

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year **2013**
2. Exact Name of Registrant as Specified in its Charter **ABOITIZ EQUITY VENTURES, INC.**
3. **32<sup>nd</sup> Street, Bonifacio Global City, Taguig City, Metro Manila**      **1634**  
Address of principal office      Postal Code
4. SEC Identification Number **CE02536**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **003-828-269-V**
7. **(02) 886-2800**  
Issuer's Telephone number, including area code
8. **N.A.**  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A. BOARD MATTERS</b> .....	<b>5</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	5
(b) Directorship in Other Companies.....	5
(c) Shareholding in the Company.....	6
2) CHAIRMAN AND CEO.....	6
3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	7
4) CHANGES IN THE BOARD OF DIRECTORS.....	7
5) ORIENTATION AND EDUCATION PROGRAM.....	8
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS</b> .....	<b>8</b>
1) POLICIES.....	8
2) DISSEMINATION OF CODE.....	9
3) COMPLIANCE WITH CODE.....	9
4) RELATED PARTY TRANSACTIONS.....	9
(a) Policies and Procedures.....	9
(b) Conflict of Interest.....	9
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	10
6) ALTERNATIVE DISPUTE RESOLUTION.....	10
<b>C. BOARD MEETINGS &amp; ATTENDANCE</b> .....	<b>10</b>
1) SCHEDULE OF MEETINGS.....	10
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	10
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	11
4) ACCESS TO INFORMATION.....	11
5) EXTERNAL ADVICE.....	11
6) CHANGES IN EXISTING POLICIES.....	11
<b>D. REMUNERATION MATTERS</b> .....	<b>12</b>
1) REMUNERATION PROCESS.....	12
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	12
3) AGGREGATE REMUNERATION .....	12
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	13
5) REMUNERATION OF MANAGEMENT.....	14
<b>E. BOARD COMMITTEES</b> .....	<b>14</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	14
2) COMMITTEE MEMBERS.....	14
3) CHANGES IN COMMITTEE MEMBERS.....	16
4) WORK DONE AND ISSUES ADDRESSED.....	16
5) COMMITTEE PROGRAM.....	16
<b>F. RISK MANAGEMENT SYSTEM</b> .....	<b>16</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	16
2) RISK POLICY.....	17
3) CONTROL SYSTEM.....	17
<b>G. INTERNAL AUDIT AND CONTROL</b> .....	<b>18</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	18
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	18

(b) Appointment/Removal of Internal Auditor.....	18
(c) Reporting Relationship with the Audit Committee.....	18
(d) Resignation, Re-assignment and Reasons.....	19
(e) Progress against Plans, Issues, Findings and Examination Trends.....	19
(f) Audit Control Policies and Procedures.....	19
(g) Mechanisms and Safeguards.....	19
<b>H. RIGHTS OF STOCKHOLDERS.....</b>	<b>20</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	20
2) TREATMENT OF MINORITY STOCKHOLDERS.....	22
<b>I. INVESTORS RELATIONS PROGRAM.....</b>	<b>22</b>
<b>J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>22</b>
<b>K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>23</b>
<b>L. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>23</b>

**A. BOARD MATTERS**

**1) Board of Directors**

<b>Number of Directors per Articles of Incorporation</b>	<b>nine (9)</b>
--	-----------------

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

**(a) Composition of the Board**

**Complete the table with information on the Board of Directors: (2013-2014)**

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Jon Ramon Aboitiz	NED	NA	<u>Erramon I. Aboitiz</u>	1994	<u>May 20, 2013</u>	ASM	<u>19</u>
Erramon I. Aboitiz	ED	NA	<u>Erramon I. Aboitiz</u>	1994	<u>May 20, 2013</u>	ASM	<u>19</u>
Roberto E. Aboitiz	NED	NA	<u>Dominica Chua</u>	1994	<u>May 20, 2013</u>	ASM	<u>19</u>
Enrique M. Aboitiz, Jr.	NED	NA	<u>Erramon I. Aboitiz</u>	1994	<u>May 20, 2013</u>	ASM	<u>19</u>
Justo A. Ortiz	NED	NA	<u>Regina R. Andoy</u>	1994	<u>May 20, 2013</u>	ASM	<u>19</u>
Antonio R. Moraza	NED	NA	<u>Erramon I. Aboitiz</u>	May 2009	<u>May 20, 2013</u>	ASM	<u>4</u>
Jose C. Vitug	ID	NA	<u>Antonio Lozada</u>	2005	<u>May 20, 2013</u>	ASM	<u>8</u>
Stephen T. CuUnjieng	ID	NA	<u>Erlinda Maglaoy</u>	2010	<u>May 20, 2013</u>	ASM	<u>3</u>
Raphael P.M. Lotilla	ID	NA	<u>Leah Cabanban</u>	May 2012	<u>May 20, 2013</u>	ASM	<u>3</u>

