



AboitizPower
A Better Future

Corporate Governance REPORT





The Challenges Ahead: *Heading into the Changing Winds* *Setting the Sails: Vision, Mission and Strategy*

“It’s not the blowing of the wind that determines your destination. It’s the set of your sail” – Jim Rohn

Aboitiz Power Corporation (AboitizPower or the Company) and its business units are aligned to Aboitiz Equity Ventures, Inc. (AEV) Corporate Center’s strategic pillars, but most importantly the Group’s inspired purpose: “To drive change for a better world”. 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’s mission is: 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.

Together, the entire management team of AboitizPower is adjusting its tack in order to lead the Company into the winds of change as to achieve the ambitious goals we have set in 2016 through 2017. 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. Despite regulatory challenges, the year 2016 still proves to be a productive year for the AboitizPower organization as we implemented business processes to take a great leap in continuous improvements in systems and operations and redefining what 1AP is all about. AboitizPower continued to establish and implement important internal business processes for operational efficiency. The Company had to adjust its tactics and strategies.

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

On the Board level of AboitizPower, the Board remained vigilant over 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 2016 strategic goals and business objectives without losing the line of sight of the Group and the Company. Our Board 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.

The Company's strategic setting comprises the four major tenets, namely “Grow the Business, Stakeholders Engagement, Execution Excellence and Building Human Capital”. Moving towards the headwinds of a more complex regulatory environment, within disruptive business dynamics and low margins, the implementation of the open access, and a fiercer competition in the Philippine power industry, the Company recognizes the urgent necessity for a disciplined adjustment and readjustment of its tactical actions to pursue its strategic goals.

Aboitiz Corporate Governance Guiding Principles

The Aboitiz governance structure is underpinned by the core values of integrity, teamwork, innovation, and responsibility. These values provide the guide for meeting the challenges of daily business activities and in balancing the various stakeholder interests and concerns. These core values, attributes, vision and mission constitute the Aboitiz corporate culture. More importantly, these values and fundamental beliefs 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 conduct; (x) creating shared value; and most importantly, (xi) sustainability and environmental compliance.

In 2016, the AboitizPower and AEV Board reviewed and updated their respective Companies' Code of Ethics and Business Conduct, Whistleblowing Policy and the Manual on Corporate Governance and engaged a gap analysis study of FCPA practices, and a study for a group wide related party transactions policies appropriate to the Company as well as operating business units. The Board Risk & Reputation Committee and the Board Audit Committee 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 2016, our management team improved 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 and to broaden the jurisdictional oversight and capability of the IT Committee. Our group also focused on important IT Governance initiatives that encompassed cloud computing policies, mobile device policies, cyber risk and threat responses, among others.

In 2016, the Board reviewed and updated our Code of Ethics and Business Conduct, Whistleblowing Policy and the Manual on Corporate Governance. The Board also studied and approved a new Related Party Transactions Policy and a Related Party Transactions Committee. The Board Risk & Reputation Management Committee and the Board Audit Committee embedded regular assurance procedures for the Aboitiz risk universe.

Selection of Directors

The Board Corporate Governance Committee, acting as nomination committee and in accordance with the existing Guidelines for the Nomination and Election of Directors, oversees the selection and nomination of candidates for AboitizPower directors.

The selection process involves the nomination of directors by both controlling shareholders and minority shareholders who actively participate in the nomination and election. For the 2016-2017 term, minority shareholders actively nominated the independent directors.

The criteria for selection of independent directors includes, not only their expertise and professional backgrounds, but also their track records for being independent minded, their strategic thinking, and their understanding of the drivers of our Group's 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 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 shareholders during annual shareholders' meeting.

Shareholders' Right to Vote

All shareholders have the right to cast their vote in the election of directors for the Board of Directors. Directors are elected at the annual shareholders' meeting in person by the shareholder or by way of a shareholder's proxy. The Aboitiz Proxy Validation Committee validated all proxies prior to the 2016 Annual Stockholders Meeting. Voting at the 2016 Annual Stockholders' Meeting was done through an electronic platform and the results were immediately disclosed to the assembly within a few minutes of the completion of the voting. The 2017 Annual Stockholders' Meeting follows the same procedure and adopts the same controls.

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.

AboitizPower "1AP Leadership" recently articulated the "why?" of our corporate existence. This "why?" is our Aboitiz Group purpose, "To Drive Change for a Better World" by "Advancing Business and Communities" operating a business within a VUCA world. At AboitizPower, we aim to keep relevant within this challenging environment by reiterating our commitment to the Aboitiz Group espoused leadership qualities. In the first ever Aboitiz leaders conference held on January 19, 2017, the Aboitiz leaders gathered and committed to an individual's accountability to a creative leadership journey.

The Board Corporate Governance Committee, acting as nomination committee and in accordance with the existing Guidelines for the Nomination and Election of Directors, oversees the selection of candidates for directors of the Company.

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 2016 - 2017 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 shareholders' 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 2016, 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, the Board Corporate Governance Committee, the Board Risk and Reputation Management Committee and of course, as members of the Board.

2016 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 92.93%, respectively a Board appraisal average score of 3 on a scale of 1-5.

To broaden the directors’ depth of knowledge and industry competence, AboitizPower attended seminars, lectures, and orientations on highly technical topics unique to or relevant to the Aboitiz Group’s businesses.

2016



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.

On February 21, 2017, The Board Corporate Governance Committee approved the Creation of a Related Party Transaction (RPT), Related Party Transaction (RPT) Policy and Committee composed entirely of Independent Directors and the RPT Committee Charter. The Chairman of the RPT Committee will be appointed by the members at their organizational committee meeting.

Rights of Shareholders

The rights of shareholders are unequivocally recognized in the AboitizPower By-laws, Amended Code of Ethics and Business Conduct, and the 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 everyone 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 disclosed 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, and the scheduled annual investor relations roadshows and analysts briefings, and corporate communications. The Board Secretariat of AboitizPower liaise with and provide directions to the companies' stock transfer agent to ensure a promptor immediate resolution of shareholders' queries and requests brought to their attention. The Board Secretariat has adopted certified Board protocols and procedures under ISO 9001:2015 for Management Board and System to ensure effectiveness of Board and shareholders commitments.

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 fully disclosed. The related party transactions of the Group are reported in the consolidated annual Audited Financial Statements and the Notes. AboitizPower also strictly enforces the Policies on Trading of Company Securities and regulates insider trading, through a trading blackout policy to prevent insider opportunism. The directors and management of both AboitizPower and Aboitiz Equity Ventures, Inc., 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 and information

All shareholders likewise receive notices of all shareholders' meetings and all agenda items to be discussed and decided upon during the meetings are set out in the notices. No new agenda item are taken up during the meeting. For the guidance of shareholders, the rationale of agenda items subject to shareholder approval are disclosed in the notices of 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 (CFO), the independent auditors, the stock transfer agent, and other key officers of AboitizPower attend and make themselves accessible and available to answer any questions shareholders and investors may have raise. Questions from shareholders on the floor are encouraged by the CEO. The Board encourages active shareholder participation by sending, at least 28 days before the shareholders' meeting, the notice of shareholders' meetings and all agenda items to be discussed and decided upon during the meetings. No new agenda items are taken up during the meeting. For the guidance of shareholders, the rationale of agenda items subject to shareholder approval are disclosed in the notices of shareholders' meetings.

AboitizPower's Code of Ethics and Business Conduct embodies our commitment to the principles of fair dealings to our stakeholders. It provides an ethical compass for the day to day activities in the Company. The Code of Ethics and Business Conduct, recently amended in 2016, clearly articulates the Company's commitment to compliance with laws and regulations, with equitable treatment of stakeholders, to fair dealings, sustainability, protection of corporate assets and interest, including conflict of interest, handling of proprietary and confidential information, making truthful disclosures of material information with transparency in the best interests of shareholders and the public, and to commitment to sustainable business and sustainable practices.

AboitizPower strictly enforces the Code of ethics and Business Conduct, as an integral element of corporate culture. The Code applies to all directors, officers and employees. This provides assurance to shareholders and other stakeholders.

Role of Stakeholders

The business model of AboitizPower is anchored on the sustainable growth of the Group's businesses and 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.

Social Development + Environmental Stewardship for Sustainability

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, launched the BetterWorld campaign to encourage all stakeholders to adopt this policy for sustainability. In 2015, the Group explored a wholistic approach to corporate governance integrating the concept of Creation of Shared Value (*See Sustainability Report at 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 an 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 past 10 years, the Group has invested ₱450 million in our CSR programs. These CSR programs are focused on education, enterprise development, disaster response and recovery, sustainable communities, energy efficiency, ecological biodiversity, climate change and other environmental regeneration. These projects were funded by AEV and AboitizPower business units. *(See Aboitiz Foundation Report on its website)*

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 2016, 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 2016 PSE Governance Disclosure Report of AEV and AboitizPower.

Pursuant to the Group's commitment to transparency and accountability, AboitizPower continues to improve its dedicated corporate governance web page on its website (www.aboitizpower.com). The web page contains company information. The corporate website makes available to the public, copies of the annual corporate governance reports, annual reports, company disclosures and investor reports, organizational information, Board and Board Committee membership, policies such as 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 website serves as a resource center for stakeholders and the public.

The Board Secretariat is also fully committed to ensuring full and accurate disclosures of information to shareholders, to the general public, and all other stakeholders.

Statutory and Regulatory Compliance

AboitizPower is committed to legal and regulatory compliance and overall good corporate governance practices. In 2016, there was no deviation from or violation of the rules under the Manual on Corporate Governance, other company governance and compliance policies, and protocols.

2016 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.

Awards are mere validation of our corporate governance practices. These are not the “whys” of what we do every day. At the heart of our governance culture is the mindfulness that if the one thing we do “doesn’t advance both our business and the community”, then it serves no other purpose. It will not be the Aboitiz way.

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 2016, both companies received many awards, especially in the field of corporate governance and stakeholder engagement. AEV was recognized as one of among the top 50 ASEAN public companies in the inaugural launch of ASEAN Corporate Governance Scorecard during the November 2015 APEC Summit in Manila. AboitizPower was recognized in 2016 as Overall Best Managed Power Company in Asia by FinanceAsia. Both companies scored very highly in the 2016 round for the ASEAN Corporate Governance Scorecard (ACGS) for publicly listed companies in the Philippines. The ACGS is reviewed by the Institute of Corporate Directors in partnership with the SEC. These awards were given in recognition of the companies’ commitment to corporate governance best practices.



A. 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 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.

Last March 7, 2017, the Company declared regular dividend in favor of shareholders of record as of March 21, 2017 payable on April 10, 2017 based on the consolidated net income for fiscal year ending December 31, 2016 under the existing dividend policy of the Company.

AboitizPower's Dividend Policy

The Company has a clear and transparent dividend policy. The Company maintains an annual cash dividend payment ratio of 50% 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. These circumstances could include major projects and developments requiring substantial cash expenditure or restrictions on cash dividend payments under its loan covenants. 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.

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.

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

	Declaration Date	Record Date	Payment Date	Dividends Per Share	Total Dividends Declared (Final Amount)
2017	March 7	March 21	April 10	₱1.36 (regular)	₱10.00bn
2016	March 8	March 22	April 19	₱1.20 (regular) ₱0.46 (special)	₱8.83bn ₱3.38bn
2015	March 10	March 24	April 20	₱1.24 (regular) ₱0.52 (special)	₱8.39bn ₱3.83bn
2014	March 11	March 25	April 22	₱1.26 (regular) ₱0.40 (special)	₱9.27bn ₱2.94bn
2013	March 5	March 19	April 15	₱1.66 (regular)	₱2.22bn
2012	November 28	December 13	January 11	₱1.32 (regular) ₱0.22 (special)	₱9.71bn ₱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 Articles of Incorporation, By-Laws and the Company's Manual on Corporate Governance.

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, all documents (Articles of Incorporation and By-Laws), 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 shareholders' 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 Shareholders' Meetings



The Company strives to maintain a transparent and fair conduct of its Annual and Special Shareholders' meetings and ensures that accurate and timely information are available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Information Statement and the Aboitiz Integrated Annual Report, distributed prior to and during the Annual Shareholders' Meeting include the highlights and summary of the financial condition of the Company. The Information Statement filed with the

SEC, PDEX and PSE 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 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 the SEC rules. Information on the basis of Board remuneration is readily accessible through the Company's SEC Form 17-A (Annual Report), the Annual Corporate Governance Report, and its Board Corporate Governance Committee minutes. The Board Corporate Governance Committee ensures that the Directors' and executives' remuneration are consistent with the

Company culture, strategy and business policies at a level sufficient to attract and retain Directors and officers who are needed to run the Company successfully. The Company rewards its individual Directors and Officers based on ability to execute their duties and responsibilities. It is the Company's philosophy to reward officers and employees based on individual performance measured through established Human Resources management metrics.

Performance is evaluated and compensation is reviewed on an annual basis. The Company ensures that it pays its Directors and officers competitively by comparing rates with other Philippine based companies through participation in and access to market salary surveys.

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 ensures that the Company continues to attract highly qualified and exceptional talent to its Board of Directors.

That increase in the Directors' monthly allowance was disclosed in the Company's Information Statement dated 2015. In 2016, there were no proposals for increase in Directors' monthly allowance.

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 publicly listed companies. It also 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 are received by the Corporate Secretary in accordance with the Company's By-Laws and the recently amended Guidelines for the Nomination and Election of Independent Directors was approved on March 23, 2017. 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 Nomination guidelines is also broadcast to the shareholders at every Annual Stockholders' Meeting. The Board Corporate Governance Committee oversees the selection of candidates for the Board of Directors.

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 shareholders' meetings. The Board is committed to removing 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 and through the appointed third party vote canvassers/validator.

Voting methods and vote-counting systems employed by the Company are clearly explained by the Corporate Secretary during the shareholders' 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.

The voting methods and vote-counting systems employed by the Company during every shareholders 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 taken up 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 shareholders' meeting, 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. Questions raised during the ASM by the shareholders are minuted or documented.

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 shareholders' meeting and have been present at the past three Annual Stockholders' Meetings to give shareholders opportunity to interact with the Board and top management on the current state of the Company's business and affairs, and to ask any questions from the Directors and Corporate Officers. 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 documents the attendance and participation of the Board of Directors, Management and the members of the different Board committees.

The following members of the Board attended the May 2016 ASM.



