



**AboitizPower**  
A Better Future

Corporate  
Governance  
**2015**

## “STAYING AHEAD OF THE GAME”

### *How does a company deliver on its promise to create long term value for its stakeholders?*

Aboitiz Power Corporation (AboitizPower or the Company) and its business units are aligned to Aboitiz Equity Ventures, Inc. (AEV) Corporate Center’s strategic pillars. AboitizPower’s vision is “A Better Future” and its mission is: “To find Better Solutions”. The company’s corporate brand attributes are pro-active, expert, and responsible. AboitizPower considers the following as its responsibilities: to provide reliable and ample power supply needed by the country; to ensure that supply of electricity is provided at a reasonable and competitive price, and with the least adverse effect on the environment and communities.

The management of AboitizPower is “trooping the colour” as it rallies from 2015 through to 2016 to stay ahead of the game and pursue with execution excellence the ambitious goals we have set. AboitizPower has been constantly striving to be the best at operations, maintenance, capacity and supply optimization, as well as project execution. Under the 1AP organizational brand, we have been working on transforming a good AboitizPower organization into a great organization - with policies and standards that promote cost efficiency and steady growth, and service levels intended to improve stakeholder engagement. The year 2015 was quite a productive year for the AboitizPower organization as we engaged the entire organization under Project Forward to take a great leap in continuous improvements in systems and operations. Through Project Forward, AboitizPower established and documented important internal business processes for operational efficiency.

AboitizPower’s health, safety, and environmental track records are generally very good. This is clear and measurable proof that businesses can be aligned both to the principles of sustainability yet make good economic sense.

The Board of AboitizPower conscientiously ensured that they kept abreast of developments in the industries and business environment and shared their expertise and insights with Management. The team leaders and members of AboitizPower collectively set and pursued our 2015 strategic goals and business objectives without losing sight of the vision and mission of the companies. On the other hand, the Boards worked tirelessly to ensure accountability of past and current company actions through review of corporate strategies and reports to shareholders, legal and regulatory compliance reports, audit reports, financial results and budgets, and contemporaneous events that affect the business of AboitizPower.

### **Aboitiz Corporate Governance Guiding Principles**

The Aboitiz governance structure is grounded on its core values of integrity, teamwork, innovation, and responsibility. These values, together with the Aboitiz Group’s brand attributes of being driven, driven to lead, driven to excel, and driven to serve, provide a moral guide for meeting the challenges of everyday business and in satisfying various stakeholder interests and concerns. These core values, attributes, vision, and mission constitute the Aboitiz DNA. More importantly, these values constitute the strong foundation for the organization’s corporate governance structure.

The Aboitiz Group continues to believe in and adopt the following core principles and practices: (i) the Company’s personality is independent from that of its Board, officers and employees; (ii) the Company has its own distinct rights and duties; (iii) the Board has the original power to decide on the Company’s policies; (iv) the Company can demand loyalty from its Board, officers and employees; (v) the Company’s business must be pursued through a long-term sustainability strategy; (vi) shareholders and stakeholders must be treated equitably and with fairness; (vii)

a system of accountability; (viii) transparency in corporate operations and company reports; (ix) an ethical business; (x) creating shared value (CSV); and most importantly, (xi) sustainability and environmental compliance.

In 2015, AboitizPower Board also set in motion the review and updating of the respective companies’ Code of Ethics and Business Conduct, engaged a gap analysis study of FCPA practices, and a study for a group wide related parties transaction manual that would be relevant as a conglomerate as well as operating business units. The Board Risk & Reputation Committee and the Board Audit Committee have embedded regular assurance procedures for the Aboitiz risk universe. Today, Aboitiz Group Audits are now Risk-based. These are intended to preserve and protect the rights of shareholders, to ensure shareholders’ equitable treatment by the companies, to enhance the stakeholder value, to promote continuous improvement of stakeholders’ engagement, and to make timely and responsive corporate disclosures balanced with the requirements for confidentiality in a competitive business environment. The Boards receive regular updates on the top residual risks of their companies.

In 2015, our management team enhanced the IT Committee leadership and its organizational structure to ensure that the Group’s IT system and policies sustain or support our group strategy and objectives. Our group also focused on important IT Governance initiatives that encompassed cloud computing policies, mobile device policies, cyber risk and threat responses, among others.

### **Responsibilities of the Board**

The Boards of Directors under the Aboitiz Group are fully engaged Boards. The Boards are composed of highly professional directors that work under environments of respect and collegiality, where candidness and robust discussions are not only encouraged, but are the norm.

The AboitizPower Board is composed of three independent directors, and independent-minded executive and non-executive members who have diverse professional backgrounds, such as economics, corporate finance, engineering, accounting, audit, chief executive and chief operations experience, investment banking, private, government sector and multilateral agencies sector, as well as experience in policy-making bodies.

The selection process involves the nomination of directors by both controlling shareholders and minority shareholders who actively participate in the process. Minority shareholders nominated the independent directors for the 2015 - 2016 term. The criteria for selection of the nominated independent directors include, not only their expertise and professional backgrounds, but also their track record for being independent minded, their strategic thinking, and their understanding of the drivers of our companies’ businesses. The Board Corporate Governance Committee believes that this contributes to the successful execution of our vision as a conglomerate doing business in our specific industries. The Board Corporate Governance Committee, sitting in its capacity as a Nominations and Compensation Committee then approves the nomination by shareholders of executive and independent directors for endorsement to the shareholders for their vote at the annual shareholders meeting.

Directors are elected at the annual shareholders’ meeting by personal vote or by proxy. A Proxy Validation Committee validates all proxies prior to the annual shareholders meeting. Voting at the Annual Stockholders’ Meeting is done through an electronic platform and the results are immediately disclosed to the assembly within a few minutes of the completion of the voting.

The directors lend their broad experience and expertise to the Board and the Management team in all relevant matters affecting the Aboitiz Group. AboitizPower is continually reviewing the roles and responsibilities of their Boards to assess the propriety and value of existing and proposed Board and Board Committee protocols, systems and policies. All directors have been carefully selected, nominated,

and elected based on their credentials as well as their ability to contribute and share their expertise in all relevant matters affecting the business units of AboitizPower.

The existing company policies of AboitizPower, such as those found in the By-Laws, the Amended Manual on Corporate Governance, the Code of Ethics and Business Conduct, Board protocols, other Board secretariat guidelines, and the Aboitiz Information Management System protocols, ensure excellence in the performance of the directors' roles and responsibilities.

In 2015, the Independent Directors of both AboitizPower worked closely with the internal audit teams in the performance of their functions as members of the Board Audit Committee.

To broaden the directors' depth of knowledge and industry competence, AboitizPower organized seminars, lectures and orientations on highly technical topics unique to or relevant to the Aboitiz Group's businesses. These include discussions on changing regulatory oversight of the energy market and their impact to AboitizPower, analysis and review of Aboitiz risk maturity index results up to 2015, top residual risks of the Aboitiz Group, cyber risks, political and country risks and the World Economic Forum Global Risks, mandatory corporate governance seminar, Philippine economic briefings, and a review of the Aboitiz Group's strategic objectives and identified business strategies.

AboitizPower has three Board committees that assist the Board in its oversight responsibility over the Aboitiz business units. These committees are the Board Corporate Governance Committee (incorporating the former Nomination and Remuneration Committee), the Board Risk and Reputation Management Committee, and the Board Audit Committee. Three Independent Directors sit on the Board Corporate Governance and Board Audit Committees, comprising a majority of the membership of these Board Committees. In the Board Risk and Reputation Management Committee, while not constituting the majority of the committee membership, two Independent Directors sit in the respective Board Committees.

2015 was a hectic year for the directors with their attendance and active participation at regular and special meetings. They were diligent in the performance of their duties. They had an attendance score of above 96.3 and 92.59%, respectively a Board appraisal average score of 3 on a scale of 1-5.

## Rights of Shareholders

The rights of shareholders are unequivocally recognized in the AboitizPower By-laws, Code of Ethics and Business Conduct, and Amended Manual on Corporate Governance. The policy statements found in these documents reflect the commitment of AboitizPower to ensure protection of shareholder interests and concerns, as well as the free exercise of these rights. These include the rights to receive notices and attend shareholders' meetings, to participate and vote in meetings on the basis of the one-share, one-vote policy, to cumulate their votes, to inspect corporate books and records, to vote in person, in absentia or by proxy, to receive dividends, to nominate and elect directors to the Board, and to ratify corporate action, among others.

The Aboitiz Group believe that the rights and interests of shareholders are aligned to that of the controlling shareholders, not only in terms of returns on their investments, but also in the sustainability of the businesses. AboitizPower take exceptional efforts in ensuring that shareholders receive timely public information affecting the businesses they have invested in, and that every one receives their dividends in accordance with the established dividend policy.

The commitment of AboitizPower to its shareholders' rights is shown in their well-defined and published dividend policy, the regular holding of the annual shareholders' meetings, and the timely and accurate disclosures with the Securities and Exchange Commission, the Philippine Stock Exchange and the

Philippine Dealing Exchange. The Board Secretariat of AboitizPower liaise with and provide directions to the companies' stock transfer agent to ensure appropriate responses and the immediate resolution of shareholders' queries and requests brought to their attention.

## Equitable Treatment of Shareholders and Fair Dealings for All Shareholders

All shareholders, regardless of the amount of their shareholdings, are given the right to participate in company decision-making, pursuant to the one-share one-vote policy of AboitizPower.

As a matter of policy and practice, to ensure that directors, officers, and even majority shareholders do not take advantage of their position of knowledge in AboitizPower, related party transactions and amounts are disclosed. The related party transactions of the Group are reported in the consolidated annual Audited Financial Statements. AboitizPower also strictly enforce their respective Policies on Trading of Company Securities, which regulate insider trading, and impose a trading blackout policy to prevent insider opportunism. The management teams of both companies are quite vigilant in ensuring that insider trading and trading blackout rules are followed by the team leaders and team members who are privy to sensitive transactions.

All shareholders likewise receive notices of all shareholders' meetings and all agenda items to be discussed and decided upon during the said meetings are set out in the notices and that no new agenda item will be taken up during the meeting. For the guidance of shareholders, the rationale of agenda items subject to shareholder approval is included in the notices to shareholders' meetings.

As long as shareholders provide their contact details, AboitizPower sends out notices to all shareholders of record for all annual shareholders' meeting, as well as provide them with copies of the Information Statement, the Annual Report and the Aboitiz Integrated Annual Report. The agenda items are listed in the notices and are discussed and voted upon at the annual shareholders' meeting. At the meeting, the Board of Directors, the chief executive officer (CEO), chief financial officer, the auditors, the stock transfer agent, and other key officers of AboitizPower attend and make themselves accessible and available for any questions that shareholders and investors may have. Questions from shareholders on the floor are encouraged by the CEO.

AboitizPower strictly enforce their Code of Ethics and Business Conduct. The Code outlines the general expectations of and set standards for directors, and employee behavior and ethical conduct. The Code encompass prohibited practices involving conflicts of interest, proper dealings with proprietary and confidential information, and truthful disclosures of material information with transparency in the best interests of the customers, the companies, the shareholders, and the public.

## Role of Stakeholders

The business model of AboitizPower is anchored on the sustainable growth of the Group's businesses with full engagement of its stakeholders. The key stakeholders include the team leaders and team members who work toward achieving business strategies; the host communities of the companies and business units; the local government units that support and host the Group's businesses; the regulators of the businesses; the customers whom they serve; and the environment that sustains growth.

The Group recognizes that corporate governance principles revolve around relationships between and among these stakeholders and the Group's goals. Together, they contribute to the successful pursuit of business goals. AboitizPower corporate governance practices include policies and procedures that promote awareness and observance of stakeholders' rights at the company level. Indeed, stakeholder engagement is one of the strategic pillars and part of the Aboitiz corporate culture.

The Aboitiz Group is committed to the principles of sustainability to balance the interests of people, planet, and profit. By following this rule, the Group has obtained and maintained a good health, safety, and environmental track record, a clear proof that a business can align itself to the principles of sustainability while operating a profitable business.

The Group launched its Sustainability Policy in 2013, in the belief that all stakeholders must be treated with fairness and that corporate social responsibility is an integral part of doing business. In 2014, AboitizPower continued to implement this policy and as an initiative for the year, jointly launched the BetterWorld campaign to encourage all stakeholders to adopt this policy for sustainability. In 2015, the Group began its journey on the Creation of Shared Value as a corporate culture. (See Sustainability Report at [www.aboitizfoundation.org](http://www.aboitizfoundation.org)). Through Aboitiz Foundation Inc., (Aboitiz Foundation) the Aboitiz Group is pursuing concrete projects to fulfill eight out of the 17 Global Goals for Sustainable Development, namely: *No poverty; Zero Hunger; Good Health & Well Being; Quality Education; Responsible Production & Consumption; Climate Change; Life Below Water; and Life on Land.*

As a commitment to its employees, AboitizPower embarked on a transformational leadership program across the organization through the creation of Leadership Circles. As a result of the Leadership Circle initiatives, both organizations committed to six leadership dimensions that would characterize the way the leaders of AboitizPower would lead.

The leadership dimensions are mentoring and development, fostering teamwork, courageous authenticity, achieving results, sustaining growth, and integrity. These are intended to create a deep bench in the Aboitiz organization with the objective of achieving sustainable breakthrough performance. Both companies recognize the value of their respective people resources. The team members have also been encouraged to craft their own individual development plans and career path as a way to ensure the fit of people in the right jobs. The right fit ensures a truly engaged team and consequently a sustainable leadership.

The Aboitiz Group is especially proud of its track record in corporate social responsibility (CSR) commitments. AboitizPower, through its business units and through the Aboitiz Foundation have long standing and deeply rooted practices, commitments, and partnerships in the field of CSR. Over the last five years, the Group has allocated more than P2 billion for its various CSR projects that are focused on education, enterprise development, and the environment

For 2015, the Aboitiz Foundation budgeted around P415 million for its CSR projects. These projects were funded by AEV and AboitizPower business units. (See Aboitiz Foundation Report on its website). Indeed, a recent March 2016 Forbes magazine article noted that based on publicly available financial statements, the Aboitiz Foundation (together with the Ramon Aboitiz Foundation Inc.) is collectively the biggest social initiatives giver in the Philippines.

## Disclosure and Transparency

The Board and Management of AboitizPower believe that good governance practices, especially in the areas of disclosure and transparency, elicit the trust and confidence of stakeholders. The Aboitiz Group puts a high premium to its collective reputation and work at keeping this well earned trust gained from its dealings with stakeholders over the years.

AboitizPower exerts effort and time to consistently maintain their legal compliance and good corporate governance track records. In 2015, there was no deviation from or violation of the rules set forth in the Manual on Corporate Governance, other company governance and compliance policies, and protocols. Below is a quick view of the 2015 PSE Governance Disclosure Report of AEV and AboitizPower.

Pursuant to the Group's commitment to transparency and accountability, AboitizPower continues to improve its respective dedicated corporate governance web pages on its websites ([www.aboitiz.com](http://www.aboitiz.com)) and ([www.aboitizpower.com](http://www.aboitizpower.com)). These web pages contain company information such as the annual corporate governance reports, annual reports, company disclosures and reports, the Board Committees, the Manual on Corporate Governance, Code of Ethics and Business Conduct, minutes of the Annual Stockholders' Meetings, Investor Relations information, and other relevant information to stakeholders. The pages serve as a resource center for stakeholders and the public.

The Aboitiz business model integrates the principle of Sustainability by way of business practices that ensure a long term corporate life, through an organization that focuses on the creation of shared value and takes concrete responsibility for the environment, and through execution excellence not only in business operations but also the implementation of corporate social responsibility programs that deliver on promises.

(Visit [www.aboitizpower.com](http://www.aboitizpower.com) for the full AboitizPower Corporate Governance Report with more details on current corporate governance practices, corporate achievements, milestones, and initiatives for the year 2015).

## 2015 AboitizPower Awards

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

AboitizPower, along with subsidiaries and affiliates, has been consistently recognized in local and international surveys, assessments, and scorecards, as among the Philippines' best-managed companies. In 2015, both companies received many awards, especially in the field of corporate governance and stakeholder engagement. AEV was ranked among the top 50 ASEAN public companies in the inaugural launch of ASEAN Corporate Governance Scorecard during the November 2015 APEC Summit in Manila. These awards were given in recognition of the companies' commitment to corporate governance best practices.

## RIGHTS OF SHAREHOLDERS

### Basic Shareholder Rights: The Right to Receive Dividends

The right to receive dividends is a basic shareholder right. The Company promotes this basic shareholder right by adopting a clear and transparent dividend policy.

The Company maintains an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company. The Company's dividend policy took effect in its cash dividend declaration in 2013 based on its 2012 net income after tax.

The Company pays annual dividends to its shareholders, in an equitable and timely manner. All shareholders are treated equally, receiving an amount of dividends per share that is proportionate to their shareholdings. The period for payment of dividends is based on the disclosure and trading requirements of the SEC and PSE.

All acts of the Board of Directors, corporate officers and management in the previous year up to the date of Annual Shareholders' Meeting (ASM) is duly disclosed with the SEC, the PSE and the PDEX, including the declaration of the annual cash dividend. These acts are submitted to the shareholders for ratification in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual meeting of AboitizPower shareholders.

On March 08, 2016, the Company declared regular and special dividends in favor of shareholders of record as of March 22, 2016 payable on April 19, 2016 based on the consolidated net income for fiscal year ending December 31, 2015 under the existing dividend policy of the Company.

#### ***AboitizPower's Dividend Policy***

The Company has a clear and transparent dividend policy. This is disclosed in the Operational and Financial Information section of the Annual Report, in the Information Statement and in the Report of its CFO and disclosures on the Company website if changes are made.

In its regular board meeting held on November 28, 2012, the Board of Directors of the Company approved a revised dividend policy consisting of an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company. The Company's dividend policy took effect in its cash dividend declaration in 2013 based on 2012 net income after tax. This dividend policy remains unchanged. (See *Management's Discussion and Analysis or Plan of Action, Annual Report at www.aboitz.com*)

#### ***Disclosure of Dividends Declared and Paid***

Cash dividends declared by the Company to common shareholders are reported to the PSE, the SEC and the PDEX in accordance with the applicable regulations. The disclosures filed by the Company are made available to the public at the Company's website at [www.aboitzpower.com/investor-relations/investors-kit/disclosures](http://www.aboitzpower.com/investor-relations/investors-kit/disclosures).

In the last five (5) years, the Company declared the following cash dividends:

Year	Declaration Date	Record Date	Payment Date	Amount Per Share	Total Dividends Payable (Final Amount)
2016	March 8, 2016	March 22, 2016	April 19, 2016	₱1.20 (regular)	₱8.83bn
	March 8, 2016	March 22, 2016	April 19, 2016	₱0.46 (special)	₱3.38bn
2015	March 10, 2015	March 24, 2015	April 20, 2015	₱1.24 (regular)	₱8.39bn
	March 10, 2015	March 24, 2015	April 20, 2015	₱0.52 (special)	₱3.83bn
2014	March 11, 2014	March 25, 2014	April 22, 2014	₱1.26 (regular)	₱9.27bn
	March 11, 2014	March 25, 2014	April 22, 2014	₱0.40 (special)	₱2.94bn
2013	March 5, 2013	March 19, 2013	April 15, 2013	₱1.66 (regular)	₱2.22bn
2012	November 28, 2012	December 13, 2012	January 11, 2013	₱1.32 (regular)	₱9.71bn
	November 28, 2012	December 13, 2012	January 11, 2013	₱0.22 (special)	₱1.62bn

The Company has consistently paid its dividends within 30 business days from its declaration date pursuant to existing best practices.

### The Right to Participate in Fundamental Corporate Changes

The Company recognizes and upholds the importance of a genuine exercise of shareholders' rights in decisions concerning fundamental corporate changes as granted by the Corporation Code of the Philippines, by other related laws, and by its corporate covenants under the Company's By-Laws and the Company's Manual on Corporate Governance as amended and the Amendments to the Company's Constitution.

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

### ***Amendments to Company's Constitution, Issuance of Additional Shares and Proposed Transfer of All or Substantially All Assets***

As a matter of policy, the Company encourages active participation from shareholders in corporate decisions, such as the amendments of the Company's constitution, authorization of additional shares and transfer of all or substantially all assets, which in effect results in the sale of the Company.

If there are actions requiring shareholders' approval, the Company calls for a Special Stockholders' Meeting or includes these proposed actions in the annual meeting of shareholders. Prior to the meeting, the Company distributes to the shareholders entitled to participate in the meeting, the Definitive Information Statement which contain the details of the proposed actions to be approved by the shareholders. The agenda of the meeting also contains an explanation why the Company wishes to undertake these proposed actions.

At the Annual Stockholders' Meeting, the Board of Directors of the Company presents and submits to the shareholders the proposed actions for approval. The shareholders are also given an opportunity to ask questions regarding the proposed actions during the meeting. Only upon the receipt of the affirmative vote of shareholders representing at least 2/3 of the issued and outstanding capital stock of the Company will such action be considered as duly approved by the shareholders.

### ***Right to Participate Effectively in and Vote in the Annual Stockholders' Meetings***

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

### ***Approval of Directors Remuneration and Per Diem***

The Company has a policy on transparency of compensation for its Directors and key executives, in accordance with SEC rules. Information on the basis of Board remuneration is readily accessible through the Company's Annual Report, Annual Corporate Governance Report, and its Board Corporate Governance Committee minutes.

During the 2015 Annual Stockholders' Meeting (ASM), the shareholders approved the increase in the directors' monthly allowance. As explained by the Chairman of the Board, the purpose of the increase in the monthly allowance of directors is to ensure that the Company directors' remuneration is well within industry standards. This would ensure that the Company continues to attract highly qualified and exceptional talent to its Board of Directors.