*(Updated as of December 31, 2013)*

Sources: 2012 Information Sheet (SEC Form 20-IS)  
2013 AEV Nomination Forms

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

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

The Board of Directors, Management, Employees, and Shareholders of Aboitiz Equity Ventures Inc. ("Company, "AEV") 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.

- (i) The Company's Manual of Corporate Governance, approved by the Securities and Exchange Commission on March 30, 2011 and amended as of January 10, 2014, provides for shareholder

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

rights as follows:

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

1. Voting Right – The Company follows the principle of one share- one vote for each stockholder.

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

2. Pre-emptive Right

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

3. Power of Inspection

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

4. Right to Information

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

5. Right to Dividends

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- b. AEV 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 AEV of major projects and developments requiring substantial cash expenditures or restrictions on cash dividend payments under its loan covenants

#### 6. Appraisal Right

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

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

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of AEV. 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 AEV.

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

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

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

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

A. The reports of disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through AEV's Compliance Officer.

B. All material information shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

C. Other information that shall always be disclosed as required by law includes remuneration (including stock options) of all directors and senior management corporate strategy.

D. All disclosed information shall be released via the approved stock exchange procedure for AEV announcements and other required reports.

E. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.”

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

I. This Disclosure Policy shall be implemented in accordance with applicable laws, and in the best interests of the Company and its shareholders. The goal of disclosure is to provide information to stakeholders and interested parties in order to assist such persons in making sound investment decisions.

II. When disclosing information, the Company shall be guided by the principles of accuracy, accessibility, timeliness, completeness, and regularity, and additionally, will seek to maintain a reasonable balance between the transparency of the Company and the protection of its commercial interests, while complying with relevant provisions of the laws of the Philippines, the Articles of Incorporation, this Policy and other internal documents of the Company.

III. The Company shall not avoid the disclosure of negative information if such information might be considered material or essential to stakeholders or potential investors.

IV. For purposes of disclosure, the preferential treatment of any one group of recipients of such information (“Selective Disclosure”) shall be prohibited unless otherwise provided for by the laws of the Philippines, and other applicable and current rules and regulations.”

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

**“PROVIDE FAIR AND TRUTHFUL DISCLOSURES TO THE PUBLIC**

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

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

**MAINTAIN ACCURATE BOOKS AND RECORDS**

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

Company's books and records is correct and complete in all material respects."

Source: Section VII of Amended Manual of Corporate Governance

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

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

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

A director shall comply with the following duties and responsibilities:

- a. *Conduct fair business transactions with AEV 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 AEV, or stands to acquire or gain financial advantage at the expense of AEV.

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

A director should devote sufficient time to familiarize himself with AEV's business. He should be constantly aware of and knowledgeable with AEV'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 AEV.

- e. *Have a working knowledge of the statutory and regulatory requirements affecting AEV, 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 AEV's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their



corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.

f. *Observe confidentiality.*

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

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

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

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

- a. Become familiar with the Committee mandate

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

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

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

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

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

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

- a. Strategic business direction;
- b. Basic principles and practice of finance and accounting;
- c. Human resource direction;

- d. Improving business performance; and
- e. Organizing for the future.

With the above, the Director is therefore expected to:

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

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

The Board participates in an Annual Board Retreat and Strategy Refresh to discuss both the strategic roadmap and policies of the Company, and a review of the Company’s vision and mission. **For the year 2013, the Board held its annual retreat on December 16, 2013 at the Company’s principal address in Taguig City.**

*(Updated as of December 31, 2013)*

**(d) Directorship in Other Companies**

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

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

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jon Ramon Aboitiz	Aboitiz & Company, Inc. (ACO), Aboitiz Power Corporation, Cotabato Light & Power Company, Davao Light & Power Company, Inc., Union Bank of the Philippines,	Non-Executive
Erramon I. Aboitiz	Aboitiz & Company, Inc., Aboitiz Power Corporation	Executive