Enrique M. Aboitiz
Chairman of the Board
Chairman - Board Risk and Reputation Management Committee



Jon Ramon Aboitiz
Vice - Chairman of the Board
Chairman - Board Corporate Governance Committee



Erramon I. Aboitiz
Board Director
Member - Board Corporate Governance Committee



Antonio R. Moraza
Board Director
Member - Board Risk and Reputation Management Committee
Member - Board Audit Committee



Jaime Jose Y. Aboitiz
Board of Director



Romeo L. Bernardo
Independent Director
Member - Board Corporate Governance Committee
Member - Board Audit Committee
Member - Board Risk and Reputation Management Committee



Alfonso A. Uy
Independent Director
Member - Board Corporate Governance Committee
Member - Board Audit Committee
Member - Board Risk and Reputation Management Committee



Carlos C. Ejercito
Independent Director
Member - Board Audit Committee
Member - Board Corporate Governance Committee
Member - Board Risk and Reputation Management Committee

The following officers attended the May 2016 ASM.

KEY OFFICERS	DESIGNATION
Juan Antonio E. Bernad	Executive Vice President - Strategy and Regulation
Luis Miguel O. Aboitiz	Executive Vice President/Chief Operating Officer Corporate Business Group
Emmanuel V. Rubio	Executive Vice President & Chief Operating Officer Power Generation Group
Susan V. Valdez	Senior Vice President/Chief Reputation and Risk Management Officer
Liza Luv T. Montelibano	First Vice President/Chief Financial Officer/ Corporate Information Officer
Ma. Chona Y. Tiu	First Vice President & Chief Financial Officer Power Distribution Group
Beverly B. Tolentino	First Vice President & Chief Financial Officer Power Generation Group
Robert McGregor	Executive Director - Investments
Thomas J. Sliman, Jr.	Executive Director - Projects
Ana Liza M. Aleta	Vice President - Strategy, Systems & Performance
Cristina B. Beloria	Vice President - Controller
Katrina Michaela D. Calleja	Vice President Corporate Branding and Communication
Timothy J. Abay	Assistant Vice President - Controller
John Anthony Crane	Senior Director - Business Development
James Timko II	Senior Director - Business Development
Kenton Heuertz	Director for Asset Management
M. Jasmine S. Oporto	Corporate Secretary and Compliance Officer
Joseph Trillana T. Gonzales	First Vice President - General Counsel/ Assistant Corporate Secretary

The Company's Investor Relations Officer, Mr. Judd Salas was also present during the ASM to ensure constant engagement with our shareholders.

Shareholders' Meeting Venue Accessibility

The Company's ASM is usually held at the principal place of business of the Company. The Company's 2016 ASM was held at the Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City, Metro Manila. The venue was an easy to reach location, accessible and convenient to the majority of 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 Shareholders' 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 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 shareholders' meetings of the Company. This is to facilitate easy voting by shareholders, in line with the Company's efforts to improve corporate governance practices.

In 2016, 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 Shareholders' Meeting.

An independent auditor, Luis Cañete & Company, was appointed as independent inspector for the validation of votes at the 2016 ASM.

Voting by Poll

Voting during the annual shareholders' 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. The Board Secretariat also uses an electronic platform to record the votes.

Appointment of Independent Party Inspectors to Validate Vote at the ASM



At the ASM, the Company engages an independent third party to assist in the validation of proxy and the counting of votes. In the 2016 ASM, 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 Cañete & Co., an independent third party, provided the proxy and vote validation functions for the 2016 ASM. *(See Minutes of 2016 Annual Stockholders' Meeting at www.aboitizpower.com)*

Disclosure of the Results of the ASM

Shareholders resolutions approved during the annual shareholders' meeting are disclosed and made publicly available on the Company's website on the next working day after the annual shareholders' meeting. The minutes of the 2016 meeting of shareholders were uploaded to the Company's website the day after the ASM or on May 17, 2016. The minutes can be accessed on the Company's website at www.aboitizpower.com.

Agenda for the Shareholders' Meeting Rationale and Explanation for Each Agenda Item

The Company provides at least 28 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 private bidding for the acquisition power plants in the Philippines and in ASEAN. 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 shareholders' meetings and ensures that accurate and timely information are available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The Information Statement and the Aboitiz Integrated Annual Report, distributed prior to and during the Annual Stockholders' Meeting and available in the Company's website, includes the highlights and summary of the financial condition of the Company. The Information Statement filed with the SEC, PSE and PDEX is prepared with the objective of providing full, accurate and truthful 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.

B. EQUITABLE TREATMENT OF SHAREHOLDERS

Shares and Voting Rights

Voting Rights of Common and Preferred Shareholders

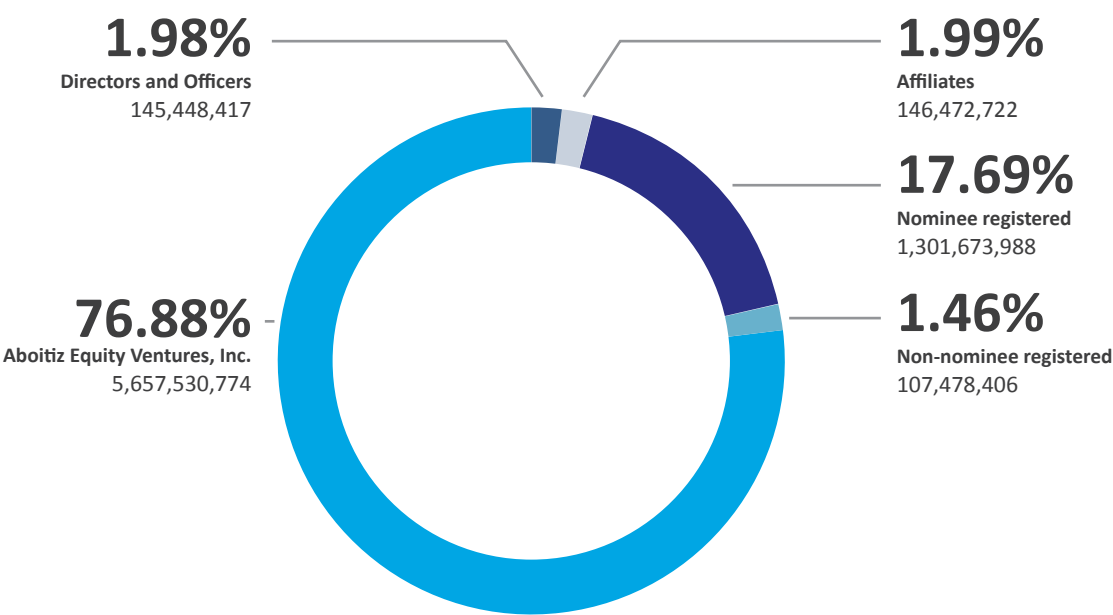
All common shares are voting shares following the rule of One-Share, One-Vote. The preferred shares are non-voting, non-participating, non-convertible, cumulative, reissuable shares and may be issued from time to time by the Board in one or more series. These preferred shares are generally issued to 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.aboitizpower.com)

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

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 generally issued as debt instruments rather than equity.

According to the share register kept by Stock Transfer Service, Inc., the Company’s stock and transfer agent, as of December 31, 2016, AboitizPower had 628 shareholders. As of the same period, Aboitiz Equity Ventures, also, 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, 1,409,152,394 shares or 19.15% was held by the public. Moreover, the Company’s Directors, Officers and Affiliates owned 291,921,139 shares or 3.97% of the total outstanding common stock entitled to vote.



Notice and Agenda of Annual Stockholders' Meeting



The Company consistently provides all shareholders with the notice and agenda of the ASM at least 28 days before a regular meeting and 21 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 ASM meetings in national newspapers of general circulation and in its company website.

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, information on 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 which are 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 AboitizPower website at www.aboitzpower.com.

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

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 is committed to a truthful disclosure of information and has a policy requiring full disclosure of details of related-party transactions in financial statements.

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 required to attend a seminar on the Code and sign a certificate that they have read and are committed to strict adherence of the Code.

The Code covers prohibited practices involving conflicts of interest, improper dealings with proprietary and confidential information, and misappropriation of corporate opportunities to name a few.

The Company's General Trading Policy



The Company strictly enforces its Policy on Trading of Company Securities. The Trading Policy imposes a trading blackout on AboitizPower securities beginning ten (10) trading days before and until two (2) full trading days after the release of the quarterly or annual earnings of the Company. The Corporate Secretary 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 Corporate Secretary 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 conduct mandatory corporate governance seminars for officers and required all employees, to undergo a mandatory corporate governance e-learning course. The seminars cover the rules prohibiting insider trading among many other topics on corporate governance rules of the Company.

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) business 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 since the Trading Policy has been in place.

Related Party Transactions

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.

Transfer Pricing Policies

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 International Accounting Standards (IAS) No. 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 IAS No. 24 (and Philippine Accounting Standards (PAS) No. 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 Transactions 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 Board 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 Committee 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 Board Corporate Governance Committee approved on February 22, 2017 a new Related Party Transaction (RPT) Policy and the creation of a RPT Committee to be composed entirely of the Company's Independent Directors.

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 notes of Company's financial statements.

Related Party Transactions Disclosures

The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's information statement/s, annual report/s 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.

Material RPTs shall be reviewed and vetted by the RPT Committee and approved by the Board of Directors. In its discretion, the Board of Directors may require Material RPTs to be reported to the stockholders for ratification.

The Company is currently conducting an inventory of all related party transactions of the Group and has created the RPT Committee consisting of Independent Directors and Non-Executive Directors.

Policy on Conflict of Interest Situations

The Company promotes a culture of an ethical and values based on service, excellence and leadership. We believe that this corporate culture promotes the recognition for employees and officers of their duty to advance the Company's interests and that of its stakeholders. No employee, officer or director may take advantage of their position or corporate property or information for personal gain.

Employees, officers or directors are prohibited from taking advantage of their position; from taking advantage of access to corporate property and proprietary information for personal gain. They are prohibited from appropriating for themselves, corporate opportunities for sales, purchases of products and services. It is the duty of each directors, officer and employee to protect propriety and confidential information.

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 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 Compliance Officer.

All Directors are also required to abstain or 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 Compliance Officer.

The Company adopted the 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 interests have been raised in the past or in recent years.

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 four years.

Protection of Minority Shareholders

In 2016, the Company had no related party transaction in the form of financial assistance to entities other than its wholly owned subsidiaries. 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.

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, subject to compliance with the disclosure rules, the rules on conflict of interest situations and IAS 24. 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.

C. 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 who work hard in achieving business strategies, the host communities of the companies and business units, the regulators of the businesses, customers, its shareholders and investors, its Board of Directors, the lenders, financing providers and intermediaries, national and local government units and the environment that sustains growth. *(See Company's Stakeholder Engagement Timeline at www.aboitizpower.com)*

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.

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.

The Company is committed to living the principles of sustainability in the Company's approach to its businesses so far as practicable. 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 under 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.aboitizpower.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 honesty, 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's Reputation Steering Committee is represented by members from different generation and distribution units. The Committee champions the stakeholder engagement strategy, drives the process in the Corporate and Business units, and review and study evolving at best practices.

In 2015, the Company created and adopted a stakeholder engagement plan for its generation business; rolled out the stakeholder engagement plan for the distribution utilities; assessed the stakeholder engagement maturity model for AboitizPower; and established a capability building program for stakeholder relationship management.

By 2016, AboitizPower implemented the generation businesses' and distribution utilities' stakeholders engagement programs; and created a trainor's pool, a self-assessment tool and a nationwide stakeholder list. (See *Aboitiz Stakeholders Timeline*, www.aboitzpower.com)

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 Group Integrated Group Annual Report and with stakeholders/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 also *Investor Relations*, www.aboitzpower.com)

Customers as Stakeholder

With the Retail Competition and Open Access now a reality in the Philippine power industry, customer and market dynamics have perceptibly changed. Technological disruptions, climate change and resources scarcity, demographic changes, shifts in economic power and accelerating urbanization competition, government regulations, distribution channels, are affecting customer behavior in both the generation and the distribution businesses, more customers are choosing sustainable or renewable sources of energy and demanding more efficiency power supply and low cost electricity for end users.

EPIRA successfully increased the Philippines generation capacity and helped improve operating efficiencies of the distribution utilities in their respective franchise areas.

The demand-supply views of the Luzon, Visayas and Mindanao Grids show a total tilt towards over supply of power up to the year 2021. The resulting oversupply is contributory to the power industry's increasing competitive market in favor of customers. In order to compete in this competitive but highly regulated market, power players need to adopt appropriate customers engagement strategies and practices.

AboitizPower recognizes the importance of the customers as of its many stakeholders and is working on the strategic challenges through teamwork and collaboration of the entire organization.

Our goal is to sustain efficient growth; advance business and communities and balance stakeholders concerns. AboitizPower's growth voyage requires Execution Excellence for its energy sales, projects, assets, risk, performance, safety, health, environment, quality and cost management, technical capability, operational excellence and reliability engineering; Building Human Capital for organizational bench and leadership, corporate culture and behaviour; and Stakeholders Engagement for customers, host communities, local governments, regulators, investors, lenders, shareholders, employees and the environment.

Improving Efficiency for Better Customer Service

For the generation business, AboitizPower set high performance standards for its power plants. Overall availability for generation was 92.7% against 87.5% for North American Electricity Reliability Corporation (NERC) metrics. Our forced outage rate of 3.4% is lower than the 8.6% NERC Statistics. The Safety Health Environment and Quality (SHEQ) legal compliance index for the power plants is 95%.

Distribution Utilities Customer Commitment Protection

AboitizPower distribution business serve seven (7) cities, light municipalities, four economic zones, 820,000 connections, 4 million population, procured 1,110 MW of power and sell a total of 6.2 terawatt hours (TWH).

In servicing its customers, AboitizPower processes 85,000 new connections and reconnections, 240 daily applications with 42% same day fulfilment. We conduct 9.5 million meter readings, 26,000 daily with 99.99% read integrity. We deliver 8.6 million bill deliveries, 24,000 daily, with 99.82% billing integrity and 99.995% delivery integrity. We transact 7 million payments, manage 22 third party agents, 39,000 disconnections, with 150 daily disconnection.

In 2016, AboitizPower distribution utilities responded to 57,000 customers requests, or 218 daily; and processed 42,000 complaints or an average of 4 complaints per 1,000 customers a mere 0.43% of its customer base. Our teams attended to 41,000 emergency calls, 113 daily, with an average of 86% response within 30 minutes from calls. The teams processed 33,000 customer work orders, 126 daily and were on the average completed within 9 days from request. During the year 2016, the distribution utilities added 27 kilometers of distribution network lines; installed and removed 16,000 poles; installed and removed 4,000 distribution reformers; lit up 103,000 street lights; and on the average added about four substations.