The proposal to increase in the directors' monthly allowance was also disclosed in the Company's Information Statement. (See page 21 of the 2014 Definitive Information Statement of the Company and the notice of the agenda of the 2015 ASM)

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

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

### ***Nomination of Candidates for Board of Directors and the Right to Elect Directors Individually***

All shareholders have the right to nominate individually the members of the Board. Nominations for the position of a director in the Company's Board of Directors are received by the Corporate Secretary in accordance with the Company's By-Laws and Guidelines for the Nomination and Election of Independent Directors. The rules and procedure for nomination are clearly set out in the Company's Definitive Information Statement, Annual Report, Guidelines for the Nomination and Election of Independent Directors, and these information are readily accessible through the Company's website. The gist of the Nominations guidelines is also broadcast to the shareholders at every Annual Stockholders' Meeting.

### ***Disclosure of ASM Voting Results and Tabulation Procedures***

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

Voting methods and vote-counting systems employed by the Company are clearly explained by the Corporate Secretary during the Stockholders' Meeting to ensure the effective exercise of shareholders' right to vote. The Company follows the system of cumulative voting for the election of directors, to allow shareholders an opportunity to elect each member of the Board of Directors individually. The Company adheres to the One-Share, One-Vote policy for the same class of shares. Other matters are also decided through voting by shares of stock.

The voting methods and vote-counting systems employed by the Company during every Stockholders Meeting are disclosed in the Definitive Information Statements and clearly explained by the Corporate Secretary to shareholders in attendance to ensure the intelligent exercise of the shareholders' right to vote.

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

The Company makes the results of the votes publicly available the next working day.

**Opportunity to Ask Questions, Questions and Answers Raised During the ASM as Documented in the Minutes of Meeting**

The Office of the Corporate Secretary ensures that all Minutes of annual and special meetings of shareholders clearly and satisfactorily reflect all matters voted on during these meetings. All shareholders are encouraged and given the right to participate in the meetings. The opportunity to ask questions or raise issues, the questions, answers, issues and motions raised, the agreements and resolutions arrived at, the corporate acts approved or disapproved, and the voting results are reported in the Minutes. The Company also discloses to the PSE, PDEX and the SEC all the items approved at the ASM based on the agenda items provided to all shareholders, no later than the next business day after the ASM. The voting results as well as the quorum and summary of resolutions approved are made publicly available by the next working day through its Company’s website under Annual Stockholders’ meeting in the Investor Relations page.

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

**Attendance of the Board of Directors, Management and Committee Members During ASM**

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

The minutes of the ASM available in the Company’s website also document the attendance and participation of the Board of Directors, Management and the members of the different Board committees.

The list of the members of the Board, Chairmen of the Board Committees and the Corporate Secretary who were present during the ASM last May 18, 2015 are shown in the next page. The list of key officers of AboitizPower who were also present during the ASM are found in “Annex B.”

MEMBERS OF THE BOARD OF DIRECTORS		MEMBERSHIP
1	Enrique M. Aboitiz	Chairman of the Board
		Chairman - Board Risk and Reputation Management Committee (Non-Executive)
2	Jon Ramon Aboitiz	Vice-Chairman of the Board
		Chairman - Board Corporate Governance Committee
3	Erramon I. Aboitiz	Board Director
		Member - Board Corporate Governance Committee
4	Antonio R. Moraza	Board Director
		Member - Board Risk and Reputation Management Committee
		Member - Board Audit Committee
5	Mikel A. Aboitiz	Board Director
		Member - Board Audit Committee
		Member - Board Risk and Reputation Management Committee
6	Carlos C. Ejercito	Independent Director
		Chairman - Board Audit Committee
		Member - Board Corporate Governance Committee
		Member - Board Risk and Reputation Management Committee
7	Alfonso A. Uy	Independent Director
		Member - Board Audit Committee
		Member - Board Corporate Governance Committee
		Member - Board Risk and Reputation Management Committee
8	Romeo L. Bernardo	Independent Director
		Member - Board Audit Committee
		Member - Board Corporate Governance Committee
		Member - Board Risk and Reputation Management Committee
9	M. Jasmine S. Oporto	Corporate Secretary

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

The Company's 2015 Annual Stockholders' Meeting was held at the Grand Ballroom, 2nd Floor, InterContinental Manila, 1 Ayala Avenue, Makati City, Metro Manila. The venue was accessible and convenient to the shareholders of the Company as it is situated in the heart of the central business district of Makati City.

The Company also provides the location map of the venue of the Annual Stockholders' Meeting under the Investor Relations page of the Company website.

### **Voting by Proxy**

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

In its regular board meeting last November 12, 2010, the Board of Directors of the Company approved the deletion of the notarization requirement of proxy forms to be used in all Stockholders' Meetings of the Company. This is to facilitate easy voting by shareholders, in line with the Company's efforts to improve corporate governance practices.

In 2015, a Proxy Validation Committee, consisting of representatives from senior management, was formed by the Company in order to validate and count proxies received for the Annual Stockholders' Meeting.

An independent auditor, Luis Cañete & Company, has been appointed as independent inspector for the validation of votes at the 2015 ASM.

### **Voting by Poll**

Voting during the Annual Stockholders' Meeting is done by poll, under the supervision of the Company's Corporate Secretary and Stock and Transfer Agent, and validated by the Proxy Validation Committee and an independent third party scrutineers/inspectors of votes engaged specifically for that purpose.

### **Appointment of Independent Party Inspectors to Validate Vote at the ASM**

At the Annual Stockholders' Meeting, the Company engages an independent third party to assist in the validation of proxy and the counting of votes. In the 2015 Annual Stockholders' Meeting, a Proxy Validation Committee, consisting of representatives from senior management, was formed by the Board Secretariat in order to validate and count proxies received for the meeting. Luis Canete & Co., an independent third party, provided the proxy and vote validation functions for the 2015 Annual Stockholders' Meeting. (See *Minutes of 2015 Annual Stockholders' Meeting at www.aboitzpower.com right after the meeting.*)

### **Disclosure of the Results of the ASM**

The Company made publicly available by the next working day the results of the votes taken during the most recent AGM for all resolutions. The minutes of the 2015 meeting of shareholders were uploaded to the Company's website the day after the ASM or on May 19, 2015. The minutes can be accessed on the Company's website at [www.aboitzpower.com](http://www.aboitzpower.com).

### **Agenda for the Stockholders' Meeting Rationale and Explanation for Each Agenda Item**

The Company provides at least 30 days prior notice of the meeting and information on all proposed resolutions and rationale thereof with corresponding explanation for each agenda item requiring shareholders' approval in the notices of the ASM. The Company also publishes Notices of the Stockholders' Meetings in national newspapers of general circulation.

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

### **Appointment of Independent Party in Cases of Mergers, Acquisitions or Take Overs**

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

### **Policies and Practices to Encourage Effective Exercise of Ownership Rights**

The Company strives to maintain a transparent and fair conduct of its Annual and Special Stockholders' Meetings and ensures that accurate and timely information are available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Information Statement and the Aboitz Integrated Annual Report, distributed prior to and during the Annual Stockholders' Meeting and available from the Company's website, includes the highlights and summary of the financial condition of the Company. The Information Statement filed with the SEC is prepared with the objective of providing full and accurate information enabling stakeholders to make informed decisions. Shareholders are provided with individual profiles of new and returning directors, as well as a summary of the Board meeting attendance and performance record of its directors. Agenda items are included in the notices and recently include the rationale for these agenda items.

The Company continues to exert efforts to extend the communication channels between the Company and the institutional shareholders through its Investor Relations Office and to the nominee registered shareholders through the PCD Nominee Corporation. The Company also sends copies of the notice, agenda, sample proxy forms and the Information Statement prior to the Stockholders' Meeting for dissemination to the brokers to ensure that institutional investors are properly represented during the Stockholders' meeting. As a matter of policy, the Company does not solicit proxies.



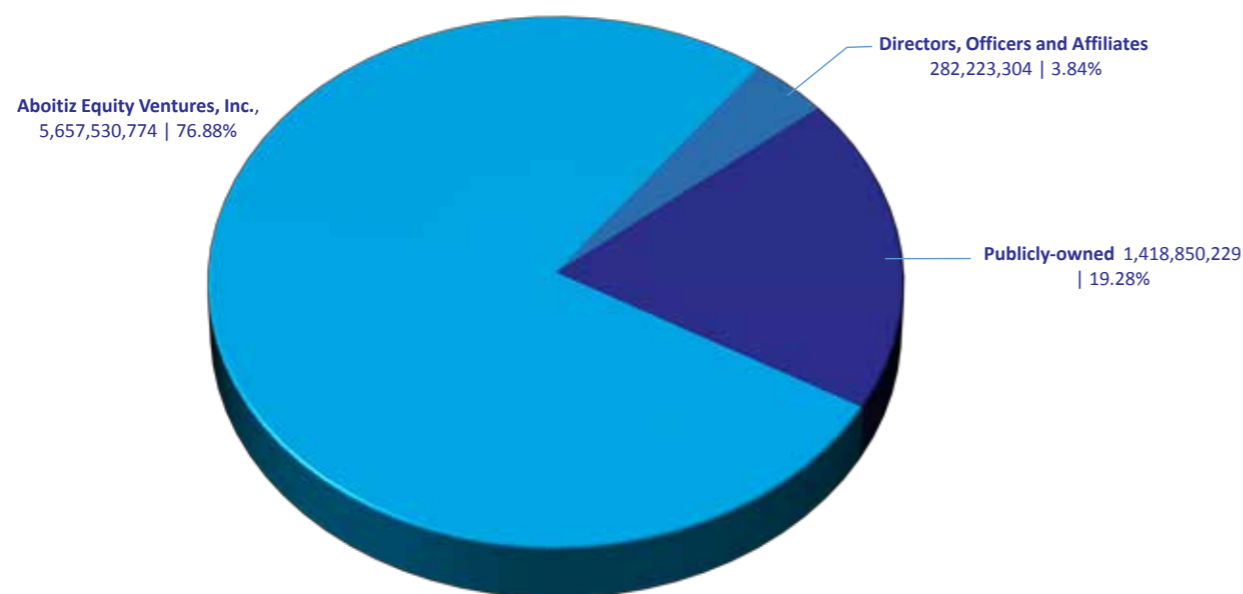
## EQUITABLE TREATMENT OF SHAREHOLDERS

### Shares and Voting Rights

#### *AboitizPower Ownership Structure*

The share capital of the Company consists of one class of listed common shares and a class of non-listed preferred shares.

According to the share register kept by Stock Transfer Service, Inc., the Company's stock and transfer agent, as of December 31, 2015, AboitizPower had 618 shareholders. As of the same period, AEV, another publicly listed holding company, owned 5,657,530,774 shares or 76.88% of the 7,358,604,307 total outstanding and common stock entitled to vote. Of the Company's total outstanding shares, 1,418,850,229 shares or 19.28% was held by the public. Moreover, the Company's Directors, Officers and Affiliates owned 271,657,922 shares or 4.83% of the total outstanding common stock entitled to vote.



#### *Voting Rights of Common and Preferred Shareholders*

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

The voting rights of the common and preferred shares are fully disclosed in the Company's Definitive Information Statement.

## Notice and Agenda of Annual Stockholders' Meeting

The Company consistently provides all shareholders with the notice and agenda of the Annual Stockholders' Meeting at least 30 days before a regular meeting and 20 days before a special meeting. This is to give the shareholders sufficient time to go over information and to contact their proxies for appropriate instructions. Such notice is indicated in the Company's Preliminary and Definitive Information Statements. The Company also publishes Notices of Stockholders' Meetings in national newspapers of general circulation.

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

The Notices, Minutes, and other Corporate Documents of the Company are written in English, the official language in the Philippines and generally known and understood by the Company's shareholders.

### Details of the Notice and Agenda

Together with the notice, the profiles of the nominees for the positions of Board of Directors and the current key officers of the Company are provided to shareholders through the Preliminary and Definitive Information Statements distributed to shareholders before the ASM. The profiles of the nominees, members of the Board and its key officers include their qualifications, work experience, age, and positions and offices held for the past five years, date of first appointment, and other directorships currently and previously held in other listed companies. For more information on the profiles of the nominees, members of the Board and key officers, please refer to the Aboitiz website at [www.aboitzpower.com](http://www.aboitzpower.com).

The auditors seeking an appointment or re-appointment are clearly identified in the Company's disclosures and the Information Statement.

The Company has a clear and transparent dividend policy. The Company maintains an annual cash dividend payment ratio of approximately one half of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of cash dividends. The dividend policy and the amount of final dividends to be paid are disclosed in the Operational and Financial Information section of the Annual Report, in the Information Statement, in the Report of its CFO and disclosures on the Company website if changes are made. These circumstances could include major projects and developments requiring substantial cash expenditure or restrictions on cash dividend payments under its loan covenants.

Proxy voting is allowed in all meetings and is facilitated through proxy voting forms attached to the notice to the meeting distributed to all shareholders. Copies of the forms can also be downloaded from the Company's website. In keeping with best practices, the proxies are not required to be notarized.

The Company provides shareholders with a copy of the Proxy form through the following: (1) printed copy enclosed in the Definitive Information Statement; (2) digital copy inserted in the CD kit containing the soft files of the Definitive Information Statement; and (3) downloadable form from the Company's website.

## Prohibition on Insider Trading and Abusive Self Dealing

### *Fair Dealings for All Shareholders*

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

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

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

### *The Company's General Trading Policy*

The Company strictly enforces a Policy on Trading of Company securities. The Trading Policy imposes a trading blackout on AboitizPower securities beginning ten (10) trading days before until two (2) full trading days after the release of the quarterly or annual earnings of the Company. The Chief Compliance Officer sends out notices requiring the strict observance of the trading blackout via various media (email and short messaging services) to all the Directors, Officers and identified key employees of the Company during any relevant blackout period. Because non-compliance with the policy may carry criminal and civil liabilities as well as reputational damage to the Company, the Board, the Management and the Office of the Chief Compliance Officer strictly enforce compliance with the Trading Policy.

### *The Company's Policy on Insider Trading*

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

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

### *Dealing in Company Shares*

The Company has an existing policy requiring the Board of Directors and the officers to notify the Company at least one (1) day before they deal in the company shares. Directors and key officers are required to regularly report their beneficial ownership of shares in the Company and any dealings in AboitizPower shares must be reported to the Corporate Secretary within one day from the sale or purchase of AboitizPower shares. In addition, the Company discloses beneficial ownership in its Annual

Corporate Governance Report to the SEC including trading of Company shares of its directors and key officers. There has been no violation and conviction of insider trading and abusive self-dealing by directors, management and employees in the past five years that the Trading Policy has been in place.

## Related Party Transactions (RPT)

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

In 2014, the Company conducted a comprehensive transfer pricing study and assessment of current practices and policies to ensure compliance with stricter transfer pricing rules, policies and best practices and for continuous improvement of processes.

### *Definition of Related Party and Related Party Transactions*

Under IAS 24, a "related party" is a person or entity that is related to entity that is reporting its financial statements. In the case of the Company, it fully discloses intragroup transactions, the levels of financial support provided by the Company and its subsidiaries and affiliates.

The Company defines "Related Party Transactions" pursuant to IAS24 (and PAS 24). Related Party Transactions are accounted for in accordance with the requirements of IAS 24. Accordingly, related party transactions and outstanding balances, including commitments and names of related entities, in both the consolidated and separate financial statements are fully disclosed in the Company's financial statements.

### *Related Party Transaction (RPT) Policy*

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

It is the policy of the Company that Related Party Transactions between the Company and related parties shall be subject to review and approval to ensure that (1) they are at arm's length and pass the test of transfer pricing rules; (2) the terms are fair, or are based on market practices, and (3) they will inure to the best interests of the Company and its shareholders.

The Group Internal Audit (GIA) is mandated to conduct regular audits of the Company's related party transactions to ensure there are no conflicts of interests, the transactions are within the approval levels of financial transactions that they are approved by the boards of directors of the related parties and are fully documented. The Group Internal Audit determines and audits transactions that are in the regular course of business and those that are subject to a conflict of interest or are unusual.

As a procedure, the Company's external auditors also review all Related Party Transactions of the Company as part of the preparation of the audited financial statements. Material and Significant Related Party Transactions are then presented to, discussed, reviewed and approved by the Board Audit Committee.

The Company's related party transaction policy is also stated in the Board Audit Charter. Significant or Material Related Party Transactions, other than the routine shared services transactions, are reviewed by the Board Audit Committee, where the majority of the members are the Independent Directors.

The Company is currently conducting an inventory of all related party transactions of the Group and setting up the RPT Committee consisting of independent directors.

Accordingly, related party transactions and outstanding balances, including commitments and names of related entities, in both the consolidated and separate financial statements are fully disclosed in the Company's financial statements.

On March 1, 2016, the Board Corporate Governance Committee of the Company approved and endorsed to the full Board the Company's RPT Policy which institutionalizes the Company's practices on dealing and reporting of RPTs. The Board of Directors of the Company reviewed the RPT Policy and has proposed revisions to align with the Company's policy on shareholder protection, disclosure and transparency.

### ***Related Party Transaction Disclosures***

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

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

### ***No Non-Compliance Incidents***

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

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

### ***Policy on Conflict of Interest Situations***

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

AboitizPower employees and officers are encouraged to promptly report any potential relationship, action or transaction that may give rise to a conflict of interest to the Human Resources Department or to the Chief Compliance Officer. Directors are under the obligation to disclose any actual or potential conflicts of interest to the Chairman of the Board, to the Corporate Secretary, and to the Chief Compliance Officer. All Directors are also required to inhibit themselves from any Board discussion or decision affecting their personal, business or professional interests. Legal proceedings involving Directors and Officers that could affect their ability and integrity to serve the Company are required to be disclosed to the Chief Compliance Officer.

The Company adopted a Policy on Conflict of Interest in 2012 to set out the procedures that would ensure the integrity and transparency of all transactions between and among the Company or any of its subsidiaries, affiliates, associates, major shareholders, directors and officers.

No issues relating to related party transactions or conflict of interest has been raised in the past or recent years.

### ***Protection of Minority Shareholders***

In 2015, the Company has no RPTs in the form of financial assistance to entities other than its wholly owned subsidiaries.

### ***Related Party Transactions with Wholly Owned Subsidiaries***

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

## Disclosure and Approval of Related Party Transactions

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

## ROLE OF STAKEHOLDERS

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

In 2014, the Reputation Team conducted a reputation survey for the Aboitiz Group, involving a total of 520 respondents consisting of customers, employees, suppliers, investors, communities, media, and government regulators. The survey results showed that 96% of all stakeholders view Aboitiz' overall reputation positively, of which 49% viewed the Aboitiz reputation as excellent. On delivery of promise, 88% of all stakeholders view Aboitiz as delivering on the 7 key dimensions of reputation (Products/ Services, Innovation, Workplace, Governance, Citizenship, Leadership, Financial Performance), of which 44% viewed Aboitiz as excellent in the delivery of its promise. Positive emotion level was at 96%, with 56% of stakeholders definitely trusting, admiring, feeling good and having the highest esteem for Aboitiz. Lastly, 57% of the respondents said that they will definitely support the Group by recommending, buying and investing in Aboitiz.

The Company has a long and deep corporate social responsibility culture and program. The Company has established and pursued its Sustainability Program through its Reputation/CSR/Sustainability Council. The Council is the primary leader in the Aboitiz Group for developing strategy and group - initiatives related to CSR and sustainability sets the policies and oversees the implementation of the Aboitiz Group's projects.

It is committed to living the principles of sustainability as these relate to the Company's businesses. Its affiliates, SN Aboitiz Power- Benguet, Inc. and Hedcor Sibulan, Inc. lead in the country's successful registration of their hydroelectric power plants under the Clean Development Mechanism (CDM) or carbon trading by the United Nations Framework on Climate Change. This is the Company's contribution to the international response to climate change and a promotion of hydroelectric power projects as a major source of renewable energy for the country. CDM is a mechanism agreed in the Kyoto Protocol

to enable industrialized countries to reduce greenhouse gas, to invest in climate change friendly projects in developing countries, and to allow them to develop emission reduction projects to earn carbon emission credits. (See Sustainability Report at [www.aboitiz.com](http://www.aboitiz.com))

The Company recognizes that corporate governance principles revolve around relationships between and among the many stakeholders and the goals for which a corporation is governed. Its principal stakeholders, the shareholders, management teams, employees, Board of Directors, lenders, financing providers and intermediaries, regulators and the community, together contribute to the successful pursuit of the Company's business goals. Good corporate governance requires policies and procedures that promote awareness and observance of stakeholders' rights at the company level. This is why the Company makes sure that its various stakeholders concerns are addressed and relationships nurtured with fairness and honestly, consistent with its mission and vision and its commitment to service.

In AboitizPower, the objective of the stakeholder engagement strategy is to build trusting relationships with internal and external stakeholders thru communication and education. AboitizPower's stakeholders need to know, understand and support the plans, projects and business of the Company.

The Company formed the Reputation Steering Committee with members from different generation and distribution units. The Committee will champion the stakeholder engagement strategy, drive the process in the Corporate and Business units, and look at best practices. At this point, the Company is at the "Implement Phase" of the strategy wherein it will conduct stakeholder relationship management workshops to provide a deeper understanding of the principles and processes of stakeholder engagement, as well as to equip the team with the skills in understanding people and building relationship with stakeholders thru communication.

In 2016, the Company will move to the "Manage Phase" where it will execute its Stakeholder Engagement and Communication Plans with well defined and clearly understood goals and strategies.

In 2017, the Company intends to "Measure" its efforts to see where it stands vis-a-vis its internal and external stakeholders.

