



MANUAL ON CORPORATE GOVERNANCE ABOITIZ POWER CORPORATION

The Board of Directors and Management of Aboitiz Power Corporation hereby commit to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

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I. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors, Management, Employees, and Shareholders of Aboitiz Power Corporation (hereinafter, "AboitizPower" or the "Company" or the "Group") believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

II. COMPLIANCE SYSTEM

A. Compliance Officer

To ensure adherence to corporate principles and best practices, the Board hereby designates as Compliance Officer the Corporate Secretary, who shall hold, at minimum, the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

1. Duties

He shall perform the following duties:

- a) Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b) Appear before the Securities and Exchange Commission (SEC) upon summons on similar matters that need to be clarified by the same;
- c) Determine violations of the Manual and recommend penalties for violations thereof for further review and approval of the Board;
- d) Issue a certification every January 30th of the year on the extent of AboitizPower's compliance with this Manual for the completed year, explaining the reasons, if any, for the latter's deviation from the same; and
- e) Identify, monitor and control compliance risks.

2. Disclosure

The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C and to The Philippine Stock Exchange, Inc (PSE). All correspondence relative to his functions as such shall be addressed to the Compliance Officer.

B. Plan of Compliance

1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors.

The purpose of a Board within Aboitiz is to represent and protect the interests of the owners of the business, as well as other key external stakeholders, regardless of category conformably with the corporate charter and applicable laws.

The primary purpose of the Company's Board revolves around governing the various businesses in which AboitizPower has a direct interest. In addition, it has responsibilities to other stakeholders related to compliance with regulatory standards; the provision of appropriate information and updates; and the effective representation and protection of the Aboitiz brand and reputation.

2. Composition of the Board

The Board shall be composed of at least five (5) but not more than fifteen (15) members who are elected by the stockholders. The Board must have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of its members, whichever is less, but in no case less than two (2).

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of Directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

3. The Chairman and Chief Executive Officer (CEO)

The roles of Chairman and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election.

If the positions of Chairman and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chairman may deem necessary.
- (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management.

4. General Responsibility

A director's office is one of trust and confidence. A director shall act in the best interest of AboitizPower in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing AboitizPower towards sustained progress.

It shall be the Board's responsibility to foster the long-term success of AboitizPower and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of AboitizPower, its shareholders and stakeholders.

5. Duties and Functions

To ensure a high standard of best practices for AboitizPower and its stakeholders, the Board shall **conduct itself with honesty and integrity in the performance of, among others, the following functions:**

- a) Install a process of selection to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- b) **Appoint competent, professional, honest and highly motivated management officers and** take a direct interest in leadership succession, inclusive of the appointment of the CEO in particular and other key group senior management positions in general, and ensure that appropriate processes are effectively adopted to avoid any leadership gap;
- c) Continuously determine AboitizPower's purpose, its vision and mission and strategies to carry out its objectives.
- d) Ensure that the strategic business direction of the various businesses of AboitizPower is soundly established and consistent or in line with AboitizPower Group goals and strategies.
- e) Establish programs that can maintain its long term viability, practicability and strength in accordance with the objectives of AboitizPower.
- f) Ensure that AboitizPower complies with all relevant laws, regulations and codes of best business practices;

- g) Ensure effective business governance of the various businesses in which AboitizPower has a direct equity or like interest, including those subsidiary organizations in which it has a majority or minority holding, or any company in which any such subsidiary has a majority or minority holding, with the objective of avoiding a deterioration in business value through regulatory breaches, or through some other means that might damage the performance and/or reputation of the business.
- h) Ensure that key financial decisions made related to investment/capital expenditure considered by the various businesses in which AboitizPower has a direct interest undergo by appropriate processes and, when or where applicable, the corresponding Board approval;
- i) Periodically evaluate and monitor the implementation of existing policies and strategies, including the business plans, operating budgets and overall performance of management;
- j) Identify AboitizPower's stakeholders and formulate a clear policy on accurate, timely and effective communication with them. Ensure an effective and constructive communication between the Company's Senior Management and external stakeholders (including shareholders and media, when appropriate or relevant), particularly on the business direction and work progress and any stakeholder concern, consistent with good governance practices and avoiding any possible damage to the image and/or financial value of the business. **If feasible, oversight responsibility over this policy will be exercised by the CEO or Chief Financial Officer (CFO).**
- k) Adopt a system of internal checks and balances; review on a regular basis the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times; ensure the continuing soundness, effectiveness and adequacy of AboitizPower's control environment;
- l) Identify key risk areas and key performance indicators and monitor these factors with due diligence **to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability;**
- m) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among AboitizPower and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers, directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- n) Ensure that performance measures for the business are set up and agreed with AboitizPower Senior Management, and specific performance measures with the CEO adopted to determine their effectiveness in the role;

- o) Ensure that appropriate compensation policies are in place, especially for senior management group, and that the compensation is at an appropriate level and commensurate to the contribution made to the business;
- p) Ensure that Senior Management's progress reports on the execution of strategic plans, financial performance of the business and in general, other matters related to the role and responsibilities of the Board, are received and properly evaluated;
- q) Ensure the proper and orderly conduct of Annual General Meetings, and such special shareholder meetings that may be called;
- r) Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
- s) Determine which, if any, Board Committees should be constituted and to establish their respective roles and composition;
- t) Establish and maintain an alternative dispute resolution system in AboitizPower that can amicably settle conflicts or differences between the Company, its stockholders, and/or third parties, including the regulatory authorities; and
- u) Meet on a regular basis to carry out its responsibilities, and to convene such special or emergency meetings as may be required. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted.