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

	Davao Light & Power Company, Inc., San Fernando Electric Light and Power Co. Inc., Cotabato Light & Power Company, Subic Enerzone Corporation, SN Aboitiz Power - Magat, Inc., SN Aboitiz Power - Benguet, Inc., Manila - Oslo Renewable Enterprise, Inc., Aboitiz Renewables, Inc., Therma Power, Inc., Balamban Enerzone Corporation, Mactan Enerzone Corporation and Abovant Holdings, Inc., Aboitiz Foundation, Inc., Aboitiz Land, Inc.	Non-Executive, Chairman
	Union Bank of the Philippines, Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Aboitiz Power (AP) Renewables, Inc., Cebu Energy Development Corporation, Redondo Peninsula Energy, Inc. Therma Luzon, Inc., Therma Mobile, Inc., Therma South, Inc.,	Non-Executive
Roberto E. Aboitiz	Cebu Industrial Park Developers, Inc., Cebu Industrial Park Services, Inc. and Propriedad Del Norte, Inc.	Non-Executive, Chairman
	Davao Light & Power Company, Inc., Cotabato Light & Power Company, Tsuneishi Heavy Industries (Cebu), Inc.	Non-Executive
	Vice Chairman of Aboitiz & Company, Inc.	Executive
Enrique M. Aboitiz, Jr.	Aboitiz Power Corporation, WeatherPhilippines Foundation, Inc.	Non-Executive, Chairman
	Aboitiz & Company, Inc.	Executive
Justo A. Ortiz	Union Bank of the Philippines	Executive, Chairman

Antonio R. Moraza	Aboitiz Power Corporation; Aboitiz & Company, Inc., Abovant Holdings, Inc., Aboitiz Renewables, Inc., Therma Power, Inc., and Manila - Oslo Renewable Enterprise, Inc., East Asia Utilities Corporation,	Executive
	Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Therma Visayas, Inc., Luzon Hydro Corporation and Cebu Private Power Corporation, Therma Luzon, Inc., Therma Mobile, Inc., Therma South, Inc., AP Renewables, Inc., Hedcor, Inc., Hedcor Tudaya, Inc. Hedcor Sibulan, Inc.	Non-executive, Chairman
	Cebu Energy Development Corporation SN Aboitiz Power - Benguet, Inc., SN Aboitiz Power - Magat, Inc., Southern Philippines Power Corporation, STEAG State Power Inc., Therma Marine, Inc. and Western Mindanao Power Corporation	Non-Executive
Jose C. Vitug	None	
Stephen T. CuUnjieng	None	
Raphael P.M. Lotilla	None	

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jose C. Vitug	ABS-CBN Holding Corp.	Independent
Jon Ramon Aboitiz	Bloomberry Resorts Corporation	Independent
Jon Ramon Aboitiz	International Container Terminal Services, Inc.	Non-executive

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jon Ramon Aboitiz	Ramon Aboitiz Foundation, Inc.	Vice President
Jon Ramon Aboitiz	Aboitiz & Company, Inc.	Chairman
Erramon I. Aboitiz	Aboitiz & Company, Inc.	President/ CEO/ Director
Roberto E. Aboitiz	Aboitiz & Company, Inc.	Vice Chairman

Roberto E. Aboitiz	Ramon Aboitiz Foundation, Inc.	President
Antonio R. Moraza	Aboitiz & Company, Inc.	Senior Vice President
Enrique M. Aboitiz. Jr.	Aboitiz & Company, Inc.	Senior Vice President

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

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	<p>As provided in the Company's Manual of Corporate Governance, the following guidelines shall be used in the determination of the number of directorships for Board members:</p> <p>a) The nature of the business of AEV;</p> <p>b) Age of the director;</p> <p>c) Number of directorship/active memberships and officerships in other corporations or organizations; and</p> <p>d) Possible conflict of interest.</p> <p>The optimum number of directorships a Director shall hold shall be related to the capacity of a Director to perform his duties diligently in general.</p> <p>The CEO and other executive directors shall submit themselves to a low inactive limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</p>	<p>As a holding company, the Company's executive directors are appointed to Board seats of the Company's Business Units or operational companies within the group.</p> <p>The Company follows the SEC rule on term and directorship limits of directors.</p>
<b>Non-Executive Director</b>	<p>As provided in the Company's Manual of Corporate Governance, the following guidelines shall be used in the determination of the number of directorships for Board members:</p>	Same as above

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

The Company's Independent Directors sit in no more than five boards of publicly-listed companies (PLCs), as shown in the certification of affiliations required from each of the nominated Independent Directors. Likewise, executive directors do not generally sit on other boards of PLCs outside the Group, unless they have substantial interest in the said company or they have been asked to sit in the capacity as independent directors. Currently, the Company's executive directors do not sit in more than two boards of listed companies outside the Aboitiz Group.