## Relations with Shareholders, Customers, Suppliers, Business Partners and Financing Providers

The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company. The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated spokespersons for clarifying information and issues as well as dealing with investor concerns. AboitizPower's commitment to its shareholders is reiterated annually through its comprehensive reports on its operations, particularly the Company's Report to Shareholders in the Aboitiz Integrated Annual Report and through its investors' briefings, investor conferences, non-deal road shows and one-on-one meetings. The Company continually plans website content management initiatives to regularly keep its shareholders updated with the latest Company developments. (See *Investor Relations*, [www.aboitizpower.com](http://www.aboitizpower.com))

## Customers as Stakeholder

### *Distribution Utilities Customer Protection*

In Mindanao, power supply issues persisted due to the continued generation deficiency problems of Agus and Pulangi coupled with the unexpected downtime of the 200-MW STEAG power plant. This resulted to rotating outages in Davao and Cotabato. Outages in Cotabato were aggravated by transmission line bombings. The brownouts, however, were minimized in the Cotabato Light and Davao Light franchise areas because, aside from operating their standby power plants in both areas, these companies have successfully implemented the Interruptible Load Program (ILP) where participating large customers utilized their own generators. AboitizPower first developed the ILP concept in 2010 and was pioneered its subsidiary, Visayan Electric Company, Inc. The ILP is now a model replicated throughout the country. In 2015, Davao Light recognized ILP participants which allowed the company to provide power to 4,167 customers in residential and commercial areas during rotating outages.

Towards the end of 2015, supply in Mindanao eased with the operation of AboitizPower's Therma South, which provided additional supply.

All our other utilities have already signed power supply contracts that would ensure a steady and reliable supply throughout the year.

Various projects were completed to further improve on service efficiency and reliability. The Business Process Improvement (BPI) team, which was started in 2014, continued in helping streamlining AboitizPower's work processes to improve overall productivity and efficiency of the Distribution Group. The BPI team is a combined inter-company group envisioned to bring productivity gains by institutionalizing best practices and policies across the entire DU group.

To further improve efficiency and standardization of processes, the concept of shared services with AboitizPower corporate center was introduced in the area of Accounting, Finance and Information Technology.

In 2015, Davao Light has successfully undertaken the first ever Underground Distribution System (UDS) in Davao City. The company will continue to undertake UDS improvements on an annual basis to help improve the livability as well as contribute to a more robust network. A similar project was undertaken in Cebu in 2014.

In terms of network improvements, VECO undertook projects designed to improve reliability, increase distribution capacity, and reduce systems losses. Davao Light, meanwhile, added 79MVA of additional transformer capacity and LiMA EnerZone started construction of an additional 50-MVA transformer to bring N-1 reliability, which will be energized in early 2016.

### *Improving Efficiency for Better Customer Service*

Continued process improvements have resulted to increased service delivery to the Distribution Utilities' customers. The performance numbers for same-day electrical service connections, as well as response times to emergency resolution, continue to improve and have never been better. On average, the utilities can connect a new customer 50% within the same day and 100% within 24 hours. The Distribution Utilities can also respond to emergency calls 70% within 30 minutes. Davao Light customer services are also available during proclaimed regular non-working holidays, including the Eid'l Fitr celebration in 2015 and the end of the Islamic month of Ramadan. For 2016, AboitizPower will continuously strive to improve these service delivery numbers.

Notwithstanding numerous regulatory challenges, AboitizPower's Distribution Utilities have accomplished a lot in 2015, with these achievements redounding to the benefit of its customers.

The AboitizPower Distribution Mobile App, initially launched internally in late 2015, will enable customers to make inquiries on billing and other service needs via smartphones once launched in the first quarter of 2016. The Oracle Utilities Customer Self Service (OUCSS) will also go live in response to increasing customer demand for online transactions and real-time information via mobile devices and the Web. Soon, customers will also be able to apply for service, make payments, or lodge complaints through OUCSS.

AboitizPower expects to install more Hawkeye Smart Elevated Meter Clusters in areas of concentrated high losses. The system is the first of its kind in the country and is the result of two years of development in close coordination and cooperation with Vision Metering of the US. The system is a compact group of smart meters designed to reduce losses, improve operating parameters, and enable remote service connection and disconnection.

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

In terms of operational efficiency, all of its utilities' systems losses remained significantly lower than the government-mandated cap of 8.5%. Its economic zone utilities have system losses that are even substantially below this government cap, namely 2.7% in 2013, 2.4% in 2014 and 1.9% in 2015. This resulted to savings that benefit our customers directly through a reduction in power costs.

### *Customer Service Performance Metrics*

Some Performance metrics for the electric utilities relating to services show that they are well within global averages. In 2015, the Company's System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI) statistics are in the lowest or lower levels of the range of all its peers in the country compared to private utilities and cooperatives, and in the average of its peers in Asia as well as against benchmarked peers in the United States with similar operations.

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

### *Customer Care & Training*

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

As the Retail Competition and Open Access (RCOA) policy goes into a more concrete implementation, the Distribution Group is well positioned to retain majority of its contestable customers. The Group strives to be the partner of choice. As such, it will continuously engage its contestable customers by providing information, knowledge, and training on power use and buying, as well as giving them options to reduce their operating costs.

## ***Aboitiz Integrated Management System (AIMS)***

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

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

## ***QMS for Customer & Stakeholder Satisfaction and Protection***

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

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

## ***Suppliers/Contractors as Stakeholder***

In dealings with its customers, suppliers and business partners, the Company abides by the Fair Dealing Policy found in its Code. The basis of the policy is the Company's objective to out-perform its competition fairly and honestly through superior performance. Every employee, officer and director therefore always prioritizes the best interests of the Company's clients and endeavours 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.

In dealings with suppliers and other business partners, the Company likewise ensures that they are compliant with the laws, for example, requiring appropriate certificates of registration from the Bureau of Internal Revenue. Another example is the detachment of the Board, management and employees from any conflict of interest as mandated in the Company's Code. All directors are prohibited from participating in any Board discussion or decision affecting their personal, business or professional interests. All employees, officers and directors have an obligation to act in the best interests of the Company.

## ***Creating Shared Value***

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

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

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

## ***Sustainability: Our Journey Toward a BetterWorld***

The Aboitiz BetterWorld Framework serves as the Group's guide in monitoring, measuring and improving its impact on people, planet and profit. Through this, the various business units subscribe to a common set of focus areas that are applicable across the Group. These focus areas are: team member engagement and development, customer focus, disaster resilience, corporate social responsibility, carbon emissions reduction, waste management, resource efficiency, renewable energy, financial return and financial growth. The Group's performance in these focus areas are monitored and reported through its sustainability report, which uses the widely accepted G4 reporting framework of the Global Reporting Initiative (GRI).

The Aboitiz Group was one of the first local businesses to support the United Nation's 17 Sustainable Development Goals (SDG). Central to the new set of global goals is the idea of caring for the planet and for the world's poorest citizens, which is also at the heart of the Aboitiz BetterWorld. Whenever applicable, Group wide communications align with the SDG especially in areas where current CSR and sustainability programs can contribute to the attainment of specific SDG areas that cover, but may not be limited to, quality education, reducing poverty, zero hunger, good health and well-being, protecting life above land and under the water, climate resilience, sustainable food production and financial inclusion.

## ***2015 Sustainability Highlights***

In response to the call to combat climate change, Aboitiz signed the 2015 Manila Declaration and joined the Water Alliance as one of its pioneering members. The Manila Declaration is the private sector's statement of solidarity to lower emissions, to help increase the resiliency of communities against the consequences of climate change and to address collective sustainable development challenges while embedding sustainability into its business processes. Meanwhile the Water Alliance is the sector's response to addressing the adverse effect of the El Nino phenomenon.

Cleanergy is AboitizPower's brand for clean and renewable energy, providing Filipinos with more sustainable and reasonably priced power supply that leaves a lighter impact on the environment. AboitizPower is among the major producers of renewable energy in the country with close to 40% Cleanergy in its energy mix. It manages and operates 29 hydroelectric and geothermal power generation facilities. With several other renewable energy power plants in the pipeline and the addition of the 59-MWp Solar Power Project in Negros Occidental to its portfolio of renewable power generating assets, Aboitiz is delivering on its Cleanergy promise.

In pursuit of its goal to leave a planet that can be enjoyed by future generations, Aboitiz Group increased its A-Park target from 3 million trees to 9 million trees, to be achieved by 2020. As the Group's contribution to the National Greening Program, a Memorandum of Agreement (MOA) with the Department of Environment and Natural Resources (DENR) was signed on July 22, 2015. This makes the Aboitiz Group as one of the biggest private partners of the government in its countrywide reforestation program.

In celebration of Earth Day, the Aboitiz Group inaugurated the Aboitiz Cleanergy Park last April 23, in Davao City. The Park is a partnership between the Aboitiz Group through Davao Light and Aboitiz Foundation and its stakeholders in Mindanao that include the Davao City local government, Barangay Council of Matina Aplaya, DENR-Biodiversity Management Bureau, the academe and research communities. It is an 8-hectare outdoor biodiversity park with a diverse ecosystem, giving the public the opportunity to explore a different learning experience on environmental conservation and protection. It is a nesting sanctuary for the critically endangered Hawksbill turtle or pawikan with close to 2,000 hatchlings released to the sea by December 2015. The entire Park itself is home to 66 species making it an important marine life sanctuary in Mindanao. A nursery and botanical garden has been set up to propagate 29 native tree species. The Park is host to the automated weather station (AWS) of WeatherPhilippines as part of its contribution to beefing up the disaster preparedness of Davao City.

The Race to Reduce (R2R) program underpins the Group's commitment to manage its resources efficiently and minimize its operational footprint. Business units are encouraged to reduce their consumption on 3 finite resources, water, electricity and paper. In 2015, there were 261 enrolled facilities across the Group.

The Wealth on Waste (WoW) is the Group's action to support Republic Act 9003 better known as the Ecological Solid Waste Management Law, which promulgates the proper management of wastes using the 3Rs – reduce, reuse and recycle. Twenty-three (23) business units of Aboitiz practice waste management following their respective environmental, health and safety policies.

One of the WoW project which has been running for the past 4 years in Cebu City is the Green Fashion Revolution (GFR). It is an intercollegiate green design competition that challenges students to create clothing, footwear, and accessories that make use of recycled materials. The competing schools gather waste materials like flour sacks, tarpaulins, metals and papers and are used in designing their clothing and accessories collection. Last year's GFR used a total of 200 kilos of wastes gathered from the different Aboitiz business units. In January 2016, GFR was held in Manila for the very first time, bringing the Group's own sustainable fashion design competition to a national audience and engaging more young stakeholders in its advocacy for the 3Rs.

With the goal of updating and standardizing the health, safety and environmental management practices of the power business units, AboitizPower launched its Safety, Health, Environment and Quality (SHEQ) Policy in the third quarter of 2015. The Policy is in response to the Project Forward program of AboitizPower, aiming to bring up its SHEQ practices to world-class standards.

Ensuring sustainable entrepreneurship for farmers is at the center of Pilmico's drive to be Partners for Growth. Through its advocacy program, Mahalin Pagkaing Atin (MPA), it continues its strong support for sustainable livelihood and backyard farming. In 2015, it donated 736 piglets, 215 egg machines benefitting 373 families, and conducted 20 MPA events nationwide. The event includes technical and social trainings assisting local farmers with their concerns and helping them grow their businesses.

## **2016: Towards Creating Shared Value**

As the Group pursues further growth, it is facing greater expectations to help address a variety of society's challenges, from socio-economic inequality to building resilient communities. While it is already doing many things right now, it understands that the business will also adapt to the changing needs of its stakeholders. Therefore, the Group's evolution will continue onwards to creating shared value (CSV), which is about generating value for business and society by addressing societal needs as a core part of business strategy.

To bring everyone to the same level of understanding and appreciation of CSV, an executive coaching session was held in January 2015 tapping the services of Incite, a shared value advisory network and an affiliate of the Shared Value Initiative. The first run gathered the Reputation Council and other senior executives of the different strategic business units.

An expanded second run will be held in March 2016 as part of the corporate governance training of the Board of Directors. The updated coaching sessions will likewise be participated by senior officers and executives of the Group, this time with the goal of leveraging the benefits of the CSV framework in business strategy formulation. The Group is looking at Pilmico's Mahalin Pagkaing Atin campaign, WeatherPhilippines' WeatherWiser Nation campaign, AboitizPower's Cleanergy brand and CitySavings' teachers' loan program as nascent CSV models in Aboitiz.

Parallel to this, the Group wide CSR strategy for 2016 will see the building up of its earlier efforts to bring the practice of CSR to level 2.0, following the strategic pillars of the Aboitiz Foundation, namely: program development, stakeholder engagement and capability building. This embeds CSR and sustainability deeper into the organizational culture.

The R2R program under the focus area on resource efficiency will be further enhanced in 2016 to highlight how important managing the planet's limited resources is at the team member level. Bringing down the conscious practice of conserving electricity, water and paper help Aboitiz team members become more aware of their capability to contribute to the global climate action. A pocket of events will be implemented such as the Water Conservation Challenge, Earth Hour participation, and No Impact Week. The Significant Energy Users study done by students from the University of Santo Tomas will be the basis for the formulation of resource efficiency policies and guidelines.

In the area of disaster resilience, WeatherPhilippines will engage more partners to help build a #WeatherWiser Nation. Platinum Donors agreed to increase their annual donation to P3.5 million each to support the initiative. To encourage more partners to invest on weather technology and knowledge, it will institutionalize value-adding development initiatives for donors, sponsors and LGU partners. It will fully utilize its communication platforms to seamlessly provide localized weather information for the Filipino public, from its free mobile application to the weather 101 videos available for viewing in its website [www.weather.com.ph](http://www.weather.com.ph) and Facebook page.

## ***Gearing up for Sustainable Growth***

The Aboitiz Group takes to heart a time-honored mission – to create long-term value for all its stakeholders. The Group will need to gear up for the challenges of a world facing environmental challenges and social inequality.

Through Aboitiz BetterWorld, the Group has already laid down the foundations to take on these challenges, ready to embrace and live out the determined belief that it can do well by doing good.

## **Community Interaction**

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

The Aboitiz Group's commitment to sharing with the less fortunate is a philosophy that traces its roots over a century ago when its forefathers first established their business in Leyte. This legacy continues and is being passed on through generations of its corporate history.

Since the 1980s the Company's initiatives have evolved from a CSR 1.0, which involves simple philanthropic activities, to a CSR 2.0, which engages projects that are more sustainable for its beneficiaries and at the same time aligned to its businesses. Moving forward, it intends to carefully select projects that would help it reach its goal of achieving CSR 2.0.

As the Aboitiz Group businesses continue to grow, the Company's role is to lead by doing good and making a difference. It takes on bigger challenges as it move towards the next level of corporate social responsibility (CSR) and sustainable development. The programs have evolved to deliver longer-term benefits, involving bigger projects with positive sustainable impact of national scope, and stronger stakeholder engagement. Now, the Company's CSR efforts are focused on education, enterprise development, environment, and health and well-being.

The Company continues to address the social and economic development needs of the less privileged through community empowerment activities through The Aboitiz Foundation and through its business units. The Company's business units have been able to obtain the Free Prior and Informed Consent from the Indigenous Communities in areas where its power generation companies operate because of the well-entrenched corporate social responsibility programs of the group. The Company prioritizes programs in education, such as but not limited to, scholarship plans, construction or renovation of school buildings, and computer and library kit donations. These programs help improve the learning development of students from all levels in the community. It implements programs that promote environmental preservation as well as social and economic development in the communities where its business units operate. As part of its CSR, the Company also engages in enterprise development, microfinance operations and primary health and child care services to improve the quality of life of its beneficiaries through the Aboitiz Foundation. (See *2015 Aboitiz Foundation Report at www.aboitizfoundation.org*)

### **Education**

In 2015, the Department of Education recognized the Aboitiz Group as its biggest private partner not only for its Adopt-A-School program but also across all its education-related initiatives. The Company firmly believes that education is where it can create the greatest impact; and thus, it will pursue and advance its efforts in this area because a better-educated youth means a better Philippines.

### Rebuilding Public School Classrooms

In 2015, the Aboitiz Foundation repaired and constructed a total of 57 classrooms. Through the help of the Aboitiz group's distribution utilities, the Aboitiz Foundation have also rewired 1,741 classrooms in 2015. The aim is to make old schools safer by replacing the old wires. Since 1998, Aboitiz Foundation has built a total 890 classrooms. Aboitiz and AGAPP have spent over P124 million to build 216 Silid Pangarap classrooms in 108 schools nationwide, benefitting 40,320 preschoolers since 2011. AEV and AboitizPower team members participated in these CSR efforts.

### Brigada Eskwela

The Brigada Eskwela, is a nationwide effort to clean-up and repaint public school buildings geared towards helping improve basic education. The Group's regular Adopt-a-School Program, brings its professional volunteers to public schools to teach public school students outside formal classes. These programs and activities are in addition to following scholarships granted by the Aboitiz Foundation to students across the country. In 2015, the Aboitiz Foundation have supported 3,302 scholars. These scholars come from all levels: pre-school, elementary, secondary, tertiary, post-graduate, and technical vocational. To date, Aboitiz Foundation supported a total of 29,842 scholars.

### **Environment**

#### Reforestation Program

In June 5, 2015, Aboitiz Foundation signed a partnership with the Department of Environment and Natural Resources, which enrolled its A-Park trees under its National Greening Program. The Aboitiz Group is now the agency's biggest partner in its nationwide reforestation program. The Aboitiz Group have already planted 3.8 million trees as of December 2015 and its target is to plant 6 million more by 2020, or a total of 9 million trees planted by 2020, firming up its commitment to build a BetterWorld through sustainable environmental practices.

The seedlings planted are mostly of native or indigenous species as well as of the fruit bearing variety. This supports Aboitiz Group's policy of sustainability of businesses being an integral part of the way the Company conducts its businesses in its host communities. An ingrained CSR agenda is part of the Company's contribution to enriching the lives of its neighboring communities as well as a legacy to the country. (See *Aboitiz Foundation Annual Report at www.aboitizfoundation.org*)

#### Cleanergy Center – A renewable energy learning facility

The AboitizPower maintains two Cleanergy Centers at the MakBan Geothermal Complex in Bay, Laguna. The center aims to firm up its long standing commitment to responsible energy development and education in the areas it operates. The Cleanergy Center taken from the words "clean energy" and named after AboitizPower's brand for clean and renewable energy — is the country's first renewable energy learning facility. The Cleanergy Center is being maintained by AP Renewables, Inc. It provides environmental awareness and energy education through the use of audio visual presentations, interactive displays, and a tour of a working geothermal plant.

#### Cleanergy Biodiversity Park

Davao Light, in partnership with the Aboitiz Foundation, launched a biodiversity park focusing on turtle management and habitat conservation; mangroves and coastal forest development and preservation with information tagging; seedling nursery and botanical garden; weather station observatory; and marine species breeding and preservation. The Aboitiz Cleanergy Park is an 8-hectare property owned by the Aboitiz Group located at Sitio Punta Dumalag, Matina Aplaya, Davao City. The park's premises and its surrounding areas have a rare and diverse ecosystem consisting of a mangrove forest, coastal



forest, marine turtle habitat and nesting area, shoal, coral reefs, sea grasses and a fish sanctuary. This area has been declared as a protected marine area.

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

Early in 2015, Davao Light provided a turtle sanctuary view deck, a mangrove boardwalk, a weather station and learning center, and a seedling nursery and botanical garden to enhance the visitor's learning experience. In May 2015, Davao Light employees conducted a tree planting and coastal clean-up activity at the Cleanergy Park in Davao City. The park hosts educational tours to many students.

#### Wildlife Preservation

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

#### EMS Certification of Hydroelectric Power Plant

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

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

In May 2014, AEV's subsidiary, Pilmico Foods Corporation, launched its "Mahalin Pagkaing Atin" advocacy program in support of backyard farmers. Although initially launched in disaster-stricken areas of Ormoc, Cebu, Bohol, and Tacloban, the program's thrust is to go beyond providing rehabilitation and livelihood programs for backyard farmers.

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

The Company continues to reaffirm its commitment to do its share to protect and enrich this Planet Earth and to uplift the well-being of our communities through the implementation of the various sustainability and CSR projects, whether as lead company or through its subsidiaries and affiliates. The Company is constantly finding efforts to ensure that its value chain is environmentally friendly and is consistent with promoting sustainable development.

#### **Enterprise Development**

The Aboitiz Foundation continues to partner with different cooperatives in implementing various small-to-medium livelihood projects nationwide. As an accredited technical training provider, the Foundation also conducts skills training for cooperative members to ensure the long-term viability of their entrepreneurial pursuits.

Through the years, the Foundation has helped 23,118 beneficiaries through the help of 91 partners. It has approved approximately P164 million worth of microfinance loans.

#### Record Release of Benefits to Host Communities

In 2014, the Company's distribution utility businesses obtained on behalf of its rural communities in their franchise areas, a record release of funding under Energy Regulations 1-94 (ER 1-94). ER 1-94 funds is a trust fund collected by the Department of Energy (DOE) from generation and distribution companies for the benefit of the environment and the host communities. The funds consist of, among others, funds for the livelihood of communities and for rehabilitation of the environment. Release of the funds is at the sole discretion of the DOE, upon application by the host communities. Twelve (12) Barangays in Visayan Electric Company's franchise area benefited from a P24 million funding. In Davao, 79 rural projects worth P37.2 million were completed by Davao Light from the ER 1-94 funding, benefiting a total of 1,450 households. The release was worked on and assisted by the Company.

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

#### **Health and Well-being**

##### Weather Awareness and Education

WeatherPhilippines Foundation, Inc. (WeatherPhilippines or WPF) continued to conduct its Weather 101 and Tropical Cyclone 101 trainings for private organizations to increase people's knowledge of weather for timely response to adverse weather conditions and climate changes. WPF also organized numerous trainings for the Company's subsidiaries and affiliates, including WPF's partners, Visayan Electric Company, Davao Light and Power Company, Inc., Cotabato Light and Power Company, SN Aboitiz Power Group and the Center for Disaster Emergency Response. The Company, through WPF, now provides accurate, live weather forecasts throughout the entire country. (See [WeatherPhilippines website at www.weather.com.ph](http://WeatherPhilippines website at www.weather.com.ph))

On June 2015, WPF launched its Mobile Application which is downloadable for free from Google Play and App Store application. The application provides accurate and localized weather information and a 5-day forecasts for each location. WPF continues to expand its network of Automated Weather Stations (AWS) nationwide. As of December 2015, WPF were able to deployed 777 weather stations across the Philippines.