AboitizPower distribution utility business also strengthened its customers service culture in 2016 through technology and process enhancements. From the earlier and various technology platform for billings and collections, customer queuing, rover/psion, lotus notes CRMS, websites and text broadcasts, the distribution utilities set up (for customers application, service fulfilment, meter ready, billing, collection and customer support) the Oracle CCnB and Oracle MDM; SMART Pilferage Detection will profiling variables and social media for additional customers support. The AboitizPower "MobileAP" allows customers to check this electricity bills through the mobile phone application anytime, anywhere.

The distribution utilities outsource collections to third party collection centers and utilized a 24/7 Davao – Cebu linked call center; maximized full service centers in major malls and continued with the Interruptible Load Program (ILP) to provide full customers support.

In the distribution value chain, the DUs adopted Agila Google based GIS, Oracle work asset management, contractors' billing systems, hawk eye smart elevated meter clusters, a fiber optic networks, F1 emergency dispatching, reclosers, automated fault data retrieval system and Tree Wires; improved substation maintenance and emergency series, line hazard identification, meter testing and calibration, one-man motorcycle emergency crew scheduling, adaptive emergency crew scheduling, photo verifiable and night time inspections, centralized work order dispatching and centralized outsourced line inspection and materials caterer.

By 2016, the AboitizPower distribution utilities group implemented Hyperion, Oracle Planning and Budgeting System, Bovedo Document Management, Quantrisk, Internal Request System, Enterprise Resource Planning technology platforms for operational efficiency and assurance. On the business processes side, it consolidated its accounting and IT shared services. It built its leadership capability through the leadership circle journey, the balanced scorecard; created business process improvement terms and further improved its risk management practices.

Customer Service Performance Metrics

Some Performance metrics for the distribution 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 were the lowest or in the 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.

Our Distribution Utilities have further improved on the 2015 performance standards. In 2016, the Distribution Utilities team set a target of no more than 100 SAIDA and at the most a SAIFI of 1 actual SAIDI average for the group was 97 minutes and an average of 1.16 frequency. These metrics represent a really high bar for the utilities business.

Customer Care

To further improve customer electricity needs, the Distribution Utilities forged partnerships with accredited electricians to create a pool of independent service providers for customer and their needs.

Customer Care & Training

On the generation side, the 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.

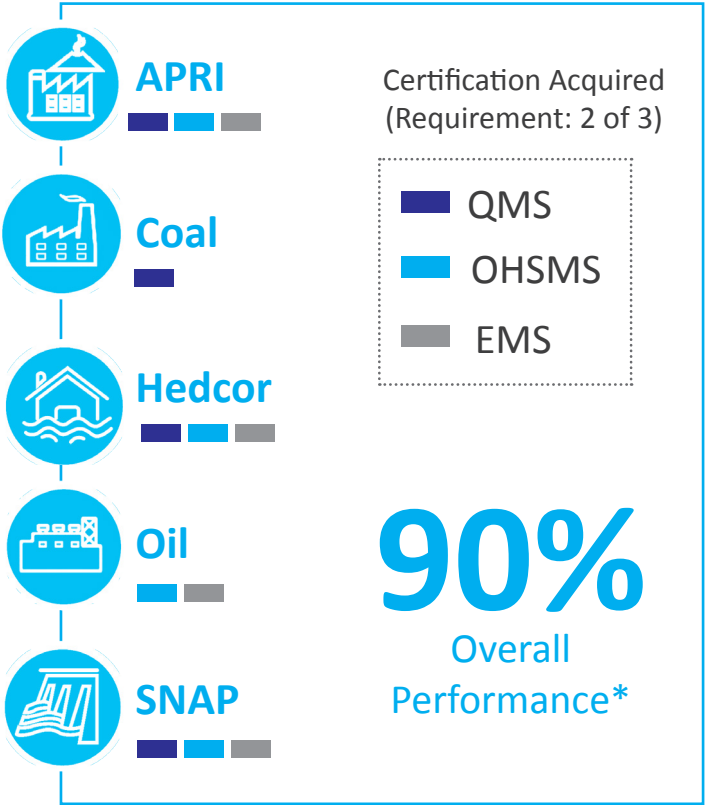
As the Retail Competition and Open Access (RCOA) policy goes into a more concrete implementation, the Distribution Group is well positioned to retain majority of its contestable customers. The Group strives to be the partner of choice. As such, it will continuously engage its contestable customers by 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

The Company recognizes the international management standards established by the International Organization for Standardization (ISO). Its business units, have adopted various relevant or appropriate ISO standards such as the 27001:2005 and the Quality Management System (QMS) (ISO 9001:2008) ISMS (27001:2005) and OHSAS 18001, 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; re-certified in 2016 under ISO 27001:2013, and 2016 by TUV Rheinland, Germany. Certification under ISO standards is one of the Aboitiz Group’s commitment to its stakeholders, to ensure that policies, processes and systems management information and physical assets, as well as ensure confidentiality, integrity and availability of data and information, adherence to ISO standards also ensures appropriate management of risks, business continuity and sustained management processes.

The company undertook ISO certification initiatives that demonstrates the calibre of Safety, Health, Environment and Quality (SHEQ), information security systems management, both at the holding company level and different strategic business units. These initiatives include standards such as QMS 9001, Environment Management System (EMS 14001), Occupational Health and Safety System (OHSAS 18001), Asset Management System (AMS 55001), and Information Technology Service Management System (ITSMS). These accreditation will not only allow the company to leverage our existing frameworks and position to benefit from the Philippines’ economic development, but will also enable the Aboitiz Group to surpass its current organizational configuration. This is an affirmation of our drive to become a truly sustainable enterprise.



In 2016, the Company’s business units were able to reach its target to acquire/sustain certification by 90% of its operating plants. Therma Mobile, Therma Marine and Cebu Private Power Corporation were certified with EMS 14001 and OHSAS 18001 standards. SNAP, Hedcor, and APRI maintained their certifications for EMS 14001, OHSAS 18001 and QMS 9001, and Therma Luzon and Therma South for their QMS 9001.

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 of Ethics and Business Conduct. The basis of the policy is the Company's objective to out-perform its competition fairly and honestly through superior performance. Every employee, officer and director therefore always prioritizes the best interests of the Company's clients and 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. All directors are prohibited from participating in any Board discussion or decision affecting their personal, business or professional interests in a transaction involving the Company as a party. 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.

On company's journey towards advancing business and communities, the company will advance business and communities by powering progress, providing smart banking solutions, creating partners for growth, building infrastructure, and empowering communities. Through its core businesses, the company will contribute to nation building, helping uplift lives of millions of Filipinos.

The company will constantly seek ways to integrate progress with environmental and societal stewardship. The company believes that we can do well by doing good, always making the right long-term decisions that balance the interests of people, planet and profit. The continuing journey is anchored on company's belief that advancement of business and communities is integral to the development of our society, our country, and ultimately, the world.

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, optimal utilization of renewable energy, financial return and financial growth. The Group's performance in these focus areas are monitored and reported through the Aboitiz Group 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.

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.

With the inspired purpose statement of the Aboitiz Group, the Company will pursue and advance its businesses and at the sametime build enduring communities.

2016 Highlights of Sustainability Programs

Aboitiz signed the 2015 Manila Declaration and has been a member of the Water Alliance. 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.

Cleanergy is AboitizPower’s brand for its renewable energy portfolio that includes hydro, geothermal and now solar. At 1,263 MW total net sellable capacity, AboitizPower together with its partners provide Filipinos with reliable and ample power supply when needed, ensure that the supply of electricity is provided at a reasonable and competitive price, and with the least possible adverse effects on the environment.

Through its subsidiary, San Carlos Sun Power, Inc. (SacaSun), AboitizPower now operate sits first solar power plant. SacaSun delivers clean and renewable power to the Visayas grid producing over 82,000 gigawatt hours of clean energy, enough to power 33,000 homes and to offset 44,000 tons of carbon emissions over 20 years, the equivalent of taking around 10,000 cars off the road.

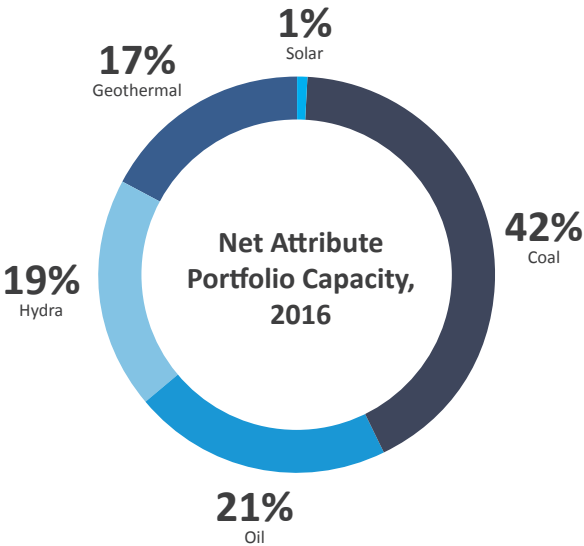
AboitizPower’s net sellable capacity stands at 38% renewable energy, a ratio which is higher than the country’s energy mix at 32% or 5,324 MW of dependable capacity as of December 2015.

In 2016, the Generation Business Group operates 46 generation facilities across the country, harnessing power from a balanced-mix portfolio of renewable and thermal energy sources to power economic progress and empower communities.

The AP Energy Mix -
How do we compare?

	Philippines	AP	Major Industrial (Germany)
Renewable	35%	37%	30%
Thermal	65%	63%	52%
Nuclear/ Other	-	-	18%

Given its balanced mix of renewable and non-renewable energy sources, AboitizPower is uniquely positioned to provide customers with their choice of the right power solution that is reliable, reasonably priced and has the least impact on the environment.



This means addressing the power needs for base load, intermediate and peaking loads, as well as ancillary services for grid stability and system management.

In pursuit of its goal to maintain 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. Last July 16, 2016, 2,649 team members across the country joined the annual groupwide simultaneous tree planting. A total of 76,492 seedlings were planted in 21 tree planting sites.

The Aboitiz Cleanergy Park in Davao City in partnership between the Aboitiz Group through Davao Light and Aboitiz Foundation and its stakeholders in Mindanao, such as 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 2,231 hatchlings released to the sea by April 2017. In addition to being a turtle sanctuary, it is also a haven for the other 66 species of trees, birds and fish thriving in its mangrove forest, a fish sanctuary, seagrass beds and coral reef. The entire Park itself is home to 66 species making it an important marine life sanctuary in Mindanao. It supports a nursery and botanical garden has been set up to propagates about 29 native tree species. The Park also host an 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 2016, team members from corporate centers in Taguig and Cebu participated in the carbon cleanse program 'Aboitiz No Impact Challenge' resulting to a total reduction of 31 tons or 30.8 million grams carbon emission equivalent (CO₂e).

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.

One of the WoW project which has been running for the past 5 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. De La Salle-College of Saint Benilde emerged as the Grand Winner of the first-ever Green Fashion Revolution (GFR) in Manila held on January 31 at the SMX Convention Center, SM Aura, Taguig City. Team Benilde's rivers-inspired design collection Eiron won a clean sweep of all the special awards. They received P75,000.00 total cash prize and trophies made from recycled VECO's wooden crates. With the theme "ECOUTURE: Greener Design For A BetterWorld, talented students from Asia Pacific College (APC), De La Salle-College of Saint Benilde, and the University of the Philippines Diliman transformed

211 kilos of waste materials into stunning wearable design collections. GFR is a Wealth On Waste (WoW) initiative under BetterWorld's focus area on Waste Management. Through the green design platform, GFR empowers young stakeholders to combat environmental decay, and help build a sustainable planet that can be enjoyed by future generations.

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.

Since the creation of the SHEQ, the Power Group has already set up the Steering Committee and implemented the 1AP governance documents that set the requirements of SHEQ management and performance across business units. These include: performance reporting through the SHEQ dashboard, incident reporting, road transport safety management system, stop work authority, power plant entry rules, behaviour-based safety, modular inspection checklist, guidelines on hazardous waste classification and labelling, and guidelines on solid waste management. All BUs are eyeing to be IMS-certified by end of 2017. IMS certification entails an integrated approach with ISO 9001 (Quality Management System), ISO 14001 (Environment Management System), and OHSAS 18001 (Occupational Health and Safety Management System).

The Corporate Purpose: To Drive Change For a Better World

The Aboitiz Corporate journey has been consistently characterized by a desire to bring about positive change for all our stakeholders. Since the early days of our existence, our founders, our corporate skippers have always lead, influences and drives change for the betterment of the Filipino communities and the nation.

Historically, our business connected islands, and facilitated trade and commerce for a hundred years through our shipping business until this business was sold in 2010. We pioneered containerization making shipping more efficient and improved passenger comfort and safety standards.

In the 1960s, through City Savings Bank, we offered loans to small salaried employees who could not afford the requirements imposed by commercial banks and had no choice but to turn to usurious money-lenders. Today, we are regularly thanked for helping parents educate their children through the loans we provided.

Our electricity distribution utilities supported the growth and development of pioneer frontiers like Davao and Cotabato, and through the rural electrification programs connected far flung communities to the electricity grid.

Though Hedcor, we have pioneered the harnessing of clean energy from run-of-river plants to energize distant communities. Since then, we have expanded our renewable energy portfolio and today, we provided the country with a balanced mix of energy sources to power and empower economic progress and communities.

The Group explored the broader view of corporate governance when incorporates the commitment to creation of shared value. In 2016, AEV and AboitizPower directors and officers joined a seminar/workshop on Creating Shared Value. The purpose was to gain a deeper understanding of the framework of creating share value with a view to shaping the business strategy of the Group.

This exploration has led to an introspection of the Aboitiz corporate brand with a clear intention to continue to pursue our corporate social responsibility and commit to a sustainability mindset. As a result of the 2016 brand exploration, the Aboitiz Group refreshed a unified purpose to clarify the “why” we do what we do today.

According to the Aboitiz CEO, a unified and inspired purpose will guide the organization moving forward. This purpose is not just for the organization or each employees as an individual.

It is equally important that our various stakeholders appreciate and believe in our inspired purpose. As our business expands, we realize that society expects us to go beyond profits and address the needs of our communities to grow alongside us.

The Aboitiz organization is on the path of advancing business and communities as a way to drive change for a better world.

Guided by the Aboitiz core values of integrity, teamwork, innovation and responsibility, we will continue to create long-term value for all our stakeholders, to drive change for a better world by advancing business and communities our “ABC” of business.

This is the refreshed Aboitiz “ABC” mindset – doing everything we can to make the world livable for future generation.

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.

In 2016, the company conducted a seminar on Creating Shared Value last March 30 and 31, 2016 at the F1 Hotel, Taguig City. The session was dedicated to learning the Creating Shared Value Framework with the guidance of Mr. Jonathon Hanks, Founder and Managing Director of Incite, a global consulting firm at the forefront of developing shared value strategies for the companies. The forum provided a deeper understanding of creating shared value framework with a view to enhancing implementation with the business strategy of the organization. The seminar was attended by the Board of Directors, some senior and executive officers of the Group.

