the independent auditor.

4. Ensure that the independent auditors are ultimately accountable to the Board of Directors and shareholders of the Company.

At least annually, obtain and review the completeness and timeliness of the report from the independent auditors (the "Auditor's Report") describing the Company's internal quality control procedures, any material issue raised by the most recent internal quality control review or peer review of the Company or by any inquiry or investigation by governmental or regulatory authorities within the preceding five (5) years, and the recommended steps to be taken to deal with such issues. The Committee shall review and discuss the Auditor's Report with the independent auditors and management, and make specific recommendations to the Board of Directors for adoption.

**(c) Nomination Committee (now Board Corporate Governance Committee)**

In February 2009, the Board of Directors of AP approved the creation of additional board committees and the consolidation of existing ones. In the same year, the Investor Relations Committee was dissolved and the Board Nominations and Compensation Committee merged with the Board Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jon Ramon Aboitiz	May 21, 2012	5	5	100	2010-2013
Member (ED)	Erramon I. Aboitiz	May 21, 2012	5	5	100	2010-2013
Member (ID)	Jose R. Facundo	May 21, 2012	5	5	100	2010-2013
Member (ID)	Romeo L. Bernardo	May 21, 2011	2	2	100	2010-2013
Member (ID)	Jakob G. Disch	May 21, 2012	3	3	100	November

						12, 2010-May 20, 2013
Ex-officio	M. Jasmine S. Oporto	May 21, 2012	5	5	100	2010-2013
Ex-officio	Iker M. Aboitiz	May 21, 2012	5	4	80	2010-2013

**(d) Remuneration Committee (now Board Corporate Governance Committee)**

In February 2009, the Board of Directors of AP approved the creation of additional board committees and the consolidation of existing ones. In the same year, the Investor Relations Committee was dissolved and the Board Nominations and Compensation Committee merged with the Board Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jon Ramon Aboitiz	May 21, 2012	5	5	100	2010-2013
Member (ED)	Erramon I. Aboitiz	May 21, 2012	5	5	100	2010-2013
Member (ID)	Jose R. Facundo	May 21, 2012	5	5	100	2010-2013
Member (ID)	Romeo L. Bernardo	May 21, 2011	2	2	100	2010-2013
Member (ID)	Jakob G. Disch	May 21, 2012	3	3	100	November 12, 2010-May 20, 2013
Ex-officio	M. Jasmine S. Oporto	May 21, 2012	5	5	100	2010-2013
Ex-officio	Iker M. Aboitiz	May 21, 2012	5	4	80	2010-2013

**(e) Others (Specify)**

Provide the same information on all other committees constituted by the Board of Directors:

**BOARD RISK AND REPUTATION MANAGEMENT COMMITTEE**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Enrique M. Aboitiz, Jr.	May 21, 2012	7	5	71	2011-2013
Member (ED)	Erramon I. Aboitiz	May 21, 2012	7	7	100	2009-2013
Member (ID)	Jose R. Facundo	May 21, 2012	7	7	100	2009-2013
Member (ID)	Jakob G. Disch	May 21, 2012	7	7	100	November 12, 2010-May 20, 2013
Ex-officio	Iker M. Aboitiz	2011	7	7	100	2010-2012
Ex-officio	Susan V. Valdez	August 1, 2012	6	6	100	2012-2013

**3) Changes in Committee Members**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Not applicable.	
Audit	No change in membership.	
Nomination	No change in membership.	
Remuneration	No change in membership.	

Corporate Governance	No change in membership.	
Risk and Reputation Management Committee	No change in membership.	

**4) Work Done and Issues Addressed**

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Not applicable.	
Audit	<p><b>A. February 29, 2012</b></p> <ol style="list-style-type: none"> <li>1. Evaluated Sycip Gorres Velayo &amp; Co. (SGV) Presentation of Audit Results for Financial Year 2011</li> <li>2. Received and discussed AboitizPower YTD 2011 Financials</li> <li>3. Evaluated presentation of Group Internal Audit</li> <li>4. Discussed updates on EQAR Action Plans</li> <li>5. Evaluated 2012 Internal Audit Plans</li> </ol> <p><b>B. May 3, 2012</b></p> <ol style="list-style-type: none"> <li>1. Reviewed AboitizPower YTD March 2012 Financials</li> <li>2. Evaluated presentation of Group Internal Audit               <ol style="list-style-type: none"> <li>a. Approval of 2012 Audit Masterplan</li> <li>b. Audit Highlights for Completed Audit Engagements</li> <li>c. Updates for EQAR Action Plan</li> <li>d. Updates on the New Audit Organization</li> </ol> </li> </ol> <p><b>C. August 1, 2012</b></p> <ol style="list-style-type: none"> <li>1. Presented the revised Board Risk and Reputation Management Committee Charter</li> </ol> <p><b>D. August 2, 2012</b></p> <ol style="list-style-type: none"> <li>1. Reviewed AboitizPower YTD June 2012 Financials</li> <li>2. Received and discussed presentation of Group Internal Audit               <ol style="list-style-type: none"> <li>a. Revised AboitizPower Audit Charters</li> <li>b. Audit Highlights for Completed Audit Engagements</li> <li>c. Updates on YTD</li> <li>d. Accomplishment and Organization</li> </ol> </li> </ol> <p><b>E. October 30, 2012</b></p> <ol style="list-style-type: none"> <li>1. Reviewed SGV Presentation of the Audit Plan for AboitizPower and Subsidiaries</li> <li>2. Received AboitizPower YTD September 2012 Financials</li> <li>3. Evaluated presentation of Group Internal Audit</li> <li>4. Discussed approval of AboitizPower Audit Charters</li> <li>5. Discussed Audit Highlights on Completed</li> </ol>	All issues passed upon by the Committee in these matters were discussed and addressed.

	<p>Engagements</p> <p>6. Evaluated YTD Accomplishment and Organization Updates</p> <p><b>F. December 6, 2012</b></p> <ol style="list-style-type: none"> <li>1. Reviewed Management Systems vs Risk Maturity Index Ratings vs Internal Audit Ratings</li> <li>2. Approved 2013 Audit Plan - Review of Risk Treatment Plan</li> </ol> <p><b>G. March 1, 2013</b></p> <ol style="list-style-type: none"> <li>1. Evaluated SGV Presentation of the Audit Plan for AboitizPower and Subsidiaries</li> <li>2. Discussed AboitizPower YTD 2012 Financials</li> <li>3. Evaluated presentation of Group Internal Audit <ol style="list-style-type: none"> <li>a. 2012 Overall Assessment</li> <li>b. 2013 Plans and Deliverables</li> <li>c. 2012 Accomplishment and Organization Updates</li> <li>d. Board Audit Committee Self- Assessment</li> </ol> </li> </ol>	
Nomination	(Incorporated into the Corporate Governance Committee)	
Remuneration	(Incorporated into the Corporate Governance Committee)	
Corporate Governance (assumes the functions of the Nomination and Remuneration Committees)	<p><b>A. February 1, 2012</b></p> <ol style="list-style-type: none"> <li>1. Evaluated qualifications of nominees for the Board of Directors</li> <li>2. Proposed Agenda for the 2012 Annual Stockholders Meeting (ASM)</li> <li>3. Approved timeline for the Preparation and Proposed Content of the Information Statement for the 2012 ASM/2011 Annual Report</li> <li>4. Evaluated salary Increase Guidance for 2012</li> <li>5. Received Proposed Corporate Governance Report for the Annual Report</li> <li>6. Reviewed Senior Leadership Appointments</li> <li>7. Reviewed 2011 Statutory Compliance Report</li> <li>8. Board and CEO Performance Assessment Forms</li> <li>9. Reviewed and evaluated Corporate Governance Initiatives/ Issues Schedule of Corporate Governance Seminars for AboitizPower Officers and Employees</li> <li>10. Discussed Term of Independent Directors under SEC Memo No. 9-2011</li> <li>11. Reviewed updates to the Manual of Corporate Governance</li> <li>12. Reviewed Aboitiz Foundation/CSR: 2011 Report and 2012 Program</li> <li>13. Reviewed Investor Relations: 2011 Report and 2012 Program</li> <li>14. Evaluated renewal of Liability Insurance of Directors and Officers</li> </ol> <p><b>B. May 11, 2012</b></p> <ol style="list-style-type: none"> <li>1. Received and evaluated Proposed Amendments to the Amended Manual on Corporate Governance</li> </ol>	All issues passed upon by the Committee in these matters were discussed and addressed.