WPF's platinum donors have agreed to increase their annual donation to P3.5 million each to support the foundation. This generosity and support will enable the foundation to sustain its operations and

knowledge-sharing initiatives over the next 10 years. WPF enables businesses to utilize weather technology and knowledge for business continuity and operations management. WPF also enhances the private sector's disaster-risk reduction capability through weather information and training. WPF will continue to provide timely and up-to-date weather reports to all its stakeholders via all its digital channels: Website, Mobile Application, Email and in Social Medias.

#### Medical Missions

In 2015, Aboitiz Foundation conducted several medical, dental, and optical missions in various missions in communities nationwide that benefited 15,780 patients. In partnership with the provincial government, SN Aboitiz Power Magat, Inc., and other organizations conducted the Handog Kalusugan 2015: Doctors to the Ifugao Barrios. VECO also conducted a dental and medical mission in Budlaan, one of Cebu City's mountain barangays.

#### Weather-related Disaster Risks Forecasting

The Aboitiz Group is working together with donors in the private sector, to support the Philippine Government in its efforts to reduce weather-related disaster risks in the country through Weather Philippines Foundation. The Aboitiz Group co-founded WeatherPhilippines (WPF) to operate a premiere weather forecasting system across the country with the installation of automated weather stations (AWS) across the country. WPF secured its accreditation from the Philippine Council for NGO and from the Bureau of Internal Revenue as a donee institution in 2014.

In 2015, WPF completed the installation of more than 700 AWS across the country.

Location	No. of AWS
Luzon	467
Visayas	186
Mindanao	124
<b>Total</b>	<b>777</b>

Through these weather stations, WPF provides accurate and reliable weather forecasts throughout the whole country. The ultimate goal of WPF is to complement the Department of Science and Technology's Project NOAH (Nationwide Operational Assessment of Hazards). WPF also operates a portal, "www.weather.com.ph" featuring a wealth of weather information transmitted through telecommunications and other multi-media accessible to all persons. The portal is continually upgraded to include integration of the severe weather warning map with color-coded alerts, integration of the severe warnings on the detail weather page, and activation of two weather models for better forecasting.

#### **Programs Committed to Environment and Sustainability**

AboitizPower subsidiary Therma South, Inc., for instance, is working on the implementation of an Environmental Management system and attaining ISO 14000 Certification by 2015 as part of this commitment.

In pursuit of striking a balance between economic growth and sustainability, the Company implements programs that promote environmental preservation, such as the Mt. Apo Natural Park rejuvenation

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

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

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

#### **The Company's Anti-Corruption Policy**

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

In dealings with suppliers and other business partners, the Company likewise ensures that they are compliant with the laws, for example, requiring appropriate registration from the Bureau of Internal Revenue, the local government units, the ERC, SEC and PSE, and other regulatory bodies. Another example is the withdrawal of the members of the Board, management and employees from transactions with potential conflict of interests as mandated. All directors are prohibited from participating in any Board discussion or decision affecting their personal, business or professional interests. All employees, officers and directors have an obligation to act in the best interests of the Company.

The Company's Code of Ethics and Business Conduct, as well as internal policies not only require a disclosure of conflict of interest but also require a behavior to refrain from entering into transactions of the Company. All employees are required to take a corporate governance e-learning course dealing with the Company's governance policies. At the Board level, directors are encouraged to disclose and refrain from participating or voting matters that affect their personal, business or professional interests that are likely to give rise to conflicts of interest situation. All employees, officers and directors have an obligation to act in the best interests of the Company.

## Policy on Safeguarding Investors' and Creditors' Rights

It is the Company's policy to safeguard and protect creditor rights through prudent financial management of the Company, through transparency of its financial status, compliance with financial covenants, and strict adherence to the Company's commitment to fulfilling its financial obligations.

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

### ISO Certified Treasury Protocols for Safeguarding Creditors' Rights

The recent ISO 9001:2008 certification of the TSG on quality management systems requires that the TSG strictly follows its QMS financial risk management policies and protocols on: external placements, Standby Letters of Credit, Letters of Credit, Forex Trade, Interest Rate hedging and forwards, cash management, Loan portfolio management, Financial Information Management, Credit Facility Management, Treasury Operations Cash position, cashier cash position, check supply inventory, petty cash fund management and checkwriter processing, monitoring of financial ratios under loan covenants of the Company's and that of its BUs. These protocols and procedures promote financial discipline and controls that in turn protect creditors' and shareholders rights.

The Company through the TSG regularly holds a dialogue with its creditors and lenders. Every year, the Company organizes a Banker's Night where senior officers of the Company meet the lenders for informal talks on any matter.

### Timely & Factual Disclosures

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

### Transparency of Financials for Creditors

Its commitment to its shareholders is reflected in the Company's comprehensive reports on its operations, particularly its Report to Shareholders in the Aboitiz Integrated Annual Report. Its senior financial officers, executive officers and directors endeavour to inform and assure shareholders of the timely discharge of financial responsibilities through the Aboitiz Integrated Annual Report of the Company. The Audited Financial Statements of the Company give a clear view of the Company's financial condition. All pending legal and tax proceedings, tax assessment notices, and voluntary assessment program or tax relief availment that are potentially material to AEV's business are disclosed through the Legal Proceedings section of the Information Statement of the Company.

## PRS Aaa Rating for Company Debt

As proof of the importance given by the Company to its creditors' rights, the Company secured the highest rating from local debt watcher Philippine Ratings Services Corporation for its issuance of its P10 billion fixed retail bonds in 2014. The highest rating, rated as "PRS Aaa", means that the obligation is of the highest quality with minimal credit risk, an indication of the extremely strong capacity of the Company to meet its financial commitment on the obligation.

### Investor Relations Activities

The Investor Relations Office conducted investors' briefings in March 11, 2015, May 8, 2015, July 30, 2015, and October 28, 2015 to enable investors to discuss with the top management the full year 2014 Financial Operating Results, First Quarter 2015 Financial and Operating Results, Second Quarter 2015 Financial and Operating Results and Third Quarter 2015 Financial and Operating Results.

### Dedicated CSR and Sustainability Report

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

The Company also maintains a dedicated CSR website through Aboitiz Foundation's website as well as separate webpage for sustainability. (See *Sustainability and CSR at [www.aboitizpower.com/sustainability](http://www.aboitizpower.com/sustainability) and [www.aboitizfoundation.org](http://www.aboitizfoundation.org)*)

## Stakeholders' Opportunity to Obtain Effective Redress for Violation of Rights

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

The Company's Investor Relations team provides a venue for shareholders to air out concerns, comments, and complaints for possible violation of their rights through company website's "contact us" page. It also ensures that investors/shareholders' queries are responded to within three to five business days from date of query.

The Company welcomes suggestions, comments, and complaints from stakeholders through the website [www.aboitizpower.com](http://www.aboitizpower.com) under Contact Us page. There have been no major grievances from the shareholders for any alleged violation.

## Employees as a Stakeholder

AboitizPower's strategic pillar of Building Human Capital remained a major focus in 2015. At the core of AboitizPower's businesses are the people: the team leaders and team members. The Distribution business' dream is becoming a world class electric utility delighting customers and engaging the stakeholders. The Generation business' dream is to promote optimum performance of a workforce, cultivate a mindset of continuous improvement and responsibility to achieve world-class operations. These goals are achieved through a persistent program of technical and leadership trainings.

## ***Compliance with Health, Safety and Environmental Laws***

The Company's power generation and distribution operations are subject to stringent safety, health, environmental and other regulatory standards. For the year 2015, the Company, its subsidiaries and affiliates were fully compliant with the legal standards. AboitizPower and all its generation companies and distribution utilities were granted Certificates of Compliance from the relevant governmental agencies and bureaus requiring certification. The business units of the Company are committed to the needed expenditure and compliance requirements on occupational health and safety measures. The Company has a good reputation in the operation of its businesses with none or limited accidents, a clear demonstration of how the Company values health and safety measures in the work environment.

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

## ***Occupational Health & Safety***

The Company is committed to the health, well-being and safety of its employees and has policies and benefits relating to these matters.

## ***Emotional Safety and Integrity of Employees***

The Company establishes a working environment wherein employees can freely communicate their concerns about legal and unethical practices or behavior. The Company also has an anti-sexual harassment policy. The functions of the Compliance Officer, the Chief Legal Officer and the Legal and Corporate Services Team include providing the forum for checking, reporting and investigating any unethical behavior.

## ***Company Safety Policy***

The Company has a safety policy committed to establishing a safety culture within the Company and its BUs. The policy emphasizes continuous improvement and compliance to safety laws in order to achieve its ultimate goal of zero injury and illness in the work place. The safety of employees is also at the forefront of the crisis and disaster management program of the Company. Throughout 2014 and in early 2015, the Aboitiz Group Security Team conducted safety audits and regular safety information cascades to employees and initiated annual fire and earthquake drills. The Company provides employees with Emergency Cards providing in a nutshell, the emergency response plan, emergency evacuation procedure and lockdown or shelter in place procedures. Through the leadership of the Aboitiz Group Risk and Reputation Management Team in collaboration with AEV Security and AEV HR, a well defined emergency response plan and procedure have been put in place by the Company, which includes a plan to account for all employees in case of emergencies, disasters and typhoons. These plans are reviewed regularly in the light of new information gathered from private and public agencies. Since 2013 to present, there has been zero reported incident, accident or injury.

## ***Company's Health and Safety Initiatives***

### ***Employee Medical Plan***

The Company funds the team's annual medical check-up. The Company maintains a self-insured medical plan for employees and an HMO plan for employee dependents at a reasonable level that is equal or above its peers in the market. More importantly, through its health benefits and initiatives, the Company encourages employees to maintain their good health and well-being.

In 2015, 135 employees of the Company availed of their medical benefits and 97% received the good health bonus, which is a reward for keeping oneself healthy.

### ***Sports as a Way of Life***

The Company encourages employees to actively participate in sports activities and holds a group annual sports fest. In addition, the Company sponsors and organizes the AboitizPower Philippine Hobie Challenge, the AboitizPower Bike Tour of Subic, the Aboitiz Football Club, the Aboitiz triathlon and the Aboitiz Invitation Golf Club.

## ***Occupational Health and Safety Practices & Awards***

As an example of the Company's efforts in promoting occupational health and safety, some of the Company's business units conduct and participate in safety and skills competitions in Davao and Benguet. These events include training on emergency preparedness skills such as firefighting, basic life support, bandaging and emergency transport. These events are held annually to refresh employees on safety practices and technical skills. In 2014, Davao Light & Power Company, Inc. bagged the prestigious Department of Labor and Employment) Secretary's Award, particularly the Child Labor Free Establishment award. The SN Aboitiz Power Group also received Silver and Bronze Awards in the Department of Labor and Employment's 9th Gawad Kaligtasan at Kalusugan (Safety & Health Awards) last October 27, 2014. The Magat and Ambuklao hydroelectric power plants operated by SN Aboitiz Power-Benguet and SN Aboitiz Power-Magat won Silver Awards while the Binga plant bagged the Bronze Award, all under the Institutional category. AboitizLand Group also has occupational safety and Health policies and standards in the construction of residential and commercial buildings which are strictly implemented by the Health & Safety Personnel & Committee. As part of the safety monitoring, all contractor's safety engineer must submit monthly reports on a regular basis to show safety performance and if there are any other reported accidents/injuries/incidents.

## ***Employee Occupational Health, Safety and Security Track Record***

Losses and injuries from accidents can be controlled through proactive management and active employee involvement. AboitizPower's occupational health and safety record for its generation business for 2015 is quite good. The Company ended the year 2015 with 6.5 million man-hours worked with only eight lost time case, one minor medical treatment case and thirty first-aid cases. While the statistics are low by the power generation industry worldwide standards, the Company believes there is still a lot of room for continuous improvement. The Company is on track with its OHSAS 18001 Safety Management Systems certification. In 2014, it initiated the Maximo Health Safety and Environment module to leverage key safety management system tools. In 2015, the Company developed the Safety, Health, Environment, and Quality (SHEQ) Performance Reporting Procedures and Incident Reporting Procedures to standardize incident reporting across all BUs, making it easy for the Company to monitor, analyze, and provide subsequent corrective measures for long-term improvement.

"Kabisigs" from APRI, SNAP-Magat, and STEAG State Power, Inc. received the 2014 Corporate Safety and Health Excellence Award during the 10th Energy Safety and Health Conference in December 2014. In 2015, the Safety and Health Association of the Philippines Energy Sector, Inc. (SHAPES) and the DOE

recognized the APRI MakBan and Tiwi geothermal power plants, SNAP-Magat hydroelectric power plant, and STEAG Power’s coal-fired power plant for achieving 1,000,000 man hours of no lost-time incidents in the course of one year.

Notably, the Company is proud of its Hedcor Kabisigs for winning two AEV Passion Team Awards last year for their Inyovation projects. Inyovation: “innovation” + “inyo” (yours) is designed to encourage Kabisigs to create better solutions for process improvements, discover effective measures, strategize business growth, and take responsibility to achieve world-class operations.

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

The safety of the employees is also at the forefront of the crisis and disaster management program of the Company. Through the leadership of the Risk and Reputation Management Team, a well-defined emergency response plan and procedure have been put place by the Company.

#### Employees Training

The Company follows Aboitiz Equity Ventures, Inc.’s Universal Training Program (UTP) for all employees. This universal training program includes personal development skills such as, Seven Habits of Highly Effective People, Creating the Future Organization, The Aboitiz Way, Working Program, Frontline Leadership, and Practice of Supervision, to name just a few in-house training skills training program. The UTP is in addition to other technical or leadership trainings that employees avail of through their Business Units.

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

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

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

#### Meritocracy in the Workplace

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

The table below shows the gender mix of female employees and male employees in the Company for the year 2015, indicating a fairly equal representation:

Position	Female	Male
Senior Management	5	27
Middle Management	28	42
Staff	101	88
Total	134	157
Percentage	46%	54%

### **Employee Relations**

#### Developing Performance-Enhancing Structures for Employee

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

#### Employees Training

Employees’ professional and personal growth is of paramount concern to the Company and the Company is keen to provide opportunities to deepen employee’s understanding of the Company’s value-creation proposition. The Company cultivates a culture of life-long learning through high value, relevant, quality training programs designed to support employee career development path and personal growth. The Company’s numerous “Kabisig” and “Kauban” Employee programs strive to strengthen the ties that bind employees and the Company together. Exemplary performers are nurtured through a talent management program designed for the development of the next generation of corporate leaders.

#### Culture Building Employees’ Environment

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

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

### Multi Awarded Labor Management Committee

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

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

### **Balanced Scorecard for Performance**

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

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

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

### **Employee Protection**

#### ***Policy on handling complaints by Employees Concerning Illegal and Unethical Behavior***

The Company establishes a working environment wherein employees can freely communicate their concerns about legal and unethical practices or behavior. The functions of the Compliance Officer, the Chief Legal Officer and the Legal and Corporate Services Team include providing the forum for checking, reporting and investigating any unethical behavior.

### Whistleblowing Policy

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

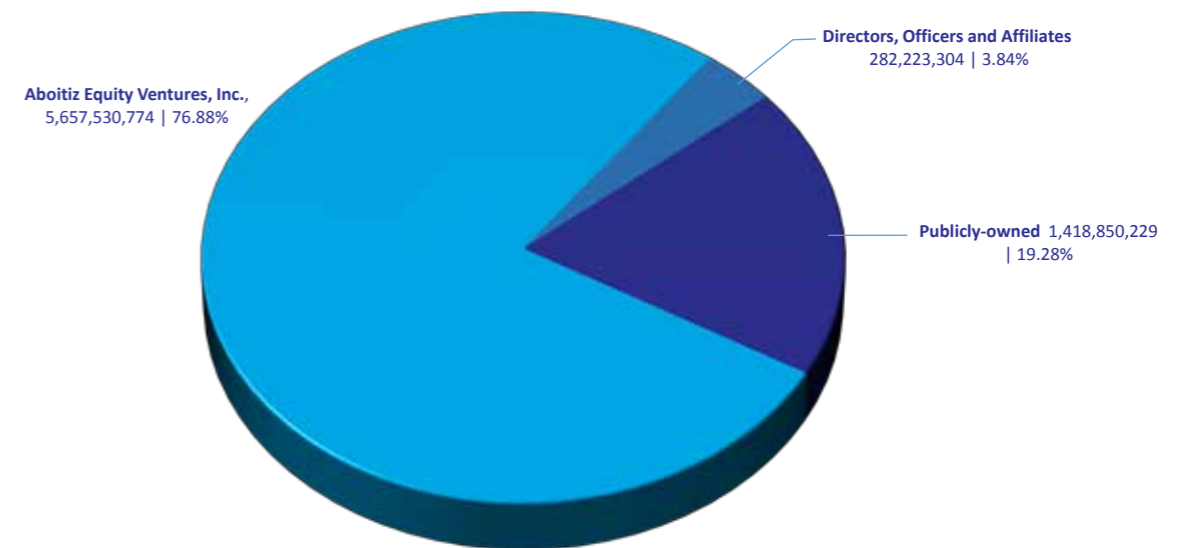
## **DISCLOSURE AND TRANSPARENCY**

### **Transparent Ownership Structure**

#### **AboitizPower Ownership Structure**

According to the share register kept by the Stock Transfer System, Inc., the Company's stock and transfer agent, as of December 31, 2015, AboitizPower had 618 shareholders. As of the same period, AEV, another publicly listed holding company, owned 5,657,530,774 shares or 76.88% of the 7,358,604,307 total outstanding and common stock entitled to vote. Of the Company's total outstanding shares, 1,418,850,229 shares or 19.28% was held by the public. Moreover, the Company's Directors, Officers and Affiliates owned 282,223,304 shares or 3.84% of the total outstanding common stock entitled to vote.

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



AEV is also a publicly listed company with 9,328 shareholders as of December 31, 2015.

## Monitoring of Insiders' Ownership

While the Company encourages stock ownership by employees, to ensure ethical conduct, the Company through its Legal and Corporate Services and Board Secretariat monitors the share ownership of directors, executives and management team through the regular SEC disclosures of beneficial ownership (SEC Form 23-B), and monitor compliance through the implementation of the Company's Insider Trading Policy and Trading Black-out dates.

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

### Identity of the Beneficial Owners Holding 5% or More

#### Disclosure of Direct and Indirect Shareholdings of Major/Substantial Shareholders

The Company periodically submits to the PSE a public ownership report detailing the extent of ownership of controlling shareholders, including the shareholdings of their subsidiaries and affiliates, and that of the Directors and Management. It submits to the PSE a list of its top 100 shareholders every quarter. It also discloses its top twenty (20) shareholders, including shareholders of record and beneficial owners owning more than five percent (5%) of the Company's outstanding capital stock, and shareholdings of its Directors and Officers in the Company's Information Statement sent out to shareholders annually. The Company, however, has no control over outside shareholders who may choose to put their shares under nominee holding companies such as the PCD Nominee Corporation, and is thus unable to make any disclosure on details of that ownership.

As disclosed in the Company's 2015 Definitive Information Statement, as of March 28, 2016, the identity of the Beneficial Owners Holding 5% or more are as follows:

Shareholder	Number of Shares	Percent	Beneficial Owner
<b>Aboitiz Equity Ventures, Inc.</b>	5,657,630,774 (Record and Beneficial)	76.88%	Aboitiz Equity Ventures, Inc.
<b>PCD Nominee Corp.* (Filipino)</b>	914,747,345 (Record)	12.43%	PCD Participants acting for themselves or for their customers.
<b>PCD Nominee Corp.* (Foreign)</b>	569,661,914 (Record)	7.74%	PCD Participants acting for themselves or for their customers.

\*Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. AboitizPower has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of the beneficial owners under a PCD participant owns more than 5% of the Company's common shares.

## Disclosure of Direct and Indirect Shareholdings of Directors and Senior Management

The Company discloses beneficial ownership in the regular filings of Statement of Beneficial Ownership and in its Annual Corporate Governance Report to the SEC, including trading of Company shares by its directors and key officers. Non-compliance with the policy may carry criminal and civil liabilities as well as reputational damage to the Company, the Board, the Management and the Office of the Chief Compliance Officer strictly enforce compliance with the Trading Policy.

The Company has an existing policy requiring the Board of Directors and the officers to report to the Office of the Corporate Secretary any transaction related to the purchase and disposal of Company shares within one business day from date of transaction. The Company discloses the direct and indirect (deemed) shareholdings of major and/or substantial shareholders and the details of the subsidiaries, associates, joint ventures and special purpose enterprises/vehicles. The Company's Definitive Information Statement and Public Ownership Report regularly filed by the Company likewise show the direct and indirect ownership of the Company's shareholders, which include its Board, management, and employees. Regular disclosures to the PSE, PDEX and SEC are made in the event of any dealings in Company shares. These disclosures are available at the Company's website and can also be accessed from the PSE portal.