WeatherPhilippines revamped its website to enhance features that can effectively communicate weather information harnessed from its over 700 automated weather stations deployed all over the country. It can show enhanced satellite maps and lightning strike and thunderstorm updates.

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 Intertwined with Sustainability Practices

AboitizPower continued to pursue the “corporate social responsibility and sustainability” formula in doing business. It is adopting its corporate social responsibility and sustainability practices to align with the ABC’s of the Aboitiz inspired purpose. We are however continuing to pursue and expand existing programs and projects. Our programs and projects are designed to deliver longer-term benefits, involving bigger projects with positive sustainable impact of national scope, with robust stakeholder engagement. The Company’s CSR efforts are focused on education, enterprise development, environment, 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 2016 Aboitiz Foundation Report at www.aboitizfoundation.org)

Throughout 2016, the AboitizPower organization were kept very busy with stakeholder engagement activities that covered the environment, local communities, government regulators, investors, shareholders, employees, creditors and lenders, and many more. (For more details, see stakeholder engagement timeline at aboitizpower.com/corporate-governance/governance-practice/#!/role-of-stakeholders)

CSR 2.0 Journey

One of AboitizPower strategic objectives is stakeholder engagement. In 2016, the Company worked to build in meaningful partnership; to build capability across the AboitizPower organization; to align initiatives to the United Nations Sustainable Development Goals; to build a nationwide network for disaster risk preparedness; and to advance business and communities pursuant to the CSR 2.0 journey.

Under it’s CSR 2.0 journey, the Company intends to further strengthen program development, stakeholder engagement and capability building, and measure the effectiveness of programs and communication through up to date digital and social media platform.

CSR and Education

Together with the Aboitiz Foundation and the Department of Education the Company is contributing to improvement and upgrading educational facilities. It provided and continues to provide scholarship, teacher trainings and student interventions to raise the level of education.

EDUCATION



- 925 classrooms (including AGAPP classrooms)
- 4,190 classrooms rewired
- 32,429 scholarship grants provided
- 1,695 stand-alone computer units
- 2,055 thin-client computer units

In 2016, the Aboitiz Foundation repaired and constructed a total of 42 public school classrooms. AboitizPower distribution utilities and the Aboitiz Foundation rewired a total of 4,190 classrooms as of December 2016. The rewiring projects make old schools safer by replacing the old electricity wires. Since 1998, Aboitiz Foundation has built a total 925 classrooms. AEV and AboitizPower team members participated in all CSR efforts.

Another mainslay in the Education CSR program is the Brigada Eskwela. It is a nationwide effort to clean-up and repaint public school buildings help improve elementary schools education and facilities. In 2016, over 1,294 team members participated

in the Brigada Eskwela program which has helped 21,544 individual beneficiaries. Another regular program is the Aboitiz Group’s Adopt-a-School Program with the Department of Education, this program brings professional volunteers to public schools to teach public school students various lessons outside formal classes. These programs and activities are in addition to following scholarships granted by the Aboitiz Foundation to students across the country.

The Aboitiz Group currently supports 3,267 scholars nationwide, 320 of whom are college students. The Foundation supports 312 scholars in Metro Manila alone and 1,500 scholars in Cebu. In 2016, a total of 57 Aboitiz scholars from across the country successfully completed their college education with 23 graduating with honors.

CSR and the Environment

AboitizPower is pursuing a mixed energy portfolio consisting of renewable energy (solar, hydro and geothermal) and non renewable energy (coal, diesel). The goal is to balance the requirements of the Philippines to sustain economic and inclusive growth while at the same time adopting practices that support sustainable ecological balance.

The Company has embarked on survival projects to create awareness and respect for the environment; to preserve and build watersheds; to preserve and propagate endangered wildlife and promote biodiversity, the Aboitiz Foundation, the Ramon Aboitiz Foundation, AEV and AboitizPower and the entire Aboitiz organization are committed to these various programs and projects.

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.



In 2016, The Aboitiz Group embarked on a crowdfunding drive called ‘BetterWorld for the Pawikan’ to raise awareness and enlist public support to protect and preserve the critically endangered hawksbill sea turtle, commonly known as pawikan.

According to World Wide Fund For Nature (WWF), the hawksbill sea turtle is one of seven known marine turtle species in the world, and one of five found within Philippine territory. The Aboitiz Cleanergy Park in Punta Dimalag, Matina Aplaya, Davao City is one of the few remaining nesting grounds of the hawksbill sea turtle with close to 2,503 hatchlings released to the sea by April 2017.

The ‘**#BetterWorld for the Pawikan**’ is jointly led by the Aboitiz Foundation, Davao Light, and AEV Reputation Management Department with the goal of raising funds for the maintenance of the Aboitiz Cleanergy Park and the conservation of the pawikans that nest in the area.

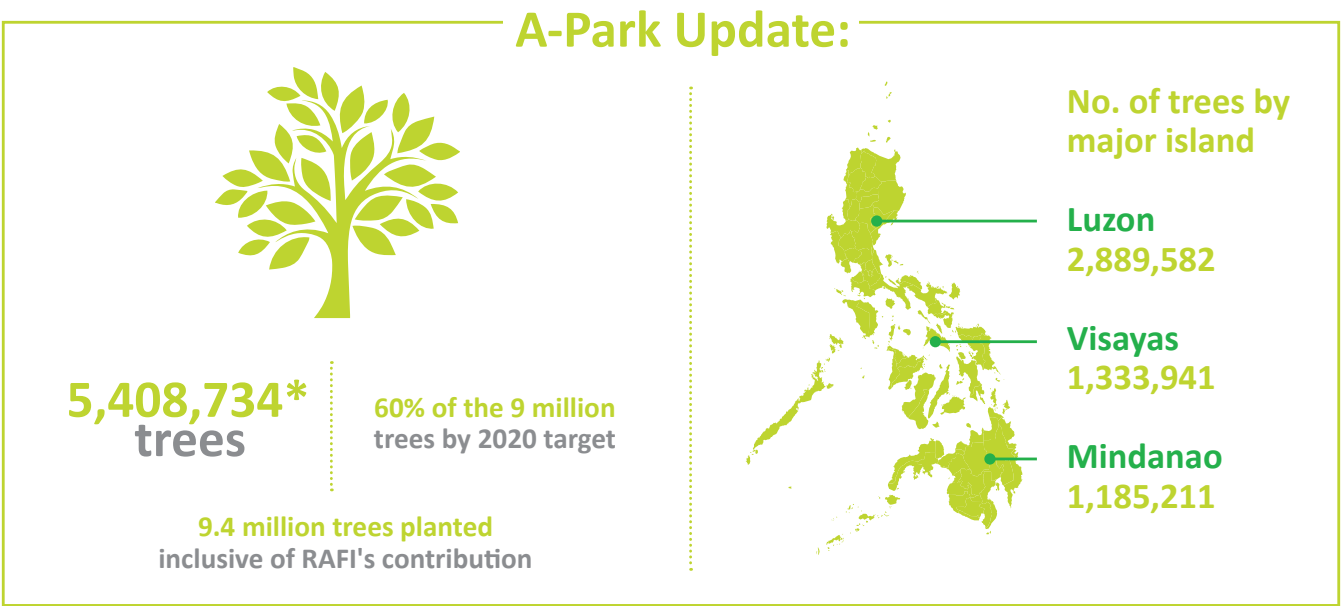
In addition to being a turtle sanctuary, it is also a haven for the other 66 species of trees, birds and fish thriving in its mangrove forest, a fish sanctuary, seagrass beds and coral reef. The Park is also host to the automated weather station (AWS) of WeatherPhilippines as part of its contribution to beefing up the disaster preparedness of Davao City.

“Adopt a Philippine Eagle”

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.

Replenishing Watershed – Tree Planting

As of year end 2016, the Aboitiz Group planted 5.4 million trees; 548,413 of which were planted within the same year. At the annual tree planting event, July 16, 2016, team members nation wide joined the simultaneous tree planting. A total of 76,492 seedlings were planted in 21 tree planting sides.



CSR & Enterprise Development

The Group’s livelihood programs have continued to open opportunities for thousands of stakeholders through our enterprise development partnership with CARD, Inc, and through the livelihood starter kits distributed to family partner-beneficiaries of the Mahalin Pagkaing Atin program.

ENTERPRISE DEVELOPMENT



- PHP22.5**
million worth of loans released through CARD, Inc.
- 2,597**
families provided with loans through CARD, Inc.
- 16**
cooperative training centers donated
- 729**
families benefited under the Mahalin Pagkaing Atin program
- 100%**
average collection efficiency (Adopt-A-Microfinance Branch Program)
- 97%**
average collection efficiency (Wholesale Fund Program)

In 2016, the Aboitiz Foundation has tapped the Center for Agriculture and Rural Development, Inc., (CARD) for a partnership agreement that seeks to strengthen the implementation of the Group’s enterprise development programs nationwide.

CARD’s 29 years of expertise in microfinance operations and community development boosts Aboitiz Foundation’s programs towards helping beneficiary communities become self-sustaining entrepreneurs who contribute to nation building. CARD’s trainings and seminars also help ensure their partner organizations gain the necessary skills to make projects successful and sustainable.

With its mission to empower communities to advance themselves, Aboitiz Foundation

continues to implement CSR interventions especially in communities where Aboitiz companies operate. Its programs in education, enterprise development, environment, and health and well-being are being further enhanced to promote inclusive growth in support of the UN’s Sustainable Development Goals. 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.

Health and Well-being

Medical Missions



14,690
medical, dental, optical, and
circumcision beneficiaries

740
families trained with proper health and
sanitation

6
medical equipment sets donated

In 2016, Aboitiz Foundation conducted several medical, dental, and optical missions in various missions in communities nationwide that benefited 14,690 patients while educating 740 families on proper health and sanitation.

Weather Awareness and Education

Weather Philippines Foundation and Weather Wiser Nation

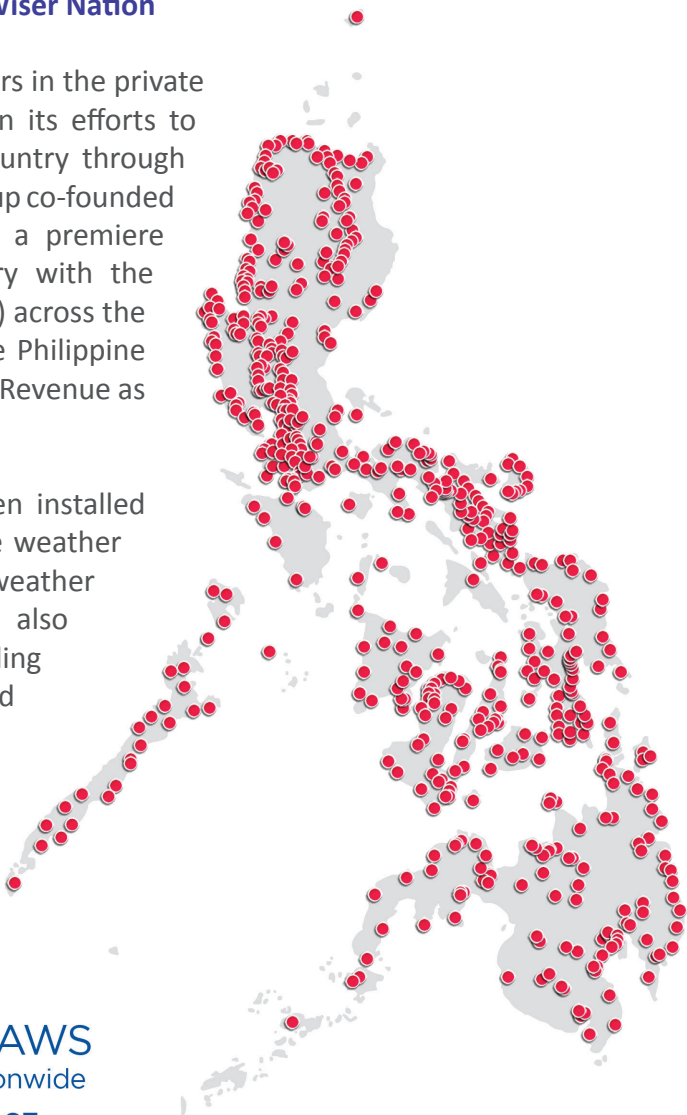
The Aboitiz Group is working together with donors in the private sector to support the Philippine Government in its efforts to reduce weather-related disaster risks in the country through Weather Philippines Foundation. The Aboitiz Group co-founded WeatherPhilippines (WPF) in 2012 to operate a premiere 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.

By end of December 2016, 792 AWS have been installed in Luzon, Visayas and Mindanao. Through these weather stations, WPF provides accurate and reliable weather forecasts throughout the whole country. WPF also operates a portal, “www.weather.com.ph” providing 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.



792 AWS
deployed nationwide

Luzon	467
Visayas	176
Mindanao	149



**Better information,
better decisions.
Be #WeatherWiser.**

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WeatherPhilippines is contributing to the UN Sustainable Development Goal Number 13, which aims to strengthen the resilience and adaptive capacity of people to natural disasters. Through its three-pronged strategy of technology, engagement, and partnership, WeatherPhilippines creates a BetterWorld where local government units and the public are capable of effective climate change-related planning and management.

In 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.

In 2016, WeatherPhilippines revamped its website to enhance features that can effectively communicate weather information harnessed from its automated weather stations deployed all over the country. It can now show enhanced satellite maps and lightning strike and thunderstorm updates, conducted for local government units and other government agencies as part of WeatherPhilippines' thrust to engage its stakeholders.

The new weatherph.org is user-friendly, engaging, and at the same time educational through its various weather learning formats from student-oriented Weather Wizards series, Weather 101 videos and infographic. Users can also talk to in-house meteorologists through the website's online community page.

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 through Social Media.

The Company fully supports WPF through the hosting of AWS and as corporate donors. The company also benefits from trainings conducted by WeatherPhilippines.

Weather Awareness and Education

WPF conducted Weather 101 and Tropical Cyclone 101 trainings for private organizations to increase people's knowledge of weather for timely response to adverse weather conditions and climate changes. 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.

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.

Even before any disaster strikes, we want our communities to be safe by being well-prepared and informed of typhoons and other severe weather events. WeatherPhilippines Foundation has intensified its #WeatherWiser Nation campaign and notched up its network of donors, sponsors, and partners to be able to reach as many Filipinos as possible. In 2016, WPF signed a platinum sponsorship deal with La Filipina Uy Gongco Group that will provide a PHP 35-million support to deploy AWS and to sustain its operation for the next 10 years. WPF's platinum donors have agreed to increase their annual donation to ₱3.5 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 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 Media.