6. Duties and Responsibilities of a Director

A director shall comply with the following duties and responsibilities:

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

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

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

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

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

c) *Act judiciously.*

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

d) *Exercise independent judgment.*

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

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

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

f) *Observe confidentiality.*

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

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

- Take time to understand the Aboitiz Group, its goals and strategies, its businesses, its governance, its brand and its key policies.
- Represent the Aboitiz Group positively and constructively in all external dealings, seeking to enhance the Aboitiz name and reputation.
- Perform the role of Board member effectively, by:
 - Regularly attending meetings

- Effectively contributing during discussion
 - Willingly offering alternative viewpoints to reflect own personal viewpoints
 - Offering any viewpoints objectively, avoiding any comments of a personal nature about another member of the Board or his/her viewpoints
 - Listening to the viewpoints of other Board members with full respect and with care, to achieve optimal understanding
 - Fully supporting decisions made by the Board in the external arena, even if that decision did not completely reflect own viewpoints.
- If an Executive Director, maintain a primary identity as a Board member, while dealing with Board matters, at the same time bringing to the Board the benefit of closer knowledge of operational considerations.
 - If an Independent Director, bring fully to the Board the benefit of the particular experience or expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise.
 - Be constantly vigilant related to maintaining complete external confidentiality on details of Board discussions, individual viewpoints and any matters of sensitivity, other than the Board agrees is to be communicated in a specific manner.
 - Seek to find ways to continuously improve the efficiency and effectiveness of the Board, taking any suggestions related to this to the Board Chairman for his consideration.
 - Be prepared to receive and act upon any feedback received through the Board Chairman on ways that the member might improve performance as a Board Director.

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

- Become familiar with the Committee mandate;
- Become familiar with specific content areas covered by the Committee, and not seek to divert into areas of content not specifically envisioned by the Committee mandate;
- Regularly attend Committee meetings;

- Effectively contribute during discussion;
- Willingly offer alternative viewpoints, to reflect own personal experiences and opinions;
- Constructively engage with the CEO and any other senior leader of the Group, who may be consulted for the purpose of the Committee being better informed, or better positioned to offer the Board a more reliable recommendation;
- Maintaining external confidentiality related to details of Committee discussion, including the individual views of members, other than as agreed for formal communication to the Board and/or Senior Management by the Committee as a whole;
- Seek to find ways to continuously improve the efficiency and effectiveness of the Committee, taking any suggestions related to this to the Committee Chairman for his consideration; and
- Be prepared to receive and act upon any feedback received through the Committee Chairman on ways that the member might improve performance as a Committee member.

Should the Board member accept an invitation to act in the capacity of the Chairman of the Board Committee, these responsibilities are expanded to include:

- Overseeing the conduct of the Board Committee in line with the Committee Mandate, including:
 - Managing the agenda of Committee meetings;
 - Chairing Committee meetings, ensuring proper consideration of matters for discussion and recommendation to the full Board;
 - Ensuring each member of the Committee has full opportunity to express views and contribute effectively to discussion;
 - Drawing attention to a Committee member in any situation where for one reason or another, the member is not contributing to discussion and recommendations as effectively as he/she could;
 - Drawing to the attention of the Board Chairman any situation where for one reason or another, a Committee member is failing consistently to honor responsibilities as a Committee member, as outlined above;
 - Ensuring appropriate record of Committee deliberations and conclusions are maintained; and
 - Leading and facilitating the Committee in reporting back to the Chairman of the Board, or the Board overall, on considerations

and recommendations on any matter, including both majority conclusions and recommendations and minority conclusions and recommendations.

7. Qualifications of Members of the Board

A member of the Board must be:

- a) a holder of at least one (1) share of stock of AboitizPower;
- b) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c) at least twenty one (21) years old;
- d) proven to possess integrity and probity;
- e) have no conflict of interest;
- f) able to devote his time in fulfilling his duties and responsibilities as Director;
- g) has practical understanding of the businesses of AboitizPower;
- h) membership in good standing in relevant industry, business or professional organizations; and
- i) has previous business experience.

8. Disqualifications for Board Membership

1. Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;
- b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c)

engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- c) Any person finally convicted judicially or by competent administrative body of an offense involving moral turpitude or fraudulent act or transgressions;
- d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;
- e) Any person judicially declared to be insolvent;
- f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- g) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- h) If the independent director becomes an officer or employee of AboitizPower, he shall be automatically disqualified from being an independent director;**

2. Temporary Disqualification

Any of the following shall be a ground for the temporary disqualification of a director:

- a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

- b) Absence or non-participation for whatever reason for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, on any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- c) Dismissal from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- d) Being under preventive suspension by AboitizPower;
- e) Conviction that has not yet become final referred to in the grounds for the disqualification of directors; and
- f) If the beneficial equity ownership of an independent director in AboitizPower or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

9. Selection of the Board Directors and Officers

The Board of Directors and Officers are selected and elected to serve the organization according to the procedures set forth in the By-Laws, with particular care in regard to a director's and an officer's ability to perform duties and responsibilities as specified in this Manual.