Based on the Company's Public Ownership Report which was filed with the SEC and PSE and subsequently posted in the Company's website on January 14, 2016, below is the direct and indirect ownership of directors and senior management of the Company as of March 28, 2016:

Title of Class	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	<b>Enrique M. Aboitiz</b> Chairman of the Board	758	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Jon Ramon Aboitiz</b> Vice Chairman of the Board	33,001	Direct	Filipino	0.00%
		15,176,320	Indirect		0.21%
Common	<b>Erramon I. Aboitiz</b> Director/Chief Executive Officer	1,300,001	Direct	Filipino	0.02%
		65,512,195	Indirect		0.89%
Common	<b>Antonio R. Moraza</b> Director/President and Chief Operating Officer	1	Direct	Filipino	0.00%
		20,432,299	Indirect		0.28%
Common	<b>Jaime Jose Y. Aboitiz</b> Director/Executive Vice President and Chief Operating Officer – Power Distribution Group	5,367,397	Direct	Filipino	0.07%
		3,021,443	Indirect		0.04%
Common	<b>Mikel A. Aboitiz</b> Director	1	Direct	Filipino	0.00%
		13,283,959	Indirect		0.18%
Common	<b>Carlos C. Ejercito</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Romeo L. Bernardo</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Alfonso A. Uy</b> Independent Director	1,000	Direct	Filipino	0.00%
		0	Indirect		0.00%

Title of Class	Name of Owner and Position	No. of Shares and Nature of Ownership (Direct and/or Indirect)		Citizenship	Percentage of Ownership
Common	<b>Emmanuel V. Rubio</b> Executive Vice President & Chief Operating Officer – Power Generation Group	224,130	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Juan Antonio E. Bernad</b> Executive Vice President – Strategy and Regulation	520,001	Direct	Filipino	0.01%
		488,734	Indirect		0.01%
Common	<b>Luis Miguel O. Aboitiz</b> Executive Vice President/Chief Operating Officer – Corporate Business Group	8,847,425	Direct	Filipino	0.12%
		0	Indirect		0.00%
Common	<b>Gabriel T. Mañalac</b> Senior Vice President – Group Treasurer	111,139	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Susan V. Valdez</b> Senior Vice President/Chief Reputation and Risk Management Officer	569,862	Direct	Filipino	0.01%
		0	Indirect		0.00%
N/A	<b>Liza Luv T. Montelibano</b> First Vice President/Chief Financial Officer/Corporate Information Officer	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Beverly B. Tolentino</b> First Vice President/Chief Financial Officer – Power Generation Group	58,534	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Ma. Chona Y. Tiu</b> First Vice President & Chief Financial Officer – Power Distribution Group	187,250	Indirect	Filipino	0.00%
		70,000	Direct		0.00%
Common	<b>Manuel M. Orig</b> First Vice President – Mindanao Affairs	248,373	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Alvin S. Arco</b> First Vice President for Regulatory	36,427	Direct	Filipino	0.00%
		0	Indirect		0.00%
N/A	<b>Rochel Donato R. Gloria</b> First Vice President – Trading and Sales	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
N/A	<b>Ralph T. Crisologo</b> First Vice President – Project Development	0	Direct	Filipino	0.00%
		0	Indirect		0.00%
N/A	<b>Robert McGregor</b> Executive Director – Investments	0	Direct	British	0.00%
		0	Indirect		0.00%
N/A	<b>Donald L. Lane</b> Executive Director – Project Development and Execution	0	Direct	British	0.00%
		0	Indirect		0.00%
Common	<b>Thomas J. Sliman, Jr.</b> Executive Director – Projects	47,866	Direct	American	0.00%
		0	Indirect		0.00%
Common	<b>M. Jasmine S. Oporto</b> Corporate Secretary and Compliance Officer	147,939	Direct	Filipino	0.00%
		0	Indirect		0.00%
Common	<b>Joseph Trillana T. Gonzales</b> First Vice President - General Counsel/Assistant Corporate Secretary	62,527	Direct	Filipino	0.00%
		0	Indirect		0.00%
	<b>TOTAL</b>	<b>135,750,582</b>			<b>1.84%</b>

### Insider Trading Prohibition

Insider trading is strictly prohibited under the Code of Ethics and Business Conduct, the Manual on Corporate Governance, and under the PSE and SEC Rules. The Company's Manual on Corporate Governance prohibits every member of the AboitizPower organization from any misuse of inside information. All team members of the Company are mandated to exercise prudence in handling material non-public information in the course of their work and in relation to the trading or dealing with AboitizPower securities. The Company strictly enforces its trading blackout and insider trading policy to curtail opportunistic dealings in the Company's shares. Any violations are required to be reported to the Board Corporate Governance Committee.

### Reporting of Share Trades

The Company has an existing policy requiring the Board of Directors and the officers to notify the Company at least one (1) day before they deal in the company shares. Directors and key officers are required to regularly report their beneficial ownership of shares in the Company and any dealings in AboitizPower shares must be reported to the Corporate Secretary within one day from the sale or purchase of AboitizPower shares. In addition, the Company discloses beneficial ownership in its Annual Corporate Governance Report to the SEC including trading of Company shares of its directors and key officers. There has been no investigation of violation and conviction of insider trading and abusive self-dealing by directors, management and employees in the past five years that the Trading Policy has been in place.

### Quality of Annual Report

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

The dividend, whistle-blowing and other company policies as well as profiles of the board of directors and their attendance during the board meeting are made available in the Company's website, Annual Report and the Aboitiz Integrated Annual Report.

### Disclosure on Key Risks in the Company's Annual Report

An integral part of AboitizPower's Enterprise Risk Management efforts is to anticipate, understand and address the risks that the Company may encounter in the businesses it is involved in. The Group, undertakes an annual risk management process to identify and report on new and emerging risks, as well as changes to existing key risks, with special emphasis on treatment mechanisms relating to said risks.

The key risks disclosed in the Company's Annual Report are: (1) Reputation Risk; (2) Competition Risk; (3) Regulatory Risk; (4) Financial Risk; (5) Fuel Supply Risk; and (6) Project Risk.



The Company has an existing system of internal controls which 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.

### **Corporate Objectives as Disclosed in the Annual Report**

The CEO's Message in the Aboitiz Integrated Annual Report sets out the corporate objective of the Company for the year 2015. As part of the Company's program to increase power generation capacity over the next five years, AboitizPower expects to invest ₱52 billion in 2015 on various greenfield and brownfield projects. Along with the increase in non-renewable capacity, the Company will also vigorously pursue and grow its renewable energy portfolio. This includes solar power, a number of run-of river hydro plants, a potential pump storage project, and several geothermal projects across the country.

### **Disclosure of Financial Performance Indicators in the Annual Report**

The Company's Annual Report and the Aboitiz Integrated Annual Report contain Audited Financial Statements which reflect a true and fair representation of the financials that are affirmed by the Board of Directors and relevant officers of the Company. The Audited Financial Statements of the Company gives a clear view of the Company's financial condition. There has been no event in the past 21 years where the Company and its external auditors or the handling partner had any serious or material disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

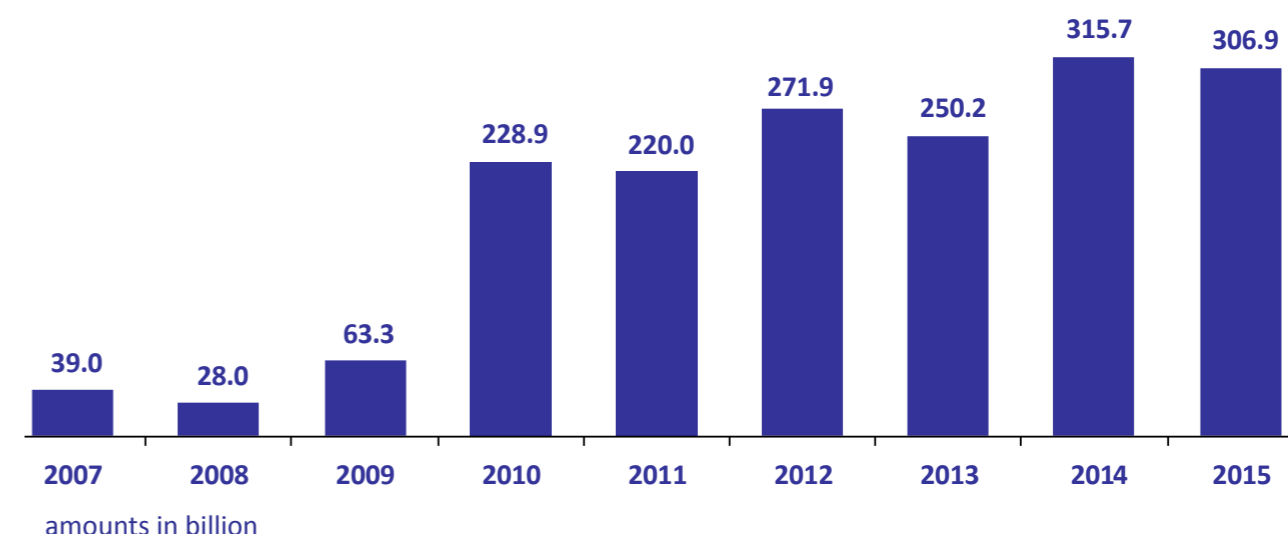
### **Disclosure of Non-Financial Performance Indicators in the Annual Report and the Aboitiz Integrated Annual Report**

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

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

One compelling non-financial performance indicator is the price of the Company's shares on the PSE. At the end of 2007, the year when AboitizPower went public, its market capitalization was ₱39 bn. By the end of 2015, its market capitalization grew to ₱307 bn, or a growth of 687%. The Company attributes this to the general market's perception of the Company's ability to provide reliable and ample power supply when needed, ensure that the supply of electricity is provided at a reasonable and competitive price, and lastly accomplish the first two duties with the least possible adverse effects on its environment and its host communities.

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



### **Disclosure on Dividend Policy in the Annual Report**

The Company has a clear and transparent dividend policy. This is disclosed in the Operational and Financial Information section of the Annual Report, in the Information Statement and in the Report of its CFO and disclosures on the Company website if changes are made.

In its regular board meeting held on November 28, 2012, the Board of Directors of the Company approved a revised dividend policy consisting of an annual cash dividend payment ratio of 50% of its consolidated net income from the previous fiscal year based on the audited financial statements of the Company. The Company's dividend policy took effect in its cash dividend declaration in 2013 based on 2012 net income after tax. This dividend policy remains unchanged. (See *Management's Discussion and Analysis or Plan of Action, Annual Report at www.aboitiz.com*)

### Details of Whistleblowing Policy in the Annual Report

The Company has a Whistle Blowing Policy, which was adopted last February 27, 2014, where all employees are provided the avenue to report unlawful or unethical conduct directly to the President or Chairman of the Board of Directors, in addition to other available avenues such as the employee's immediate supervisor, the HR Department, and the Legal Department. This policy does not allow for any kind of retaliation for reports or complaints by employees regarding the misconduct of others that were reported in good faith. The Company considers the protection of employees from retaliation as vital to its continued success.

### Disclosure of the Biographical Details of Directors in the Annual Report

The profiles of the Board of Directors and the current key officers of the Company are provided to the shareholders through the Definitive Information Statement that is distributed to shareholders before the annual shareholders' meeting. The profiles of the members of the Board and its key officers include their qualifications, work experience, age, and positions and offices held by them for the past five years, date of first appointment, and other directorships currently and previously held in other listed companies. Such information are also made available in Company's website and in the Company's Annual Report which is submitted to the SEC 105 days from the end of the fiscal year.

### Trainings and Seminars of Directors as Disclosed in the Annual Report

The AboitizPower Board recognizes that, for an effective corporate governance system, senior executives must constantly review and assimilate the principles of corporate governance consistently with the commitment of the Board of Directors. Newly hired or newly transferred team leaders and team members are required to take the in-house corporate governance e-learning seminar mandated by the Board. In addition, all Directors, together with key officers of the Company, are also required to attend annual corporate governance seminars in compliance with SEC Memorandum Circular No. 20-2013, issued on December 6, 2013. Directors and officers attended the Company's SEC mandated Corporate Governance Seminar held on March 25, 2015 in partnership with the Institute of Corporate Directors. For 2016, the Company together with AEV conducted an In House Mandatory Corporate Governance Seminar with around 52 attendees, including the directors and key management of the different business units of the Aboitiz Group.

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. The Board together with key officers participated in a strategy workshop last December 4, 2015, to refresh the Company's vision, mission, strategy and, corporate initiatives and core businesses. As a result of this strategy refresh, the Company has now added a fifth leg to its core businesses; adding infrastructure to the existing lines of banking and financial services, power, real estate and land development and food.

### Number of Board of Directors Meetings Held During the Year Attendance of Board of Directors in Respect of Meetings Held

The attendance of individual directors in board meetings is reported to the Board Corporate Governance Committee by way of the Board Performance Report and to the SEC through the filing of the Annual Corporate Governance Report. The attendance of the directors to the Company's board meetings in 2015 was good with an overall percentage of 92.22% attendance record for the nine regular and special board meetings, including strategy meetings for 2015 for each director and 92.22% presence of directors per meetings.

Aboitiz Power Corporation	Regular and Special Board Meetings 2015									Total No. of Meetings Attended by Each	Percentage of Attendance
	28-Jan	18-Feb	10-Mar	26-Mar	18-May	29-Jul	24-Sept	4-Dec	18-Dec		
Board Meetings	Regular	Special	Special	Regular	Regular	Regular	Regular	Regular	Special		
Enrique M. Aboitiz	P	P	A	P	P	P	P	A	P	8	80%
Jon Ramon Aboitiz	P	P	P	P	P	P	P	P	P	10	100%
Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	10	100%
Antonio R. Moraza	P	P	P	A	P	P	P	P	P	9	90%
Mikel A. Aboitiz	P	A	A	P	P	P	P	P	P	8	80%
Jaime Jose Y. Aboitiz	P	P	P	P	A	P	P	P	P	8	80%
Carlos C. Ejercito	P	P	P	P	P	P	P	P	P	10	100%
Alfonso A. Uy	P	P	P	P	P	P	P	P	P	10	100%
Romeo L. Bernardo	P	P	P	P	P	P	P	P	P	10	100%
Total No. of Members Present in Each Meeting	9	8	7	8	8	9	9	8	9		92.22%
Percentage of No. of Members Present in Each Meeting	100.00%	88.89%	77.78%	88.89%	88.89%	100.00%	100.00%	88.89%	100.00%	92.22%	

Legend: P - Present, A - Absent

### Disclosure of Remuneration of Each Director in the Annual Report

The Company has a policy on transparency of compensation for its Directors and key executives, in accordance with SEC rules. Information on the basis of Board remuneration is readily accessible through the Company's Annual Report, Annual Corporate Governance Report, and its Board Corporate Governance Committee minutes.

Prior to the 2015 Annual Stockholders' Meeting, all of AboitizPower's directors received a monthly allowance of ₱100,000.00, except for the Chairman of the Board who received a monthly allowance of ₱150,000.00. On May 18, 2015, the shareholders approved an increase in the directors' monthly allowance to ₱120,000.00 for the members of the Board, and ₱180,000.00 for the Chairman of the Board.

Type of Meeting	Directors	Chairman of the Board
Board Meeting	₱100,000.00	₱150,000.00
Type of Meeting	Committee Members	Chairman of the Committee
Committee Meeting	₱80,000.00	₱100,000.00

In addition, each director and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Committee meeting attended as shown in "Annex A."

### Corporate Governance Confirmation Statement in the Annual Report

The SEC, being both a company's registry and a securities regulator, requires all publicly listed companies to adopt its model Manual on Corporate Governance providing for minimum standards and provisions. The Company is compliant with these requirements.

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

The Company presents its Compliance Report in the Aboitiz Integrated Annual Report in the Corporate Governance portion of the report. Below is the Company's PSE, PDEX and SEC Reportorial Compliance Record for 2015.

	Nature of Report	AP
1	SEC Form 17-C (Current Report)	31
2	Clarifications to News Articles (PSE) / Letter Replies	11
3	SEC Form 23-A (Initial Statement of Beneficial Ownership of Securities)	5
4	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities)	28
5	SEC Form 17-L (Inability to File Report)	N/A
6	SEC Form 17-Q (Quarterly Report)	3
7	SEC Form 20-IS (Preliminary Info Statement)	1
8	SEC Form 20-IS (Definitive Info Statement)	1
9	SEC Form 17-A (Annual Report)	1
10	General Form for Financial Statement (GFFS)	1
11	General Information Sheet (GIS)	5
12	Certification - Compliance with Manual on Corp. Governance	N/A
13	Certification - Attendance of Directors in Board Meetings	1
14	Certification - Affiliations of Independent Directors	Compliant
15	Certification - Attendance of Directors in CG Seminar	Compliant
16	Corporate Governance Disclosure	Compliant
17	Foreign Ownership Monitoring Report (last working day of the first week of every month)	12
18	Report on Number of Shareholders & Board Lot	12
19	List of Top 100 Stockholders	4
20	Annual List of Stockholders - Annual Stockholders Meeting	1
21	Public Ownership Report	4
22	Annual Corporate Governance Report	1

### Disclosure of Related Party Transactions

AboitizPower has entrenched policies on transactions with related parties requiring the full disclosure thereof in the Company's financial statements and in other Company reports.

#### Disclosure on Company's Policy on the Review and Approval of Material/ Significant RPT

#### Disclosure on Related Party and its Relationship for Each Material Significant RPT Disclosure on the Nature and Value of Each Material/Significant RPT

The Company discloses its policy covering the review and approval of material/significant RPTs to ensure that (1) they are at arm's length and pass the test of transfer pricing rules; (2) the terms are fair, or are based on market practices; and (3) they will inure to the best interests of the Company and its shareholders. Significant or Material Related Party Transactions, other than the routine shared services transactions, are presented to, discussed, reviewed and approved by the Board Audit Committee, where the majority of the members are the Independent Directors.

The Company's related party transactions include, among others, written service level agreements with its affiliates and subsidiaries for human resources, internal audit, legal, treasury and corporate finance services, for guarantees of credit accommodations of subsidiaries and affiliates and intercompany advances for working capital requirements of subsidiaries and affiliates. The Company does not set thresholds for disclosure of related party transactions, but rather fully discloses all related party transactions regardless of amounts in full compliance with existing Philippine financial accounting standards.

The Company also ensures that they have the character of arm's length transactions consistent with, among others, existing rules on transfer pricing. In 2014, the Company reviewed, studied and updated practices to comply with stricter transfer pricing rules, policies and best practices and for continuous improvement of processes. These related party transactions are disclosed in the Company's Annual Audited Financial Statements and Management Reports.

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

#### Directors Dealings in Shares of the Company

While the Company encourages stock ownership by employees, to ensure ethical conduct, the Company through its Legal and Corporate Services and Board Secretariat monitors the share ownership of directors, executives and management team through the regular SEC disclosures of beneficial ownership (SEC Form 23-B), and monitor compliance through the implementation of the Company's Insider Trading Policy and Trading Black-out dates.

The Company has an existing policy requiring the Board of Directors and the officers to notify the Company at least one (1) day before they deal in the company shares. Directors and key officers are required to regularly report their beneficial ownership of shares in the Company and any dealings in AboitizPower shares must be reported to the Corporate Secretary within one day from the sale or purchase of AboitizPower shares. The Company discloses beneficial ownership in the regular filings of

Statement of Beneficial Ownership and in its Annual Corporate Governance Report to the SEC, including trading of Company shares by its directors and key officers. Non-compliance with the policy may carry criminal and civil liabilities as well as reputational damage to the Company, the Board, the Management and the Office of the Chief Compliance Officer strictly enforce compliance with the Trading Policy. There has been no investigation of violation and conviction of insider trading and abusive self-dealing by directors, management and employees in the past five years that the Trading Policy has been in place.

## External Auditor and Auditor Report

The Company's Group Internal Audit Team and the Board Audit Committee conducts and reviews the Company's internal audit operations to make sure that all information are prepared and disclosed in accordance with high integrity standards of accounting, financial and non-financial disclosure. The Board Audit Committee has oversight over the Group Internal Audit. The Group Internal Audit conducts its own internal audit, providing an independent review of the Company's internal organizational and operational controls and risk management policies to ensure its effectiveness and appropriateness, and that they are complied with. The Group Internal Audit reports to the Board Audit Committee.

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

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

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

Aside from an internal audit, an annual external audit of the Company is performed by SGV, an independent, competent and qualified auditor. SGV has been the Company's external auditors for the fiscal years 1998 to 2014. SGV provides an external and objective assurance to the Board as well as provides additional protection to the rights of Shareholders and creditors that the financial statements fairly represent the financial position and performance of the Company in all materials aspects.

Ms. Leovina Mae V. Chu is the Company's audit partner for 2015. She replaced Mr. Ladislao Z. Avila, Jr. who served as the audit partner of the Company in 2011. The external auditors also attend the Company's Annual Shareholders' Meeting to respond to any questions on the Company's audited financial statements. They also have the opportunity to make a statement if necessary. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

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

By policy and practice, the Board Audit Committee makes recommendations to the Board of Directors concerning the selection of the external auditor and preapproves audit plans, scope and frequency before the audit is conducted. In 2015, the shareholders delegated to the Board the authority to qualify and appoint the Company's external auditor.

## Disclosure of Audit Fees and Non-Audit Fees

The fees paid to the external auditor for audit services are disclosed by the Company in its Information Statement. The external audit and other fees of the Company for the years 2014-2015 were as follows:

Fee Type	Year ended December 31, 2015	Year ended December 31, 2014
<b>Audit Fees</b>	₱383,670	₱365,400
Audit Related Fees	N/A	₱6,642,534
<b>Non Audit Fees</b>	N/A	N/A
<b>Total</b>	<b>₱383,670</b>	<b>₱7,007,934</b>

## Audit Fees versus Non-Audit Fees

The AboitizPower Group's non-audit fees in 2014 and 2015 do not exceed audit fees as shown above.

With the tremendous opportunities for growth and investments in ASEAN countries, the Company commissioned various studies by SGV on ASEAN regulatory reportorial and the framework. In 2015 and 2014, the Company pursued investment opportunities, for which the item on other fees was paid.

## Review of Scope of External Auditor's Work

Audit services of external auditors for the years 2014 and 2015 were pre-approved by the Board Audit Committee. The Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

In 2015, among the initiatives pursued, the Group Internal Audit undertook the standardization of audit measurement tools across the audit group; reviewed the GIA Operations Risk Management Plan update; update the integrated Risk Management-Audit guidelines, and the implementation of the aligned vulnerability measure of Audit and Risk Managements.

The Group Internal Audit, together with the Board Audit Committee reviewed the scope of the audit and non-audit engagements and fee arrangements of the Company to ensure that there are no transactions with conflicts of interests, that the non-audit fees are reasonable, or promotes the best interests of the Company. In 2015, after discussions and review, the Board Audit Committee approved both the audit and non-audit fees of the Company.

