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RELATED PARTY TRANSACTIONS POLICY

A. INTRODUCTION

It is the policy of Aboitiz Power Corporation (the “Company”) that Related Party Transactions (RPTs) are conducted at an arm’s length basis with consideration paid or received and on terms no less favorable than any such terms available to unrelated third parties under the same or similar circumstances. The purpose of this policy is to set out the proper review, approval and reporting of transactions which may be entered into between or among the Company or any of its subsidiaries, affiliates, directors and officers.

This Policy shall be referred to as the “**RPT Policy**”.

B. COVERAGE

This policy provides the general guidelines to be observed in relation to RPTs.

C. DEFINITION OF TERMS

“*Board of Directors*” refers to the Company’s Board of Directors.

“*Independent Director*” refers to any of the Company’s Independent Directors.

“*Material RPT*” pertains to a transaction among Related Parties with a total contractual value of more than One Hundred Million Pesos (Php100,000,000.00), regardless of how the payment terms of the contract is structured.

“*Related Interests* – refers to:

- (a) any person related to a party within the third degree of consanguinity or affinity, whether legitimate, illegitimate or common law;
- (b) any corporation, partnership, trust or other entity which a party controls, whether directly or indirectly;

“*Related Party or Related Parties*” in regard to the Company includes any of:

- (a) the Company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Company exerts direct or indirect control over, or that exerts direct or indirect control over the Company;
- (b) the Company’s directors, officers, and stockholders who together with their Related Interests, collectively own at least two percent (2%) of the outstanding

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capital stock of the Company, and the respective Related Interests of all of the foregoing.

“Related Party Transaction” refers to a transfer of resources, services, or obligations between a reporting entity and among Related Parties, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with Related Parties, but also outstanding transactions entered into with an unrelated party that subsequently becomes a Related Party.

“RPT Committee” refers to the Company’s Board Related Party Transaction Committee.

“Significant RPT” pertains to a transaction among Related Parties with a total contractual value of at least Fifty Million Pesos (Php50,000,000.00) but not more than One Hundred Million Pesos (Php100,000,000.00), regardless of how the payment terms of the contract is structured.

D. GENERAL PRINCIPLES

1. The Company shall at all times comply with the requirements of the Corporation Code, its Articles of Incorporation and By Laws, regulations and circulars by the Securities and Exchange Commission (SEC), and other related laws, rules and regulations in approving RPTs.
2. The RPT Committee shall ensure that all transactions with, or for the benefit of, any Related Party are on terms and conditions that are arm’s length and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval as provided in this RPT Policy.
3. All Significant and Material RPT shall be subject to review and endorsement by all the Independent Directors who are members of the RPT Committee.
4. The Compliance Officer shall advise and provide assistance to the Chief Financial Officer (CFO) in ensuring that Significant and Material RPTs across the Aboitiz Group are reviewed and approved in accordance with this Policy.
5. The CFO shall ensure that all Significant and Material RPTs are reported to the Audit Committee to ensure full and timely disclosures in the quarterly and annual reports of the Company to the SEC, the Philippine Stock Exchange (PSE) and other regulatory bodies, and in the Company’s Financial Statements in compliance with relevant accounting standards.
6. If an actual or potential conflict of interest arises on the part of a Director, Corporate Officer, Team Member, or Team Leader, he is mandated to fully and immediately disclose

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the same and should not participate in the decision-making process relating to the RPT. Any member of the Board of Directors who has an interest in the transaction under discussion shall not participate in the discussions and shall abstain from voting on the approval of the transaction.

E. GUIDELINES IN ENSURING ARM’S-LENGTH TERMS OF A RELATED PARTY TRANSACTION

The principle of "arm's length" requires that the transaction with a Related Party be made under comparable conditions and circumstances as a transaction with an independent party. It is founded on the premise that if market forces drive the terms and conditions agreed upon in an independent party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each entity in that transaction. To illustrate, if two associated enterprises derive profits at levels above or below the comparable market level solely by reason of the special relationship between them, the profits will be deemed as non-arm's length.