The Board follows a screening process and evaluates its Directors and Officers based on:

- a) background;
- b) skills and characteristics;
- c) ability to act in good faith in the interest of AboitizPower and its stakeholders;
- d) capacity to provide business continuity;
- e) possession of a keen understanding of the business; and
- f) qualifications and standing as specified in this Manual.

The Board may select or appoint its own members recommended by the **Board Corporate Governance** Committee. It may appoint members of senior management as a Director. The invitation to join the Board is extended by the Board itself.

The Board does not believe it should establish term limits, **except for Independent Directors where the Company complies with the requirements of SEC Memorandum Circular No. 9, Series of 2011 prescribing term limits for Independent Directors. The Company also conducts an annual assessment of the performance of the Board as a whole, and a self assessment of each of the Directors.**

10. Guidelines in the Number of Directorships

The Board shall consider the following guidelines in the determination of the number of the directorships for Board members:

- (a) The nature of the business of AboitizPower;
- (b) Age of the director;
- (c) Number of directorship/active memberships and officerships in other corporations or organizations; and
- (d) Possible conflict of interest.

The optimum number of directorships a Director shall hold shall be related to the capacity of a Director to perform his duties diligently in general.

The CEO and other executive directors shall submit themselves to a low active limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

11. Conflict of Interest/Business Interest Disclosure

At all times Directors have a duty to avoid conflicts of interest. Thus, a director must not do anything for and on behalf of AboitizPower where his motivation and loyalties would be divided in that his own self-interest, or someone connected or related to him, may be given equal or higher stature to that of AboitizPower. Directors have a duty to account to AboitizPower any profit or gain he may have had as a result of such, and in consequence thereof, the Company may exercise certain rights against the director for acting in circumstances such as conflict of interest.

12. Board Meetings and Quorum Requirement

The members of the Board should attend its regular and special meetings in person or through **video**/teleconferencing conducted in accordance with the rules and regulations of the SEC.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

The Compliance Officer shall submit to the SEC, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings.

13. Adequate and Timely Information

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at AboitizPower's expense.

14. Accountability and Audit

The Board is primarily accountable to the shareholders. It should provide them with balanced and comprehensive assessment of AboitizPower's performance, position and prospects that could adversely affect its business, on a quarterly basis, including interim and other reports, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the shareholders.

Management should formulate, under the supervision of the Board Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (a) The extent of its responsibility in the preparation of the financial statements of AboitizPower, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- (b) An effective system of internal control that will ensure the integrity of the financial reports and protection of AboitizPower's assets should be maintained **for the benefit of all stockholders and stakeholders.**
- (c) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover AboitizPower's governance,

operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

- (d) AboitizPower should consistently comply with the financial reporting requirements of the SEC.

The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

C. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

1. Board Corporate Governance Committee

a) Composition

The Board may create a Corporate Governance Committee which may be composed of at least three (3) directors, two (2) of whom must be independent directors, and **two (2)** non-voting members in the persons of the Chief Human Resources Officer and the Compliance Officer.

b) Purpose

The Board believes that it can usefully supplement its ability to make decisions related to governance principles and guidelines effectively and in a timely manner if it can delegate the task of preparing a strategic agenda for the Board and ensuring that the Board is given the information necessary for making good governance decisions. The Board Corporate Governance Committee is intended to assist the Board and not to pre-empt any board responsibilities in making the final decisions on corporate governance, nomination and compensation matters.

In performing its duties, the Committee will maintain effective working relationships with the Board and the Company's senior leadership. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business and operating environment.

The Committee has five (5) main broad responsibilities:

- Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group.

- Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against the approved criteria.
- Assist the Board by developing for approval criteria for the identification and selection of independent non-executive Directors and executive senior management directors, and by making specific recommendation to the Board on the director or directors to be nominated for election at the next annual meeting of shareholders.
- Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the CEO and other key senior leadership roles.
- Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation structures and levels for Board Directors, the CEO and other senior leaders.

In performing its duties, the Committee shall have the authority to retain at the expense of the Group such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, subject to Board approval of such appointment.

The Committee is required to contribute to the management of the Group's affairs to ensure good governance, as outlined here, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.

c) Duties and Responsibilities

The Board Corporate Governance Committee shall represent the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles and the various compensation matters as outlined below. The Committee does not have decision-making authority, except in the circumstances described herein or where on the extent that such authority is expressly delegated by the Board.

Corporate Governance Principles and Guidelines

- In consultation with the Company's senior leadership, develop and recommend to the Board a set of corporate governance guidelines and keep abreast of developments in practice and expectations related to corporate governance, making recommendations to the Board in light of such developments as may be appropriate.
- Develop, and review annually the Corporate Governance Manual, including policies and procedures by which the Group will operate, by-

laws to ensure their continued adequacy and relevance, and terms of reference for Board committees.