## ***Medium of Communications***

The Company uses channels of communications for disseminating information which provide for equal, timely and cost-efficient access to relevant information to its stakeholders.

Pursuant to the corporate governance principle of disclosure and transparency, information on the Company is made readily available. The Company provides shareholders with quarterly 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. These quarterly reports are submitted promptly to PSE, SEC, and PDEX and can be accessed in the Company's website.

The Company website contains updated corporate information of the Company, including details of its business operations and financial statements. The Investor Relations pages of the Company website provide quarterly reports, financial highlights, recent press releases, analyst's briefings, and audio recordings of media briefings.

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.

## **Timely Filing and Release of Annual and Financial Reports**

### ***Release of Annual Report after 120 days from financial year end***

The Company's Annual Report is filed with the SEC, PSE and PDEX within 105 days from end of the financial year end. The Annual Report is immediately uploaded in the Company website after submission to the SEC and PSE.

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

### ***Company Website***

The Company has a website disclosing up-to-date information on the Company's business operations, financial statements/reports (current and prior years), materials provided in briefings to analysts and media, shareholding structure, group corporate structure, downloadable structure, downloadable Annual Report, notice of annual general meeting, minutes of the AGM and the Company's constitution.

The Investor Relations section of the Company's website provides financial highlights, recent press releases, audio recordings of media briefings, and information on the shareholding structure and organizational structure of the Company, among others.

The Company likewise has a dedicated website for its corporate governance (Company's Article of Incorporation, By-Laws and General Information Sheet), corporate governance policies and practices. The Company website publishes a description on the governance practices in the Company, its corporate structure, its sustainability and corporate social responsibility initiatives, its company policies, and the awards it has garnered in recent years. An electronic copy of the Annual Report, the Aboitiz Integrated Annual Report including the Corporate Governance Report can also be downloaded from the website as well as the Notice, Agenda and Minutes of the Meeting.

In addition, Management regularly uploads updated news and disclosures on the Company's website. The Company's corporate governance initiatives, such as newly approved policies, circulars and board policies are also made available to the public on the Company's website ([www.aboitzpower.com/investor-relations/investors-kit](http://www.aboitzpower.com/investor-relations/investors-kit)).

### ***Investor Relations***

The Office of the Corporate Secretary, Company's Investor Relations Office, its shareholder affairs contact person and its Stock and Transfer Agent are also available for any communications, requests, inquiries or any clarifications. The Company discloses the contact details (e.g. telephone, fax, and email) of the officer / office responsible for investor relations. The contact details are provided in the Aboitiz Integrated Annual Report, the Company's Information Statement and in the Company's website.

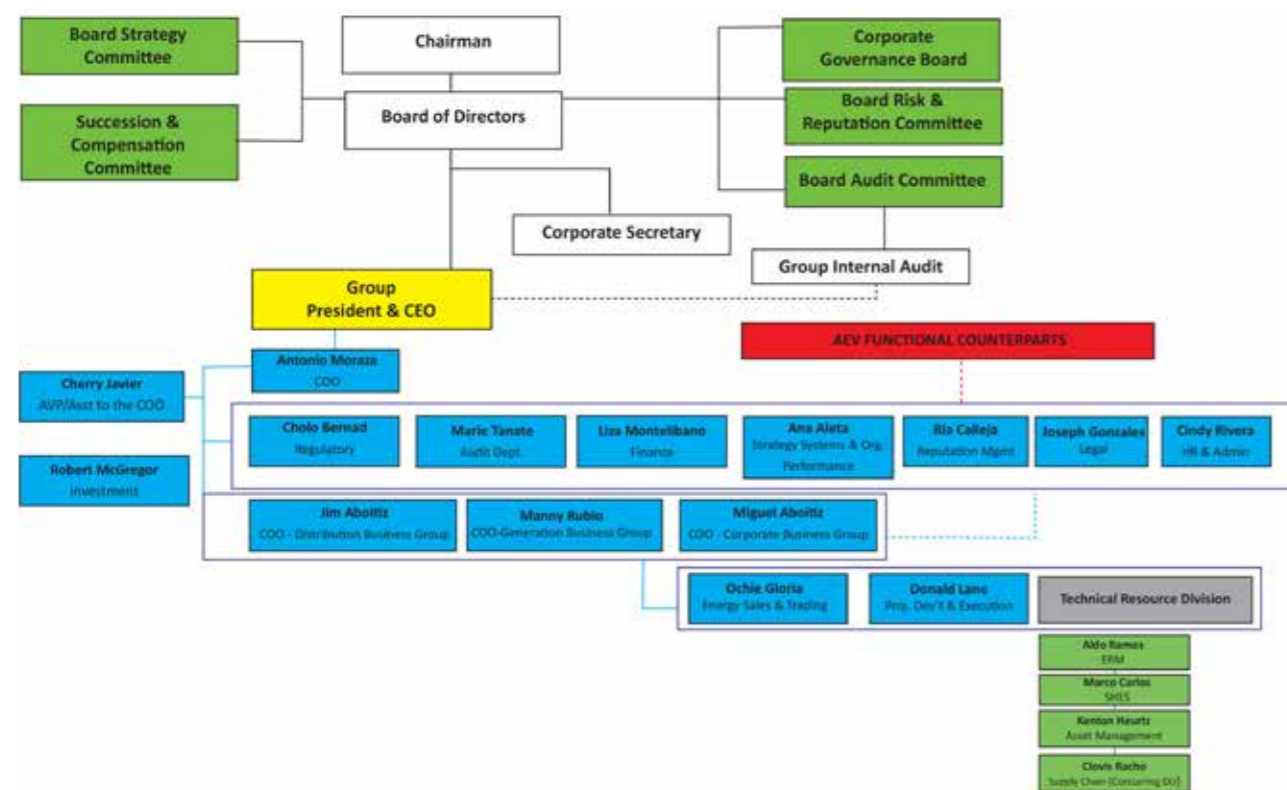
The Investor Relations team provides a venue for shareholders to air out comments or any suggestions and organizes regular analysts' briefing for every disclosure of financial statements. It also ensures that investors/shareholders' queries are responded to within three (3) to five (5) business days from date of query. There have been no major grievances for any alleged violation by the Company of shareholders' rights.

## RESPONSIBILITIES OF THE BOARD

AboitizPower launched 1AP a year ago as a main program wherein the goal of the company is to create a well-designed, agile and integrated organizational structure that is responsive to our current and future needs, ably-manned by competent professionals with a good bench that could improve our processes, systems, standards, linkages with the purpose of making us responsive to current and future growth.

To begin this journey, the Company embarked on Project Forward to improve its processes, systems, standards, linkages with the purpose of making the Company responsive to current and future growth. Keeping 1 AP in mind and getting insights from Project Forward, the Management Team of AboitizPower together with its Board of Directors reviewed and rationalized the Company's organizational structure to allow more focus on key functions.

Effective January 1, 2016, the Company adopted a new organizational structure delineating the responsibilities of the functional boards and teams that execute and oversee the Company's strategies, goals, vision and mission:



The major change in AboitizPower's organization is the formation of a new business group called Corporate Business Group to be headed by a Chief Operating Officer (COO) which will oversee the project development and execution, energy sales and trading, and the newly formed Technical Resource Division composed of enterprise management risk, safety health, environment and security (SHES), asset management, and supply chain. Mr. Luis Miguel O. Aboitiz was appointed as COO of the Corporate Business Group of AboitizPower effective January 1, 2016.

## Board Duties and Responsibilities

The Company believes that compliance with the principles of good governance begins with the Board of Directors. The Director's office is one of utmost trust and confidence. The Board of Directors is expected to act in the best interests of the Company in a manner characterized by transparency, accountability and fairness in the exercise of leadership in directing AboitizPower towards a sustainable growth. The Company's Board responsibility is a recurring cycle as shown below:



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

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

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

The Company's By-laws require that the quorum for valid board meetings is a majority of the members of the Board, in accordance with the Corporation Code of the Philippines. As a matter of long standing Board practice, decisions of the Company's Board are always made with the consensus or vote of all of the Company's independent directors, thus resulting in a unanimous vote of all directors of the Board.

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

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

### ***Disclosure of Company's Corporate Governance Policy and Board Charter***

The Company discloses its corporate governance policy through its Manual on Corporate Governance. To continuously keep itself up-to-date with current best practices, the Company regularly reviews and updates its Manual on Corporate Governance. The Board amended the Manual on Corporate Governance on August 3, 2012, and also further amended on January 6, 2014 and July 24, 2014, to upgrade the Company's corporate governance practices. The most recent amendment was to reinforce and recognize the rights of all stakeholders in compliance with SEC requirements. The Manual on Corporate Governance designates a Compliance Officer and defines his duties as well as outlines a Plan of Compliance revolving around the Board of Directors, its composition, qualifications, roles and responsibilities, the delineation of the roles of the Chairman and the CEO, conflict of interest and business interest disclosures, Board meeting quorum requirements, and adequate and timely information and accountability of audits. The Board Committees provide quality assurance that the Board functions are fulfilled.

The Company's Manual on Corporate Governance also specifies the composition and duties of the newly-created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy, a risk management policy, communication process and training process, reportorial or disclosure system of the Company's corporate policies, shareholders' benefit statement and a monitoring and assessment system.

### ***Disclosure of Decisions Requiring Board of Directors' Approval***

The Company regularly discloses all acts of the Board, corporate officers and management which are done in the regular course of business and operations of the Company and disclosed to the PSE, SEC and PDEX as may be required in accordance with applicable laws.

In the interest of transparency and as a matter of customary practice or procedure, the Company presents to its shareholders every annual shareholder's meeting the board resolutions approved by the Board from the previous year to date. These resolutions, which are submitted to the shareholders for ratification during the meeting, are disclosed in the Company's Definitive Information Statement.

### ***Roles and Responsibilities of the Board of Directors***

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

### ***Corporate Vision: A Better Future***

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

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

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

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

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

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

### ***Corporate Mission: To Find Better Solutions.***

Its corporate brand attributes: Pro-active, Expert, Responsible. Its responsibility: To provide reliable and ample power supply needed by our country; To ensure that supply of electricity is provided at a reasonable competitive price with the least possible adverse effect on the environment and communities.

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

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

## ***Review of Corporate Vision and Mission***

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

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. The Board together with key officers participated in a strategy workshop last December 4, 2015, to refresh the Company's vision, mission, strategy and, corporate initiatives and core businesses. As a result of this strategy refresh, the Company has now added a fifth leg to its core businesses; adding infrastructure to the existing lines of banking and financial services, power, real estate and land development and food.

## ***Monitoring and Board Oversight of the Corporate Strategy***

The Board of Directors is fully compliant with the Company's Manual on Corporate Governance for the year 2015. The Manual on Corporate Governance clearly defines the Board's responsibilities and the corporate governance policy of the Company. The Board acknowledges that the attainment of corporate goals is by no small measure supported by the commitment to the principles of corporate governance. Proof of the Board's strict adherence to the Manual on Corporate Governance is the Company's clear record of compliance with SEC and PSE rules and regulations. The Manual on Corporate Governance was adopted with AboitizPower's vision and mission of proactively working with customers to anticipate the unique and diverse range of industrial, commercial, and residential energy needs and to build customer intimacy because the Company believes that customers deserve no less than the best service it can possibly give. AboitizPower has many programs instituted by its generation companies and distribution utilities to support customers' rights and pursuant to the DOE and ERC requirements.

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

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

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

The members of the Board have free access to the Chief Legal Officer of the Company and to the legal team in general. This line of communication supports effectiveness of governance practices. Recent global practices show that the governance effectiveness at any company benefits from the board of directors' expanded interaction with the general counsel or chief legal officer. This enhanced interaction goes beyond the traditional practice of general counsel attendance at board meetings, responding to questions and presenting reports on specific agenda matters. Although the level of interaction has not reached a formal practice, AboitizPower directors have informal opportunities to share perspectives with the legal team.

## **Board Structure**

### ***The AboitizPower's Code Ethics and Business Conduct***

#### **An Ethical Business**

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

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



## Code of Ethics and Business Conduct

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

The Code prohibits practices involving conflicts of interest, provides for the proper way of dealing with proprietary and confidential information, and truthful disclosures in the best interests of the clients, the Company, and the public. In March 2016, the Board of Directors approved the amendments to the Company's Code of Ethics and Business Conduct as endorsed by the Board Corporate Governance Committee. The key revisions to the Code include the adoption of a more defined anti-bribery and corruption policy and the inclusion of the existing sustainability and social medial policies of the Company.

### ***Board of Directors are Required to Comply with the Code of Ethics Disclosure on the Implementation and Monitoring of Compliance with the Code of Ethics***

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

The detailed implementation of the Code is also delegated in the roles of the various functional teams of AEV Corporate Center and defined in the Code of Ethics and Business Conduct of the Company. The Company's Code of Ethics is downloadable from its website at [www.aboitzpower.com](http://www.aboitzpower.com).

### ***Board Structure and Composition***

The Company is compliant with Section 38 of the Securities Regulation Code and Rule 38 of its Amended Implementing Rules requiring public companies to have independent directors constituting 20% of the total number of directors.

### ***Independent Directors Independent of Management and Major Shareholders***

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

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

Independent Directors of the Company do not perform any management duties and do not perform any minor or substantial management work. The Independent Directors sit in the Board Committees and perform their functions as members of the various Committees, solely for oversight of the Company's management team.

The Company's non-executive directors and Independent Directors meet at least once a year without the presence of the executive directors for an informal discussion of issues. The Independent Directors met with the non-executive Chairman of the Board for their annual executive sessions on July 23 and 29, 2015 at Taguig City for an informal discussion of issues.

### ***Term Limits of Independent Directors***

The Company also adopted SEC Memorandum Circular No. 9, Series of 2011, imposing term limits for Independent Directors aimed at enhancing the effectiveness of Independent Directors and at encouraging the infusion of fresh ideas to a Board of Directors. In compliance with the said Memorandum, the Board Corporate Governance Committee regularly monitors the tenure of the Company's Independent Directors. The Company has adopted a 5-year tenure for its Independent Directors counted from the effectivity of the SEC Circular.

### ***Limitation on Board Membership of Independent Directors***

Pursuant to the Company's Manual on Corporate Governance, the Board Corporate Governance Committee shall consider among any other factors, the number of directorship/active memberships and offices in other corporations and organizations in the selection of the board members. The same limitation applies to independent directors.

As shown in the certification of affiliations required from each of the nominated Independent Directors submitted to the SEC, Mr. Romeo L. Bernardo is a director of the following PLCs: Bank of the Philippine Islands, Globe Telecommunications and RFM Corporation. On the other hand, Mr. Carlos C. Ejercito is a director of PLC Bloomberry Resorts Corporation and Century Properties Group, Inc. Mr. Alfonso Uy is not a director of any other publicly listed company.

### ***Executive Directors in the Boards of Other PLCs***

The Company's Manual on Corporate Governance, also provides that the CEO and other executive directors shall submit themselves to a low active limit on membership in other corporate boards.

The Company's executive directors do not generally sit on other boards of PLCs outside the Group, unless they have substantial interests in those PLCs or they have been asked to sit in the capacity as independent directors. The executive directors do not sit in more than two boards of publicly listed companies outside the Aboitiz Group.

## **The Board Committees**

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

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

The Board decided at its May 17, 2010 meeting to amend the Manual on Corporate Governance and have the functions of the Board Strategy Committee subsumed under the scope of functions of the full Board membership.

As a result, the Board regularly holds a special strategy Board meeting in addition to the strategy sessions at regular board meetings and the informal strategy meetings of the Directors.

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

### **The Board Corporate Governance Committee (with Nomination and Compensation Committee)**

The Board's ability to make decisions with governance impact is supported by the work of the Board Corporate Governance Committee. The Board Corporate Governance Committee provides information and recommendations necessary for making good governance decisions.

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

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

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

Since the Board Corporate Governance Committee is a merger of the Nomination and Compensation Committees and the original Corporate Governance Committee, the Board Corporate Governance Committee formulates policies, guidance in selecting nominees for the Board of Directors, among others, in a coordinated way. In performing its duties, the Committee maintains an effective working relationship with the Board of Directors. The Board Corporate Governance Committee performs the functions of the Nominations and Remuneration Committee.

Pursuant to the merger of Board Committees, the Board Corporate Governance Committee performs the functions of the Nominations and Remuneration and the Board Corporate Governance Committees. It accepts the shareholder nominations of directors and recommends, after study, the compensation of directors, as well as succession issues.

### **Independent Directors Comprise Majority of the Corporate Governance Committee**

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

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

<b>BOARD CORPORATE GOVERNANCE COMMITTEE (2015-2016)</b>	
Jon Ramon Aboitiz	Chairman (Non-Executive)
Erramon I. Aboitiz	Director (Executive)
Carlos C. Ejercito	Independent Director
Alfonso A. Uy	Independent Director
Romeo L. Bernardo	Independent Director
M. Jasmine S. Oporto	Ex-officio Member
Xavier Jose Y. Aboitiz	Ex-officio Member

### **Chairman of the Corporate Governance Committee is an Independently Minded Non-Executive Director**

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

### **Disclosure of Governance Structure and Charter of the Corporate Governance Committee**

The composition, roles and responsibilities of the members of the Corporate Governance Committee are defined in the Company's Manual on Corporate Governance, which serves as the committee's charter. The Manual on Corporate Governance is available at the [www.aboitzpower.com](http://www.aboitzpower.com) under the Policies and Protocols in the Corporate Governance page.

### Number of Committee Meetings in a Year and Attendance of Members

All members of the Board Corporate Governance Committee attended all its meetings in 2015. Individual directors' percentage record of attendance at meetings of the Committee was 100% and overall percentage of directors present at said meetings was 100% as shown below:

ABOITIZ POWER CORPORATION CORPORATE GOVERNANCE COMMITTEE		2/26/2015	7/23/2015	12/2/2015	Total No. of Meetings Attended by Each Member	Percentage of Attendance
1	Jon Ramon Aboitiz	P	P	P	3	100%
2	Erramon I. Aboitiz	P	P	P	3	100%
3	Carlos C. Ejercito	P	P	P	3	100%
4	Alfonso A. Uy	P	P	P	3	100%
5	Romeo L. Bernardo	P	P	P	3	100%
6	M. Jasmine S. Oporto	P	P	P	3	100%
7	Xavier Jose Y. Aboitiz	P	P	P	3	100%
Total No. of Members Present in Each Meeting		7	7	7		100%
Percentage of No. of Members Present in Each Meeting		100.00%	100.00%	100.00%	100.00%	

Legend: P - Present, A - Absent

### Nomination of Independent Directors

The nomination and selection of Independent Directors by the Board Corporate Governance Committee, acting in its capacity as a Nominations Committee, are intended to obtain a balanced mix of discipline and expertise among the Independent Directors and to align the Independent Directors' credentials with that of the Company's strategic goals, mission and directions. The Committee therefore looks for the disciplines of finance and accounting, legal, engineering, investment banking, economic planning and business development, among many other skills and credentials.

### Approval of the Corporate Governance Committee

The resolutions of the Board Corporate Governance Committee can only be approved with the vote of at least one Independent Director.

### Annual Performance Assessments

The annual performance assessments of the CEO, the individual members of the Board, and the Board of Directors as a body are conducted by the Board Corporate Governance Committee. The attendance of directors at Board meetings is reported to the Board Corporate Governance Committee through the Board Performance Report and the Certificate of Attendance. Pursuant to SEC Memorandum Circular 1-2014, the Company updated its Annual Corporate Governance Report in its corporate governance website to reflect the attendance of the members of the Board of Directors in meetings conducted for the year 2015.

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

For the year 2015, the Board Corporate Governance Committee took up the following matters:

Date of Meeting	Type of Meeting	Matters Discussed
February 26, 2016	Regular	<ol style="list-style-type: none"> <li>1. Annual Stockholders' Meeting (ASM) Matters</li> <li>2. Salary Adjustments for 2015</li> <li>3. Executive Session (Succession)</li> <li>4. Distribution of the 2014 Board and CEO Assessment</li> <li>5. Scheduling of 2015 SEC-mandated Annual Corporate Governance Seminar</li> <li>6. Updates on WADDS, Dividend Distribution and Outstanding Checks</li> <li>7. 2014 Statutory Compliance Report</li> <li>8. Corporate Governance Updates</li> <li>9. Regulatory Updates</li> <li>10. Investor Relations Report</li> </ol>
July 23, 2015	Regular	<ol style="list-style-type: none"> <li>1. Annual Stockholders' Meeting Updates</li> <li>2. Results of the 2014 Board Performance Assessment</li> <li>3. Assumption of New Stock Transfer Agent</li> <li>4. Gap Analysis of Code of Ethics and the Foreign Corrupt Practices Act</li> <li>5. Corporate Governance Updates</li> <li>6. Regulatory Updates</li> <li>7. Investor Relations Report</li> <li>8. Integration of Legal Management with Governance Risk and Compliance</li> </ol>

Date of Meeting	Type of Meeting	Matters Discussed
December 2, 2015	Regular	<ol style="list-style-type: none"> <li>1. Corporate Governance Updates</li> <li>2. Regulatory Updates</li> <li>3. Investor Relations Report</li> <li>4. 2015 ASEAN Corporate Governance Scorecard Awarding Ceremony</li> <li>5. 2015 PSE Bell Awards – Results</li> <li>6. Report on Dividend Cheques for Year End 2015</li> </ol>

### **The Board Audit Committee**

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

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

The audited financial statements are released in accordance with the BIR requirement to file every April 15.

### **Independent Directors Comprise Majority of the Audit Committee**

The Board Audit Committee is composed of a majority of Independent Directors, or three out of the five director- members.