CSR & Disaster Relief Operations

Our business units have consistently demonstrated that they are among the first to respond to affected communities during disasters. For a country that is frequently visited by typhoons, disaster relief efforts become the first step to recovery. With this in mind, Pilmico introduced The Care Package, which is a high-energy biscuit packed with 450 kilocalories, or the equivalent of one full meal. It is an efficient relief mechanism that can help local government units, corporate foundations, and NGOs optimize disaster relief, as the product does not perish easily and can be transported and stored with relative ease.



Typhoon Nina, which made landfall on Christmas day 2016, destroys homes and agriculture lands and harvests while knocking down power lines in Southern Luzon. The Aboitiz Group has earmarked PHP1.8 million for disaster relief operations to provide assistance to its host communities and help re-energize various affected areas.

From December 30, 2016 to January 3, 2017, team member volunteers from Aboitiz Foundation, APRI, and AboitizPower's Distribution Units assembled and distributed relief packs to 4,700 families from a dozen barangays in Tiwi, Albay.

The AboitizPower Distribution Utilities also brought in equipment and teams of linemen from Davao Light, VECO, and SEZ, working closely with Albay Power and Energy Corporation amid continuous rains to accelerate power restoration efforts.

Programs Committed to Environment and Sustainability

AboitizPower subsidiary Therma South, Inc., for instance, implemented the Environmental Management system and attained ISO 14000 Certification as part of this commitment.

To strike a balance between economic growth and sustainability, the Company implemented programs promoting environmental preservation, such as the Mt. Apo Natural Park rejuvenation projects, and social and economic development programs in its 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 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.aboitizpower.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.

Environment Management System

AboitizPower's generation business is committed to complying with environment management system standards.

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), obtained a favorable certification audit for its Environmental Management System (EMS) conducted by TUV Rheinland in 2014 and continues to maintain this certification. 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 compliance with health, safety and environmental standards is aligned with its Sustainability Program. *(See Sustainability report at www.aboitizpower.com/sustainability/#!sustainability_report)*

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 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 AboitizPower's business are disclosed through the Legal Proceedings section of the Information Statement of the Company.

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 and 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.aboitzpower.com under Contact Us page. There have been no major grievances from the shareholders for any alleged violation.

Employees as a Stakeholder

AboitzPower's strategic pillar of Building Human Capital remained a major focus starting in 2015. At the core of AboitzPower'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 2016, the Company, its subsidiaries and affiliates were fully compliant with the legal standards. AboitzPower 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. In 2016, occupational health and safety took center stage with the launch of Visayan Electric Company's (a wholly owned subsidiary of AboitizPower) Expanded Occupational Safety and Health (E-OSH) committee which now includes VECO's contractors as part of the committee. The establishment of safety officers for each contractor rendering their services to VECO is in compliance with the requirements of the Department of Labor and Employment.

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 Governance and Compliance Team 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 2015 and in early 2016, 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 AboitizPowerSecurity and AboitizPowerHR, 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. Through its health benefits and initiatives, the Company is able to encourage employees to maintain their good health and well-being.

In 2016, 193 employees of the Company availed of their medical benefits and 98% 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 annual group friendship games. In addition, the Company sponsors and organizes the sporting activities such as, Bike Tour of Subic, the Aboitiz Football Cup, the Aboitiz triathlon and the Aboitiz Invitation Golf Club. The Company also encourages employees to join the group's annual AboitizTriathlon.

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. Moreover, as part of the safety monitoring, all contractor's safety engineers must submit monthly reports on a regular basis to show safety performance and if there are any other reported accidents/injuries/incidents.

- ✓ AboitizPower participated in the Metro-wide Earthquake Drill last June 22, 2016. The Company also conducted a yearly Earthquake and Fire Drill in Cebu and Manila Offices. The Company organized a West Valley Fault Earthquake Preparedness training last November 24, 2016 to all employees who are based in Taguig City.
- ✓ About a thousand team members from the different Power BUs participated in the Safety Olympics held in Baguio and Davao, highlighting the importance of workplace safety while simultaneously drawing camaraderie among Hedcor, SN Aboitiz Power, Therma Mobile, Therma South, Therma Marine, and Davao Light.

AboitizPower strongly believes that accident prevention and efficient production go hand-in-hand, always adhering to practices and safety standards that ensure safe and healthy working conditions for all team members.

- ✓ To focus on safety as well as efficiency, the management of Cotabato Light invests heavily on extensive training in proper clothing, tools, and work procedures to enhance the reliability and safety of business operations. One such training on safety conducted for the company's linemen was held last February 9 to March 6, 2016, where six Cotabato Light linemen were sent to Davao Light's Technical Training Center in Maa, Davao City. Cotabato Light's labor and management representatives also attended a two-day seminar on major labor management topics facilitated by the National Conciliation and Mediation Board-Regional Branch 12 (NCMB-RB12) last April 15 and 16, 2016.
- ✓ AboitizPower Business Units, initiated the second run of the Safety, Health, Environment and Quality (SHEQ) Forum to strengthen the building blocks of the company's world-class practices. Since the creation of SHEQ, the Power Group has set up the Steering Committee and implemented the 1AP governance documents that set the requirements for SHEQ management and performance across BUs. These include: performance reporting through the SHEQ dashboard, incident reporting, road transport safety management system, stop work authority, power plant entry rules, behavior based safety, modular inspection checklist, guidelines on hazardous waste classification and labeling, and guidelines on solid waste management.

- ✓ Therma Marine, Inc. (TMI) was recognized as the 2016 Gawad Kaligtasan at Kalusugan (GKK) bronze awardee on Occupational Safety and Health Standards Industry Category during the 10th GKK National Awards on November 18, 2016 held at the OSHC Auditorium in Quezon City.
- ✓ TMI also bagged the first place award during the regional GKK competition before qualifying to the National GKK level. The GKK national award is organized by the Department of Labor and Employment to recognize exemplary efforts and initiatives of organizations and individuals who go above and beyond health and safety standards in their respective workplaces.
- ✓ SN Aboitiz Power-Benguet (SNAP-Benguet) received three awards in the Department of Labor and Employment's 10th Gawad Kaligtasan at Kalusugan (GKK) on June 28 in the DOLE-CAR office in Baguio City. SNAP-Benguet was selected GKK Regional Winner under the industrial category by the regional selection committee for its outstanding contributions in the area of occupational safety and health (OSH), including compliance to general labor and OSH standards. SHESQ Sr. Manager Hollis Fernandez was also awarded as the 10th GKK Regional Winner under the individual category.

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 2016 is quite good.

The ongoing construction of the 68.8-MW Manolo Fortich Hydropower Project of Hedcor in Bukidnon Province has reached 3.7 million man-hours with no time lost on incidents resulting in injuries on personnel. Hedcor considers the development as a major achievement, considering that the project site covers 74 hectares and involves a workforce of about 2,000.

AboitizPower subsidiary Therma Visayas, Inc.'s (TVI) ongoing construction of the 340-MW thermal power plant in Toledo City in southwestern Cebu reached 8.3 million work hours with no time lost on incidents resulting in injury on personnel. TVI and its contractors achieved the safety milestone as the Therma Visayas Energy Project (TVEP) reached 87-percent completion on Nov. 8, 2016. Safety is a top priority of the project with the TVI site team, project engineers, and contractor Galing Power & Energy Construction Co., Inc. and its subcontractors, SB Construction and EEI Corporation, working together to ensure a zero-harm work environment for everyone.

Hedcor Bukidnon and its contractor, Sta. Clara International Construction attained one million safe man-hours with no lost time accident in building the Manolo Fortich Hydro 2 Project in the Province of Bukidnon. 1,000,000 safe man-hours is the equivalent of 672 individuals working safely for 400 days. It is the policy of Hedcor to provide and maintain safe and healthy working conditions.

Aseagas marked a major safety milestone after recording 1 million hours of safe working without lost time incident for its Lian project in Batangas last March 14, 2016. Aseagas has carried out work over the last 2 years in a challenging environment. To reach one million man hours is a considerable milestone in itself, but to accomplish this without a single reported incident is a significant achievement. Aseagas Corporation is a renewable energy company providing power from biomass waste. Its core purpose is to help improve the air quality of our cities by providing sustainable, green transport solutions, utilizing waste that would otherwise be left to pollute the environment.

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.

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.

Employee's Training

The Company follows Aboitiz Equity Ventures, Inc.’s BetterWays Academy (BWA) for all employees. This training academy 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 BWA is in addition to other technical or leadership trainings that employees avail of through their Business Units.

The Company also provides 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.

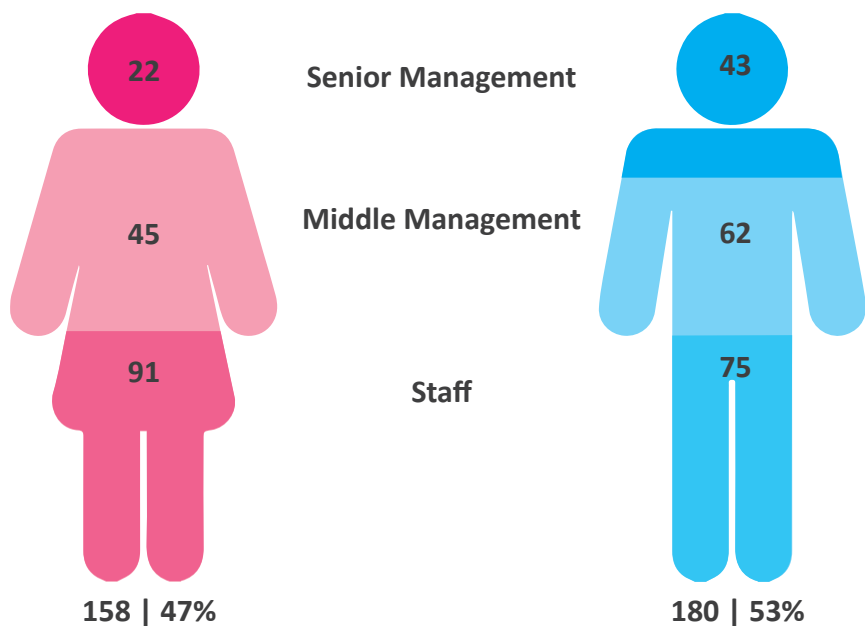
The Company embedded the coaching and mentoring of leaders across the organization and the Leadership Circles for the development and mentoring of top leadership as well as incoming leadership across its organization with a focus to developing the Aboitiz leadership brand and leadership succession and 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 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 2016, indicating a fairly equal representation:



Employee Relations

Developing Performance-Enhancing Structures for Employees

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.

Employee's 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 maintained 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. 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.

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, or an annual performance review and measures.

Employee Protection

Policy on handling complaints by Employees Concerning Illegal and Unethical Behavior

The Company strives to maintain 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 Governance and Compliance 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 by reporting through the Company's Agora portal or sending an email directly to the President, Chairman of the Board of Directors, Lead Independent Director, Chief Compliance Officer, or the Group Internal Audit Head, in addition to other available avenues, such as the employee's direct supervisor, the Governance and Compliance 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.

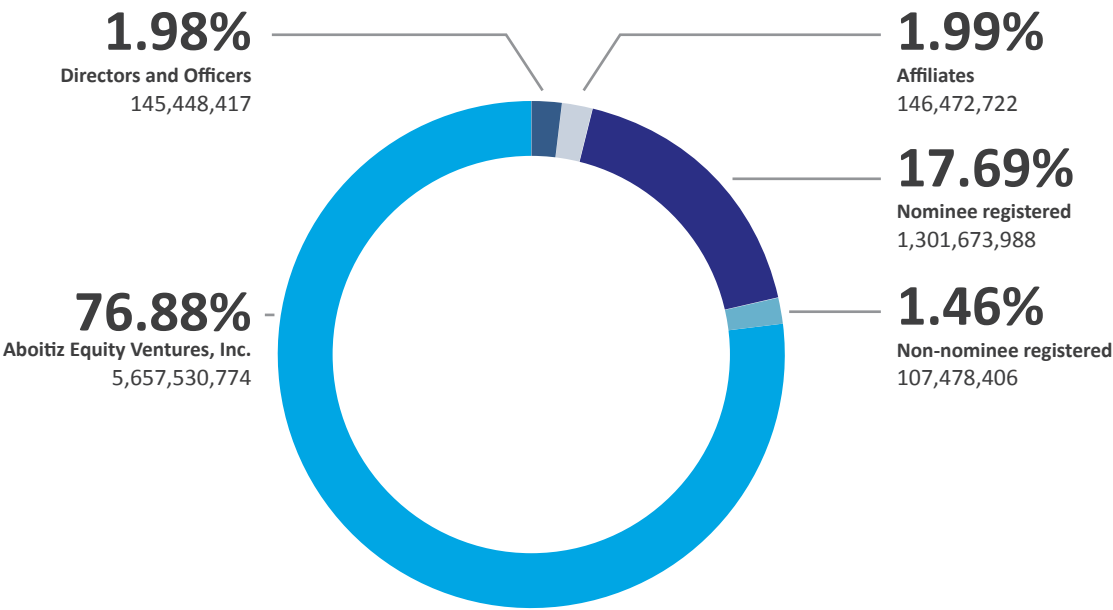
D. DISCLOSURE AND TRANSPARENCY

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, 2016, AboitizPower had 628 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, 1,409,152,394 shares or 19.15% was held by the public. Moreover, the Company’s Directors and Officers owned 145,448,417 shares or 1.98% and the Company’s Affiliates owned 146,472,722 shares or 1.99% 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 9,177 shareholders as of December 31, 2016.