**(c) Shareholding in the Company**

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jon Ramon Aboitiz	4,648	128,548,372	0.00%; 2.33%
Erramon I. Aboitiz	1,001,000	49,222,550	0.02%; 0.89%
Roberto E. Aboitiz	10	0	0.00%
Enrique M. Aboitiz, Jr.	6,000	0	0.00%;
Justo A. Ortiz	1	0	0.00%
Antonio R. Moraza	1,000	19,560,196	0.00%; 0.35%

Jose C. Vitug	100	72,020	0.00%; 0.00%
Stephen T. CuUnjieng	100	0	0.00%
Raphael P.M. Lotilla	100	0	0.00%

(Updated as of December 31, 2013)

## 2) Chairman and CEO

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

Yes

No

### Identify the Chair and CEO:

Chairman of the Board	Jon Ramon Aboitiz
CEO/President	Erramon I. Aboitiz

## (b) Roles, Accountabilities and Deliverables

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

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



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

Source: Article III of the By-laws  
Board Protocol

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

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

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

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

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

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

The Company's selection process ensures that at least one non-executive director has experience in the industries the Company operates in. For example, Mr. Antonio R. Moraza, who has been a non-executive director of the Company since 2009, is concurrently the Executive Vice President and Chief Operating Officer of the Power Generation Group of Aboitiz Power Corporation, one of the Company's subsidiaries engaged in its main business of power generation and distribution. Moreover, Messrs. Justo A. Ortiz and Stephen T. CuUnjieng, who are likewise non-executive directors of the Company, have extensive banking experience relevant to the Company's banking unit.

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

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

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

	<p><i>responsibilities.</i></p> <p>A director should devote sufficient time to familiarize himself with AEV's business. He should be constantly aware of and knowledgeable with AEV's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.</p> <p>c) <i>Act judiciously.</i></p> <p>Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</p> <p>d) <i>Exercise independent judgment.</i></p> <p>A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AEV.</p> <p>e) <i>Have a working knowledge of the statutory and regulatory requirements affecting AEV, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where</i></p>	<p><i>responsibilities.</i></p> <p>A director should devote sufficient time to familiarize himself with AEV's business. He should be constantly aware of and knowledgeable with AEV's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.</p> <p>c) <i>Act judiciously.</i></p> <p>Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</p> <p>d) <i>Exercise independent judgment.</i></p> <p>A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to AEV.</p> <p>e) <i>Have a working knowledge of the statutory and regulatory requirements affecting AEV, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where</i></p>	
--	--	--	--

	<p><i>applicable, the requirements of other regulatory agencies.</i></p> <p>A director should also keep abreast with industry developments and business trends in order to promote AEV's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.</p> <p>f) <i>Observe confidentiality.</i></p> <p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</p> <p>g) <i>Keep abreast of good corporate governance practices.</i></p> <p>A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.</p>	<p><i>applicable, the requirements of other regulatory agencies.</i></p> <p>A director should also keep abreast with industry developments and business trends in order to promote AEV's competitiveness. The Corporate Information Officer shall ensure that directors and officers shall be updated on their corporate duties and responsibilities and on current relevant laws, rules and jurisprudence, and best business practices.</p> <p>f) <i>Observe confidentiality.</i></p> <p>A director should keep secure and confidential all non-public information he may acquire or learn by reason of his positions as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</p> <p>g) <i>Keep abreast of good corporate governance practices.</i></p> <p>A Director shall undergo a seminar on corporate governance principles, on relevant laws and charters applicable to the Company and the Board, and on the various businesses of the Company upon appointment to the Board.</p>	
Deliverables	(as enumerated above)	(as enumerated above)	(as enumerated above)

Source: Amended Manual of Corporate Governance  
AEV Board Protocol

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

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

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

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

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

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

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

Name	Position	Date of Cessation	Reason
N/A	N/A	N/A	N/A

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of stockholders, except as may be provided by the Board of Directors in appropriate guidelines that it may promulgate from time to time in compliance with law."	A member of the Board must be: a) a holder of at least one (1) share of stock of AEV; 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