	<p>to Include Reputation Management in the Board Risk and Management Committee</p> <ol style="list-style-type: none"> <li>2. Discussed Updates on PSE Corporate</li> <li>3. Evaluated Institute of Corporate Directors (ICD) Ratings</li> <li>4. Evaluated results of the Board and CEO Performance Assessment</li> <li>5. Discussed updates in SEC ACGR</li> <li>6. Reviewed Proposed Protocols <ol style="list-style-type: none"> <li>a. Policy on Information Disclosure</li> <li>b. Disclosure on Related Party Transactions</li> <li>c. Board Protocols</li> </ol> </li> <li>7. Discussed updates on the New Stock and Transfer Agent - The Hongkong and Shanghai Banking Corporation Limited</li> <li>8. Discussed updates on Dividend Checks Distribution</li> </ol> <p><b>C. August 1, 2012</b></p> <ol style="list-style-type: none"> <li>1. Discussed SEC Memo No. 4: Guidelines for the Assessment of the Performance of Audit Committees</li> <li>2. Approved of the Revised Manual on Corporate Governance</li> <li>3. Discussed Environmental, Social and Governance Analysis of AboitizPower by GMI Analyst</li> <li>4. Discussed Maybank's Market Analysis based on PSE's Scorecard</li> <li>5. Discussed updates on the Corporate Governance</li> <li>6. Discussed Investor Relations Report</li> </ol> <p><b>D. November 8, 2012</b></p> <ol style="list-style-type: none"> <li>1. Discussed updates on SEC Memo No. 4: Guidelines for the Assessment of the Performance of Audit Committees and Amendment on the Board Audit Committee Charter</li> <li>2. Discussed updates on ASEAN Corporate Governance Scorecard</li> <li>3. Discussed PSE 2012 Bell Awards Evaluation Process</li> <li>4. Discussed submission of Affidavit or Sworn Statement</li> <li>5. Discussed Anti-trust and Unfair Competition matrix</li> <li>6. Discussed Investor Relations Report</li> </ol> <p><b>E. January 30, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed updates on WADDS and Re- Issuance of Stale Dividend Checks</li> <li>2. Evaluated nominees for the Board of Directors for AboitizPower</li> <li>3. Evaluated proposed Corporate Governance Report for the Annual Report (ASEAN Scorecard)</li> <li>4. Reviewed 2012 Statutory Compliance Report</li> </ol>	
Risk and Reputation Management	<p><b>A. February 1, 2012</b></p> <ol style="list-style-type: none"> <li>1. Evaluated, discussed and reviewed the formation of the Risk and Reputation Committee</li> </ol>	All matters passed upon by the Committee

	<p>2. Evaluated the Risk Management Team Status Report and 2012 Plans</p> <p><b>B. August 1, 2012</b></p> <ol style="list-style-type: none"> <li>1. Discussed updates on Risk Finance</li> <li>2. Evaluated revised Risk and Reputation Management Committee Charter</li> <li>3. Discussed Updates on Risk Maturity Index</li> <li>4. Reviewed Social Media Audit Results</li> <li>5. Reviewed Mindanao Crisis Survey Results</li> </ol> <p><b>C. August 1, 2012</b></p> <ol style="list-style-type: none"> <li>1. Evaluated presentation of the Revised Board Risk and Reputation Management Committee Charter</li> </ol> <p><b>D. October 4, 2012</b></p> <ol style="list-style-type: none"> <li>1. Discussed updates on Risk Finance</li> <li>2. Discussed Highlights on AON Symposium</li> <li>3. Discussed Top Risks of strategic business units (SBUs)</li> <li>4. Discussed updates on Reputation Council Deliverables</li> </ol> <p><b>E. December 6, 2012</b></p> <ol style="list-style-type: none"> <li>1. Discussed Risk Management Plan Challenge Updates</li> <li>2. Discussed Risk Tolerance</li> <li>3. Discussed Risk Finance Update</li> <li>4. Discussed Insurance Renewal</li> <li>5. Discussed Insurance Approval Authority</li> <li>6. Evaluated RM Policy (Approval of Risk Management Manual)</li> <li>7. Discussed Social Media Strategy and Next Steps</li> <li>8. Discussed WPF Updates</li> </ol> <p><b>F. December 6, 2012</b></p> <ol style="list-style-type: none"> <li>1. Reviewed Management Systems vs Risk Maturity Index Ratings vs Internal Audit Ratings</li> <li>2. Received and discussed 2013 Audit Plan - Review of Risk Treatment Plan</li> </ol> <p><b>G. January 30, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed Risk Finance Update</li> <li>2. Discussed Project Risk Management - Therma South, Inc.</li> <li>3. Discussed Aboitiz Foundation - Corporate Social Responsibility Report</li> </ol>	<p>resulted in various issues which the Committee discussed and addressed.</p>
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5) **Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Not applicable	
Audit	Approved the inclusion in the audit master plan for next year governance audits which includes the risk management process audit and validation of the risk treatment plans committed by the different business units.	Adequacy and effectiveness of the risk management processes within the organization.
Nomination	Now Corporate Governance Committee	
Remuneration	Now Corporate Governance Committee	
Corporate Governance	Institute the use of electronic media and information and communication technologies (ICT) [E-Learning] in making all employees and officers of the Company knowledgeable on good corporate governance practices.	Depth of knowledge and application of good corporate governance practices within the Aboitiz Group.
Risk and Reputation Management Committee	Achieve AON's risk maturity level 4 Groupwide.	Ensuring risk management policies and practices are consistently implemented across the Group by the end of 2013.

## H. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Aboitiz Group commits to protect its reputation, safeguard its core investments, empower team members, delight customers and engage communities and to create long-term value for all its stakeholders.

AP and the Business Units (BUs) commit to:

1. Establish Risk Management Governance policies and structures that guides and supports the RM process across the group
2. Develop and implement the methodology, tools and Processes for assessing, treating, monitoring and reporting risks including the Integration with Strategy and key internal and external processes
3. Ensure the process for achieving the optimal balance between retaining and transferring risks thru Risk Finance
4. Build a Risk Management culture through Capability Building programs to raise awareness and enhance the Group's understanding and appreciation of risk management

While it is the Team Leader's accountability to manage business risks, each Team Member has a role to play in building the Aboitiz Group as the best risk-managed business group in the region.

#### (b) Is there a statement in the Annual Report or in other company reports that the directors have reviewed the effectiveness of the risk management system with comments on the adequacy thereof;

1. Risk Maturity (RM) Index Assessment- The 2012 Annual Report Risk and Reputation Management Report stated that AP and its business units (BUs) are embarking on assessing the state of its RM maturity and how it fares against leading practices of similar organizations in the region and globally. Participants of the RM maturity assessment included members of the board as well as key executives and team leaders.
2. The result of the RM maturity index assessment triggered a recalibration of the Group's existing RM program and gave rise to an enhanced 3-year plan geared towards achieving Aon's risk maturity level 4 Groupwide. Level 4 represents the Group's goal of having RM policies and practices consistently implemented across the Group by the end of 2013.
3. Joint Meeting – Board Risk and Reputation and Board Audit Committee - In the joint meeting between the Risk and Reputation Management and Audit Committees, the joint responsibilities of both committees were approved and documented in a charter. Also, the methodology, proposed audit ratings, new mandated audits and reporting which are aimed to validate the existence of Risk Treatment activities in the BU risk management plans was agreed.
4. Board Risk and Reputation Management Committee – In 2012, quarterly committee meetings were held to assist the Board of Directors in handling board responsibilities on oversight of the Risk Management program, ensuring proper RM framework implementation, review, monitor and follow-up the significant risks identified, including emerging risk issues and trends and mitigation measures and review risks with management on an annual basis

Establishment of Risk metrics – risk metrics to track the progress of key programs and the total cost of insurable risks were introduced and monitored. This is part of the regular reports submitted and presented to the Board Risk and Reputation Management Committee

**(c) Period covered by the review;**

1. Risk Maturity Index Assessment- 2012
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee - 2012
3. Board Risk and Reputation Management Committee – 2012
4. Establishment of Risk metrics – 2012 and will be periodically monitored and reported

**(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and**

1. Risk Maturity Index Assessment- Annual review
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee – Two joint meetings in 2012
3. Board Risk and Reputation Management Committee – Quarterly Meetings in 2012
4. Establishment of Risk metrics – Periodically monitored and reported

**(e) Where no review was conducted during the year, an explanation why not.**

Not applicable.

**2) Risk Policy**

**(a) Company**

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

1. Purpose

The Risk Management (RM) Policy sets out the risk management objectives and requirements of the Aboitiz Group and its Business Units. The Policy aims to structure and formalize the risk management activities across the business units of the Aboitiz Group. The Policy is intended to:

1. Provide a framework for identifying, analyzing, evaluating, treating, monitoring and communicating risks;
2. Communicate the roles and accountabilities of all stakeholders in the risk management process;
3. Highlight the status of risks to which the Aboitiz Group and its Business Units are exposed to.

The Aboitiz Group's Risk Management Policy is adopted from and consistent with International Standard ISO 31000.

2. Scope

The policy covers all Aboitiz Group Business Units and Corporate Center Units.