Monitoring of Insiders’ Ownership

While the Company encourages stock ownership by employees, to ensure ethical conduct, the Company through its Governance and Compliance Team 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 tracking of compliance 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 Shares

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 2016 Definitive Information Statement, as of March 31, 2017, the identity of the Beneficial Owners Holding 5% or more are as follows:

Shareholder	Number of Shares	Percent	Beneficial Owner
Aboitiz Equity Ventures, Inc.	5,657,630,774 (Record and Beneficial)	76.88%	Aboitiz Equity Ventures, Inc.
PCD Nominee Corp.* (Filipino)	871,204,959 (Record)	11.84%	PCD Participants acting for themselves or for their customers.
PCD Nominee Corp.* (Foreign)	570,491,514 (Record)	7.75%	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, below is the direct and indirect ownership of directors and senior management of the Company as of December 31, 2016 and March 31, 2017:

Board of Directors

As of December 31, 2016

As of March 31, 2016

Enrique M. Aboitiz Chairman of the Board					
758	Direct	0.00%	758	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%
Jon Ramon Aboitiz Vice Chairman of the Board					
13,001	Direct	0.00%	33,001	Direct	0.00%
17,176,320	Indirect	0.23%	17,176,320	Indirect	0.23%
Erramon I. Aboitiz Director/Chief Executive Officer					
1,300,001	Direct	0.02%	1,300,001	Direct	0.02%
71,994,595	Indirect	0.98%	78,919,339	Indirect	1.07%
Antonio R. Moraza Director/President and Chief Operating Officer					
1	Direct	0.00%	1	Direct	0.00%
20,432,299	Indirect	0.28%	20,432,299	Indirect	0.28%
Jaime Jose Y. Aboitiz Director/Executive Vice President and Chief Operating Officer - Power Distribution Group					
5,367,397	Direct	0.07%	5,367,397	Direct	0.07%
3,723,873	Indirect	0.05%	3,723,873	Indirect	0.05%
Mikel A. Aboitiz Director					
1	Direct	0.00%	1	Direct	0.00%
13,283,959	Indirect	0.18%	13,283,959	Indirect	0.18%
Carlos C. Ejercito Independent Director					
1,000	Direct	0.00%	1,000	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%
Romeo L. Bernardo Independent Director					
1,000	Direct	0.00%	1,000	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%
Alfonso A. Uy Independent Director					
1,000	Direct	0.00%	1,000	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%
Total:	133,315,205	1.81%	140,239,949	1.90%	

Key Officers

As of December 31, 2016

As of March 31, 2016

Emmanuel V. Rubio | Executive Vice President & Chief Operating Officer – Power Generation Group

114,130	Direct	0.00%	59,130	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

Juan Antonio E. Bernad | Executive Vice President – Strategy and Regulation

520,001	Direct	0.01%	520,001	Direct	0.01%
488,734	Indirect	0.01%	488,734	Indirect	0.01%

Luis Miguel O. Aboitiz | Executive Vice President/Chief Operating Officer – Corporate Business Group

9,486,835	Direct	0.13%	9,486,835	Direct	0.12%
0	Indirect	0.00%	0	Indirect	0.00%

Gabriel T. Mañalac | Senior Vice President – Group Treasurer

111,139	Direct	0.00%	111,139	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

Susan V. Valdez | Senior Vice President/Chief Reputation and Risk Management Officer

569,862	Direct	0.01%	569,862	Direct	0.01%
0	Indirect	0.00%	0	Indirect	0.00%

Liza Luv T. Montelibano | First Vice President/Chief Financial Officer/Corporate Information Officer

N/A	N/A	N/A	0	Direct	0.00%
N/A	N/A	N/A	0	Indirect	0.00%

Beverly B. Tolentino | First Vice President/Chief Finance Officer – Power Generation Group

58,534	Direct	0.00%	58,534	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

Ma. Chona Y. Tiu | First Vice President & Chief Financial Officer- Power Distribution Group

207,250	Direct	0.00%	227,250	Direct	0.00%
70,000	Indirect	0.00%	70,000	Indirect	0.00%

Manuel M. Orig | First Vice President - Mindanao Affairs

248,373	Direct	0.00%	N/A	N/A	N/A
0	Indirect	0.00%	N/A	N/A	N/A

John Earl Crider, Jr. | Executive Director – Chief Technology Officer, Power Generation Group

N/A	N/A	N/A	0	Direct	0.00%
N/A	N/A	N/A	0	Indirect	0.00%

36,427	Direct	0.00%	36,427	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

N/A	N/A	N/A	0	Direct	0.00%
N/A	N/A	N/A	0	Indirect	0.00%

N/A	N/A	N/A	0	Direct	0.00%
N/A	N/A	N/A	0	Indirect	0.00%

N/A	N/A	N/A	0	Direct	0.00%
N/A	N/A	N/A	0	Indirect	0.00%

N/A	N/A	N/A	0	Direct	0.00%
N/A	N/A	N/A	0	Indirect	0.00%

47,866	Direct	0.00%	47,866	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

108,534	Direct	0.00%	113,534	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

0	Direct	0.00%	0	Direct	0.00%
3,000	Indirect	0.00%	3,000	Indirect	0.00%

62,527	Direct	0.00%	62,527	Direct	0.00%
0	Indirect	0.00%	0	Indirect	0.00%

Total:	12,133,212	0.16%	11,584,839	0.15%
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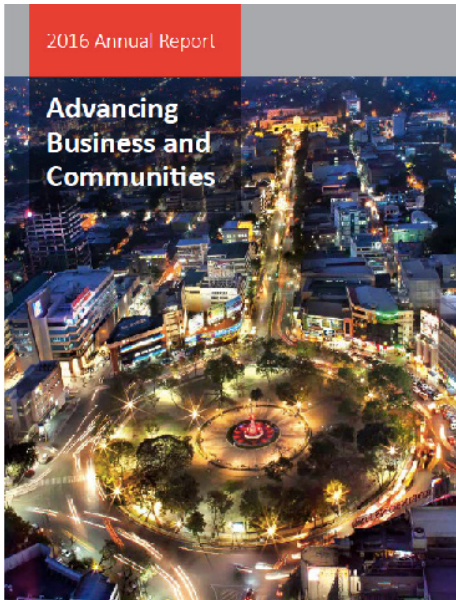
Insider Trading Prohibition

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 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.aboitizpower.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 Company's 2016 Corporate Objectives are disclosed in the Annual Report. AboitizPower is well-positioned to take advantage of opportunities arising from developments in the power industry. Its sound financial condition will give it the agility to create or acquire additional generating capacity over the next few years.

Notwithstanding the challenges over the short-term, AboitizPower has built the necessary foundations to sustain its growth trajectory for the long term. In line with its robust growth target of building 4,000 MW by 2020, AboitizPower looks to expanding its portfolio of generation assets by implementing the following projects.

AboitizPower continues to closely evaluate the investment viability of the remaining power generation assets that PSALM intends to auction off. AboitizPower is also keen on participating in PSALM's public auction for the IPPA contracts, which involves the transfer of the management and control of total energy output of power plants under contract with NPC to the IPP administrators.

Disclosure of Financial Performance Indicators in the Annual Report

The Company's 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 9 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.

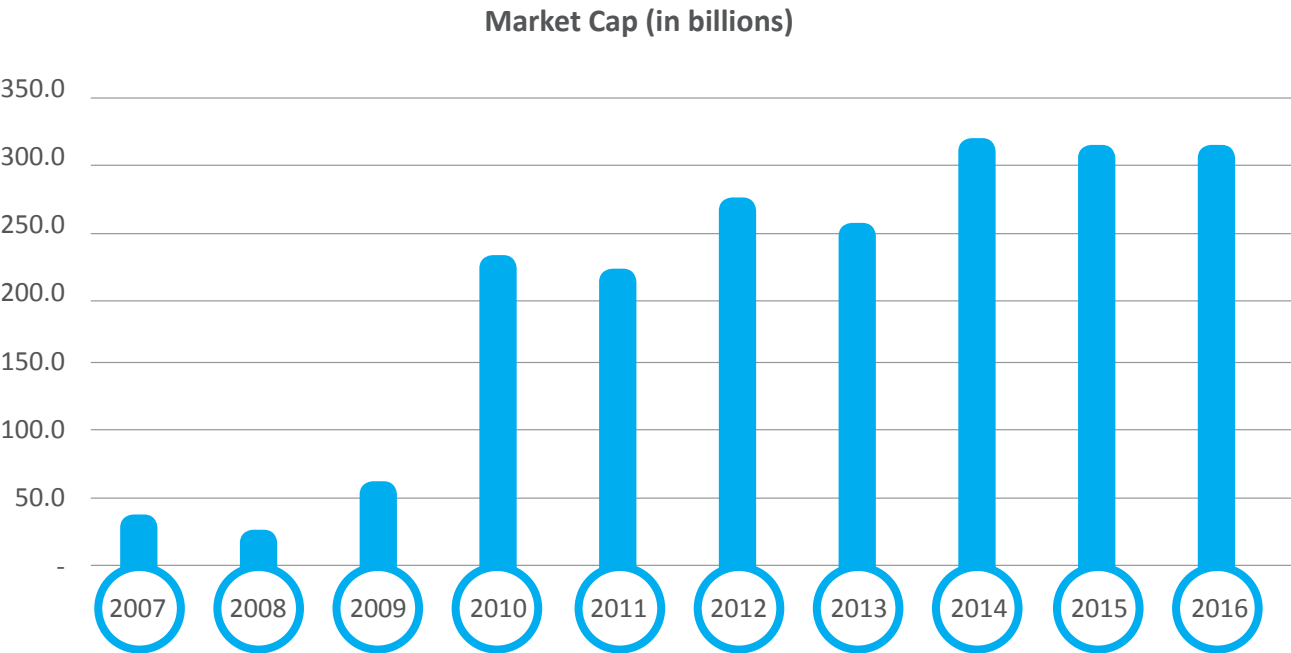
Disclosure of Non-Financial Performance Indicators in the Annual Report and the Aboitiz Integrated Annual Report

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 2016, its market capitalization grew to ₱307 bn, or a CAGR of 26%. 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's 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 dividends 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.aboitizpower.com)*

Details of Whistleblowing Policy in the Annual Report

The Company has a Whistle Blowing Policy 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 Governance and Compliance 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. The Policy can be viewed on the Company's website.

In March 23, 2017, the Company amended its Whistleblowing Policy to encourage all employees to report any illegal or unethical practices in the Company. To provide employees several avenues to report illegal or unethical activities, the Policy allows reporting to any of the following: Chairman of the Board of Directors, President or Chief Executive Officer, Lead Independent Director, Chief Compliance Officer, Group Internal Audit Head, Direct Supervisor, Human Resources Department, and Governance and Compliance Department.

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 and Aboitiz Integrated Annual Report distributed after the ASM. 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. For 2016, the Company together with AEV conducted an In House Mandatory Corporate Governance Seminar 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 November 24, 2016, 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.

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 December 13, 2016 for their informal discussion of issues.

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 2016 was good with an overall percentage of 92.93% attendance record for the eleven (11) regular and special board meetings, for 2016 for each director and 92.93% presence of directors per meetings.

ABOITIZ POWER CORPORATION BOARD MEETINGS	REG	SP	REG	REG	ASM	ORG	REG	SP	REG	SP	REG	Total No. of Meetings Attended by Each Members	Percentage of Attendance
	1/27/16	3/8/16	3/31/16	5/16/16	5/16/16	5/16/16	7/21/16	8/19/16	9/22/16	10/27/16	11/24/16		
ENRIQUE M. ABOITIZ												10	91%
JON RAMON ABOITIZ												11	100%
ERRAMON I. ABOITIZ												11	100%
ANTONIO R. MORAZA												10	91%
MIKEL A. ABOITIZ												7	64%
JAIME JOSE Y. ABOITIZ												10	91%
CARLOS C. EJERCITO												11	100%
ALFONSO A. UY												11	100%
ROMEO L. BERNARDO												11	100%
Total No. of Members Present in Each Meeting	9	9	9	8	8	8	8	8	9	8	8		92.93%
Percentage of No. of Members Present in Each Meeting	100.00%	100.00%	100.00%	88.89%	88.89%	88.89%	88.89%	88.89%	100.00%	88.89%	88.89%	92.93%	

Legend:  - Present,  - 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.

Each director receives a per diem of ₱100,000.00 per board meeting attended, except for the Chairman of the Board, who receives a per diem of ₱150,000.00. For every board committee meeting attended, each director is entitled to a per diem of ₱80,000.00, except for the Chairman of the Committee, who receives ₱100,000.00. There are no changes in the board remuneration for 2016.

Director's Per Diem

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

Below are the total monthly allowances and per diems received by the Directors in 2016:

Name of Director	Membership	Total Monthly Allowances & Per Diems received in 2016
Enrique M. Aboitiz	Chairman	3,960,000.00
Jon Ramon Aboitiz	Vice-Chairman	2,740,000.00
Erramon I. Aboitiz	Director	2,580,000.00
Antonio R. Moraza	Director	2,960,000.00
Mikel A. Aboitiz	Director	2,740,000.00
Jaime Jose Y. Aboitiz	Director	2,140,000.00
Carlos C. Ejercito	Independent Director	3,600,000.00
Alfonso A. Uy	Independent Director	3,500,000.00
Romeo L. Bernardo	Independent Director	3,500,000.00

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 publicly listed companies. It also participates in market surveys to benchmark board remuneration.

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 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 compliance report is also included in the company's annual report, corporate governance report and disclosed on the company's website. Below is the Company's PSE, PDEX and SEC Reportorial Compliance Record for 2016.

SEC Form 17 - C (Current Report) 37	Clarification to News Articles (PSE)/Letter Replies 5	SEC Form 23 - A (Initial Statement of Beneficial Ownership of Securities) 1	SEC Form 23 - B (Statement of Changes in Beneficial Ownership of Securities) 18	SEC Form 17 - Q (Quarterly Report) 3
SEC Form 20 - IS (Preliminary Info Statement) 1	SEC Form 20 - IS (Definitive Info Statement) 2	SEC Form 17 - A (Annual Report) 1	General Form for Financial Statement (GFFS) 1	General Information Sheet (GIS) 3
COMPLIANCE REPORT				
Certification - Attendance of Directors in Board Meetings 1	Certification - Affiliations of Independent Directors Compliant	Certification - Attendance of Directors in CG Seminar Compliant	Corporate Governance Disclosure Compliant	Foreign Ownership Monitoring Report (last working day of the first week of every month) 11
Report on Number of Shareholders & Board Lot 11	List of Top 100 Stockholders 4	Annual List of Stockholders - Annual Stockholders Meeting 1	Public Ownership Report 4	Annual Corporate Governance Report 1

Disclosure of Related Party Transactions (RPTs)

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 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 routinary 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 management services, governance and compliance services, 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.

On March 23, 2017, The Board of Directors, approved the recommendation of the Board Corporate Governance Committee for a new Related Party Transactions (RPT) Policy, the creation of a RPT Committee and adopted RPT Committee Charter. The RPT Committee will be composed entirely of Independent Directors.

Directors Dealings in Shares of the Company

While the Company encourages stock ownership by employees, to ensure ethical conduct, the Company through its Governance and Compliance Team and Board Secretariat monitor the share ownership and share transfers 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's 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 2016. 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 2016. 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 9 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.

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 Definitive Information Statement and Annual Corporate Governance Report. The external audit and other fees of the Company for the years 2015-2016 were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Audit Fees	₱403,000.00	₱383,670.00
Non-Audit Fees	N/A	N/A
TOTAL	₱403,000.00	₱383,670.00

Audit Fees versus Non-Audit Fees

The AboitizPower Group's non-audit fees in 2015 and 2016 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, 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 2015 and 2016 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 2016, after discussions and review, the Board Audit Committee approved the 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)

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.