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

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



		<p>advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c) Any person finally convicted judicially or by competent administrative body of an offense involving moral turpitude or fraudulent act or transgressions;</p> <p>d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the</p>
--	--	---

		<p>Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;</p> <p>e) Any person judicially declared to be insolvent;</p> <p>f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>g) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p>
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	<p>In addition to the above grounds for disqualification of a director, an independent director shall be disqualified when:</p> <p>(a) the independent director becomes an officer or employee of AEV he shall be automatically disqualified from being an independent director;</p> <p>(b) If the beneficial equity ownership of an independent director in AEV or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later</p>

		complied with.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	<p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>d) Being under preventive suspension by AEV;</p> <p>e) If the independent director becomes an officer or employee of AEV he shall be automatically disqualified from being an independent director;</p> <p>f) Conviction that has not yet become final referred to in the grounds for the disqualification of directors; and</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such</p>

		disqualification, take the appropriate actions to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
<b>e. Removal</b>		
(i) Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	The commission of a third violation of the Company's Manual of Corporate Governance by any member of the board of AEV or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
(ii) Non-Executive Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
(iii) Independent Directors	The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Same as above
<b>f. Re-instatement</b>		
(i) Executive Directors	"Nominations for the election of directors for the ensuing year must be received by the Corporate Secretary no less than fifteen (15) working days prior to the annual meeting of	A member of the Board must be: a) a holder of at least one (1) share of stock of AEV;

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

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

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

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

Name of Director	Votes Received
Jon Ramon Aboitiz	4,743,942,037
Erramon I. Aboitiz	4,743,942,037
Roberto E. Aboitiz	4,743,083,937
Enrique M. Aboitiz, Jr.	4,743,942,037
Justo A. Ortiz	4,743,942,037
Antonio R. Moraza	4,743,932,564
Jose C. Vitug	4,743,932,564
Stephen T. CuUnjieng	4,743,932,564
Raphael P.M. Lotilla	4,743,932,564

*(Updated as of May 20, 2013)*

#### **6) Orientation and Education Program**

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

All newly elected directors undergo a director's orientation program provided by independent service providers and other training programs that will enhance their understanding of roles and develop their technical knowledge to discharge their functions effectively. In addition, regular seminars and briefings are conducted during Board meetings regarding the Company's business especially geared towards familiarizing new directors with the Company's business environment.

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

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

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

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

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<u>All Directors</u>	<u>March 2013</u>	<u>Aon Risk Maturity Index Assessment</u>	<u>Company-sponsored</u>
<u>All Directors</u>	<u>July 16, 2013</u>	<u>Internal Audit and Risk Management Forum</u>	<u>Company-sponsored</u>
<u>All Directors</u>	<u>Sept. 26, 2013</u>	<u>Briefing on Open Access, Mindanao Interim Electricity Market and Line Charges Rental</u>	<u>Company-sponsored</u>
<u>All Directors</u>	<u>December 16, 2013</u>	<u>Board Retreat</u>	<u>Company-sponsored</u>

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients.</p> <p>It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies):</p> <p>1. Accepting special favors as a result of a</p>	<p>All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients.</p> <p>It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies):</p> <p>1. Accepting special favors as a result of a</p>	<p>All employees, officers and directors have an obligation to act in the best interests of the Company. They should avoid any activity, interest, or association outside the Company that could impair their ability to perform their work objectively and effectively or that could give the appearance of interfering with their responsibilities on behalf of the Company or its clients.</p> <p>It is not possible to describe every situation in which a conflict of interest may arise. The following, however, are examples of situations that may raise a conflict of interest (unless permitted by law and Company policies):</p> <p>1. Accepting special favors as a result of a</p>