- Review and develop policies specific to Group disclosures, how and when, including how and when some key stakeholders are advised of pending disclosures, including Board members and AboitizPower's senior leaders.
- Evaluate and monitor governance structures and processes, including policy development and processes for Board monitoring/oversight, making linkages to best practices in corporate governance practices.
- Identify and develop recommendations on Board conflict of interest and discipline by-laws, policies and processes.
- Develop, in conjunction with the Board Chairman and the CEO, Board goals and priorities to ensure effective governance linkages with the Group's strategic and corporate planning activities.
- Monitor the Group's fiduciary and regulatory responsibilities with respect to external reporting; i.e., corporate plan, annual report.
- Respond to any matter that may be referred to the Committee by the Board of Directors, and act according to the nature of the referral.
- Ensure that all shareholders have access to officially disclosed corporate and relevant information by the way of the following media:
 - a. Official disclosure statements submitted to the PSE and SEC;
 - b. Press Releases;
 - c. Annual reports and other materials to shareholders;
 - d. On-line electronic mail containing regular interim and other published materials to stockholders;
 - e. Investor/Stockholder meetings with key people in the Group; and
 - f. Written communication.
- Handle investor and stockholder queries by coordinating with departments with primary information and to ensure that investors/stockholders have easy and direct access to officially designated spokespersons for clarifying information, issues and for conveying concerns.
- Secure feedback from investors and stockholders by way of regular formal research/surveys and informal meetings and get-togethers.

Governance around Selection and Performance of Board Members

- Develop a set of governance guidelines applicable to the selection, contribution and conduct of Board members and submit to the Board for approval.

- Develop and recommend to the Board appropriate means of overseeing and evaluating the contribution and conduct of Board members.
- Submit to the Board for approval contract formats for Board Directors.
- Conduct periodic evaluations of the performance of Board members against the approved criteria.
- Recommend to the Chairman of the Board appropriate recognition in situations of positive contribution to the Board in terms of the guidelines, and/or remedial actions to be taken in situations of less than positive contribution to the Board in terms of the approved guidelines.

Nomination of Board Directors

- Develop criteria for the identification and selection of independent non-executive directors and executive senior management directors and submit the criteria to the Board for approval.
- Develop a suggested policy for the contracting and regular rotation of Board Independent Directors every two (2) years, or at such other intervals as the Board may determine from time to time.
- On an ongoing basis, identify and track potential director appointees to such Board positions, either from internal or external sources.
- As required, due to resignation or non-renewal of an independent non-executive director or an executive senior management director, or in the event of a Board decision to expand Board membership, make specific recommendation to the Board related to replacement or new directors for the Board in turn to consider and recommend to a subsequent general meeting of shareholders.
- Using the prior approved format, prepare a draft of the contract to apply to any new or renewed director for approval by the Board.
- Ensure that all new directors are fully aware of the appropriate governance guidelines and other matters necessary to enable them to perform their directorial duties to expectations.

Senior Leadership Role Nominations

- Ensure that appropriate senior leadership succession planning is in place throughout the Group, both in terms of program design and in terms of consistent execution.
- To this end, receive and consider reports related to succession planning from the Company's senior leadership, through the CEO, periodically.

- Evaluate the balance of skills, knowledge and experience required for the CEO and other senior leadership roles, and in light of this, identify candidates who may be suitable as potential successors to those roles, and their state of readiness to assume those responsibilities, if necessary.
- Recommend to the Board the actual successor to the CEO and other key senior leadership roles, including the CFO, the Chief Strategy Officer, the Chief Human Resource Officer, and any other senior role agreed by the Board and the CEO from time to time, in the event of the current incumbent's resignation, termination, or non-renewal of his/her contract for any reason.

Compensation

- Review and recommend to the Board frameworks or broad policy for remuneration and expense reimbursement or allowances for Board Directors of various categories (non-independent, non-executive directors; independent, non-executive directors; and non-independent, executive directors), including supplemental remuneration, if any, for Board Committee membership.
- Develop and recommend to the Board the format of the typical director contract, for each of the three (3) categories, setting out the role, expectations and requirements of the director, along with the term, remuneration and other conditions of contract.
- Review and provide recommendations to the Board on the frameworks or broad policy for compensation of key AboitizPower's senior leaders (including the CEO), including longer term incentive plans, ESOPs, etc. In reviewing the appropriateness of the compensation policies, the Committee is expected to take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the compensation structure will be adequate to attract potential successors to key leadership roles, as well as to ensure that current AboitizPower's senior leaders are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.
- Where a senior leader of the Aboitiz Group is subject to a specific contract of employment for a defined period, recommend to the Board the appropriate contract terms and conditions at the outset, and on renewal, to ensure that the contractual terms and any payments made are fair to the senior leader and the Group, so that successful contribution is appropriately rewarded while failure is not, and that the duty to mitigate loss is fully recognized. No executive director to the Board is to be involved in discussions or recommendations related to his or her own compensation.

- Develop and recommend to the Board the format of the typical director contract, for each of the three (3) categories, setting out the role, expectations and requirements of the director, along with the term, remuneration and other conditions of contract.
- Review, in consultation with the CEO, and recommend to the Board frameworks or broad policy for compensation of AboitizPower senior leaders (excluding the CEO). Separately consider and recommend to the Board the framework and policy for the CEO's own compensation, including long terms incentive plans, ESOPs, etc. In reviewing the appropriateness of the compensation policies, the Committee is expected to take into account all factors which it deems necessary. The objective of such policy shall be to ensure the compensation structure will be adequate to attract potential successors to key leadership roles, as well as ensure that current AboitizPower's senior leaders are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

d) Policy on Executive Remuneration

AboitizPower rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is AboitizPower's philosophy to reward based on individual performance. Performance is evaluated and compensation is reviewed on an annual basis. AboitizPower ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Committee but with full discussion and concurrence by the Board.