Investor Relations Activities/Programs



The Investor Relations Office conducted investors' briefings in March 9, 2016, May 6, 2016, July 28, 2016, and October 26, 2016 to enable investors to discuss with the top management the full year 2015 Financial Operating Results, First Quarter 2016 Financial and Operating Results, Second Quarter 2016 Financial and Operating Results and Third Quarter 2016 Financial and Operating Results, respectively. The Investor Relations Office also regularly organizes Analysts Briefings where the CFO and other key officers discuss not only financial strategies but also directions and current issues affecting the Company.

Below are the list of 2016 Investor Relations Activities/Programs conducted and participated by the company.

2016			
JANUARY	FEBRUARY	MARCH	MAY
13 2016 Broker's Night Hosted by AboitizPower Taguig City 25 Conferences/NDR Hosted by ASEAN Corporate Access JPMorgan, Makati City	13 2016 Broker's Night Hosted by AboitizPower Taguig City	3 Conferences/NDR Hosted by Philippine CEO/CFO Day UBS, Makati City 9 AP FY 2015 Results, Investors' Briefing Hosted by AboitizPower Makati City	6 AP 1Q 2016 Results, Investors' Briefing Hosted by AboitizPower Makati City
JULY	SEPTEMBER	OCTOBER	NOVEMBER
28 AP 2Q/1H 2016 Results, Investors' Briefing Hosted by AboitizPower Makati City	5 to 7 Conferences/NDR Hosted by Philippine Corporate Day Deutsche Bank, London	26 AP 3Q/9M 2016 Results, Investors' Briefing Hosted by AboitizPower Makati City	14 to 16 Conferences/NDR Hosted by US Non-Deal Roadshow BPI Securities Jeffries, New York, Chicago, San Francisco 23 Conferences/NDR Hosted by Philippine Corporate Day PEP, Hongkong

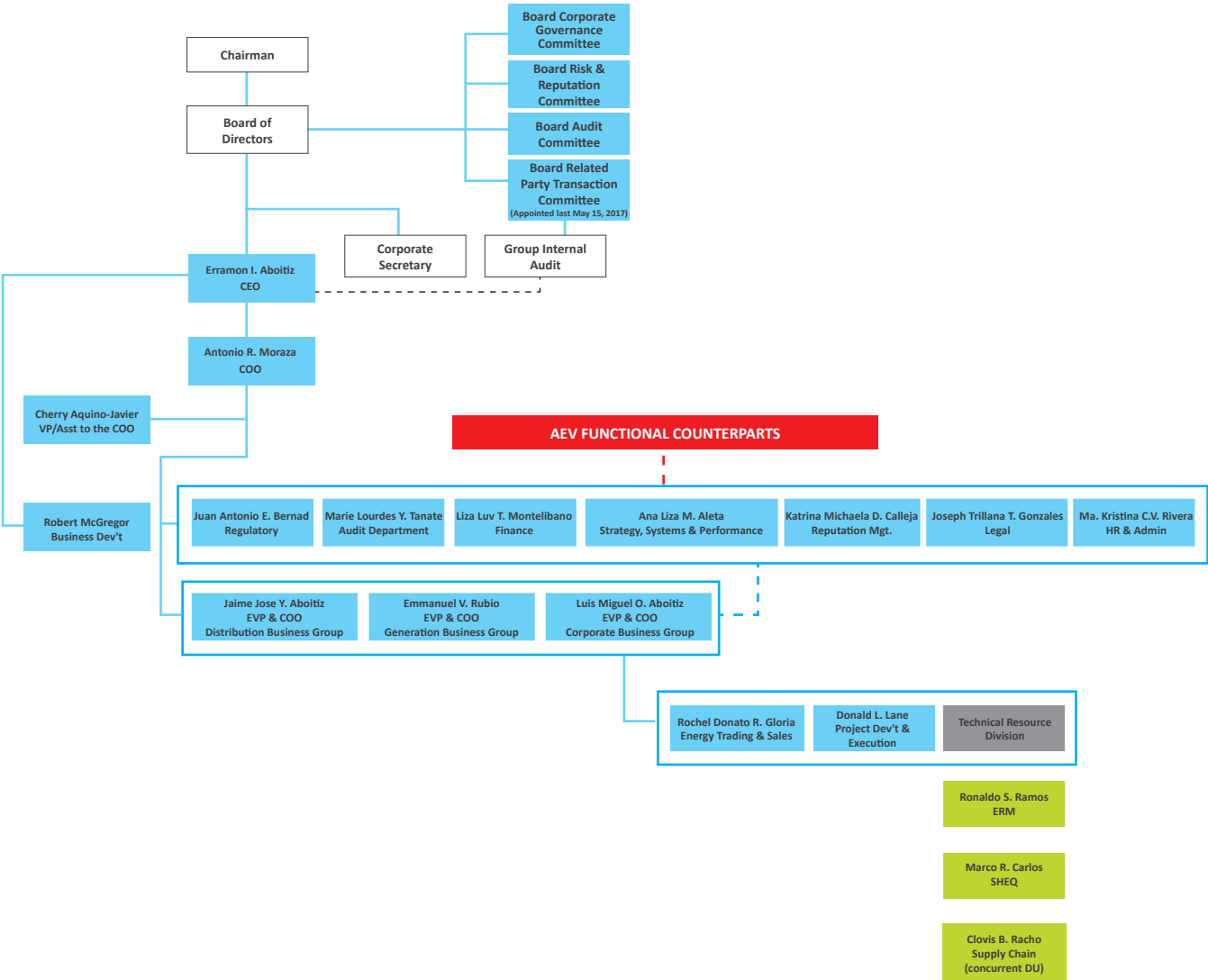
E. RESPONSIBILITIES OF THE BOARD



AboitizPower launched 1AP two years 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.

With the completion of Project Forward the company was able 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.

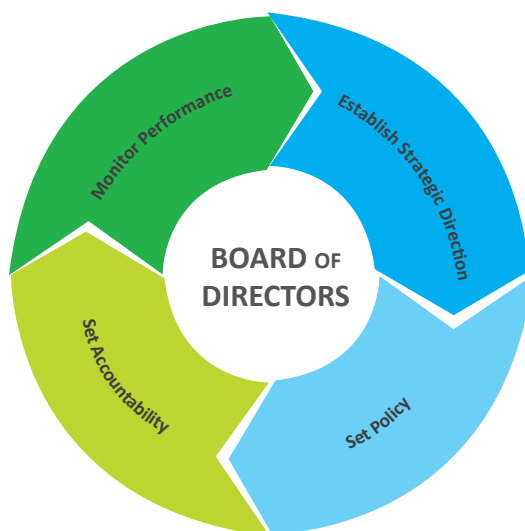
Effective January 1, 2016, the Company adopted a new organizational structure delineating the responsibilities of the functional boards and teams that execute and oversee the Company’s strategies, goals, vision and mission:



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 2016, the Board approved the Board Charter 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.

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, the adoption of an information security management policy, a sustainability policy, a risk management policy, a whistleblowing policy, a related party transactions 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.

In 2016, the Board approved the Board Charter recommended by the Board Corporate Governance Committee for continuous improvement.

The Manual on Corporate Governance, as revised, is generally aligned to the principles and recommendations laid down by the SEC under the CG Code for PLCs to further strengthen the Company's corporate governance practices. The CG Code for PLCs took effect on January 1, 2017.

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.

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.

Corporate Mission: To Find Better Solutions.

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)*

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 November 24, 2016, to refresh the Company's vision, mission, strategy, 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 2016. 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.

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 Compliance Officer of the Company and to the governance and compliance 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 governance and compliance team.

Board Structure

The AboitizPower's Code Ethics and Business Conduct

An Ethical Business

The AboitizPower Code of Ethics and Business Conduct was adopted by the Company in 2002 and amended in 2016 to align with existing and new policies and directions. It outlines how the 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 of the Company and its subsidiaries 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 and its subsidiaries.

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. The Governance and Compliance team made an initial cascade of the Code to all the team leaders of the Company and thereafter to the other subsidiaries of the Company. The HR team also made several roll-out of the Code to the employees and officers of the different business units of AboitizPower.

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 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.aboitizpower.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 December 13, 2016 at Taguig City for an informal discussion of issues.

Term Limits of Independent Directors

The Company complies with the requirements of SEC Memorandum Circular No. 19, Series of 2016 prescribing term limits for Independent Directors. As a rule, Independent Directors may serve for a maximum of nine (9) consecutive years, starting from 2012, making sure however that the stockholders' legal right to vote and be voted directors remains inviolable. If the Company wants to retain an independent director who has served for nine consecutive years, the Board shall provide meritorious justifications and advise the stockholders of such justifications during the annual stockholders' meeting.

The Company also conducts an annual assessment of the performance of the Board as a whole, the Chairman, each of the Individual Directors, and Corporate Officers such as the Chief Risk Officer, Chief Compliance Officer, and Group Internal Auditor.

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 Management 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.

On March 23, 2017, the Board, as endorsed by the Board Corporate Governance Committee, approved the creation of the RPT Committee and an RPT Committee Charter. The RPT Committee will be composed entirely of Independent Directors.

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:

BOARD CORPORATE GOVERNANCE COMMITTEE

(2016 - 2017)



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.

Advancing Business and Communities






















85

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 and in the Board Corporate Governance Committee Charter. The Manual on Corporate Governance and the Charter are available at www.aboitizpower.com under Policies & 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 2016. 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	3/1/16	7/21/16	11/22/16	Total No. of Meetings Attended by Each Member	Percentage of Attendance
JON RAMON ABOITIZ				3	100%
ERRAMON I. ABOITIZ				3	100%
CARLOS C. EJERCITO				3	100%
ALFONSO A. UY				3	100%
ROMEO L. BERNARDO				3	100%
M. JASMINE S. OPORTO				3	100%
XAVIER JOSE Y. ABOITIZ				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:  - Present,  - 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. In practice, decisions are made by unanimous voting.

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 2016.

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 2016, the Board Corporate Governance Committee took up the following matters:

March 1, 2016 Regular Meeting

1. Updates on WADDs and Re-Issuance of Stale Checks
2. Nominees for the Board of Directors of AboitizPower
3. Proposed Agenda for the 2016 ASM
4. Timeline for the Preparation and Proposed Content of the Information Statement for the 2016 AGM/2015 Annual Report
5. 2015 Statutory Compliance Report
6. Corporate Governance Updates
 - Proposed Corporate Governance Report for the Annual Report
 - Submission of the PSE Corporate Governance Guidelines Disclosure Template for the Year
7. Regulatory Updates
 - SEC Approval on NEW PDEX Rules on Trading and Settlement Guidelines for Holders Subject to 25% or 30% Final Withholding Tax
 - Philippine Competition Commission Memorandum Circular No. 16-001 on Mergers and Acquisitions
8. Proposed Policies
 - Approval of the Related Party Transactions
 - Approval of the Revised Code of Ethics and Business Conduct
9. Investor Relations Report
 - Investor Relations Program for 2016

July 21, 2016 Regular Meeting

1. Corporate Governance Updates
 - Proposed Corporate Governance Charter
 - Review of the Corporate Governance Manual
 - Updates on the Governance, Risk and Compliance Project
2. Regulatory Updates
 - Updates on the Implementing Rules and Regulation IRR of Data Privacy and Competition Act
 - BIR RMO No. 69-2016 on the suspension of the effectivity of revenue issuances signed by former Commissioner Kim Jacinto-Henares within the period covering June 1 to June 30, 2016
 - BIR RMO No. 70-2016 on the suspension of all BIR Field audit and field operations in relation to examinations and verifications of taxpayers' books of accounts, records and other transactions
 - BIR RMO No. 38-2016 on the revocation of RMO 24-2016 and 25-2016, prescribing the rules in the conduct of investigation into the financial capacity of the parties in transactions involving the transfer of sale of properties
 - Bangko Sentral ng Pilinas (BSP) Draft Circular on the Proposed Amendments to the Rules and Regulations Governing the Operations of Non-Banking Financial Institutions engaged in Remittance and Money Changing/Foreign Exchange Dealing (referred as Money Services Business)
3. Other Updates
 - Proposed Revisions to the Whistleblowing Policy
 - Cascade of the Code of Ethics and Execution of Non-Disclosure Agreement
 - Status of the PSE Revised Listing Agreement
4. Board Assessment
 - Review of the Board Assessment Questionnaire
5. Investor Relations Report

November 22, 2016 Regular Meeting

1. Corporate Governance Matters
 - Report on the Comments on the Draft 2016 Corporate Governance Code
 - Approval of the Amended Corporate Governance Manual
 - Approval of Draft Corporate Governance Committee Charter
 - Approval of the 2016 Amendments to the ACGR
2. Regulatory Updates
 - Tax Amnesty Bill
 - Cybercrime Prevention Act of 2012
3. Other Updates
 - Report on the Cascade of the Code of Ethics
 - Review of the Aboitiz Group Legal and Compliance Risk Management Policy
4. Board Assessment
 - Update on the results of the Board Assessment
5. Investor Relations Report
6. Other Matters
 - Legal Risk Awareness E-Learning Course

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 on or before April 15 yearly.

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 2016-2017, the Board Audit Committee membership is as follows:



Chairman of the Audit Committee is an Independent Director

During the Company's Organizational Meeting last May 16, 2016, 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 Board Audit Committee are defined in the Company's Manual on Corporate Governance and Board Audit Charter. The Manual on Corporate Governance and the Charter of the Board Audit Committee are available at the www.aboitizpower.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.aboitizpower.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 2016 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 92% and overall percentage of directors present at said meetings has been 93.33% as can be seen below:

ABOITIZ POWER CORPORATION AUDIT COMMITTEE	3/4/16	5/3/16	7/26/16	10/26/16	11/22/16	Total No. of Meetings Attended by Each Member	Percentage of Attendance
CARLOS C. EJERCITO						5	100%
ALFONSO A. UY						5	100%
ROMEO L. BERNARDO						5	100%
MIKEL A. ABOITIZ						3	60%
ANTONIO R. MORAZA						5	100%
Total No. of Members Present in Each Meeting	5	4	5	5	4		92%
Percentage of No. of Members Present in Each Meeting	100.00%	80.00%	100.00%	100.00%	80.00%	93.33%	

Legend:  - Present,  - 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 2016 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 2016, 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 2016. 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 9 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 2016:

March 4, 2016 Regular Meeting

- 1. SGV Presentation of Audit Results for Financial Year 2015
- 2. AP YTD 2015 Financials
- 3. Presentation of Internal Audit
- 4. Board Audit Committee Self-Assessment for 2015

May 6, 2016 Regular Meeting

1. YTD March Financials
2. Presentation of Group Internal Audit

July 26, 2016 Regular Meeting

1. AP YTD June Financials
2. Presentation of Internal Audit

October 24, 2016 Regular Meeting

1. SGV Audit Plan for 2016 Financials
2. YTD September Financials
3. Presentation of Group Internal Audit

November 22, 2016 Regular Meeting (Joint with the Board Risk and Reputation Committee)

1. Review of the P2B and above insurance covers
2. Risks and Reputation Management
3. 2017 Risk Review
4. 2017 Committee Meetings and Proposed Agenda Risk Management Plan
Validation Audit Result

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 2016.