3. General Provisions

- a. Conduct a formal risk assessment on an annual basis, and as necessary.
- b. Report annually on the key business unit risks following AP RMT risk reporting formats;
- c. Develop and review, at least annually, a statement on the risk appetite and risk tolerance of the Group and Business Unit;
- d. Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
- e. Identification of a full time Risk Manager per Business Unit
- f. Inclusion of Risk Management in regular SBU/BU Mancom, Key Support Group (e.g. AP Regulatory, AP Business Development, etc.) discussions

4. Risk Classification System

The Group classifies its risks into four (4) namely, Strategic, Operational, Financial and Legal/Compliance. The Risk Classification system was established to:

- a. enable the organization to identify where similar risks exist within the organization
- b. enable the organization to identify who should be responsible in the management of related or similar risks
- c. allow the Group to benchmark RM practices with other organizations globally, region and industry in accordance with international risk management standards,

Risk Exposure	Risk Management Policy	Objective
Reputation Risk	<ol style="list-style-type: none"> <li>1. Conduct a formal risk assessment on an annual basis, and as necessary.</li> <li>2. Report annually on the key business unit risks following the Company's Risk Management Team risk reporting formats;</li> <li>3. Develop and review, at least annually, a statement on the risk appetite and risk tolerance of the Group and Business Unit;</li> <li>4. Continuously monitor key risks and controls and implement appropriate risk responses</li> </ol>	<p>The RM Policy sets out the risk management objectives and requirements of the Aboitiz Group and its Business Units. The Policy aims to structure and formalize the risk management activities across the business units of the Aboitiz Group. The Policy is intended to:</p>
Competition Risk		
Regulatory Risk		
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown		
Commodity Risk		
	1. Provide a framework for identifying, analyzing,	

Project Risk	<p>where necessary;</p> <p>5. Identification of a full time Risk Manager per Business Unit</p> <p>6. Inclusion of Risk Management in regular SBU/BU Mancom, Key Support Group (e.g. AP Regulatory, AP Business Development, etc.) discussions</p>	<p>evaluating, treating, monitoring and communicating risks;</p> <p>2. Communicate the roles and accountabilities of all stakeholders in the risk management process;</p> <p>3. Highlight the status of risks to which the Aboitiz Group and its Business Units are exposed to.</p>
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**(b) Group**

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

1. The Aboitiz Group maintains one risk management policy for AboitizPower Group in alignment with Aboitiz Equity Ventures, Inc. All of our Business Units are now in the process of developing their respective RM Policy based on the Group RM Policy.

2. Purpose

The RM Policy sets out the risk management objectives and requirements of the Aboitiz Group and its Business Units. The Policy aims to structure and formalize the risk management activities across the business units of the Aboitiz Group. The Policy is intended to:

- a. Provide a framework for identifying, analyzing, evaluating, treating, monitoring and communicating risks;
- b. Communicate the roles and accountabilities of all stakeholders in the risk management process;
- c. Highlight the status of risks to which the Aboitiz Group and its Business Units are exposed to.

The Aboitiz Group's Risk Management Policy is adopted from and consistent with International Standard ISO 31000.

3. Scope

The policy covers all Aboitiz Group Business Units and Corporate Center Units.

4. General Provisions

- a. Conduct a formal risk assessment on an annual basis, and as necessary.
- b. Report annually on the key business unit risks following AP RMT risk reporting formats;
- c. Develop and review, at least annually, a statement on the risk appetite and risk tolerance of the Group and Business Unit;
- d. Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
- e. Identification of a full time Risk Manager per Business Unit
- f. Inclusion of Risk Management in regular SBU/BU Mancom, Key Support Group (e.g. AP Regulatory, AP Business Development, etc.) discussions

5. Risk Classification System

The Group classifies its risks into four (4) namely, Strategic, Operational, Financial and Legal and

Compliance. The Risk Classification system was established to:

- a. enable the organization to identify where similar risks exist within the organization
- b. enable the organization to identify who should be responsible management of related or similar risks
- c. allow the Group to benchmark RM practices with other organizations globally, region and industry in accordance with international risk management standards,

Risk Exposure	Risk Management Policy	Objective
Reputation Risk	<ol style="list-style-type: none"> <li>1. Conduct a formal risk assessment on an annual basis, and as necessary.</li> <li>2. Report annually on the key business unit risks following Aboitiz Power Risk Management Team risk reporting formats;</li> <li>3. Develop and review, at least annually, a statement on the risk appetite and risk tolerance of the Group and Business Unit;</li> <li>4. Continuously monitor key risks and controls and implement appropriate risk responses where necessary;</li> <li>5. Identification of a full time Risk Manager per Business Unit</li> <li>6. Inclusion of Risk Management in regular SBU/BU Mancom, Key Support Group (e.g. AP Regulatory, AP Business Development, etc.) discussions</li> </ol>	<p>The RM Policy sets out the risk management objectives and requirements of the Aboitiz Group and its Business Units. The Policy aims to structure and formalize the risk management activities across the business units of the Aboitiz Group. The Policy is intended to:</p> <ol style="list-style-type: none"> <li>1. Provide a framework for identifying, analyzing, evaluating, treating, monitoring and communicating risks;</li> <li>2. Communicate the roles and accountabilities of all stakeholders in the risk management process;</li> <li>3. Highlight the status of risks to which the Aboitiz Group and its Business Units are exposed to.</li> </ol>
Competition Risk		
Regulatory Risk		
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown		
Commodity Risk		
Project Risk		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Takeover maneuvers or similar devices that may entrench management or the existing controlling or minority shareholder groups. The Company, however, is committed to equitable and fair treatment of minority shareholders and has clear and enforceable policies with respect to the treatment of minority shareholders to avoid shareholder opportunism. The Company provides all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The risks of AboitizPower as holding company of the Aboitiz Group's power businesses cover not only risks affecting AP as a company but key risks affecting its Business Units as well

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Reputation Risk	Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media, and greater	1. Build organization capability through a formalized governance structure and an intelligence process;

	scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.	<ol style="list-style-type: none"> <li>2. Implement anticipatory issues management;</li> <li>3. Develop and implement a Groupwide social media policy and strategy;</li> <li>4. Develop brand champions and brand advocates through effective corporate communication and branding programs;</li> <li>5. Ensure brand integrity by establishing reputation metrics, aiming to close the gap between how we project ourselves and how others perceive us.</li> </ol>
Competition Risk	As with other businesses, AP and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the actions of competitors can greatly diminish our competitive advantage.	<ol style="list-style-type: none"> <li>1. Separate business development organizations for power and non-power businesses;</li> <li>2. Implement a more robust and comprehensive strategic planning process; and</li> <li>3. Integrate Enterprise Risk Management into the strategic planning process.</li> </ol>
Regulatory Risk	The complexity of the business and regulatory landscape is increasing dramatically. Several of AP's Business Units are now being subject to more stringent regulations.	<ol style="list-style-type: none"> <li>1. Dedicated regulatory team;</li> <li>2. Maintain good working relations with the Department of Energy, Energy Regulatory Commission, Securities and Exchange Commission, Board of Investments, Department of Environment and Natural Resources, various local government units, and other key regulatory agencies;</li> <li>3. Participate actively in consultative processes that lead to the development of rules and regulatory policy.</li> </ol>
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown	<p>The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions.</p> <p>Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.</p>	<ol style="list-style-type: none"> <li>1. Perform regular preventive maintenance of all our facilities;</li> <li>2. Continually evaluate and strengthen loss prevention controls;</li> <li>3. Develop business continuity plans per site;</li> <li>4. Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.</li> </ol>
Commodity Risk	The power generation businesses have coal and fuel requirements that are subject to price, freight and foreign exchange volatility	<ol style="list-style-type: none"> <li>1. Better understanding of the fuel and coal markets;</li> <li>2. Enter into contracts and hedge positions with the different</li> </ol>

	factors. A fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these companies.	suppliers of these commodities; 3. Develop a Commodity Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities.
Project Risk	The Power Generation group has broken ground on its Greenfield coal plant projects in Subic and Davao, and its small hydro projects Tudaya 1 and 2 in Sibulan. Given the magnitude and duration of these projects, there are inherent issues and risks, such as project completion within specifications, budget and timelines.	1. Partner with contractors and suppliers of established good reputation 2. Implement Project Risk Management following the PMBOK (Project Management Book of Knowledge) framework 3. Regular review of the project risk register to monitor implementation of risk control measures.

**(b) Group**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Group:**

The Aboitiz Group covers risks affecting AP as a company as well as key risks affecting its Business Units. Each of the Business Units in the Aboitiz Group has a Risk Management Plan that covers the key strategic, operational, financial and legal/compliance risks affecting the Business Units. These risks are then consolidated at the Aboitiz Group Level to arrive at the top Group risks.