	<p>member's position with the Company from any person or organization with which the Company has a current or potential business relationship</p> <ol style="list-style-type: none"> <li>2. Competing with the Company for the purchase or sale of property, services, or other interests.</li> <li>3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies).</li> <li>4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company.</li> <li>5. Working for a competitor while an employee of the Company.</li> <li>6. Directing business to a supplier owned or managed by, or which employs, a relative or friend.</li> </ol> <p>Directors should also disclose any actual or potential conflicts of interest to the Chairman of the Board and the Compliance Officer, who shall determine the appropriate resolution. All directors must recuse themselves from any Board discussion or decision affecting their personal, business or professional interests.</p>	<p>member's position with the Company from any person or organization with which the Company has a current or potential business relationship</p> <ol style="list-style-type: none"> <li>2. Competing with the Company for the purchase or sale of property, services, or other interests.</li> <li>3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies).</li> <li>4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company.</li> <li>5. Working for a competitor while an employee of the Company.</li> <li>6. Directing business to a supplier owned or managed by, or which employs, a relative or friend.</li> </ol> <p>Employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your</p>	<p>member's position with the Company from any person or organization with which the Company has a current or potential business relationship</p> <ol style="list-style-type: none"> <li>2. Competing with the Company for the purchase or sale of property, services, or other interests.</li> <li>3. Acquiring an interest in a transaction involving the Company, a customer, or supplier (not including routine investments in publicly traded companies).</li> <li>4. Receiving a personal loan or guarantee of an obligation as a result of a member's position with the Company.</li> <li>5. Working for a competitor while an employee of the Company.</li> <li>6. Directing business to a supplier owned or managed by, or which employs, a relative or friend.</li> </ol> <p>Employees and officers should promptly report any potential relationships, actions or transactions (including those involving family members) that reasonably could be expected to give rise to a conflict of interest to Human Resources Department. Involvement in certain outside activities may also require the prior approval of the Company (particularly if you are a licensed person). You should consult policies applicable to your</p>
--	---	---	---



		business unit or Division for specific reporting and approval procedures.	business unit or Division for specific reporting and approval procedures.
(b) Conduct of Business and Fair Dealings	The Company seeks to outperform its competition fairly and honestly through superior performance. Every employee, officer and director must therefore always keep the best interests of the Company's clients paramount and endeavor to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.	The Company seeks to outperform its competition fairly and honestly through superior performance. Every employee, officer and director must therefore always keep the best interests of the Company's clients paramount and endeavor to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.	The Company seeks to outperform its competition fairly and honestly through superior performance. Every employee, officer and director must therefore always keep the best interests of the Company's clients paramount and endeavor to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.
(c) Receipt of gifts from third parties	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. An employee and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. You and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources	Gifts and entertainment may create an inappropriate expectation or feeling of obligation. You and members of his family may not accept gifts or special favors (other than an occasional non-cash gift of nominal value) from any person or organization with which the Company has a current or potential business relationship. Further, business gifts to, and entertainment of, non-government employees in connection with business discussions or the development of business relationships are only appropriate if they are in the ordinary course of business and their value is modest. If a member has any questions about the appropriateness of a business gift or expense, he should contact the Human Resources

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

	<p>Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry. Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law.</p> <p>"Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality.</p> <p>Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved,</p>	<p>Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry. Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law.</p> <p>"Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality.</p> <p>Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved,</p>	<p>Protecting this information is critical to the Company's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry. Accordingly, every member should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by the Company or required by law.</p> <p>"Proprietary information" includes all non-public information that might be useful to competitors or that could be harmful to the Company or its customers if disclosed. It includes, for example, intellectual property, business plans, personal employee information and unpublished financial information. You should also respect the property rights of other companies. "Confidential information" is information that is not generally known to the public about the Company, its clients, or other parties with whom the Company has a relationship and that have an expectation of confidentiality.</p> <p>Unauthorized use or distribution of proprietary or confidential information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved,</p>
--	---	---	---

	including potential legal and disciplinary actions. Every member's obligation to protect the Company's proprietary and confidential information continues even after he leaves the Company, and he must return all such information in his possession upon his departure.	including potential legal and disciplinary actions. Every member's obligation to protect the Company's proprietary and confidential information continues even after he leaves the Company, and he must return all such information in his possession upon his departure.	including potential legal and disciplinary actions. Every member's obligation to protect the Company's proprietary and confidential information continues even after he leaves the Company, and he must return all such information in his possession upon his departure.
(f) Use of Company Funds, Assets and Information	<p>Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department.</p> <p>In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).</p>	<p>Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department.</p> <p>In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).</p>	<p>Company policies regulate use of the Company's systems, including telephones, computer networks, electronic mail and remote access capabilities. Generally, every member should use the Company's systems and property only for legitimate Company business. Under no conditions may a member use the Company's systems to view, store, or send unlawful, offensive or other inappropriate materials. Every member may obtain copies of the Company's policies from the Human Resources Department.</p> <p>In addition, protecting Company assets against loss, theft, waste, or other misuse is the responsibility of every employee, officer and director. Any suspected misuse should be reported to his supervisor or the Legal, Administrative, or Human Resources Department (if appropriate).</p>
(g) Employment & Labor Laws & Policies	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and	The Company is committed to conducting its business in compliance with all applicable environmental and workplace health and safety laws and