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 2016.

Report of the Board Audit Committee

For 2016, 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 2016 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 Management 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:



Attendance record of members of the Board Risk and Reputation Management Committee has been consistently good. Individual directors' percentage record of attendance was at 95.83% and overall percentage of directors present at said meetings was at 95.83%.

ABOITIZ POWER CORPORATION RISK AND REPUTATION MANAGEMENT COMMITTEE	3/1/2016	7/21/16	11/22/16	Total No. of Meetings Attended by Each Member	Percentage of Attendance
ENRIQUE M. ABOITIZ				3	100%
ANTONIO R. MORAZA				3	100%
MIKEL A. ABOITIZ				2	66.67%
CARLOS C. EJERCITO				3	100%
ALFONSO A. UY				3	100%
SUSAN V. VALDEZ				3	100%
ROMEO L. BERNARDO				3	100%
LIZA LUV T. MONTELIBANO				3	100%
Total No. of Members Present in Each Meeting	8	8	7		95.83%
Percentage of No. of Members Present in Each Meeting	100.00%	100.00%	87.50%	95.83%	

Legend:  - Present,  - Absent

In its 2016 meetings, the Board Risk and Reputation Management Committee reviewed, discussed, updated and approved the following matters:

March 1, 2016 Regular Meeting

1. Directors and Officers Insurance Update
2. 2015 Total Cost of Insurable Risk (TCOIR) and Benchmarking
3. 2015 CSR Annual Reports
 - Aboitiz Foundation
 - Weather Philippines Foundation
4. Risk Maturity Index Validation Report
5. Risk Management Plan Validation Report
6. 2016 World Economic Forum: Global Risk Report

July 21, 2016 Regular Meeting

1. Mid-year Update for Group Top Risks & Project Risks
2. Information Security Update
3. Philippine Disaster Resilience Foundation; West Valley Fault Update

November 22, 2016 Regular Meeting

1. Review of P3B and above Insurance covers
2. Risk and Reputation Management Report
 - 2016 Year-end Report
 - 2017 Plans, Initiatives and Programs
 - ISMS Update
 - Policy Review and Approval
3. 2017 Risk Review
 - Emerging Risks
 - Group-wide and SBU Risks
 - Project Risks
4. Risk Management Plan Validation Audit Results
5. Other Matters: Proposed 2017 AEV and AP Board Risk and Reputation Committee Agenda

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 AEV'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 Company'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 the Company's President & Chief Executive Officer. The members are the Company'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 the Company'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 the Company's 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 General Counsel.

The Aboitiz Legal and Compliance Committee (Legal and Compliance Committee), a group-wide management committee, is formed to provide a venue for discussion of legal and compliance risk management issues of the Aboitiz Group and for the review of key governance, legal risk and compliance policies for the Group.

The Legal and Compliance Committee shall have the following duties and responsibilities:

- Serve as forum for sharing relevant information and best practices, and discussion of legal, regulatory and compliance issues and trends, practices, experience and research work.
- Promote integration and alignment of governance, ethics, legal and compliance risk management practices and processes across the Aboitiz Group.
- Develop, regularly review or update, and recommend for Group Mancom or Board Corporate Governance Committee approval, as the case maybe, governance, ethics, legal and compliance risk management policies and guidelines.
- Ensure and monitor compliance with Group policies and guidelines.
- Review Group capability building efforts for better people, better process, better systems.
- Conduct post-mortems or look-backs on key business transactions and cases.
- Review and monitor Group compliance and legal risk universes.
- Review, discuss and monitor key legal, compliance issues or governance issues escalated to the Legal and Compliance Committee for decision or action.

The AboitizPower Corporate Services Management Committee is a sub-committee of the AboitizPower Management Committee. It evaluates and proposes key group-wide initiatives and policies in support of strategic directions. Recommendations from the committee are presented to the AboitizPower Management Committee or Group Management Committee for approval prior to implementation. The Chairman is the AboitizPower Chief Operating Officer, and the members are the Chief Corporate Services Officer, Chief Legal Officer, Chief Compliance Officer, Chief Technology Officer, Chief Risk Officer, the Company's SVP – Government Relations, the Company's FVP – Government Relations, the Company's FVP – Digital Management, the Company's VP – Reputation Management, the Company's VP – Strategy, and the Chief of Staff. It is also a committee that keeps all members updated with ongoing team initiatives to leverage on capabilities and promote teamwork across all the different teams at Corporate Services.

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 2016, the board meetings of the Company were as follows: January 27, 2016, March 8, 2016, March 31, 2016 May 16, 2016, June 15, 2016, June 22, 2016, July 27, 2016, August 2, 2016, September 22, 2016, and November 24, 2016.

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 2016 was exemplary with an overall percentage of 92.93% attendance record for the eleven (11) regular, special board meetings, annual stockholders meeting and organizational meeting including strategy meetings for each director and 92.93% presence of directors per meetings.

ABOITIZ POWER CORPORATION BOARD MEETINGS	REG	SP	REG	REG	ASM	ORG	REG	SP	REG	SP	REG	Total No. of Meetings Attended by Each Members	Percentage of Attendance
	1/27/16	3/8/16	3/31/16	5/16/16	5/16/16	5/16/16	7/21/16	8/19/16	9/22/16	10/27/16	11/24/16		
ENRIQUE M. ABOITIZ												10	91%
JON RAMON ABOITIZ												11	100%
ERRAMON I. ABOITIZ												11	100%
ANTONIO R. MORAZA												10	91%
MIKEL A. ABOITIZ												7	64%
JAIME JOSE Y. ABOITIZ												10	91%
CARLOS C. EJERCITO												11	100%
ALFONSO A. UY												11	100%
ROMEO L. BERNARDO												11	100%
Total No. of Members Present in Each Meeting	9	9	9	8	8	8	8	8	9	8	8		92.93%
Percentage of No. of Members Present in Each Meeting	100.00%	100.00%	100.00%	88.89%	88.89%	88.89%	88.89%	88.89%	100.00%	88.89%	88.89%	92.93%	

Legend:  - Present,  - 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 December 13, 2016 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.

The Company utilizes Digital Board books for purpose of circulating board materials. 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 and the Governance and Compliance Team, play 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 Management Services team. 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, the Company's directors have informal opportunities to share perspectives with the Legal Management Services 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. *(See Manual on Corporate Governance at www.aboitzpower.com)*

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 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.

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 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. Each director receives a per diem of ₱100,000 and the Chairman of the Board receives a per diem of ₱150,000 for every board meeting. 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 Per Diem

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

There were no proposed changes in the compensation of the directors for 2016.

Below are the total monthly allowances and per diems received by the Directors in 2016:

Name of Director	Membership	Total Monthly Allowances & Per Diems received in 2016
Enrique M. Aboitiz	Chairman	3,960,000.00
Jon Ramon Aboitiz	Vice-Chairman	2,740,000.00
Erramon I. Aboitiz	Director	2,580,000.00
Antonio R. Moraza	Director	2,960,000.00
Mikel A. Aboitiz	Director	2,740,000.00
Jaime Jose Y. Aboitiz	Director	2,140,000.00
Carlos C. Ejercito	Independent Director	3,600,000.00
Alfonso A. Uy	Independent Director	3,500,000.00
Romeo L. Bernardo	Independent Director	3,500,000.00

Independent Non-Executive Directors Do Not Receive Options or Performance Shares

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

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 publicly listed companies. It also participates in market surveys for benchmarking of board remuneration.

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 Lourdes Y. 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. *(See Board Risk Charter and Reputation Charter at www.aboitizpower.com)*

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 continued to pursue various risk initiatives for 2016, 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 testing, Risk Management Integration with Key Internal Processes, Improved Integration of Risk Subject Matter Experts, 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.aboitizpower.com)*

Management of Key Risks

Risk Management Initiatives

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. The Company's Risk Management initiatives are focused on performing Business Continuity Management Maturity Baseline and Audit, Implement Information Security Management System (ISMS), Pilot Catastrophic Plant Failure Review, improving Operational Risk Management Plan (ORMP) and Integrating governance, risk and compliance best practices.

AboitizPower recognizes that its reputation is its single most valuable asset, a competitive advantage that enables the Company to earn the trust of its stakeholders. The Company also knows that the reputation it has today took generations to strengthen and is therefore something that it wants to protect, build and enhance continuously.

A group-wide stakeholder management strategy that includes policy, framework, guidelines, and metrics has been established to further enhance the Company's ability to identify, understand, and manage the needs and requirements of its different stakeholders.

AboitizPower's generation and distribution businesses are subject to constantly evolving regulations. Regulators are tightening their scrutiny, and the public has become more vigilant and involved in the power debate. To respond proactively to potential fundamental changes that can impact its businesses, AboitizPower has a regulatory team who works very closely with the Company's Generation Companies and Distribution Utilities, while maintaining open lines of communication with regulatory agencies.

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.

In 2016, coal prices in the global market temporarily spiked due to policy changes made by China that affected supply. For its coal-fired power plants, AboitizPower pursues the strategy on the coal supply side of diversifying to other sources of coal to ensure security of energy supply at competitive prices. In addition, the Company is not currently contracting long-term coal supply agreements mainly due to high price volatility of coal, freight prices, and counterparty risk. For its diesel-fired generation plants, Cebu Private Power Corporation, East Asia Utilities Corporation, Therma Marine Inc., and Therma Mobile, Inc., AboitizPower pursues the strategy on the fuel supply side of entering into or renewing their medium-term supply contracts with the leading oil companies in the country.

AboitizPower has ongoing greenfield and brownfield projects, as well as mergers and acquisitions, in various technologies such as solar, coal, hydro, and geothermal, which are under development or execution phase, in order to increase its generation portfolio. In addition, the Company continues to pursue other new opportunities and initiatives both locally and internationally. To support this, AboitizPower has reorganized its development focus into an Investment Group and a Project Development and Execution Group.

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 Management, Governance and Compliance, 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.

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.aboitizpower.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.aboitizpower.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 16, 2016.

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.aboitizpower.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, Board Charter and in the Manual on Corporate Governance available at www.aboitizpower.com.

Lead Independent Director

In compliance with the 2016 Code of Corporate Governance for PLCs, the Company on its organizational meeting last May 15, 2017 appointment Mr. Romeo L. Bernardo as the Company's Lead Independent Director. The Lead Director, shall perform the duties and functions of the Chairman, among the Independent Directors as provided in the Company's Amended Manual on Corporate Governance.

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 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. The company initiated an In-house Corporate Governance Seminar which was attended by the Directors and officers of the Company's held in March 28, 2016 at Shangri-La at the Fort, Taguig City.

Succession Planning for the CEO and Key Management Positions

Succession Plan was in place since 2014. 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 in 2014 led to a decision was 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 the Company'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 2016 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

2016 Company Awards

The Company and AEV have 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 and AEV, 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 2016 AWARDS

4th Philippine Stock Exchange (PSE) Annual Bell Awards	<ul style="list-style-type: none"> • Bell Award for Excellence in Corporate Governance
9th Alpha Southeast Asia Annual Deal and Solution Awards	<ul style="list-style-type: none"> • Best Renewable Finance Deal of the Year in Southeast Asia — Hedcor Bukidnon (₱10-billion finance project for the ₱13-billion Manolo Fortich run-of-river hydropower project)
FinanceAsia 16th Best Companies in Asia Poll	<ul style="list-style-type: none"> • Overall Best Managed Power Company in Asia
The Asset Triple A Asia Infrastructure Awards 2016	<ul style="list-style-type: none"> • Best Energy/Renewable Energy Deal - Hydroelectric, Philippines — Hedcor Bukidnon (PHP10-billion loan facility) • Most Innovative Deal, Philippines — Therma Visayas (PHP31.97-billion loan facility) • Project Sponsor of the Year • Energy/Renewable Energy Deal of the Year — Sacasun • Project Finance Deal of the Year - Solar, Philippines Sacasun • Best Energy/Renewable Energy Deal - Solar, Philippines — Sacasun
DENR - Environmental Management Bureau 5th National Multipartite Monitoring Team Convention	<ul style="list-style-type: none"> • Citation — APRI Multipartite Monitoring Team
Dept. of Labor and Employment “Gawad Kaligtasan at Kalusugan National Award”	<ul style="list-style-type: none"> • National Winner, Industrial Category (Silver Award) — SNAP Benguet • National Winner, Industrial Category (Bronze Award) — Therma Marine • National Winner, Individual Category (Gold Award) — SHESQ Sr. Manager Hollis Fernandez

Asian Legal Business Philippine Law Awards 2016	<ul style="list-style-type: none"> • Debt Market Deal of the Year – AP Renewables' Issuance of First Climate Bond
Frost & Sullivan Philippines Excellence Awards	<ul style="list-style-type: none"> • Philippines Biomass Power Competitive Strategy Innovation and Leadership Award (Aseagas)
Asset Asian Awards	<ul style="list-style-type: none"> • Most Innovative Deal Of The Philippines (Therma Visayas, Inc.) • Best Energy/Renewable Energy Deal Of The Year (Hedcor Bukidnon, Inc.)
Investment House Association of the Philippines	<ul style="list-style-type: none"> • Best Fixed Income Deal (Therma Visayas, Inc.)
Alpha Southeast Asia Deal Awards	<ul style="list-style-type: none"> • Best Renewable Finance Deal (Hedcor Bukidnon, Inc.)
PANA Marketing Effectiveness Awards	<ul style="list-style-type: none"> • Gold, Internal Communications category — Tibay ng Samahan: A 60-Year Journey with Republic • Silver, Brand Integrated Program category — Republic Bossing sa Tibay • Finalist, Advocacy Marketing - Integrated Program category — Tahanan Ko Program
Philippine Center for Environmental Protection and Sustainable Development, Inc.	<ul style="list-style-type: none"> • The Green Choice Seal of Approval — REPUBLIC PORTLAND PLUS®, WallMASTER®, and KAPITBALAY™ cements
MERALCO	<ul style="list-style-type: none"> • Meralco Luminaries 2016 — Republic Cement