F. EXEMPT RELATED PARTY TRANSACTIONS

Exempt Related Party Transactions (“Exempt RPTs”) are transactions that will not require RPT review and approval, but may require regular reporting to the Board of Directors. The following types of transactions are considered Exempt RPTs:

1. Transactions in the ordinary course of business or recurring transactions that do not exceed Fifty Million Pesos (Php50,000,000.00) per contract or transaction;
2. Compensation arrangements approved by the Board Corporate Governance Committee acting in its capacity as Nomination and Remuneration Committee;
3. Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as Director of another company or business unit that is a party to the transaction;
4. Transactions between the Company and its wholly owned subsidiaries in connection with the funding of operations of the Company's business units and projects, or other transactions with the objective of providing shared services or for other services for operational efficiency;
5. Transactions by and between two or more wholly owned subsidiaries of the Company, or between two associates of the Company (where the Company is not a party) with the objective of providing shared services, or for other services for operational efficiency;
6. Transactions between the Company and a joint venture company where the both the Company and its joint venture partner have approved the transaction; and

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7. Transactions available to all employees generally.

G. IDENTIFICATION AND PREVENTION OR MANAGEMENT OF POTENTIAL OR ACTUAL CONFLICTS OF INTEREST IN RELATED PARTY TRANSACTIONS

1. The Company’s CFO shall set up Group protocols and practices to ensure that the chief financial officers or controllers of the business units and employees who are responsible for identification and monitoring of existing and potential RPTs are reporting the RPTs to the CFO. The CFO shall be responsible for reporting these RPTs to the RPT Committee, or the Board of Directors, when deemed necessary.
2. The CFO is responsible for ensuring that all relevant RPTs are identified and submitted to the RPT Committee for review and approval as per the delegation of authority.
3. All potential RPTs that are identified by the CFO may be reviewed by the Compliance Officer upon the request of the RPT Committee to determine if they are classified as RPTs and are subject to these guidelines or if there are any legal consequences to the Company.
4. Directors shall disclose to the Board of Directors, through the Company’s Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these disclosures must be communicated promptly to the Board of Directors through the Company’s Corporate Secretary.
5. Regardless of the amount of the transaction or contract, it is the responsibility of each Director and Corporate Officer to:
 - (a) promptly notify the CFO and the Corporate Secretary as soon as he becomes aware of any transaction with the Company or other Related Parties where such a director or corporate officer or their respective related interests are a party to or stands to benefit from such transaction, and
 - (b) obtain approval from the Board of Directors prior to entering into the transaction. For the avoidance of doubt, Related Party Transactions involving a Director or Corporate Officer shall be approved by the Board of Directors regardless of amount.

Members of the Board of Directors shall not participate in the discussions and approval process of transactions where they or their Related Interests are a party to or stand to benefit from the transaction.

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6. Contracts or transactions involving Directors or Corporate Officers referred to in Section G.5 above shall be voidable at the option of the Company, or the relevant business unit, unless the following conditions are present:
- (a) The presence of the Director in the board meeting in which the contract or transaction was approved was not necessary to constitute a quorum for such meeting;
 - (b) The vote of such Director was not necessary for the approval of the contract.
 - (c) The contract is fair and reasonable under the circumstances; and
 - (d) In the case of a Corporate Officer, the contract has been previously authorized by the Board of Directors.

If the conditions referred to in Sections. G.6(a) and G.6(b) above is absent in the case of a contract with a Director, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company.

H. MATERIALITY THRESHOLDS OF RELATED PARTY TRANSACTIONS

1. Related Party Transactions

For purposes of the review and approval process, the RPT Committee shall apply the following materiality thresholds in determining the approvals required for RPTs:

Nature of Transaction	Transaction Value Per Contract	Approving Authority
Significant RPT	Php50,000,000.00 up to Php100,000,000.00	Requires review and approval by the RPT Committee; Will be reported to the Board of Directors
Material RPT	Over Php100,000,000.00	Requires review by the RPT Committee and approval by the Board of Directors.
RPT involving Directors or Corporate Officers	Regardless of amount	Requires the review of the RPT Committee and approval of the Board of Directors.

- (a) Significant RPTs shall be reviewed and approved by the RPT Committee and reported to the Board of Directors.
- (b) 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.

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- (c) Notwithstanding that certain RPTs do not meet the threshold for review, if it can be shown that the relevant RPT was deliberately split up for the sole purpose of avoiding review by the RPT Committee, the CFO or the Compliance Officer may submit the RPT to the RPT Committee for review. Splitting of an RPT to avoid coverage of this Policy is strictly prohibited.