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

	<p>third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Legal, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security.</p> <p>Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.</p> <p>Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly.</p> <p>AEV does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it.</p>	<p>third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Legal, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security.</p> <p>Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.</p> <p>Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly.</p> <p>AEV does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it.</p>	<p>third party— he must communicate that information to his direct supervisor or, if appropriate or necessary, senior management. They will notify and consult with Legal, Compliance, or Corporate Security, and take appropriate steps to stop the misconduct and prevent its recurrence. If appropriate or necessary, the member may also raise his concerns directly with Law, Compliance or Corporate Security.</p> <p>Supervisors have an additional responsibility to take appropriate steps to stop any misconduct that they are aware of, and to prevent its recurrence. Supervisors that do not take appropriate action may be held responsible for failure to supervise properly.</p> <p>Members who prefer to report an allegation anonymously must provide enough information about the incident or situation to allow the Company to investigate properly.</p> <p>AEV does not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it.</p>
--	--	--	--

	Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.	Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.	Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.
(j) Conflict Resolution	The Company has in place a policy of “Talk to the CEO” through which any team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.	The Company has in place a policy of “Talk to the CEO” through which any team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.	The Company has in place a policy of “Talk to the CEO” through which any team member or team leader can e-mail the CEO for any matter including whistle-blowing agenda items.

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

The Company’s Code of Ethics and Conduct and Manual of Corporate Governance are easily accessible from the Company’s website. New employees are required to undergo a New Hires Orientation Program (NHO) where the Company’s Code of Ethics and Business Conduct is extensively discussed. Hard copies of the same are also made available by the Company prior to the onboarding of directors, senior management and employees.

**In December 2013, the Office of the Compliance Officer launched its online Corporate Governance E-learning Course for all employees. This mandatory course is taken by all employees through a web-based portal and application with a standard test, the results of which are reported to Management and the Board Corporate Governance Committee. This mandatory online seminar is conducted to impress upon or refresh all employees’ awareness and understanding of the Manual and the Code and the underlying principles of corporate governance and ethical behavior and conduct for the Company.**

**The Company likewise conducts a yearly seminar for all employees, referred to as Quality Focus, where the salient provisions of the Code of Ethics and other company policies are discussed.**

*(Updated as of December 31, 2013)*

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

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

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

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

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

AEV will not tolerate any kind of retaliation for reports or complaints regarding the misconduct of others that were made in good faith. Open communication of issues and concerns by all employees without fear

of retribution or retaliation is vital to the continued success of the Company. Unless appropriate Company management learns of a problem, the Company cannot deal with it. Concealing improper conduct often compounds the problem and may delay or hamper responses that could prevent or mitigate actual damage.”

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

The LexCom initiates the formal adoption of the Company’s Code and proper conduct that guides individual behavior and decision-making, clarifies responsibilities, and informs other stakeholders on the conduct expected from company personnel. The LexCom sets the policies and procedures for curbing and penalizing company or employee involvement in unethical behavior, such as offering, paying and receiving inappropriate rewards. The Office of the Chief Legal Officer is responsible for ensuring compliance by the Company, subsidiaries and affiliates, with all relevant laws, rules and regulations, as well as all regulatory requirements, including the protection and respect for intellectual property rights. The LexCom is responsible for the comprehensive legal compliance program of the Company. As part of its program, the LexCom and the Office of the Chief Legal Officer oversee the appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances by the employees and the business units (BUs).