AboitizPower's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

2. Board Audit Committee

a) Composition

The Board Audit Committee shall be composed of at least three (3) directors, two (2) of whom shall be independent directors and **one (1)** non-voting member in the person of the Chief Risk Management Officer. The Chairman of the Board Audit Committee shall be an independent director. Each member, preferably with accounting and finance backgrounds, **with one (1) member with audit experience**, shall have adequate understanding, familiarity and competence at most of AboitizPower's financial management systems and environment. **The members of the Committee 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.**

The Committee may invite the CFO and any other member of the management team to attend the Committee meetings for purposes of discussing and clarifying any matters pertaining to the financial reports of the Company.

The Committee shall ensure that a succession plan is in place. In the absence of the Chairman, the other independent director shall take his place.

b) Purpose of Committee

The Board believes that it can usefully supplement its ability to make audit decisions effectively and in a timely manner if it can delegate the tasks of preparing a strategic **audit** agenda and **providing oversight over the Company's financial reporting policies, practices and control, and internal and external audit functions based on** information necessary for making good audit related decisions. The Committee is intended to assist the Board and not to pre-empt any Board responsibilities in making any final audit related decisions.

In performing its duties, the Committee will maintain effective working relationships with the Board and the Company's senior leadership. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business and operating environment.

The Board Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders, potential shareholders, **governmental and/or regulatory bodies**, and investment community relating to the:

- Integrity of AboitizPower's financial statements;
- AboitizPower's compliance with legal/regulatory requirements, **including the necessary monitoring, coordination and facilitation for compliance;**
- The independent auditor's qualifications and independence;
- The performance of AboitizPower's internal audit function and independent auditors;
- **Adequacy and effectiveness of the Company's internal control system, governance processes and risk management processes, and reviewing the performance of the Company's internal audit function; and**
- **Open channels of communication among the Company's independent auditors, management, the internal auditing department and the Company.**

As part of this process, the external auditors will report to the Board Audit Committee, and the Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Board Audit Committee has the authority to engage and compensate independent counsels and other

advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval.

The Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of the highest quality. Each committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

c) Executive Sessions

The Committee shall hold, at least once a year, an executive session with the Group Internal Audit, the external auditors, management and key officers such as the CEO, the Chief Operating Officer, the CFO, the Chief Legal Officer, the Compliance Officer, the Chief Risk Officer and/or the Chief Reputation Management Officer. These meetings will provide an opportunity to discuss audit, management and Committee performance.

d) Duties and Responsibilities

The Board Audit Committee shall represent the Board in discharging its responsibility relating to audit related matters around the Group such as outlined below. The Committee does not have decision-making authority, except in the circumstances described herein or where on the extent that such authority is expressly delegated by the Board.

The members of the Committee shall perform such other duties and functions as may be enumerated in the Board Audit Committee Charter and the Internal Audit Charter.

Internal Controls

- Perform oversight financial management functions, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
- **Review the appointment and performance of the Internal Auditor, who shall functionally report directly to the Committee. The Committee shall also review the organizational structure, qualifications, staffing and budgeting of the internal audit function. This includes the adequacy of resources and independence of the internal auditor. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.**
- **Monitor and review the adequacy of design, compliance and effectiveness of the Company's internal control system, risk management and governance processes. This includes assessment of control environment including IT systems and functions and ensuring that the results of the assurance reviews are discussed at Board Audit**

Committee in relation to the impact on significant risk exposures and control issues, corporate governance issues and other matters.

- **Review and approve the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit extent and scope, resources and budget necessary to implement it. The Committee shall likewise assess and approve audit outsourcing requirements, when necessary.**
- **Review of the Internal Auditor's evaluation of the internal controls.**
- Monitor the effectiveness, integrity and adherence of the Group's financial reporting systems, financial reports and other financial matters, management information systems and internal control systems.
- **Receive and review on a quarterly basis the internal audit reports from the Internal Auditor. The internal audit report shall contain:**
 - a. **description of the progress of the internal audit plan;**
 - b. **summary of internal audit activities and significant reports;**
 - c. **description of any significant deficiencies in the internal control systems and procedures of the Company;**
 - d. **summary of any significant difficulties or disagreements with management, or scope restrictions encountered in the course of the internal audit's work; and**
 - e. **any significant unresolved issues.**
- Review and provide comments to AboitizPower's senior leadership and the Board on any revised or changed financial standards, policies, procedures, systems and controls as may be proposed from time to time.
- Review formal quarterly and annual financial reports prior to disclosure, and advise the senior leadership and the Board of any concerns emerging from that review.
- Review internal auditor's reports, eliciting any opportunities for the improvement of the various internal control procedures, or particular areas where new or more detailed controls or procedures are desirable to increase efficiency and mitigate potential risks, and recommend to the Board for approval and to the senior leadership for implementation.
- Review management's monitoring of compliance with the Group's Code of Ethics and Business Conduct.
- Identify, monitor and report to the Board the Group's exposure to fraud including: (a) management's due attention to ethical considerations regarding the Group's policies and practices; (b) the standard of corporate conduct in areas such as arm's length dealings and potential conflicts of interest.