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Reputation Risk	Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media, and greater scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.	1. Build organization capability through a formalized governance structure and an intelligence process; 2. Implement anticipatory issues management; 3. Develop and implement a Groupwide social media policy and strategy; 4. Develop brand champions and brand advocates through effective corporate communication and branding programs; 5. Ensure brand integrity by establishing reputation metrics, aiming to close the gap between how we project ourselves and how others perceive us.
Competition Risk	As with other businesses, AP and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the actions of competitors can greatly	1. Separate business development organizations for power and non-power businesses; 2. Implement a more robust and comprehensive strategic planning process; 3. Integrate Enterprise Risk

	diminish our competitive advantage.	Management into the strategic planning process.
Regulatory Risk	The complexity of the business and regulatory landscape is increasing dramatically. Several of AP's Business Units particularly in the distribution sector are now being subject to more stringent regulations.	<ol style="list-style-type: none"> <li>1. Dedicated regulatory team for our Power Group;</li> <li>2. Our banking units have full time compliance officers who spearhead the implementation of compliance programs;</li> <li>3. Maintain good working relations with the Department of Energy, Bangko Sentral ng Pilipinas, Energy Regulatory Commission, Securities and Exchange Commission, Board of Investments, Department of Environment and Natural Resources, various local government units, and other key regulatory agencies;</li> <li>4. Participate actively in consultative processes that lead to the development of rules and regulatory policy.</li> </ol>
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown	<p>The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions.</p> <p>Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.</p>	<ol style="list-style-type: none"> <li>1. Perform regular preventive maintenance of all our facilities;</li> <li>2. Continually evaluate and strengthen loss prevention controls;</li> <li>3. Develop business continuity plans per site;</li> <li>4. Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.</li> </ol>
Commodity Risk	Our power generation businesses have coal and fuel requirements that are subject to price, freight and foreign exchange volatility factors. A fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these companies.	<ol style="list-style-type: none"> <li>1. Better understanding of the coal markets;</li> <li>2. Enter into contracts and hedge positions with the different suppliers of these fuel commodities;</li> <li>3. Develop a Commodity Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities.</li> </ol>
Project Risk	The Power Generation group has broken ground on its Greenfield coal plant projects in Subic and Davao, and its small hydro projects Tudaya 1 and 2 in Sibulan. Given the magnitude and duration of these projects, there are inherent issues and risks, such as project	<ol style="list-style-type: none"> <li>1. Partner with contractors and suppliers of established good reputation;</li> <li>2. Implement Project Risk Management following the PMBOK (Project Management Book of Knowledge) framework;</li> <li>3. Regular review of the project</li> </ol>

	completion within specifications, budget and timelines.	risk register to monitor implementation of risk control measures.
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(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
AboitizPower Board of Directors	Oversight	Overall Responsible for Risk Management  <i>Source: RM Policy</i>
Board Risk and Reputation Management Committee	Oversight (delegated by Board of Directors)	<ol style="list-style-type: none"> <li>1. Oversight of the Risk Management program;</li> <li>2. Ensure proper RM framework implementation;</li> <li>3. Review, monitor and follow-up the significant risks identified, including emerging risk issues and trends and mitigation measures;</li> <li>4. Review risks with management on a annual basis.</li> </ol> <i>Source: Board Risk and Reputation Management Committee Charter</i>
Board Audit Committee	Oversight	<p>Oversight responsibilities with regards to the:</p> <ol style="list-style-type: none"> <li>1. integrity of the Company's financial reporting system;</li> <li>2. adequacy and effectiveness of the Company's systems of internal control, governance and risk management processes;</li> <li>3. performance of internal audit function;</li> <li>4. qualification, independence and performance of external auditors;</li> <li>5. compliance with legal and regulatory requirements; and</li> <li>6. maintenance of open communication lines between management, external auditors, the internal audit department, and the Company.</li> </ol> <i>Source: Audit Committee Charter</i>
Joint Board Risk and Reputation Management and Audit Committee	Oversight	Escalate for discussion at a joint session of the Audit and Risk and Reputation Management Committees any items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; and

		<p>escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by both Committees to a joint session of the Audit and Risk and Reputation Management Committees.</p> <p><i>Source: Audit Committee Charter</i></p>
Risk Management Council	Monitor, Review and Approval	<ol style="list-style-type: none"> <li>1. Composed of Aboitiz Group CEOs (Group Mancom);</li> <li>2. Monitor Group's top risks.</li> <li>3. Reviews and approves Group-wide Risk Management strategies, programs and initiatives</li> </ol> <p><i>Source: RM Policy</i></p>
Insurance Management Committee	Monitor, Review and Approval	<ol style="list-style-type: none"> <li>1. Reviews and validates the insurance quotations as provided by Risk Finance Team;</li> <li>2. Approves which insurance programs the business unit (BU) will take;</li> <li>3. Acts on recommendatory basis for risks with values beyond a certain level and escalates to RM Council for approval.</li> </ol> <p><i>Source: Risk Finance Manual</i></p>
Risk Management Steering Committee	Monitor, Review and Approval	<ol style="list-style-type: none"> <li>1. Composed of the Risk Managers of the Aboitiz Group Bus;</li> <li>2. Discuss RM strategies, initiatives and programs for implementation to SBUs/Bus;</li> <li>3. Assists the RM Council (Group Mancom) in review of items and issues before taken up at the RM Council;</li> <li>4. Reviews group risks including emerging risks;</li> <li>5. Communicates developments and leading practices in RM including sharing of solutions to risk management issues/problems.</li> </ol> <p><i>Source: RM Policy</i></p>
AP Distribution Utility Committee	Oversight, Monitor and Review	<ol style="list-style-type: none"> <li>1. Acts as a special business unit (SBU) Board for the distribution businesses of the Aboitiz Power Group.</li> <li>2. Effectively run as executive committees for the SBUs providing more detailed strategic directions and objectives for the SBUs, monitoring projects execution, ensuring SBU regulatory compliance, providing overall financial oversight, planning</li> </ol>

		<p>and execution of strategies, ensuring concerted and synchronized capture of new business opportunities and acquisitions, and generally providing SBU group wide forum for all issues and developments affecting each of the Distribution business units and ensuring best practices for the companies on a group wide basis .</p> <p>3. Chaired by an AP Distribution Utility (DU) CEO and supported by a DU CFO and other management team.</p> <p>4. Meetings are attended by the CEO of each of the DUs under the Aboitiz Power group.</p>
AP Generation Committee	Oversight, Monitor and Review	<p>1. Acts as a special business unit (SBU) Board for the generation businesses of the Aboitiz Power Group.</p> <p>2. Effectively run as executive committees for the SBUs providing more detailed strategic directions and objectives for the SBUs, monitoring projects execution, ensuring SBU regulatory compliance, providing overall financial oversight, planning and execution of strategies, ensuring concerted and synchronized capture of new business opportunities and acquisitions, and generally providing SBU group wide forum for all issues and developments affecting each of the Generation business units and ensuring best practices for the companies on a group wide basis .</p> <p>3. Chaired by an AP Generation CEO and supported by a Generation CFO and other management team.</p> <p>4. Meetings are attended by the CEO of each of the generation companies under the Aboitiz Power group.</p>

## I. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

#### (a) Explain how the internal control system is defined for the company;

The system of internal controls refers to policies and procedures designed by management to (1) manage and mitigate known risks; (2) protect its assets from loss or fraud; (3) ensure reliability and integrity of financial information; (4) ensure compliance to laws, statutory and regulatory

requirements; (5) promote efficient and effective operations; and (6) accomplish the company's goals and objectives.

Internal control is a management process for keeping an entity on course in achieving its organizational objectives. A management control system, including comprehensive internal controls, provides reasonable assurance that the company's business goals and/or objectives are being met.

**(b) Is there a statement in the Annual Report or in other reports of the company that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;**

Yes. The Board Audit Committee Report to the Board of the Directors contained in the Annual Report (including SEC Form 20-IS) contains an assessment of the state of the Company's internal controls.

**(c) Period covered by the review;**

The review is done annually.

**(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**

The state of internal controls is done at least annually. The company conducts an annual self-assessment on the performance of the Board Audit Committee aligned with SEC Memo Cir. No. 4, s2012 which covers the criteria for assessing the effectiveness of the internal control system.

**(e) Where no review was conducted during the year, an explanation why not.**

Not applicable.

## 2) Internal Audit

**(a) Role, Scope and Internal Audit Function**

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Ensure that effective and appropriate organizational and procedural controls are in place.	Audit Universe: AP Group of Companies <ul style="list-style-type: none"> <li>Scope of work encompasses evaluating and improving the adequacy and effectiveness of the Company's risk management, control and governance processes</li> </ul> <p><b>NOTE:</b> <i>Detailed Scope, Roles and</i></p>	Generally In-house.  Outsourcing/Co-sourcing is done from time to time for engagements that may be highly technical in nature or may be too manual (eg. Fixed Asset Count).	Maria Lourdes Y. Tanate – Aboitiz Group Internal Audit Head	<b>Functionally</b> reporting to the Board Audit Committee and <b>Administratively</b> reports to the President & CEO <ul style="list-style-type: none"> <li>Financial performance and all Audit report highlights are presented to the Audit Committee at least 4 times a year.</li> </ul>

	<p><i>Responsibilities are included in the (1) Internal Audit Charter; (2) Board Audit Committee Charter; (3) Manual on Corporate Governance. All of which have been disclosed to the SEC.</i></p>			<p><b>General Flow of Audit Reporting</b>  <b>Exit Conference</b> with the BU auditees up to Manager level  <b>Detailed report</b> presented to different levels of management of the Business Units  <b>Executive Summary</b> presented to the C-suite level executives  <b>Audit Report</b> to the Board</p>
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**(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

Yes. This is covered in the Company's Manual of Corporate Governance as well as the Board Audit Committee Charter. The independent auditors of the Company reports directly to the Audit Committee and the Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, re-appoint or replace the independent auditors. The Committee is likewise tasked to review the appointment and performance of the Internal Auditor, who shall functionally report directly to the Committee.