For 2015-2016, the Board Audit Committee membership is as follows:

BOARD AUDIT COMMITTEE (2015-2016)	
Carlos C. Ejercito	Independent Director
Alfonso A. Uy	Independent Director
Romeo L. Bernardo	Independent Director
Mikel A. Aboitiz	Director (Executive)
Antonio R. Moraza	Director (Executive)

### **Chairman of the Audit Committee is an Independent Director**

During the Company’s Organizational Meeting last May 19, 2015, the Board appointed Mr. Carlos C. Ejercito as Chairman of the Board Audit Committee. Mr. Ejercito brings with him a wealth of experience in internal controls and audit having worked with companies such as Bloomberry Resorts Corporation and Century Properties Inc., as Independent Director.

### **Governance Structure and Charter of the Board Audit Committee**

The composition, roles and responsibilities of the members of the Corporate Governance Committee are defined in the Company’s Manual on Corporate Governance and Audit Charter. The Manual on Corporate Governance and the Charter of the Board Audit Committee are available at the [www.aboitzpower.com](http://www.aboitzpower.com) under the Policies and Protocols in the Corporate Governance page and the Governance Team in the Board Committees page, respectively.

### **Disclosure of the Qualifications or Profile of the Audit Committee Members**

The Company fully discloses the qualifications of the members of the Board, including the members of the Audit Committee. As reported in the Company’s Definitive Information Statement which is distributed to the shareholders prior to the Annual Shareholders’ Meeting, each member of the Audit Committee has vast experience in auditing, finance and accounting.

The profiles of the Directors are also uploaded in the Company’s website and disclosed to the SEC and PSE prior to the shareholders’ meeting. (Please refer to [www.aboitzpower.com](http://www.aboitzpower.com) under the Latest Annual Report in the Investor’s Kit page.)

Each member of the Board Audit Committee has long accounting and finance working experience in their respective professional careers: each has adequate understanding, familiarity and competence on most of the Company’s financial management systems and environment.

### Accounting Experience of the Independent Directors who are Members of the Audit Committee

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

As disclosed in the 2014 Definitive Information Statement of the Company, the Chairman of the Board Audit Committee, Mr. Carlos C. Ejercito is a Certified Public Accountant and has extensive experience in accounting, finance and auditing.

### Number of Committee Meetings in a Year and Attendance of Members

Attendance record in meetings by members of the Board Audit Committee has been good. Individual directors' record of attendance at meetings of the Committee has been 80% and overall percentage of directors present at said meetings has been 80% as can be seen below:

ABOITIZ POWER CORPORATION AUDIT COMMITTEE		3/5/2015	4/27/2015	7/28/2015	10/26/2015	12/2/2015	Total No. of Meetings Attended by Each Member	Percentage of Attendance
1	Carlos C. Ejercito	P	P	P	P	P	5	100%
2	Alfonso A. Uy	A	P	P	P	P	4	80%
3	Romeo L. Bernardo	P	P	P	P	P	5	100%
4	Mikel A. Aboitiz	A	P	P	A	A	2	40%
5	Antonio R. Moraza	P	A	P	P	P	4	80%
Total No. of Members Present in Each Meeting		3	4	5	4	4		80%
Percentage of No. of Members Present in Each Meeting		60.00%	80.00%	100.00%	80.00%	80.00%	80.00%	

Legend: P - Present, A - Absent

### Disclosure of the Attendance of Members of the Audit Committee Members

The Company fully discloses the attendance of the members of the Board Audit Committee for the year 2015 in its Annual Corporate Governance Report duly filed with the SEC and is readily available at the Company's website in the Governance Reports and Scorecards under the Corporate Governance page.

### Audit Committee's Primary Responsibility to Recommend the Appointment and Removal of External Auditor

The Board Audit Committee, in conjunction with the Group Internal Audit, performs the following functions: reviews and approves non-audit services conducted by the external auditor and corresponding fees, assesses and recommends the external auditor on behalf of the Board to ensure a selection of credible, competent external auditor with the ability to understand the complexity of the entire range of the transactions of the Company, provides the Board with adequate and relevant information on the external auditors for a fair and transparent selection or tender process, and schedules regular meetings and dialogues with the external audit team (with and without management teams present).

By policy and practice, the Board Audit Committee makes recommendations to the Board of Directors concerning the selection of the external auditor and preapproves audit plans, scope and frequency before the audit is conducted. In 2015, the shareholders delegated to the Board the authority to qualify and appoint the Company's external auditor.

### Transparency of Audit Process

The Company's Group Internal Audit Team and the Board Audit Committee conducts and reviews the Company's internal audit operations to make sure that all information are prepared and disclosed in accordance with high integrity standards of accounting, financial and non-financial disclosure. The Board Audit Committee has oversight over the Group Internal Audit. The Group Internal Audit conducts its own internal audit, providing an independent review of the Company's internal organizational and operational controls and risk management policies to ensure its effectiveness and appropriateness, and that they are complied with. The Group Internal Audit reports to the Board Audit Committee.

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

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

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

Aside from an internal audit, an annual external audit of the Company is performed by SGV, an independent, competent and qualified auditor. SGV has been the Company's external auditors for the fiscal years 1998 to 2015. SGV provides an external and objective assurance to the Board as well as provides additional protection to the rights of Shareholders and creditors that the financial statements fairly represent the financial position and performance of the Company in all materials aspects.

Ms. Leovina Mae V. Chu is the Company's audit partner for 2015. She replaced Mr. Ladislao Z. Avila, Jr. who served as the audit partner of the Company in 2011. The external auditors also attend the Company's Annual Shareholders' Meeting to respond to any questions on the Company's audited financial statements. They also have the opportunity to make a statement if necessary. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

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

## Audit of Company

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

## ISO 9001:2008

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

## Interface with External Auditor

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

Below are the highlights for the Board Audit Committee work for the year 2015:

Date of Meeting	Type of Meeting	Matters Discussed
March 5, 2015	Regular	<ol style="list-style-type: none"> <li>1. SGV Presentation of Audit Results for Financial Year 2014</li> <li>2. AP YTD 2014 Financials</li> <li>3. PEMC Penalty to TMO</li> <li>4. Presentation of Internal Audit</li> <li>5. Board Audit Committee Self-Assessment for 2014</li> </ol>
May 7, 2015	Regular	<ol style="list-style-type: none"> <li>1. AEV YTD March Financials</li> <li>2. Presentation of Group Internal Audit</li> </ol>
July 28, 2015	Regular	<ol style="list-style-type: none"> <li>1. Appointment of External Auditor for 2015</li> <li>2. AP YTD June Financials</li> <li>3. Presentation of Internal Audit</li> </ol>

Date of Meeting	Type of Meeting	Matters Discussed
October 26, 2015	Regular	<ol style="list-style-type: none"> <li>1. SGV Audit Plan for 2015 Financials</li> <li>2. AEV YTD September Financials</li> <li>3. Presentation of Group Internal Audit</li> </ol>
December 2, 2015	Regular	<ol style="list-style-type: none"> <li>1. 2016 Aboitiz Group Top Risks Review</li> <li>2. Project Risks Review</li> <li>3. 2016 Combined Assurance Plan</li> <li>4. 2016 Committee Meetings and Proposed Agenda</li> </ol>

## Internal Company Controls

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

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

## Board Audit Committee Self-Assessment

The Board Audit Committee Self-Assessment for showed exemplary compliance to the standards required of a Board Audit Committee under the SEC Revised Code of Corporate Governance. In compliance with SEC Memorandum Circular No. 4: Guidelines for the Assessment of the Performance of Audit Committees of PLCs, the Board Audit Committee and the Board of Directors approved the Amended Board Audit Committee Charter, on August 2, 2012 and September 27, 2012, respectively. The Company also disclosed to the PSE and SEC, the SEC FORM 17-C in compliance with the SEC Memorandum Circular No. 4 last October 4, 2012. No additional self-assessment was required to be conducted in 2015.

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

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

As reported by the Chairman of the Board Audit Committee in the Annual Report, the Company's internal controls are adequate and the basic control assertions of reliability and integrity have been satisfactorily complied with. Standardization and alignment of processes across the Group have also been satisfactorily addressed in 2013 and throughout 2015.

### Report of the Board Audit Committee

For 2015, the Company did not receive any sanctions from regulators on financial reports nor did it receive any qualified, adverse and disclaimer opinions on its external audit report. The Board Audit Committee also reported to the Board on the adequacy of the Company's current internal controls. The Board Audit Committee recently passed its 2015 mandatory self-assessment for audit control, procedures and system.

There was no incidence where the Company did not comply with any listing rules and regulations over the past year.

The Company also disclosed to the SEC and the PSE its compliance with SEC Memorandum Circular No. 4-2012, Guidelines for the Assessment of the Performance of Audit Committee of Companies Listed on the Exchange last October 4, 2012 based on SEC's compliance monitoring schedule.

### The Board Risk and Reputation Committee

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

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

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

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

BOARD RISK & REPUTATION MANAGEMENT COMMITTEE (2015-2016)	
Enrique M. Aboitiz	Chairman (Non-Executive)
Antonio R. Moraza	Director (Executive)
Mikel A. Aboitiz	Independent Director
Carlos C. Ejercito	Independent Director
Alfonso A. Uy	Independent Director
Manuel R. Lozano	Ex-officio Member
Susan V. Valdez	Ex-officio Member

Attendance record of members of the Board Risk and Reputation Management Committee has been consistently good. Individual directors' percentage record of attendance was at 90.00% and overall percentage of directors present at said meetings was at 86.21%.

ABOITIZ POWER CORPORATION CORPORATE GOVERNANCE COMMITTEE		2/26/2015	7/23/2015	12/2/2015	Total No. of Meetings Attended by Each Member	Percentage of Attendance
1	Enrique M. Aboitiz	P	P	A	2	67%
2	Antonio R. Moraza	P	P	P	3	100%
3	Mikel A. Aboitiz	A	P	A	1	33%
4	Carlos C. Ejercito	P	P	P	3	100%
5	Alfonso A. Uy	P	A	P	2	67%
6	Romeo L. Bernardo	NA	P	P	2	100%
7	Manuel R. Lozano *Replaced by Liza Luv Montelibano in May 2015	P	NA	NA	1	100%
8	Liza Luv T. Montelibano *Appointed in May 2015; replacing Manuel R. Lozano	NA	P	P	2	100%
9	Susan V. Valdez	P	P	P	3	100%
<b>Total No. of Members Present in Each Meeting</b>		<b>6</b>	<b>7</b>	<b>6</b>		<b>85%</b>
<b>Percentage of No. of Members Present in Each Meeting</b>		85.71%	87.50%	75.00%	82.74%	

Legend: P - Present, A - Absent

In its 2015 meetings, the Board Risk and Reputation Management Committee reviewed, discussed, updated and approved the following matters:

Date of Meeting	Type of Meeting	Matters Discussed
February 26, 2015	Regular	<ol style="list-style-type: none"> <li>1. CSR Year-end report</li> <li>2. 2014 Group Risk Maturity Index Results</li> <li>3. Risk Finance Update</li> </ol>
July 23, 2015	Regular	<ol style="list-style-type: none"> <li>1. Risk Appetite Policy</li> <li>2. Risk Management Information System</li> <li>3. Project Risk Review</li> <li>4. Strategic Risk Review – Mid Year Update</li> <li>5. Board Evaluation Results – Risk Management Items</li> </ol>
December 2, 2015	Regular	<ol style="list-style-type: none"> <li>1. 2015 Risk and Reputation Management Year-End Report</li> <li>2. 2016 Risk and Reputation Management Plans, Initiatives, Programs</li> <li>3. Risk and Reputation Management Policy Review and Approval</li> </ol>

### Other Company Committees and Group Initiatives

Aside from the Board Committees established under the Manual on Corporate Governance, the Company has other policy recommendatory and evaluation committees, such as, but not limited to, the AP Generation Companies Management Committee, the AP Distribution Utilities Management Committee and the AP Excom.

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

The Company's Management team is also an active participant in the following Company and Aboitiz Group committees for the formulation and implementation of management policies:

The Group Management Committee (Group ManCom) reviews and approves group-wide policies and initiatives and conducts Key Talent Reviews. The committee also serves as Risk Management Council that ensures proper implementation of the Risk Management framework and its strategies, policies,

and key initiatives across the Aboitiz Group. It reviews and monitors the Group's top risks and emerging risks and ensures implementation of corresponding risk mitigation. The Committee approves all risk transfer programs with insured values beyond P2 billion. It is chaired by the President & Chief Executive Officer of the Aboitiz Group, and the members are the chief executive officers of the Strategic Business Units (SBUs), and Aboitiz's Chief Human Resources Officer, and Chief Financial Officer, as members.

The AP Management Committee is in charge for the following functions: (a) Review and approve Corporate Center initiatives that enhance governance, business partnering and being a knowledge center for support services; (b) Review and recommend initiatives to Group ManCom that will require participation from the SBUs and/or will have an impact to the SBUs; and (c) Review and approve Corporate Center policies, organization structure, promotions, benefits, budgets and plans; and Conducts Key Talent Reviews. The Chairman is the Company's Chief Executive Officer. The members are the Chief Human Resources Officer, Regulatory Team Leader, Chief Financial Officer, Chief Strategy and Investment Officer, the General Counsel, the Company's Treasurer, the Chief Technology Officer, the Company's FVP - Controller, the Company's FVP – Human Resource and Quality, and the Chief Strategy and Investment Officer.

The Insurance Management Committee is created to perform the reviews and approval of (a) Business interruption assumptions for the sum insured and indemnity period; (b) Replacement value of the business unit's physical assets; (c) All insurance lines to be procured by the business units for operations and project requirements; (d) All insurance quotations; and (e) Insurance programs of business units with insurable risk value of up to P2 billion. The Chairman is the Aboitiz's Chief Financial Officer. The members are the Chief Reputation and Risk Management Officer, AboitizPower's Chief Financial Officer, the SBU's Finance Team Leaders, and the Financial Risk Management Officer.

The Investment Committee has the following functions: (a) Provide a standard way of pulling together information on investment opportunities; (b) Provide early opportunity for information to flow in two ways to help team members and management to understand any deal; and (c) Ensure timely investment and timely evaluation of opportunities available to the Company. The Chairman is Aboitiz's President & Chief Executive Officer. The members are Aboitiz's the Chief Financial Officer, Chief Strategy and Investment Officer, Deal Team Leaders, SBU's Chief Executive Officer, the SBU's Chief Financial Officer, and the Chief Operating Officers of the BUs.

The Risk Management Steering Committee is responsible for the following: (a) Review and recommendation of group-wide Risk Management and Insurance Policies, strategies and initiatives for RM Council's review and approval; (b) Review, monitoring and reporting of implementation progress of group-wide Risk Management and Insurance projects and initiatives; and (c) Serving as forum for discussing key risk issues, emerging risks and sharing Risk Management knowledge, best practices, experience and research work. Its Chairman is the Aboitiz Group's Chief Risk and Reputation Management Officer. The members are the Risk Management Team Leaders, and the SBU and business units' Risk Managers.

The Reputation/Corporate Social Responsibility/Sustainability Council performs the following functions: (a) Develop strategy and group-wide initiatives and related to reputation management, CSR, and sustainability; (b) Set policies and guidelines related to corporate communication, media relations, branding, CSR and sustainability; and (c) Review, monitor, and report implementation progress of group-wide projects related to corporate communication, media relations, branding, CSR, and sustainability. The Chairman is the Aboitiz Group's Chief Risk and Reputation Management Officer and the members are the SBU and business units' Reputation Managers.



The BIT Committee formulates and manages IT policies, processes, structures, and systems of group-level issues where collective effort, knowledge, capital, or economy create a higher quality outcome. This is chaired by the Aboitiz Group's Chief Technology Officer and the members are the SBU and business units' IT Managers.

The Human Resource Committee leads in the following matters of the Aboitiz Group: (a) Key HR initiatives in the Company's Corporate Center and the SBUs and Business Units; (b) Group HR policies and practices; (c) HR best practices; and (d) Resolution of HR-related issues. The Chairman is the Chief Human Resources Officer and the members are the First Vice President – Human Resources and Quality, AboitizPower's HR Team Leaders, and SBU business units' HR Heads.

The Finance Committee performs the following functions: (a) Review long-term financing requirements including operational companies, greenfield projects, and business development projects which include acquisitions; (b) Review placement limits and investment outlets; (c) Review credit lines (short-term lines and single borrower's limit); (d) Review cash flows; (e) Review foreign exchange hedging requirements; and (f) Update market directions on interest rates and foreign exchange. The Chief Financial Officer of the Aboitiz Group chairs the committee. Its members are AEV's Treasurer, the Company's Chief Financial Officer, and the Financial Team Leaders (as Invited Attendees).

The Government Relations Committee (a) Coordinates all government-related activities across the group; (b) Monitors relevant legislation and government policies; (c) Develops good working relationships with government agencies, LGUs and business organizations, in coordination with different business units and the Aboitiz Foundation and Weather Philippines Foundation; and (d) Participates and provides inputs to government committee hearings and public consultations. It is chaired by an AEV Executive Officer. The members are: the Company's President and Chief Operating Officer, the Government Relations Team Leaders, AboitizPower's Regulatory Team Leader, and the Chief Legal Officer.

The Legal Executive Committee (LexCom) is formed to do the following: (a) Report and assess the Aboitiz Group's corporate governance and legal risk management practices, legal compliance track records, (b) identifies and mitigates legal risks, reviews litigation management procedures, tax protocols, current litigation issues and other related matters affecting the Aboitiz group, including overall



legal expenditure of the business units; (c) Ensure a comprehensive legal compliance program of the company; (d) Initiate the formal adoption of the Company's Code of Conduct, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel; and (e) Regularly update management on ongoing projects or activities of the Legal and Corporate Services Team. It is chaired by the Aboitiz Group's Chief Financial Officer. The members are the Chief

Legal Officer and Compliance Officer, the Chief Human Resources Officer, Chief Reputation and Risk Management Officer, the Legal and Corporate Services Legal Team, and AboitizPower's Chief Financial Officer.

The LexCom is one of the Aboitiz Group's institutional venue enabling members of the Legal & Corporate Services Team to meet with the executive management to discuss legal issues and concerns that affect the group. It is overseen by the CFO of AEV and managed by the Chief Legal Officer of the Aboitiz Group.

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

The LexCom meets every two months to regularly update management on ongoing projects or activities handled by the Legal and Corporate Services Team. The purpose of these meetings is to provide Executive Management with up to date and relevant legal developments affecting the businesses of the Company. The LexCom also reviews if there are any requests for waivers or exemptions of company governance rules. The LexCom supports the Company's efforts in maintaining ethical and proper conduct of Company personnel. The LexCom 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 LexCom assists the Human Resources team in setting the policies and procedures for discipline of employees for involvement in unethical activities, such as offering, paying and receiving inappropriate rewards or benefits or participating in unauthorized procurement activities.

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

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

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

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

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

## Board Processes

### Schedule of Board Meetings

Every year, the members of the Board agree on the schedule of meeting for the next financial year. The final date of meeting for the succeeding year, as well as the time and venue of the meetings are circulated to the Board and uploaded in the Diligent Board Books right after the last meeting of the year.

### At Least 6 Board Meetings a Year

Pursuant to the Manual on Corporate Governance of the Company, the Board of Directors of the Company meets at least once every two months or at least six (6) times a year. In 2015, the board meetings of the Company were as follows: January 27, 2015, March 26, 2015, May 18, 2015, July 29, 2015, September 24, 2015, and December 4, 2015.

### Attendance of Directors to Board Meetings

The attendance of individual directors in board meetings is reported to the Board Corporate Governance Committee by way of the Board Performance Report and to the SEC through the filing of the Annual Corporate Governance Report. The attendance of the directors to the Company's board meetings in 2015 was good. The attendance of the directors to the Company's board meetings in 2015 was exemplary with an overall percentage of 91.67% attendance record for the nine (9) regular and special board meetings, including strategy meetings for each director and 92.59% presence of directors per meetings.

Aboitiz Power Corporation Board Meetings	Regular and Special Board Meetings 2015									Total No. of Meetings Attended by Each Member	Percentage of Attendance
	28-Jan Regular	18-Feb Special	10-Mar Special	26-Mar Regular	18-May Regular	29-Jul Regular	24-Sept Regular	4-Dec Regular	18-Dec Special		
Enrique M. Aboitiz	P	P	A	P	P	P	P	A	P	7	80%
Jon Ramon Aboitiz	P	P	P	P	P	P	P	P	P	9	100%
Erramon I. Aboitiz	P	P	P	P	P	P	P	P	P	9	100%
Antonio R. Moraza	P	P	P	A	P	P	P	P	P	8	90%
Mikel A. Aboitiz	P	A	A	P	P	P	P	P	P	7	80%
Jaime Jose Y. Aboitiz	P	P	P	P	A	P	P	P	P	8	80%
Carlos C. Ejercito	P	P	P	P	P	P	P	P	P	9	100%
Alfonso A. Uy	P	P	P	P	P	P	P	P	P	9	100%
Romeo L. Bernardo	P	P	P	P	P	P	P	P	P	9	100%
<b>Total No. of Members Present in Each Meeting</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>9</b>		<b>92.59%</b>
<b>Percentage of No. of Members Present in Each Meeting</b>	<b>100.00%</b>	<b>88.89%</b>	<b>77.78%</b>	<b>88.89%</b>	<b>88.89%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>88.89%</b>	<b>100.00%</b>	<b>91.67%</b>	

Legend: P - Present, A - Absent

### Quorum Requirement for Board Approvals

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. As practiced, decisions of the Company's Board are always made with the consensus or vote of all of the Company's independent directors and other directors resulting in at least 2/3 or a unanimous vote of all directors of the Board.

### Meeting of Non-Executive Directors at Least Once a Year (Without Executives Present)

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. The Independent Directors met with the non-executive directors, including the Chairman of the Board Corporate Governance Committee, at Taguig City on July 23 and 29, 2015 for their informal discussion of issues.

### Board Materials Circulation Timeline

Based on existing Board Protocols adopted by the Board Secretariat, the board materials for directors are provided to the Board. The Board Secretariat ensures that the Board materials are uploaded to the Aboitiz Boardbooks and available for reading at least five (5) business days prior to a board meeting.