- Establish, oversee and periodically review the procedures in place which permit “whistle blowing”. These procedures are designed to encourage and ensure that employees may make complaints regarding accounting, internal control, auditing or other related matters on a confidential and anonymous basis, and without fear of some form of retribution.
- Review the findings of any significant examination by regulatory agencies concerning the Group’s financial matters.
- Review and approve the hiring policies regarding partners, employees and former partners and employees of the Group’s external auditors, and make appropriate recommendations to the Board.
- **Prepare and implement a Business Continuity Plan for the Group.**
- **Perform oversight functions over the corporation’s internal and external auditors and ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;**

External Controls

- Select, monitor and review the independence, performance and effectiveness, **scope of work, fees** and remuneration of external auditors, in consultation with the CEO, the CFO and the Internal Auditor, and where appropriate recommend to the Board **the re-appointment or replacement of the** current external auditor with another, after having conducted a rigorous search. **The Committee shall review periodically the significance of the non-audit fees paid to the external auditor vis-à-vis its total annual income and AboitizPower’s total consultancy expenses.**
- **At least annually, the Committee shall evaluate the independent auditors’ professional qualifications, performance, independence and compensation. The evaluation shall include a review of the qualifications, performance and independence of the lead partner of the independent auditors.**
- **Ensure that independent auditors comply with the International Standards on the Professional Practice of Internal Auditing (ISPPA).**
- Ensure that external auditors are ultimately accountable to the Board and to the shareholders of the Group.
- **At least annually, obtain and review the completeness and timeliness of the report from the independent auditors (the “Auditor’s Report”) describing the Company’s internal quality control procedures, any material issue raised by the most recent internal quality control review or peer review of the Company or by any inquiry or investigation by**

governmental or regulatory authorities within the preceding five (5) years, and the recommended steps to be taken to deal with such issues. The Committee shall review and discuss the Auditor's Report with the independent auditors and management, and make specific recommendations to the Board of Directors for adoption. The Committee has oversight role to assess management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decision.

- Meet with external auditors and the CFO to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, receive the external auditor's report, reviewing and discussing their comments and recommendations, in consultation with the CEO and the CFO, and make specific recommendations to the Board for adoption.
- Consider whether the external auditor's performance of specific non-audit services is compatible with the auditor's independence, and if so, determine the specific policies and processes to be adopted as part of the external auditor's appointment to ensure that independence is maintained. **The non-audit work, if allowed, should be disclosed in the Annual report;**
- Provide an open avenue of communication where necessary between AboitizPower's senior leadership, the Company's Internal Auditor, the Board and the external auditor.

Financial Reporting and Other Public Disclosure

- Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements/restrictions between management and external auditor. Review any unadjusted differences brought to the attention of management by the external auditors and the resolution of the same.
- Review and approve the Group's interim consolidated financial statements and accompanying management's discussion and analysis (MD&A). Review and make recommendations to the Board on approval of the Company's annual audited financial statements and MD&A before they are disclosed to the public or included in the annual reports to the shareholders. The review on the financial statements shall focus **on compliance with tax, legal and regulatory requirements and** changes in major judgmental areas to aid the Board in determining whether AboitizPower is still a going concern as defined by existing accounting policies and practices.
- Review and approve the Group's policy on external communication and disclosure of materials and information, including the form and generic content of any quarterly earning's guidance and of any financial disclosure provided to investment analysts and rating agencies.

- Where applicable, approve financial earnings press releases after having performed a review with management and having had the required discussions with the independent auditors.
- Review and discuss with the CEO, the CFO and the external auditors the accounting policies and financial statement presentations which may be viewed as critical, and review and discuss any significant changes to the accounting policies, standards, interpretations and major issues of the Group such as the adequacy of the Company's internal controls and any special audit steps adopted in view of material control deficiencies.
- Perform oversight function over the following:
 - a. Identification of material errors and fraud, and sufficiency of risk controls;
 - b. Review actions or measures in case of finding of error or fraud in financial reporting;
 - c. Review unusual or complex transactions including all related party transactions;
 - d. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including subsequent events and related party transactions;
 - e. Review and approval of management representation letter before submission to external auditor;
 - f. Communications of the Committee with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements;
 - g. Fair and balanced review of financial reports; and
 - h. Assessment of correspondence between the Company and regulators regarding financial statement filings and disclosures.
- Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues, reasonableness of estimates, assumptions, and judgments made in connection with the preparation of the financial statements.
- Establish and maintain procedures for the receipt, retention, and treatment of complaints received by the Company regarding public reporting, accounting, internal accounting controls or auditing matters.
- Review and report to the Company any issue that may arise with respect to the quality or integrity of the Company's financial statements. The Committee shall also immediately discuss such matters with the Company's management.
- In consultation with the independent auditors and internal auditors, review and monitor the effectiveness and integrity of the Company's financial reporting processes and systems, management information systems, information technology security and the overall internal control

structure over finance, operations and information systems, including disclosure controls and procedures.