**(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?**

The Head of the Group Internal Audit (GIA) functionally reports to the Board Audit Committee and administratively to the President and CEO. GIA has full, free and unrestricted access to all operating and financial company records, information, systems and applications, physical properties, activities and personnel relevant to the company and subject under review. (Source: Internal Audit Charter)

**(d) Resignation, Re-assignment and Reasons**

**Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.**

Name of Audit Staff	Reason
<p><b><i>Movements from AEV Corporate Audit Team to the different SBUS FTY 2012</i></b></p> <p>1. Delos Reyes, Richardson – From AEV to AP (Distribution)</p> <p>2. Alcovendas, Ricky – From AEV to AP (Distribution)</p> <p>3. Lumibao, Angelito – From AEV to AP (Generation)</p> <p>4. Rom, Pet John – From AEV</p>	<p>Deployment of AEV auditors to the newly-created resident audit teams as a result of the Re-Organization of the Aboitiz Group Internal Audit which took effect August 1, 2012.</p> <p>Newly created Resident Audit Teams are as follows:</p> <ol style="list-style-type: none"> <li>1. Aboitiz Power Corp – Distribution Group</li> <li>2. Aboitiz Power Corp – Generation Group</li> <li>3. Food Group (for Pilmico Foods Corp and Pilmico Animal Nutrition Corp)</li> </ol>

to AP (Generation)	
5. Ranis, Rhesel Joan – From AEV to AP (Generation)	
6. Tupal, Argielee – From AEV to AP (Generation)	
7. Navarroza, Andy – From AEV to AP (Generation)	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	On-track based on committed timelines.
<b>Issues<sup>6</sup></b>	All audit issues are monitored in the ISSUES MONITORING REPORT (IMR). The IMR contains the details action plans per business unit and the corresponding timeline for each issue. This is being monitored and <b>reported regularly</b> to the Board Audit Committee.
<b>Findings<sup>7</sup></b>	The IMR also contains the detailed findings of all audit examinations done by the GIA as well as the highlights of the results of the resident audit teams.
<b>Examination Trends</b>	Operations or Process-based Reviews, Compliance Reviews, Financial reviews. <ol style="list-style-type: none"> <li>1. Recurring issues are noted as it impacts on the audit score given the auditee.</li> <li>2. Starting 2013, all audit scores are to be incorporated in the business unit's Key Results Areas (KRA) for closer monitoring. This would likewise impact on their BUs performance assessment for the year.</li> </ol> <p>Above monitoring activities are done on a regular basis.</p>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- (a) Preparation of an audit plan inclusive of a timeline and milestones;
- (b) Conduct of examination based on the plan;
- (c) Evaluation of the progress in the implementation of the plan;
- (d) Documentation of issues and findings as a result of the examination;
- (e) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- (f) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

Policies & Procedures	Implementation
<p>Operating Policies &amp; Procedures of Business Units</p>	<p>Business Units have their respective operating policies and procedures. The updating of which is done regularly—some as a result of <u>audit findings</u>. The updating of policies and procedures is an action item that gets included in the Issues Monitoring Report (IMR) mentioned above with the corresponding timeline commitment by the Business Units.</p> <p>Examples of <b>ongoing</b> corporate initiatives to ensure that processes are properly documented includes compliance to world-class standards such as:</p> <ol style="list-style-type: none"> <li>1. Quality Management System (QMS (ISO9001:2008)</li> <li>2. Information Security Management System (ISMS) – ISO 27001</li> <li>3. Occupational Health and Safety Assessment Series (OHSAS ISO 18001)</li> <li>4. Environmental Management Systems (EMS ISO 14001)</li> </ol>

**(g) Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><b>INTERNAL AUDITORS:</b></p> <ol style="list-style-type: none"> <li>1. Group Internal Audit (GIA) functionally reports to the Board Audit Committee and administratively to the President &amp; CEO of the Company.  <i>(Source: Board Audit Committee Charter #13. C Internal Control &amp; Audit)</i></li> <li>2. GIA is a recommendatory body. It has no direct operational responsibility of authority over any of the activities audited. GIA will not implement internal controls, develop procedures and install systems, prepare records or engage in any other activity normally reviewed by the team, as this may impair its objectivity and</li> </ol>	<p>Information provided by Investor Relations is limited to information already publicly available. At no point is insider information given.</p> <p>All transactions are made on an arms-length basis and regular reports regarding the results of Investor Relations' interaction with outside parties are provided to the Management and the Board.</p> <p>Quarterly briefings are conducted on a regular basis and all analysts are invited to attend without any exclusivity.</p>	<p>Information provided is limited to information already publicly available. At no point is insider information given.</p> <p>All transactions are made on an arms-length basis and regular reports regarding the results of interaction with outside parties are provided to the Management and the Board.</p>	<p>Information provided is limited to information already publicly available. At no point is insider information given.</p> <p>All transactions are made on an arms-length basis and regular reports regarding the results of interaction with outside parties are provided to the Management and the Board.</p>

<p>judgment. The GIA Head annually confirms to the Board the organizational independence of the internal audit activity.</p> <p><i>(Source: Internal Audit Charter. Independence &amp; Objectivity)</i></p>			
<p><b>EXTERNAL AUDITORS:</b></p> <ol style="list-style-type: none"> <li>1. The Board appoints, determine the compensation of, and review the scope of work, fees and performance of, including re-appointment and resignation, of the independent auditors of the Company.</li> <li>2. Ensure that the independent auditors shall not at the same time provide the services of an internal auditor to the same client. The Committee shall ensure that other non-audit work shall not be in conflict with the functions of the independent auditor</li> </ol> <p><i>(Source: Board Audit Committee Charter, #13, B. Independent External Auditors)</i></p>			

**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

The Certification on the Company's compliance with its Manual of Corporate Governance is attested to by the Corporate Secretary and the President/ CEO of the Company.

**J. ROLE OF STAKEHOLDERS**

**(a) Disclose the company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	Pursuant to the Company's Occupational Health and Safety Policy, all business and corporate service units of the Company are required to comply with all legislative occupational health and safety requirements.	All business and corporate service units of the Company are mandated to comply with all legislative occupational health and safety requirements as they relate to the planning, operation and maintenance of facilities and equipment usage, for the health

		and welfare of all Company stakeholders, including the customers.
Supplier/contractor selection practice	The Company adopted the Quality Management System (QMS) which 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, which include the methods for supplier/ contractor selection.	<p>The Company follows a procedure of bidding or request for proposals from prospective suppliers/ contractors.</p> <p>Suppliers are selected based on price and/or skill and experience.</p>
Environmentally friendly value-chain	The Company is committed to strike a balance between economic growth, social development and environmental stewardship 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.	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.
Community interaction	The Company's broader obligations to society and the community are addressed by the Company's continued compliance with its Manual, with all relevant laws and regulations, and the principles of sustainable development practices by the Company and our BUs. The Company is committed to strike a balance between economic growth and social development and environmental stewardship, in the conduct of its business.	<p>The Aboitiz Group, driven by its passion for a better world, continues to pursue initiatives to help enrich the planet through various sustainable projects that it has implemented in 2012. The biggest highlight of its "green efforts" in 2012 was the planting of 640,000 seedlings all across the country under the Group's Aboitiz Passion for Reforest and Agro-forest to Keep (APARK) Program. The Company through its various operating BUs are also on track to surpass its Million Trees Project aimed at preserving or rehabilitating the watersheds surrounding their power plants and other identified sites.</p> <p>In 2012, the Company, through the Aboitiz Foundation, included in its numerous CSR initiatives. partnership with organizations like AMORE and HAPINOY, organizations which provide livelihood opportunities and improvement of the quality of life of rural for off-grid households through sustainable renewable energy projects.</p> <p>As part of AboitizPower's commitment in nurturing the</p>

		<p>environment and conserving the Earth's diminishing resources, the Company adopted a female Philippine Eagle named Pangarap.</p> <p>To further promote environmental protection and awareness among the youth, AP Renewables, Inc. successfully conducted the Forest Nurturing and Cleaning up Project for the MakBan geothermal power plant located in Laguna and Batangas, Luzon, with more than 100 participants.</p> <p>The Aboitiz Group strives to be the neighbor of choice in the areas where the Group operates.</p>
Anti-corruption programmes and procedures	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.	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.
Safeguarding creditors' rights	In dealings with its customers, suppliers and business partners, the Company abides by the Fair Dealing Policy found in its Code.	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.

**(b) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

The Company through its foundation, Aboitiz Foundation, Inc. (AFI), undertakes a committed Corporate Social Responsibility program. The Annual Report of AFI is published and also circulated to AP shareholders. Linkage to AFI Annual Report is also available in the AP website. Moreover, the Company publishes a separate Sustainability Report which shows its initiatives in the protection of the environment through the five pillars of Rejuvenate Nature, Re-use/Recycle, Reduce, Renewable Energy, and Recharge Communities.

**(c) Performance-enhancing mechanisms for employee participation.**

**A. What are the company's policy for its employees' safety, health, and welfare?**

The Company has a 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.

1. Each team member is required to observe the following health and sanitation rules to protect and safeguard his own health and those of his fellow team members.
  - a) Proper health rules should be observed with respect to use of handkerchiefs and, washing hands, etc.
  - b) The comfort and sanitary facilities should be used properly and maintained clean and in good order at all times.
  - c) All refuse and rubbish should be placed or thrown into the appropriate containers.
  - d) A presentable and neat appearance of the office premises should be kept at all times.
  - e) When a team member has reason to believe that he has a contagious disease, he should notify his Team Leader. The team member should be made to stay away from the office or Company premises to prevent the spread of the disease to other team members until he has been given clearance by the Company Doctor that the danger from such condition has passed. In this case, the rules on leaves shall apply.
  - f) All team members are required to undergo an annual physical & dental check-up by the Company Doctor and dentist, respectively. Human Resources shall coordinate with Team Leaders in preparing a schedule of team members visit to the Doctor/Dentist for this annual check-up.