2. Related Party Transactions Involving Individuals and Business Units

The RPT Committee, in consultation with the CFO and the Compliance Officer, may also set clearly defined internal limits for disclosure and approval for RPTs involving individuals. The RPT Committee may also set the maximum aggregate exposure to RPTs of the business units across the Aboitiz Group.

I. REVIEW AND APPROVAL PROCESS FOR RPTs

1. All Significant and Material RPT must be reviewed by the RPT Committee, with the assistance of the CFO, Compliance Officer, and/or the Group Internal Audit Head, whenever necessary, to ensure the following:
 - (a) A conflict of interest does not exist;
 - (b) No improper valuation of such transaction has been made; and
 - (c) Information necessary to disclose the RPT is fully documented.
2. All Significant and Material RPTs may only be approved if the RPT Committee determines that the transactions are fair, and on terms comparable to those that could be obtained at arm's length dealings with an unrelated third party, or can be justified on a legitimate business case basis.
3. All recurring RPTs that have an agreement term that exceeds one (1) year must be reviewed and approved on an annual basis to determine whether to continue/renew the agreement.
4. The approval of an RPT may be conditioned upon the Company and the related person taking any or all of the following additional actions, or any other actions that the RPT Committee deems appropriate, such as but not limited to:
 - (a) Requiring the related person to resign from, or change position within an entity that is involved in the RPT with the Company;
 - (b) Requiring the related person to recuse himself from any discussions or deliberations for the approval of the RPT in the relevant meetings of the Company

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or business units, the RPT Committee, the Board Audit Committee, the Board Corporate Governance Committee, or the Board of Directors;

- (c) Assuring that the related person will not be directly involved in negotiating the terms of the RPT, or in the ongoing relationship between the Company and the other persons or entities involved in the RPT;
 - (d) Limiting the duration or magnitude of the RPT;
 - (e) Requiring that information about the RPT be documented, and that reports reflecting the nature and amount of the RPT be delivered to the Committee on a regular basis;
 - (f) Requiring that either the Company or Related Party has the right to terminate the RPT by giving a specified period of advance notice; or
 - (g) Appointing a Company representative to monitor various aspects of the RPT.
6. In the event of transactions involving a Related Party who is the Chairman or a member of the RPT Committee, the Board Audit Committee, the Board Corporate Governance Committee, or the Board of Directors, the identified Related Party must abstain from voting on the approval of the transaction.

J. REPORTING OF RELATED PARTY TRANSACTIONS

1. A summary of all approved RPTs and RPTs requiring approval must be submitted by the CFO to the RPT Committee during its first meeting for the year. The summary may include the following details about the transactions:
 - (a) The identification of the Related Party and the affiliation to the Company;
 - (b) The related person's interest in the transaction with the Company, including the related person's position(s) or relationship(s) with, or ownership in, a firm, corporation, or other entity that is a party to, or has an interest in, the transaction;
 - (c) The nature and amount of the transaction;
 - (d) Supporting evidence to support the arm's length nature of the proposed transaction including the terms and manner of settlement had the parties not been related;
 - (e) The anticipated impact on the Company's financial statements and disclosure.
2. The CFO shall be responsible for obtaining the final approval and decision from the RPT Committee and the Board of Directors of all RPTs.

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3. The CFO is responsible for disclosing all RPTs in accordance with the Company's Accounting Policy and applicable accounting standards.
4. The material or significant RPTs reviewed and approved during the year shall be disclosed by the Company in its Annual Corporate Governance Report.

K. WHISTLE-BLOWING MECHANISMS AND RESTITUTION OF LOSSES AND OTHER REMEDIES FOR ABUSIVE RPTS

The CFO may propose adequate mechanisms of addressing violations of this Policy, including imposing the appropriate penalties for erring officers and individuals.

L. POLICY REVIEW

The RPT Committee or the Board of Directors shall review and assess the adequacy of this policy at least annually and recommend for approval by the Board any changes it considers are needed.

Document Owner Mailene de la Torre	Document Created by Racquel Rose Galang	Reviewer/s Erramon I. Aboitiz Xavier Jose "Txabi" Aboitiz M. Jasmine Oporto Susan Valdez	Approvers Board Corporate Governance Committee (February 21, 2017) Board of Directors (March 23, 2017)
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