- Review with the independent auditors, the internal auditors and management the extent to which changes or improvements in financial or accounting standards and applications, as approved by the Committee, have been implemented.

e) General Audit Policy

- (i) It is the policy of AboitizPower to maintain a corporate audit function as one means of providing management with information to better manage and control the operations of the Aboitiz Group, for which the management is responsible.
- (ii) It is the **Group Internal Audit's** (GIA) policy to operate in compliance with guidelines approved by the Board Audit Committee and ratified by the Board.
- (iii) Corporate Auditing is an independent appraisal function assigned with the responsibility to examine and evaluate all activities of AboitizPower, its affiliates, and subsidiaries as a service to management.
- (iv) AboitizPower has in place an independent internal audit function performed by the **GIA**, through which its Board, senior management, and stockholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- (v) **The GIA** shall report to the Board Audit Committee.
- (vi) The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for AboitizPower's organizational and procedural controls.
- (vii) The scope and particulars of AboitizPower's system of effective organizational and procedural controls is based on the following factors:
 - 1. the nature and complexity of AboitizPower's business and the business culture;
 - 2. the volume, size and complexity of transactions;
 - 3. the degree of risk;
 - 4. the degree of centralization and delegation of authority;
 - 5. the extent and effectiveness of information technology;
 - 6. the extent of regulatory compliance.
- (viii) **The GIA** shall submit to the Board Audit Committee and management an annual report on the internal audit department's activities,

responsibilities and performance relative to audit plans and strategies as approved by the Board Audit Committee. The annual report should include the significant risk exposures, control issues and such other matters as may be needed or requested by the Board and management. **GIA** should certify that the audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing. If it could not make such certification, it shall disclose to the Board and Management the reasons why it has not fully complied with the said standards.

- f) Policy with regard to the External Auditor
- (i) An external auditor enables an environment of good corporate governance as reflected in the financial records and reports of AboitizPower. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Board Audit Committee.
 - (ii) The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in AboitizPower's annual and current reports. This report shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by AboitizPower to the external auditor before its submission.
 - (iii) The external auditor of AboitizPower shall not at the same time provide the services of an internal auditor to the same client. AboitizPower shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
 - (iv) AboitizPower's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier, **or as required by law, and the Committee shall further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself.**
 - (v) If an external auditor believes that the statements made in AboitizPower's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

3. Board Risk and Reputation Management Committee

a) Composition

The Board Risk **and Reputation** Management Committee shall be composed of at least three (3) directors, at least one (1) of whom must be an independent

director, and **three (3)** non-voting members in the persons of the Chief Financial Officer, Chief Risk Management Officer **and the Chief Reputation Officer**.

b) Purpose

The Board believes that it can usefully supplement its ability to make decisions related to risk management effectively and in a timely manner if it can delegate to a Risk **and Reputation Management** Committee the task of preparing an appropriate strategic agenda for the Board and ensuring that the Board is given the information necessary for making good risk management decisions. The Committee is intended to assist the Board and not to pre-empt any board responsibilities in making any decisions related to risk management.

In performing its duties, the Committee will **establish and maintain constructive and collaborative** working relationships with the Board and AboitizPower's senior leadership. **The Committee shall exercise oversight functions on AboitizPower's reputation management, including corporate brand and communication strategy. It shall also ensure the establishment of a governance structure that will support the Committee's framework.**

To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the AboitizPower's business and operating environment.

The primary purpose of the Board Risk **and Reputation Management** Committee is to assist the Board, and to some extent the Audit Committee of the Board, in fulfilling its corporate governance responsibilities relating to risk **and reputation management of the Group**. The Board Risk **and Reputation Management** Committee also assists in defining the Group's risk appetite and oversees the **Group's** risk profile and performance against the defined risk appetite.

The Committee is responsible for overseeing the identification, measurement, monitoring and controlling of **the Group's** principal business **and reputation** risks. Each committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

The Committee in fulfilling its role is to establish a constructive, collaborative relationship, with AboitizPower's senior leadership, especially, the CEO, the Chief Risk Management Officer, the Chief Reputation Officer and the heads of each of the businesses within the Group.

The Committee is required to contribute to the management of AboitizPower's **risk and reputation**, and in doing so to act honestly and in good faith with a view to the best interest of all stakeholders.

c) Duties and Responsibilities

The Board Risk **and Reputation Management** Committee shall represent the Board in discharging its responsibility relating to risk **and reputation** management related matters around the **Group** as outlined below. The Committee does not have decision-making authority, except in the

circumstances described herein or to the extent that such authority is expressly delegated by the Board.

- Review and consider AboitizPower's risk management policy, from time to time, but no less regularly than annually. For this purpose, the Committee may consider operational risks, environmental risks, financial and asset risks, other than those coming within the purview of the Board Audit Committee, security risks, and any other form of risk as approved by the Board. The Committee shall provide a forum to review exposures and strategies to mitigate risks with relevant AboitizPower's senior leaders and business managers and make recommendations to the Board related to changes to the policy based on this review.
- Undertake a periodic review of the delegated authorization and control levels. Following consultation with the CEO and CFO, make recommendations to the Board related to any changes in these levels seen to be appropriate based on this review.
- Review AboitizPower's senior leadership's proposed risk appetite statement at least annually and if advisable, recommend it for Board approval.
- Review with AboitizPower's senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of the Group's credit, market, and liquidity risk (as well as other treasury-related risk) consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to the Board those policies for adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate.
- Review with AboitizPower's senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of other forms of risk, including operational, environmental and security risks, in consultation with individual business leaders and risk managers, consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to the Board those policies for adoption. At least annually, the Committee shall review these policies and procedures and recommend changes it considers appropriate.
- Review with AboitizPower's senior leadership key policies and procedures for the effective identification of AboitizPower's reputation and legal risks. Annually, the Committee shall review management's report on compliance with these policies and procedures and report back to the Board.
- Monitor and review AboitizPower's senior leadership's reports on the Group's risk profile, identifying material risks associated with the Group's business and operations, emerging risk issues and trends and compliance with the risk limits and policies and procedures established

with a view to assessing overall adherence to the Group's defined risk appetite.