In case of fire or robbery in the premises of the Company, the first officer or employee who detects or notices it should immediately sound the fire alarm or report the robbery.

Depending on the circumstances, he should attempt to put-out the fire or take action to prevent loss or destruction of company property or funds. When a fire alarm is raised or a robbery is detected, employees should maintain presence of mind and should avoid creating panic among themselves and the public within the premises of the Company to minimize further aggravation of the situation.

2. The Company has protocols in place to support sustainability commitments. The Company publishes a separate Sustainability Report which shows its initiatives in the protection of the environment through the five pillars of Rejuvenate Nature, Re-use/Recycle, Reduce, Renewable Energy, and Recharge Communities.

#### **B. Show data relating to health, safety and welfare of its employees.**

The programs and strategic initiatives of the Human Resources (HR) Department are covered within the categories of Body and Physical Wellness programs (e.g. Compensation and Benefits Information, Health Talks, Aerobics/ Zumba Fitness, Biggest Loser Competition, Fitness Clubs and Safety and Protection Programs); Belongingness (Coffee with the President, Company Events, Quality Focus, Refer an A-Person, Creating the Future Organization, Birthday Announcements, Employee's Recognition, Team Celebrations, Good Health Bonus, Annual Merit Increase and Promotions); Soul and Spirit, Sense of Purpose (CSR Activities); and Learning and Growth (Universal Training Programs and other work-related trainings, E-learning, Educational Leave and Assistance, Financial Wellness, SuccessFactors, Computer Loan and U-21). These initiatives recently won in the Company's Team Awards for Driven to Excel category.

The Corporate HR's mission is to "To Attract, Retain and Optimize our A-people and constantly adding value to our businesses". This mission aims to expand the Company's reach to identify talent, to continue to develop the Aboitiz Talent Management Program (ATMP), to strengthen traditional programs targeted at the "Body and Mind" and to expand retention programs to include more "Heart and "Spirit".

The Company is committed to the value proposition of the 4Ps: People, Planet, Profit, and Passion.

Activities and initiatives of the Company's subsidiaries relating to health, safety, and welfare include the following:

1. SN Aboitiz Power-Magat was also given the Safety Milestone Recognition (Smile) Awards by

the Department of Labor and Employment's Bureau of Working Conditions (DOLE-BWC) for achieving record man-hours without a lost-time incident. Other awards include, Asian Power Awards, Anvil Awards of Excellence, Gawad Kaligtasan at Kalusugan for Occupational Safety & Health Practices.

2. Hedcor, Inc. is an ISO 14001 certified company for Environment Management Systems, a testimony of its commitment to environmental activities and stewardship. Hedcor was recently awarded separate certifications for ISO 27001, the international standard for Information Security Management Systems or ISMS, and ISO 9001 for Quality Management System. Both certifications were issued in October 2012.
3. Hedcor is ISO-certified for Occupational Health and Safety. It is also a recipient of the Safety Milestone award of the Department of Labor and Employment (DOLE). The BUs under the AboitizPower Group also received various awards and recognitions such as the Philippine Environmental Partnership Program (PEPP) awarded to Hedcor Sibulan, Inc., the Company's Passion for Better Ways awards, Over-all winner on Benguet safety Olympics, the Tripartite Certificate of Compliance with Labor Standards and Best Police Community Relations – for NGO, the Award of Honor (Safety), Safety Milestone Award, the Corporate Safety Excellence Award, the PEPP Seal of Approval, the Success Story Award, the Saringaya Special Award for Multipartite Monitoring Team, the DOLE Secretary's Award for Distinction, the Safety Recognition Award as DOLE Accredited Occupational Safety and Health Practitioner for 2011, the Outstanding Safety Professional Award and the Outstanding Pollution Control Officer for 2012.

**C. State the company's training and development programmes for its employees. Show the data.**

Corporate HR has a universal training passport program for all employees including the Principles of Quality Living, Seven Habits, Creating the Future Organization, Basic Quality Awareness, Working Program, to name just a few technical in-house training skills. The Company adheres 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 benefit programs to enhance the quality of life of our employees.

**D. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

The Aboitiz employee benefit package aims to foster a culture that recognizes, rewards and celebrates the Aboitiz values and culture across the group. The Company's HR Department recently launched an Inspired by Passion campaign to provide an organized and purposive framework for all HR Initiatives and promote a thematic communication plan coming from the HR pillars of Attraction, Retention and Optimization. The Company is committed in addressing its employees' four basic needs in the organizations.

**(d) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Below is the Company's policy in the enforcement and administration of its Code of Ethics and Business Conduct:

**a) Reporting Violations**

"You are the Company's first line of defense against unethical business practices and violations of the law. If you observe or become aware of any conduct that you believe is unethical or unlawful—whether by another employee, a consultant, supplier, client, or other third party—you must communicate that information to your direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Law, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, you may also raise your concerns directly with Law, Compliance or Corporate Security.

If you are a supervisor, you have an additional responsibility to take appropriate steps to stop any misconduct that you are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.

If you prefer to report an allegation anonymously, you must provide enough information about the incident or situation to allow the Company to investigate properly.

AP will not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage."

- b) The Company has a program of "Talk to EIA" or talk to the CEO through e-mail on any matter. This is an additional confidential venue for any whistle-blowing.
- c) All Team Members and Team Leaders may at anytime report to the Aboitiz Chief Compliance Officer for any violations.

**K. DISCLOSURE AND TRANSPARENCY**

**(a) Ownership Structure**

**A. Holding 5% shareholding or more**

Shareholder	Number of Shares	Percent	Beneficial Owner
Aboitiz Equity Ventures, Inc.	5,653,763,954	76.83%	Aboitiz Equity Ventures, Inc.
PCD Nominee Corp. (Filipino)	703,245,575	9.56%	PCD participants acting for themselves or for their customers.
PCD Nominee Corp. (Foreign)	644,761,911	8.76%	PCD participants acting for themselves or for their customers.

Source: 2012 Definitive Information Statement (SEC Form 20-IS)

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
No member of senior management is a significant shareholder of the Company			
<b>TOTAL</b>			

**(b) Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes

Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

**Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.**

Disclosed in the Annual Corporate Governance Report appended to the Annual Report and available on the Company website (circulated in digital format and published on the website).

**(c) External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	Php331,000.00	The Company does not have arrangement to pay non-audit fees to the external auditor.

**(d) Medium of Communication**

**List down the mode/s of communication that the company is using for disseminating information.**

The Company uses the following modes of communication for disseminating information:

1. Newspaper publications
2. Company Website
3. Personal notices
4. Disclosures and corporate reports to regulatory agencies
5. Regular meetings, briefings to analysts and institutional shareholders, and media briefings

**(e) Date of release of audited financial report:**

The Company's 2012 Audited Financial Statement was filed with the Bureau of Internal Revenue and the Securities and Exchange Commission on 8 April 2013, and the same was submitted as an attachment to the Company's Annual Report (Form 17-A) to the Philippine Stock Exchange on 15 April 2013.

**(f) Company Website**

**Does the company have a website disclosing up-to-date information about the following?**

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes

Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

(g) Disclosure of RPT (Disclosed in the Audited Financial Statement and 20-IS)

RPT	Relationship	Nature	Value
Loans and credit accommodations	STEAG, Luzon Hydro Corporation (LHC), SN Aboitiz Power-Magat, Inc. (SNAP M) and SN Aboitiz Power-Benguet, Inc. (SNAP B) (Subsidiaries)	Entered into stand-by letter of credit and act as surety	P1.90 billion
Technical and legal assistance	Visayan Electric Company (VECO), Cebu Electric Development Corporation (CEDC), San Fernando Electric Light & Power Co., Inc (SFELAPCO), East Asia Utilities Corporation (EAUC)	Service fees	P246,490.00
Power supply and purchase agreements	AEV and subsidiaries	Power sales and purchases	Sales – P4,347,409.00; Purchase – P1,085,701.00
Service level agreements	Significant shareholder and other affiliates and subsidiaries		P334,574.00
Aviation services	AEV Aviation, Inc. (AAI)	Aviation service income	P65,682.00
Lease of commercial office units	Cebu Praedia Development Corporation (CPDC) [Subsidiary of AEV]	Rental fee	P41,408.00
Construction services	Aboitiz Construction Group, Inc. (ACGI), a wholly owned subsidiary of ACO	Rehabilitation of Tiwi and Makban power plants, tunnel repairs of LHC and construction of TSI power plant.	P1,456,817.00
Cash deposits	Union Bank of the Philippines (UBP) where AEV is a significant shareholder	Interest income	P252,270.00

Source: 2012 Audited Financial Statement appended to the Annual Report (SEC Form 17A)  
2012 Definitive Information Statement (SEC Form 20-IS)

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

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 the Aboitiz 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.