Board meeting agenda items include reports on the generation businesses per sector, the power distribution business, energy trading updates, business developments, power regulatory updates and issues, investment proposals and business transactions, business strategies, financial and management reports, treasury reports, and top risks of the Company, among others.

### Role of the Company Secretary

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

The members of the Board have free access to the Chief Legal Officer of the Company and to the legal team in general. This line of communication supports effectiveness of governance practices. Recent global practices show that the governance effectiveness at any company benefits from the board of directors' expanded interaction with the general counsel or chief legal officer. This enhanced interaction goes beyond the traditional practice of general counsel attendance at board meetings, responding to questions and presenting reports on specific agenda matters. Although the level of interaction has not reached a formal practice, AEV directors have informal opportunities to share perspectives with the legal team.

## Board Appointment and Re-Election

### Criteria in Selecting New Directors

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

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

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

### Process Followed in Appointing New Directors

The Company's Guidelines for the Constitution of the Nomination Committee and the Nomination and Election of Independent Directors are available in the Company's website at [www.aboitzpower.com](http://www.aboitzpower.com) under the Corporate Governance webpage.

The Company also discloses the process of electing regular and independent directors in the Definitive Information Statement, copies of which are distributed to the shareholders and uploaded in the Company's website at [www.aboitzpower.com](http://www.aboitzpower.com).

### Re-Election of Directors

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

## Directors Selection Database

The Company uses professional search firms, external sources of candidates including director databases, professional organizations (whether Philippines or offshore) when searching for candidates for nomination of independent directors. The Company uses all available professional databases and information resources for the selection of Directors, whether through professional search firms or other external sources of candidates.

## Board Remuneration Matters

### Remuneration Policy and Practices of Executive Directors and CEO

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

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

The board remuneration policy and practice is disclosed in the Company's Definitive Information Statement and Annual Corporate Governance Report.

### Disclosure of the Fee Structure for Non-Executive Directors Shareholders or Board Approval for the Remuneration of Executive Directors and Senior Management

AboitizPower ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in a regular shareholders' meeting. As approved by the shareholders during the ASM held last May 16, 2011, each director receives a monthly allowance of ₱100,000 for each member and ₱150,000 for the Chairman. Each director receives a per diem of ₱100,000 per board meeting attended except for the Chairman of the Board who receives a per diem of ₱150,000. In every board committee meeting attended, each director is entitled to a per diem of ₱80,000 except for the Chairman of the Committee who receives ₱100,000. There were no changes to the Board compensation recommended in 2012, 2013 and 2014 for shareholder approval. The remuneration package is in line with the study on benchmarking of market compensation for directors in the Philippines.

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

In the last Annual Stockholders' Meeting of May 18, 2015, the shareholders approved the following increase in the compensation of the directors to take effect after May 18, 2015:

Director's Monthly Allowance		
	2015	2014
Chairman of the Board	180,000.00	150,000.00
Members of the Board	120,000.00	100,000.00

## ***Independent Non-Executive Directors Do Not Receive Options, Bonuses or Performance Shares***

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

## **Internal Audit**

### ***The Company's Internal Audit Function***

The Company has a well-entrenched independent internal audit group, the Group Internal Audit (GIA), which is overseen by the Board through the Board Audit Committee. The independent internal auditors reports directly to the Board Audit Committee, and the Board Audit Committee has the ultimate authority and responsibility to select, evaluate, recommend, and where appropriate, re-appoint or replace the Company's Independent External Auditors.

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

### ***The Head of Group Internal Audit***

The Company did not hire or engage an external firm to head Group Internal Audit (GIA). Ms. Marie Tanate who heads the GIA holds the position of Assistant Vice President for Internal Audit. The report discloses the position of Ms. Tanate as head of the GIA.

### ***The Board Audit Committee to Appoint and Remove the Internal Auditor***

The GIA reports functionally to the Board Audit Committee and administratively (i.e. day-to-day operations) to the Chief Executive Officer.

The Board approves all decisions regarding the performance evaluation, appointment, or removal of the GIA Head as well as the GIA Head's annual compensation and salary adjustment.

The GIA Head will communicate and interact directly with the Board, including in private/executive sessions and between Board meetings, as appropriate.

## **Risk Oversight**

### ***Disclosure of Company's Internal Procedure/Risk Management System***

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

The Board Risk and Reputation Management Committee's oversight focuses on the four cornerstones of the Company's ERM framework, namely, Governance, Process and Integration, Risk Finance and Capability Building.

Risk Oversight responsibilities are set out in the Manual on Corporate Governance. All internal controls procedures are incorporated in the policies of the revised Board Risk and Reputation Management Charter.

### ***Review of Company's Material Controls and Risk Management Systems***

The Company discloses its internal control procedures and risk management systems through the Risk Management Report of its Chief Reputation and Risk Management Officer in the Aboitiz Integrated Annual Report. The report shows a review of the Company's material controls and risk management systems, key Group risk management developments, and a discussion of the Company's top risks. The Risk Management Team continues to pursue various risk initiatives for 2015, such as the development and implementation of a Level 5/Regional Scenario Business Continuity plan, a conduct of risk engineering surveys, developing better insurance programs for the Aboitiz Group, review, assessment and development of groupwide Business Continuity Plan table top test plans, Risk Management Integration with Key Internal Processes, Improved Integration of Risk Subject Matter Experts, 2014 Risk Maturity Index Assessment, Risk Management Information System Phase 1 and 2, Risk Management Policy Review, ERM Process Audit, and development of a sustainability roadmap. (See *Risk Management Report in the Annual Report at www.aboitzpower.com*)

### ***Management of Key Risks***

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

All power industry players including those unregulated industry players continues to experience the strong hand of government intervention in the industry in 2015. The top challenge of AboitizPower for the year 2015 was increased regulation with tendency of intervention from the DOE and the ERC. There was high regulatory intervention for the non-regulated industries designated under the EPIRA. The energy regulator, i.e. the ERC, declared its implied authority to exercise police power, ordered regulated prices, and declared market failure of the WESM when there was an allegation of excessive high prices in the WESM, even though energy market prices cleared based on rules approved by the ERC and the PEMC. The ERC has also been making policy shifts to the existing ERC-established PBR methodology for the 2nd regulatory period forcing AboitizPower Distribution Utilities to make adjustments to their existing rate-making model.

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

Given these shifting regulatory policies, AboitizPower's top challenges in 2015 were and still remains, sustaining viability and growth of its power business while working through the dynamic environment

of permitting and regulation for greenfield and existing generation projects, its continuing exposure to a weak grid infrastructure, and on the distribution business side, changes in the PBR methodology that has been in place since the implementation of EPIRA. More importantly, AboitizPower needed to build its organization for the present needs as well as for future expansion. Another major challenge that faced the Company is how to build a competent workforce in the industry. The Company has therefore set as its goals, the training of fuel experts, building of team networking skills and a company-wide performance management mindset.

Despite stakeholders' concerns on the existence of monopolistic power players, statistics actually show that EPIRA has actually created a more competitive electricity market since the breakup of the NPC monopoly.

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

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

The functional boards consisting of AP Generation and AP Distribution Utilities continued to oversee the Company's lines of businesses. The AP Corporate Center continued to assist and provide general and specific expertise to the business units, to take part and drive the strategic planning process, to set financial, fiscal and operating parameters, to source and optimize key or necessary talent, to identify synergies and determine group-wide policies and help improve and uplift the overall performance of all business units.

To further support AboitizPower in the successful execution of its business strategies, it maintained its service level agreements with AEV Corporate Center for its additional Human Resources services, Treasury, Accounting, Risk Management, Legal & Corporate, and Computer and Information Technology services. These shared services are intended to provide corporate governance controls, knowledge building, and a business partnership net for AboitizPower for itself, as well for the Company's subsidiaries and affiliates, in order to keep it aligned to its strategies and anchored on solid grounds. These arrangements are made on an arms-length basis and with market-based benchmarks.

### ***Enterprise Risk Management (ERM) and Reputation Management***

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

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

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

### ***Risk Management Plans***

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

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

If any lessons were learned from the typhoons, it is that the Company needs better weather forecasting to address these natural disaster risks. With the help of WeatherPhilippines Foundation and other available technologies, the Company can get better at forecasting and get better at anticipating natural calamities. The Company has developed the Regional Business Continuity Plans, where the business units are ready with mutual response and mutual aid for Level 5 weather conditions. This is also included in its risk management plans. To strengthen its compliance, the Company recently appointed an Occupational, Health, Environment & Safety Compliance Officer to oversee the Aboitiz Power Group of companies.

### ***Risk Management Initiatives***

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

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

The Company discloses its internal control procedures and risk management systems through the Risk Management Report of its Chief Risk and Reputation Management Officer in the Aboitiz Integrated Annual Report. Regular reports to the Board assess the Company's material controls and risk management systems, key Group risk management developments, and a discussion of Group top risks. (See Risk Management Report in the Annual Report at [www.aboitzpower.com](http://www.aboitzpower.com))

### ***Adequacy of the Company's Internal Controls/Risk Management System***

The Board Audit Committee Report to the Board of the Directors in the Annual Report and Information Statement contains an assessment of the state of the Company's internal controls. Further, the overall assessment of the statement of the effectiveness of the system of internal controls of the company is also presented and discussed during the first Board Audit Committee meeting for the year.

## People on the Board

### *The Chairman of the Board*

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

### *The Chairman of the Board is a Different Person from the CEO*

To ensure a clear distinction of the responsibilities in the management of the Company's business, the positions of the Company's Chairman and CEO are held separately by different individuals.

The Chairman of the Board, Mr. Enrique M. Aboitiz and the Company's CEO, Mr. Erramon I. Aboitiz were elected to their respective positions during the Organizational Meeting of the Board last May 18, 2015.

### *Former CEO does not Serve as Director of the Board*

The Company's current regular and independent non-executive directors have not served as CEO of the Company in the past two years.

### *The Chairman is not a former CEO of the Company*

The Company's Chairman of the Board, Mr. Enrique M. Aboitiz has not served as CEO of the Company in the last two years. The profile and qualifications of Mr. Aboitiz can be viewed at [www.aboitzpower.com](http://www.aboitzpower.com).

### *Roles and Responsibilities of the Chairman*

The roles and responsibilities of a member of the Board of Directors and Chairman of the Board are clearly defined in the Company's Amended By-Laws and in the Manual on Corporate Governance available at [www.aboitzpower.com](http://www.aboitzpower.com).

### *Skills and Competencies of Directors*

The selection process aims to align the Company's strategy with the right balance of different expertise and working experience in different businesses such as power, land, banking, infrastructure, foods, and disciplines such as legal, finance, accounting, economics and engineering.

### *Non-Executive Director Has Prior Working Experience in the Major Sector that the Company is Operating*

The Company's Independent Directors are chosen from a diverse pool of experts. The selection process aims to align choices of Independent Directors to that of the Company's strategy and to attain a balance of different expertise and working experience in different businesses such as power, banking infrastructure and the disciplines, legal, finance, accounting, economics and engineering. The Board Corporate Governance Committee undertakes a careful selection process by accessing professional databases, professional search companies and other alternative or informal databases.

The Company's directors are carefully selected for their professional backgrounds, expertise and experience. Mr. Alfonso A. Uy is a pre-eminent industrialist and philanthropist with knowledge of accounting, finance, power and the food industry. Mr. Carlos C Ejercito's professional background is a

Bachelor's degree in Business Administration with further studies in Management Development from Harvard Business School. He has experience as a CEO and Chair of various mining, land development, pharmaceutical and power industry players.

Both Messrs. Uy and Ejercito sit as Director in companies engaged in power business. Mr. Uy is the Vice Chairman of STEAG Power while Mr. Ejercito is the Independent Director of Monte Oro Resources and Energy Corporation.

### *Policy on the Diversity of the Members of the Board*

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

## Board Performance

### *Orientation Program for New Directors*

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

### *Policy on Continuing Professional Education Programmes*

The Company has a policy that the directors shall attend the necessary training programs to enhance their understanding of their roles and to develop and maintain the required technical knowledge to discharge their functions effectively.

Throughout the year, members of the Board participated in forums, seminars, and briefings on various issues and topics affecting the Company with the end in view of gaining depth and understanding of the Company's businesses and concerns. These seminars and trainings included, among others, lectures and one-on-one briefings regarding the ASEAN Integration, ASEAN Corporate Governance Scorecard, Financial Reporting, Audit Process, Philippine and Asia Economic Briefings by the Credit Suisse Economic Briefing and BDO Unibank Economic Briefing. The Board of Directors also participate in the annual joint risk and audit forum during which are discussed global risks and trends.

The AboitizPower Board recognizes that, for an effective corporate governance system, senior executives must constantly review and assimilate the principles of corporate governance consistently with the commitment of the Board of Directors. Newly hired or newly transferred team leaders and team members are required to take the in-house corporate governance e-learning seminar mandated by the Board. In addition, all Directors, together with key officers of the Company, are also required to attend annual in corporate governance seminars in compliance with SEC Memorandum Circular No. 20-2013, issued on December 6, 2013. Directors and officers attended the Company's SEC mandated Corporate Governance Seminar held in March 25, 2015 in partnership with the Institute of Corporate Directors.

### ***Succession Planning for the CEO and Key Management Positions***

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

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.

### ***Strengthening the Organization***

Following the changes to AEV's organization structure, AboitizPower also adopted changes to its organization which will effectively strengthen the leadership capabilities of its current management that will successfully execute its long-term strategic plans. The Company believes that only a strong team can drive excellent performance – especially at a time of growth amid a challenging business environment. AboitizPower aims to continuously strengthen its leadership team and cultivate a unique performance culture. The Company will continue to equip its team members and team leaders with the essential competencies to excel through leadership development and competency building programs. The Aboitiz Group takes pride in its leadership excellence, producing leaders from its ranks. Currently, 72% of the Group's top executives are homegrown talents.

To further strengthen its organizational capability and sustain leadership performance, HR is now in the process of taking Group talent management into a new level of governance. It is maximizing synergies

across the Group, developing and implementing more effective and efficient HR solutions for the SBUs through an enterprise-wide HR management system.

### ***Board Members and Directors Annual Performance Assessment/Appraisal Disclosure of Process Followed in Conducting the Appraisal Disclosure of Criteria Used in the Board and Individual Assessment***

Members of the Board annually assess the Board's performance, their own individual performances, and the CEO's performance through an annual Board Assessment Review overseen by the Board Corporate Governance Committee. The Board Corporate Governance Committee regularly conducts the Board Self-Assessment Review and the CEO assessment. Results of the Board, Self and CEO Assessments for 2015 were presented to the Board Corporate Governance Committee and circulated to the Board for their review and feedback.

The process followed and the criteria used in assessing the annual performance of the board and its committees, individual directors and the CEO/President are disclosed in the Company's Annual Report assessment and director appraisal.

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

## COMPANY AWARDS & RECOGNITION

### 2015 Company Awards

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

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

AboitizPower received the following Company awards in 2015:

Award-Giving Bodies	Awards
Corporate Governance Asia - 5th Asian Excellence Awards	Best Investor Relations Company Best Environmental Responsibility
15 <sup>th</sup> Finance Asia Best Asia Best Companies in Asia	Most Committed to Paying Good Dividends (8 <sup>th</sup> )
	Best in Corporate Governance (10 <sup>th</sup> )
Southeast Asia's Institutional Investor Corporate Awards (Philippines)	Strongest Adherence to Corporate Governance and Best Strategic Corporate Social Responsibility

### 2014 Company Awards

#### Environment Protection Awards

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

#### Public Affairs Awards

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

#### Corporate Governance Awards

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

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

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

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

Below is the summary of the awards and recognitions received by the Company in 2014:

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



# Annex A

## "ANNEX A" ABOITIZ POWER CORPORATION DIRECTORS' AGGREGATE REMUNERATION FOR THE YEAR ENDED DEC. 31, 2015

Name of Director	Membership	Monthly Allowance	Total Monthly Allowance	Per Diem	No. Of Regular board meetings	No. Of Special Board meetings	No. Of Committee Meetings	Other meetings	Total Meetings Attended	Total Per Diems Received	Total Director Allowances
<b>1. Enrique M. Aboitiz</b>	Chairman - Board of Directors	150,000	600,000								
	Jan-Apr	180,000	1,440,000	150,000	6	2			6	900,000	
	May-Dec										
	Chairman - Board Risk and Reputation Management Committee (Non-Executive)			100,000			2		2	200,000	3,340,000.00
<b>2. Jon Ramon Aboitiz</b>	AP Management Convention			100,000				1	1	100,000	
	Corp Gov Seminar			100,000				1	1	100,000	
	Vice-Chairman Board of Directors	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	2,460,000.00
<b>3. Erramon I. Aboitiz</b>	May-Dec										
	Board Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	2,400,000.00
	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	
<b>4. Jaime Jose Aboitiz</b>	Member - Board Audit Committee (Non-Executive)			80,000			4		4	320,000	
	Board Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	2,160,000.00
	May-Dec										
<b>5. Antonio R. Moraza</b>	Board Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	5	2			7	700,000	
	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			3		3	240,000	2,620,000.00
	Member - Board Audit Committee (Non-Executive)			80,000			4		4	320,000	
<b>6. Mikel A. Aboitiz</b>	Board Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	4	2			6	600,000	
	Member - Board Audit Committee (Non-Executive)			80,000			3		3	240,000	2,380,000.00
	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			1		1	80,000	
<b>7. Carlos D. Ejercito</b>	Corp Gov Seminar			100,000				1	1	100,000	
	Independent Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	
	May-Dec										
<b>8. Alfonso A. Uy</b>	Chairman - Board Audit Committee (Non-Executive)			100,000			5		5	500,000	
	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	3,600,000.00
	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			4		4	320,000	
	AP Management Convention			100,000				1	1	100,000	
<b>9. Romeo L. Bernardo</b>	Audit Forum			100,000				1	1	100,000	
	Risk Forum			80,000				1	1	80,000	
	Corp Gov Seminar			100,000				1	1	100,000	
	Independent Director	100,000	400,000								
<b>TOTAL BOARD REMUNERATION FEES</b>	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	
	May-Dec										
	Member - Board Audit Committee (Non-Executive)			80,000			5		5	400,000	
	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	3,320,000.00
<b>TOTAL BOARD REMUNERATION FEES</b>	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			3		3	240,000	
	AP Management Convention			100,000				1	1	100,000	
	Risk Forum			80,000				1	1	80,000	
	Corp Gov Seminar			100,000				1	1	100,000	
<b>TOTAL BOARD REMUNERATION FEES</b>											<b>25,520,000.00</b>

Name of Director	Membership	Monthly Allowance	Total Monthly Allowance	Per Diem	No. Of Regular board meetings	No. Of Special Board meetings	No. Of Committee Meetings	Other meetings	Total Meetings Attended	Total Per Diems Received	Total Director Allowances
<b>7. Carlos D. Ejercito</b>	Independent Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	
	May-Dec										
	Chairman - Board Audit Committee (Non-Executive)			100,000			5		5	500,000	
<b>8. Alfonso A. Uy</b>	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	3,600,000.00
	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			4		4	320,000	
	AP Management Convention			100,000				1	1	100,000	
	Risk Forum			80,000				1	1	80,000	
<b>9. Romeo L. Bernardo</b>	Corp Gov Seminar			100,000				1	1	100,000	
	Independent Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	
	May-Dec										
<b>TOTAL BOARD REMUNERATION FEES</b>	Member - Board Audit Committee (Non-Executive)			80,000			5		5	400,000	
	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	3,320,000.00
	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			3		3	240,000	
	AP Management Convention			100,000				1	1	100,000	
<b>TOTAL BOARD REMUNERATION FEES</b>	Risk Forum			80,000				1	1	80,000	
	Corp Gov Seminar			100,000				1	1	100,000	
	Independent Director	100,000	400,000								
	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	
<b>TOTAL BOARD REMUNERATION FEES</b>	May-Dec										
	Member - Board Audit Committee (Non-Executive)			80,000			5		5	400,000	
	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	3,320,000.00
	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			3		3	240,000	
<b>TOTAL BOARD REMUNERATION FEES</b>	AP Management Convention			100,000				1	1	100,000	
	Risk Forum			80,000				1	1	80,000	
	Corp Gov Seminar			100,000				1	1	100,000	
	Independent Director	100,000	400,000								
<b>TOTAL BOARD REMUNERATION FEES</b>	Jan-Apr	120,000	960,000	100,000	6	2			8	800,000	
	May-Dec										
	Member - Board Audit Committee (Non-Executive)			80,000			5		5	400,000	
	Member - Board Corporate Governance Committee (Non-Executive)			80,000			3		3	240,000	3,320,000.00
<b>TOTAL BOARD REMUNERATION FEES</b>	Member - Board Risk and Reputation Management Committee (Non-Executive)			80,000			3		3	240,000	
	AP Management Convention			100,000				1	1	100,000	
	Risk Forum			80,000				1	1	80,000	
	Corp Gov Seminar			100,000				1	1	100,000	
<b>TOTAL BOARD REMUNERATION FEES</b>											<b>25,520,000.00</b>

## Annex B

Name of Key Officer	Designation
Emmanuel V. Rubio	Executive Vice President - Chief Operating Officer Power Generation Group
Juan Antonio E. Bernad	Executive Vice President - Strategy and Regulation
Luis Miguel O. Aboitiz	Senior Vice President - Power Marketing and Trading
Gabriel T. Mañalac	Senior Vice President - Treasurer
Susan V. Valdez	Chief Reputation and Risk Management Officer
Liza Luv L. Tajanlangit - Montelibano	Vice President - Chief Financial Officer / Power Generation Group
Thomas Silman, Jr.	Executive Director - Projects
Donald L. Lane	Executive Director - Business Development
Robert McGregor	AEV Senior Vice President - Chief Strategy and Investment Officer
Ma. Chona Y. Tiu	First Vice President - Chief Financial Officer Power Distribution Group
M. Jasmine S. Oporto	Corporate Secretary / Compliance Officer