- As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice.
- Ensure the proper implementation of the reputation management framework across the Group by identifying, evaluating and monitoring reputation issues to mitigate risk.
- Review with AboitizPower's senior leadership the results of the reputation survey that is conducted annually by the Reputation Management Team.
- Review with AboitizPower's senior leadership the Group's corporate brand and communication strategy.
- Review with AboitizPower's senior leadership the exposures and strategies that will mitigate reputation risks.
- Review with AboitizPower's senior leadership the social media strategy and corporate policy in place, as well as strategy and programs on corporate social responsibility to ensure that these are updated.

D. The Corporate Secretary

1. Qualifications

- a) He must be an officer of AboitizPower.
- b) Loyal to the mission, vision and specific business objectives of AboitizPower.
- c) He must be a citizen and a resident of the Philippines.
- d) Considering his varied functions and duties, he must possess administrative and interpersonal skills, as well as financial and accounting skills.
- e) He must have a working knowledge of the operations of AboitizPower.
- f) He must be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.

2. Duties and Responsibilities

The Corporate Secretary:

- a) Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to AboitizPower.
- b) Is ultimately responsible for compliance with governmental reportorial requirements with the SEC, and with the PSE, among others.
- c) As to Board meetings, secures a complete schedule thereof at least for the current year and puts the Board on notice within a reasonable period before every meeting. He also prepares and issues the agenda in consultation with senior management and ensures that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- d) Assists the Board in making business judgments in good faith and in the performance of their responsibilities and obligations.
- e) Attends all Board meetings and personally prepares the minutes of such meetings.
- f) Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of AboitizPower;
- g) Ensures that all Board procedures, rules and regulations are strictly followed by the members.
- h) Works fairly and objectively with the Board, management, stockholders, and other stakeholders.**
- i) Performs all other duties and responsibilities of the Compliance Officer as set forth in this Manual, if applicable.**

III. INFORMATION SECURITY MANAGEMENT

AboitizPower recognizes that information security management is an important component of corporate governance and hereby adopts the general principles and best practices of information security management.

IV. SUSTAINABILITY POLICY

AboitizPower is committed to strike a balance among economic growth, social development and environmental stewardship in the conduct of its business. To this end, AboitizPower shall **identify its stakeholders in the communities where its businesses operate to** implement programs that promote environmental preservation as well as social and economic development in the communities where its businesses operate.

V. COMMUNICATION PROCESS

A. Availability of Information

This Manual shall be available for inspection by any stockholder of AboitizPower at reasonable hours on business days.

B. Dissemination

All Directors, officers, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

C. Department Copies

An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

VI. TRAINING PROCESS

If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

A Director shall, before assuming duties as such, be required to attend a seminar on corporate governance, which may be conducted by a duly recognized private or government entity.

VII. REPORTORIAL OR DISCLOSURE SYSTEM OF ABOITIZPOWER'S CORPORATE GOVERNANCE POLICIES

- A. AboitizPower abides by the principle of transparency to prevent mismanagement and misappropriation by any stakeholder of the Company's assets.** The reports of disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through AboitizPower's Compliance Officer.
- B.** All material information shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership. Management in close consultation with the Compliance Officer shall formulate the Company's policies in relation to disclosures of related party transaction.
- C.** Other information that shall always be disclosed as required by law includes remuneration (including stock options) of all directors and senior management corporate strategy.
- D.** All disclosed information shall be released via the approved stock exchange procedure for AboitizPower announcements and other required reports.
- E.** The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

VIII. SHAREHOLDERS' BENEFIT

AboitizPower recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as a governance covenant between AboitizPower and all its investors:

Investors' Rights and Protection

The Board shall be committed to respect the following rights of the stockholders:

1) Voting Right

- (i) Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (ii) Cumulative voting shall be used in the election of directors.
- (iii) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

2) Pre-emptive Right

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

3) Power of Inspection

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

4) Right to Information

- (i) The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of AboitizPower's shares, dealings with AboitizPower, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- (ii) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

- (iii) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

5) Right to Dividends

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

6) Appraisal Right

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

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

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

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through

appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders' meaningful participation in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints. Accurate and timely information should be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

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

IX. MONITORING AND ASSESSMENT

- A.** Each Committee shall report regularly to the Board of Directors.
- B.** The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part10 of this Manual.
- C.** The establishment of such evaluation system, including the features thereof, shall be disclosed in AboitizPower's annual report (SEC Form 17-A) or in such form of report that is applicable to AboitizPower. The adoption of such performance evaluation system must be covered by a Board approval.
- D.** This Manual shall be subject to annual review unless the Board amends the frequency.
- E.** All business processes and practices being performed within any department or business unit of AboitizPower that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

X. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- A.** To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on AboitizPower's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
 - 1. In the case of a first violation, the subject person shall be reprimanded.
 - 2. Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation.

3. For a third violation, the maximum penalty of removal from office shall be imposed.
 - B. The commission of a third violation of this Manual by any member of the board of AboitizPower or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
 - C. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Certified Correct:

(signed)
ENRIQUE M. ABOITIZ, JR.
Chairman of the Board