**L. RIGHTS OF STOCKHOLDERS**

**1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings**

**(a) Quorum**

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	majority of the outstanding capital stock of the Company, in accordance with the Corporation Code of the Philippines
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	Voting by poll
<b>Description</b>	Shareholders cast their vote on any resolution through the use of ballots.

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<p>The Company's shareholders have the following rights in accordance with the Corporation Code:</p> <ol style="list-style-type: none"> <li>1. Voting right (one share-one vote)</li> <li>2. Pre-emptive right</li> <li>3. Power to inspect corporate books</li> <li>4. Right to information</li> <li>5. Right to dividends</li> <li>6. Appraisal right</li> <li>7. Cumulative voting right</li> </ol>	<p>All rights granted by the Corporation Code are likewise granted to the Company's shareholders.</p>

**Dividends**

Declaration Date	Record Date	Payment Date
March 1, 2012 (regular)	March 16, 2012	April 3, 2012

November 28, 2012 (special)	December 13, 2012	January 11, 2012
March 5, 2013 (regular)	March 19, 2013	April 15, 2013

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
The Company ensures the presence of important resource persons during Annual Stockholders Meeting (ASM), such as the directors, management and the external auditor, to ensure that shareholder queries are adequately answered.	Notice and agenda items are disseminated to stockholders. Media briefings are likewise conducted by the Chief Executive Officer and Chief Financial Officer after the ASM.
For shareholders who fail to attend the annual meeting, a shareholders' briefing is conducted by the Company in Makati City after the annual shareholders' meeting to further encourage participation	The Notice to the ASM and proxy forms attached thereto inform the shareholders that a Stockholders' Briefing will be conducted by the Company in Makati City after the holding of the ASM.
Shareholders who cannot attend the ASM may vote in absentia through proxies	Proxies are sent out by the Company together with the Notice to the ASM. Proxies are likewise made available in the company website.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company, through notices, newspaper publications, and postings in the company website, analysts briefings, media briefings, shareholders' briefings, and disclosures to the PSE and SEC, as the case may be, ensures the right of shareholders to participate in decisions concerning fundamental corporate changes in compliance with the Corporation Code, such as amendments of the Company's Articles of Incorporation and By-Laws, issuance of new shares of stock, and sale of all or substantially all corporate properties.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

- a. Date of sending out notices:

April 25, 2012. The notice was likewise published by the Company on April 20, 2012.

- b. Date of the Annual/Special Stockholders' Meeting:

May 21, 2012

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Mr. Antonio Garcia, a guest, asked the President on the Company's position with regard to the declaration of stock dividends. The President, Mr. Erramon I. Aboitiz, replied that generally, the Company does not declare stock dividends as there is no value created for the stockholders. Mr. Aboitiz further explained that there is only an increase in the number of shares but the value of the shares remains the same.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
Resolution No. 12-1 "RESOLVED, that the stockholders of Aboitiz Power Corporation (the "Company") approve, as it hereby approves, the Annual Report and Audited Financial Statements of the Company as of December 31, 2011."	6,557,564,126	0	0
Resolution No. 12-2 "RESOLVED, that the stockholders of Aboitiz Power Corporation (the "Company") approve, as it hereby approves, the delegation of the authority to elect the Company's external auditor for 2012 to the Board of Directors."	6,557,564,126	0	0
Resolution No. 12-3 "RESOLVED, that the stockholders of Aboitiz Power Corporation (the "Company") approve, ratify and confirm as it hereby approves, ratifies and confirms all contracts, investments and resolutions issued and all other acts and proceedings of the Board of Directors, Corporate Officers and Management of the Company for the past year 2011 and including all acts up to May 21, 2012."	6,557,564,126	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the votes taken during the May 21, 2012 Annual Stockholders Meeting were disclosed at the Annual Shareholders Briefing on May 23, 2012.

(e) **Modifications**

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
For 2013 ASM, the Company has decided to appoint an independent party, Luis Canete & Co., to count and validate votes taken during the ASM.	To adopt best corporate governance practices.

(f) **Stockholders' Attendance**

(i) **Details of Attendance in the Annual/Special Stockholders' Meeting Held:**

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual Shareholders Meeting	<p>1. Enrique M. Aboitiz, Jr. - Chairman, Board of Directors</p> <p>2. Jon Ramon Aboitiz - Vice Chairman, Board of Directors/ Chairman, Board Corporate Governance Committee</p> <p>3. Erramon I. Aboitiz - President &amp; Chief Executive Officer/ Member, Board Corporate Governance Committee and Board Risk Management Committee</p> <p>4. Jaime Jose Y. Aboitiz - Director/ Member, Board Audit Committee</p> <p>5. Jose R. Facundo - Independent Director/ Chairman, Board Audit Committee/ Member, Board Corporate Governance Committee and Board Risk Management Committee</p> <p>6. Romeo L. Bernardo - Independent Director/ Member, Board Corporate Governance Committee and Board Audit Committee</p>	May 21, 2012	By Vote.	0.118%	88.99%	89%

	7. Jakob G. Disch - Independent Director/ Member, Board Corporate Governance Committee, Board Audit Committee and Board Risk Management Committee					
Special Shareholders Meeting	No Special Stockholders' Meeting was held during the year 2012.					

**(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

The Company has appointed an independent party, Luis Canete & Co., to count and validate the votes for the May 20, 2013 Annual Stockholders' Meeting.

**(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

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 following the rule of One share - One vote. The preferred shares are non-voting, non-participating, non-convertible, cumulative, re-issuable shares and may be issued from time to time by the Board in one or more series. These preferred shares which are issued to financial institutions or financial market intermediaries are treated as debt instruments by the Company in its books in conformity with the Philippine Accounting Standards (which adopt the International Financial Reporting Standards).

**(g) Proxy Voting Policies**

**State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.**

	Company's Policies
Execution and acceptance of proxies	The Office of the Corporate Secretary accepts and validates the proxies.
Notary	Proxy is not required to be notarized.
Submission of Proxy	A deadline is set by the Corporate Secretary in the submission of proxies which is seven (7) days prior to the opening of the meeting, in accordance with the Company's By-laws.
Several Proxies	There is no occasion to require several proxies since all items requiring the vote of a particular stockholder are already set out in the proxy.  Several proxies received from the same stockholder pertaining to the same shares shall be subject to validation by the Office of the Corporate Secretary.

Validity of Proxy	A proxy shall be valid only when received by the Corporate Secretary on or before the deadline, at least seven (7) days before the ASM.
Proxies executed abroad	Proxies executed locally or abroad have the same effect.
Invalidated Proxy	Invalidated proxies do not carry any force or effect.
Validation of Proxy	The validation of proxies is done by the Office of the Corporate Secretary.
Violation of Proxy	Votes through proxies are tabulated to ensure that the votes therein are followed.

**(h) Sending of Notices**

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The Company gives the shareholders sufficient time to go over information in the Notice to the ASM and to contact their proxies for appropriate instructions.	<p>The Company consistently provides all shareholders with the notice and agenda of the annual general meeting at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.</p> <p>The Company also publishes Notices of Shareholders' Meetings in national newspapers of general circulation.</p> <p>Under the Company's By-Laws, shareholders may call a special shareholders' meeting, submit a proposal for consideration at the annual general membership or the special meeting.</p>

**(i) Definitive Information Statements and Management Report**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	Total - 525 PCD Nominees were given copies for shareholders.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	April 25, 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 25, 2012
State whether CD format or hard copies were distributed	Both digital format and printed copies were distributed.
If yes, indicate whether requesting stockholders were provided hard copies	Digital copies: 406 Printed copies: 90 E-mail: 58

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

Each resolution to be taken up deals with only one item.	Yes
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Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	No
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

**Should any of the foregoing information be not disclosed, please indicate the reason thereto.**

The authority to appoint the Company's external auditors for 2012-2013 was delegated by the shareholders to the Board of Directors.

## 2) Treatment of Minority Stockholders

### (a) State the company's policies with respect to the treatment of minority stockholders.

The By-laws and Amended Manual of Corporate Governance of the Company provide for the policies below:

Policies	Implementation
A director shall not be removed without cause if it will deny minority shareholders representation in the Board.	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".	Upon request made to the Investor Relations Officer and/or to the Office of the Corporate Secretary, a minority shareholder may request those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".  The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders, in accordance with the By-laws, the right to propose the holding of meetings and the items for discussion in the	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the

agenda that relate directly to the business of AP.	Board.
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Source: Amended Manual of Corporate Governance

**(b) Do minority stockholders have a right to nominate candidates for board of directors?**

The Company's Guidelines for the Nomination and Election of Independent Directors approved in 2007 allows minority shareholders to nominate candidates for the board of directors within the period provided under the By-laws and the guidelines promulgated by the Board Corporate Governance Committee. This policy is reiterated to stockholders every Annual Stockholders Meeting.

**M. INVESTORS RELATIONS PROGRAM**

**1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

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 may be secured without cost or restrictions and these are also available at the Company's website.

1. Investor Relations – institutional investor, webpage, and e-mail
2. Chief Reputation Officer approves corporate announcement after consensus with the Chief Executive Officer and Chief Financial Officer.
3. Chief Compliance Officer approves all disclosures.
4. The Board of Directors have oversight on matters which are disclosed.

In the case of internal communication, the Company has adopted, through its Reputation Management Department, an Internal Communication Flow Policy to ensure relevant and crucial information is shared across the Aboitiz Group and provided to key stockholders in a timely and orderly manner.

**2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	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.
(2) Principles	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.
(3) Modes of Communications	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

	<p>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.</p> <p>The Investor Relations Office conducted investors' briefings in March 2, 2012, May 4, 2012, August 15, 2012 and October 31, 2012 as a forum for investors to discuss the Full Year 2011 Financial Operating Results, First Quarter 2012 Financial and Operating Results, First Half 2012 Financial and Operating Results and Third Quarter 2012 Financial and Operating Results, respectively.</p> <p>The Risk and Reputation Management Team also conducted media briefings and press conferences on March 27, August 31, July 30, November 6, May 21, May 27, and November 27, 2012 as media fora to discuss various Company updates and other events like the Earth Hour, Aklat Gabay, Aruga Tungo sa Pag Angat at Pag-asa (AGAPP), sponsored events like Golf Tournaments and Football Cup, Pilmico Expo, and other types of briefings.</p>
(4) Investors Relations Officer	<p><b>Investor Relations</b>  Mr. Dave Michael V. Valeriano  Aboitiz Power Corporation  Tel (632) 793 -2702 • Fax (632) 817-3560  Email: <a href="mailto:ap_investor@aboitiz.com">ap_investor@aboitiz.com</a>  <a href="http://www.aboitizpower.com">www.aboitizpower.com</a></p> <p><b>2012 Analysts' Briefings:</b></p> <p>March 2, 2012 - Full Year 2011 Results  May 4, 2012 - First Quarter 2012 Results  August 15, 2012 - Second Quarter 2012 Results  October 31, 2012 - Third Quarter 2012 Results</p>

**3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

The Company ensures the right of shareholders to participate in decisions concerning fundamental corporate changes in compliance with the provisions of the Corporation Code, such as amendments of the Company's Articles of Incorporation and By-Laws, issuance of new shares of stock, and sale of all or substantially all corporate properties. Moreover, in the event of mergers/acquisitions or takeovers, stockholders have the right to approve or reject the same in accordance with the requirements of the Corporation Code.

**Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.**

The Company engages, when necessary, the services of an independent consultant or financial advisor who are experts in their fields.

**N. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

The Company's Aboitiz Foundation, Inc., the foundation through which the Aboitiz Group undertakes their Corporate Social Responsibility initiatives, has contributed in social development projects in the year 2012, including the following:

Initiative	Beneficiary
Priority programs in infrastructure building, scholarship programs and asset donations.	The Foundation partnered with AGAPP Foundation to build 134 classrooms countrywide from 2011 to 2013.
Enterprise development, specifically microfinance program.	Microfinance programs were institutionalized in areas like Davao and Benguet.
Provide livelihood opportunities and improving the quality of life of rural, off-grid households through sustainable renewable energy projects.	The Foundation provided solar home systems and solar lanterns in three barangays in Davao City and Davao del Sur.
Establish charging stations in local consumer stores.	The Foundation worked with HAPINOY and helped two barangays in Laguna.
Relief operations for calamity struck areas.	The Foundation approved a P100-million grant to establish a new organization within the Group—WeatherPhilippines Foundation Inc.—to assist in predicting weather conditions in the country by donating 1,000 weather stations nationwide.
Promote environmental protection and awareness among the youth.	Forest Nurturing and Cleaning up Project for the MakBan geothermal power plant located in Laguna and Batangas, Luzon by APRI, with more than 100 participants.

Please see attached as Annex "C" Aboitiz Foundation, Inc.'s 2012 Annual Report.

**O. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
<b>Board of Directors</b>	<p>Annually distributed to the Board to determine the Board's strengths and weaknesses.</p> <p>The performance appraisal on the individual director, the CEO/President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.</p>	<p>Rating is conducted on the following areas:</p> <ul style="list-style-type: none"> <li>I. Functions of the Board</li> <li>II. The Board and the Company Senior Management</li> <li>III. Board Meetings and Facilities</li> <li>IV. Board Composition</li> <li>V. Board Committees</li> </ul>
<b>Board Committees</b>	<p>Performance appraisal for the Board Committees is conducted annually.</p>	<p>Rating is conducted on the following areas:</p>

	<p>The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.</p>	<ol style="list-style-type: none"> <li>I. Setting of Committee Structure and Operation</li> <li>II. Oversight on Financial Reporting and Disclosures</li> <li>III. Oversight on Risk Management and Internal Controls</li> <li>IV. Oversight on Management and Internal Audit</li> <li>V. Oversight on External Audit</li> </ol>
<b>Individual Directors</b>	<p>Annual appraisal to each member of the Board to determine the each member's strengths and weaknesses.</p> <p>The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.</p>	<p>Rating is conducted on the following areas:</p> <ol style="list-style-type: none"> <li>I. Company Policies</li> <li>II. Attendance and Participation</li> <li>III. Performance</li> </ol> <p>The assessment form likewise contains specific questions for executive directors, independent directors and Chairmen of Board Committees.</p>
<b>CEO/President</b>	<p>Annual appraisal to each member of the Board to determine the CEO's strengths and weaknesses.</p> <p>The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.</p>	<p>Rating is conducted on the following areas:</p> <ol style="list-style-type: none"> <li>I. Personal Qualities</li> <li>II. Leadership Skills</li> <li>III. Managerial Skills: Building</li> <li>IV. Commitment</li> <li>V. Managerial Skills: Ensuring</li> <li>VI. Execution</li> <li>VII. Board Relations</li> <li>VIII. Financial Management</li> <li>IX. Overall Performance</li> </ol> <p>The assessment form likewise inquires about the CEO's major accomplishments and developmental needs.</p>

**P. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violation of any provision of the Company's Manual of Corporate Governance	<p>In the case of a first violation, the subject person shall be reprimanded.</p> <p>Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>For a third violation, the maximum penalty of removal from office shall be imposed.</p>
Violation of the Company's Code of Ethics and Business Conduct	<p>The Code forms part of the terms and conditions of employment at the Company. Employees, officers and directors are expected to cooperate in internal investigations of allegations of violations of the Code, and actual violations may subject to concerned employee to the full range of disciplinary action by the Company. The Company may also report certain activities to its regulators, which could give rise to regulatory or criminal investigations. The penalties for regulatory and criminal violations may include significant fines, permanent bar from employment in the securities industry and, for criminal violations, imprisonment.</p>

*Source: Amended Manual of Corporate Governance  
Code of Ethics and Business Conduct*

**Sources:**

2012 Definitive Information Statement (SEC Form 20-IS)  
2012 Director Nomination Form  
Articles of Incorporation and By-Laws  
Board Protocol  
Guidelines for the Nomination of Independent Directors  
Revised Manual of Corporate Governance  
Annual Report (SEC Form 17-A)  
Code of Ethics and Business Conduct  
Audit Committee Charter

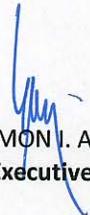
The above corporate reports and company policies are accessible from Corporate Governance portion of the Company's website at [www.aboitizpower.com](http://www.aboitizpower.com).

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Cebu on MAY 20 2013, 20\_\_.

**SIGNATURES**

  
**ENRIQUE M. ABOITIZ, JR.**  
**Chairman of the Board**

  
**ROMEO L. BERNARDO**  
**Independent Director**

  
**ERRAMON I. ABOITIZ**  
**Chief Executive Officer**

  
**M. JASMINE S. OPORTO**  
**Chief Compliance Officer**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of MAY 20 2013 20\_\_, affiant(s) exhibiting to me their identification cards, as follows:

NAME	PASSPORT NUMBER/ COMMUNITY TAX CERTIFICATE NUMBER	DATE / PLACE ISSUED
Enrique M. Aboitiz, Jr.	EA0008887 00661678	December 8, 2009; Manila February 7, 2013; Cebu
Erramon I. Aboitiz	EB7151577 0066168	January 14, 2013; Cebu February 7, 2013; Cebu
Romeo L. Bernardo	EB2294305 13926314	April 27, 2011; Manila January 17, 2013; Quezon City
M. Jasmine S. Oporto	EB7264010 00655168	February 1, 2013; Manila February 5, 2013; Cebu

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 Book No. 79  
 Series of 2013.



  
**GLYM S. REUYAN**  
 Notary Public for Cebu City  
 Notarial Commission No. 092-12  
 Until December 31, 2013  
 Aboitiz Corporate Center  
 Gov. M. Cuenco Ave., Cebu City  
 ROLL No. 52910  
 PTR No. 0307545 Mandaue City 01.03.13  
 IBP Lifetime No. 878641 Cebu 01.12.12  
 MCLE Compliance No. IV-000184-6

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**



**JOSE R. FACUNDO**  
Independent Director

**JUN 27 2013**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	COMPETENT IDENTIFICATION/ COMMUNITY TAX CERTIFICATE NUMBER	DATE / PLACE ISSUED
Jose R. Facundo	SENIOR CITIZEN'S CARD: 12368 CTC 22016027	September 22, 2006; Makati January 9, 2013; Makati

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**ATTY. JOEL G. GORDOLA**  
NOTARY PUBLIC  
NOTARIAL COMMISSION NO. 066  
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