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

**In February 27, 2014, the Company also formally adopted its Whistleblowing Policy to encourage all employees to report any illegal or unethical practices in the Company.**

*(Updated as of March 31, 2014)*

**4) Related Party Transactions**

**(a) Policies and Procedures**

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company’s Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm’s length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology



	<p>infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.</p>
(2) Joint Ventures	<p>The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.</p>
(3) Subsidiaries	<p>The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition,</p>

	<p>transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.</p>
(4) Entities Under Common Control	<p>The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.</p>
(5) Substantial Stockholders	<p>The Company fully records, monitors, and discloses all related-party transactions regardless of amounts in compliance with existing Philippine financial accounting standards. The nature and extent of transactions with affiliated and related parties are disclosed annually to shareholders through the Company's Information Statement, Annual Report and Audited Financial Statements. The Company and its subsidiaries enter into related party transactions consisting of payment of shareholder advances, professional fees and rental fees. These are made on an arm's length basis and at current market prices at the time of the transactions. Service and management contracts are also entered into with subsidiaries and affiliates for corporate center services, such as human resources support services, internal audit services, legal and corporate compliance services, treasury and corporate finance services, technology infrastructure services. These services are obtained from the Company to enable the Aboitiz group of companies to realize cost synergies. The Company maintains a pool of highly qualified professionals with in-depth business expertise specific to the businesses of the AEV organization. Transactions are priced on a cost recovery basis. In addition, transaction costs are always benchmarked to third party rates to ensure competitive pricing. Service Level Commitments and Agreements are executed to ensure quality and timeliness of services.</p>
(6) Officers including spouse/children/siblings/parents	<p>Directors shall disclose to the Board, through the Company's Corporate Secretary, details of all their other directorships</p>

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

	The Company complies with the rule on approval of contracts between corporations with interlocking directors, as mandated by Section 33 of the Corporation Code.
--	--

Source: 2013 Full Corporate Governance Report

**(b) Conflict of Interest**

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

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

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

**(ii) Mechanism**

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

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

	Board discussion or decision affecting their personal, business or professional interests.
--	--

**5) Family, Commercial and Contractual Relations**

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

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

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>
Aboitiz & Company, Inc.	Investor- investee	49.54% interest
PCD Nominee Corp (Filipino)	Investor- investee	10.07% interest
PCD Nominee Corp (Foreign)	Investor- investee	9.74% interest
Ramon Aboitiz Foundation, Inc.	Investor- investee	7.69% interest

*Source: 2013 Definitive Information Statement (SEC Form 20-IS)*

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

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description</b>
Aboitiz & Company, Inc.	Investor- investee	Provides service for management of Retirement Plan.

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

<b>Name of Shareholders</b>	<b>% of Capital Stock affected (Parties)</b>	<b>Brief Description of the Transaction</b>
None		

**6) Alternative Dispute Resolution**

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

<b>Alternative Dispute Resolution System</b>	
<b>Corporation &amp; Stockholders</b>	<p>The Company has no shareholder disputes. The Investor Relations Office is the go-to person for any issues of shareholders.</p> <p>The LexCom also reviews or recommends the appropriate dispute resolution system for conflicts and differences with counterparties, particularly with shareholders and other key stakeholders</p>

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

	to ensure that they are settled in a fair and expeditious manner from the application of a law, rule or regulation especially when it refers to a corporate governance issue. The Office of the Chief Legal Officer explains the rationale for any such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.
<b>Corporation &amp; Third Parties</b>	The Company is currently reviewing contracts providing for ADR.
<b>Corporation &amp; Regulatory Authorities</b>	Regulatory agencies provide the mechanisms for dispute resolution for the Company's business units.

### C. BOARD MEETINGS & ATTENDANCE

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

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

#### 2) Attendance of Directors

<u>Board</u>	<u>Name</u>	<u>Date of Election</u>	<u>No. of Meetings Held during the year</u>	<u>No. of Meetings Attended</u>	<u>%</u>
<u>Chairman</u>	<u>Jon Ramon Aboitiz</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>
<u>Member</u>	<u>Erramon I. Aboitiz</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>
<u>Member</u>	<u>Roberto E. Aboitiz</u>	<u>20 May 2013</u>	<u>8</u>	<u>6</u>	<u>75</u>
<u>Member</u>	<u>Enrique M. Aboitiz, Jr.</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>
<u>Member</u>	<u>Justo A. Ortiz</u>	<u>20 May 2013</u>	<u>8</u>	<u>7</u>	<u>88</u>
<u>Member</u>	<u>Antonio R. Moraza</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>
<u>Independent</u>	<u>Jose C. Vitug</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>
<u>Independent</u>	<u>Stephen T. CuUnjieng</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>
<u>Independent</u>	<u>Raphael P.M. Lotilla</u>	<u>20 May 2013</u>	<u>8</u>	<u>8</u>	<u>100</u>

(Updated as of December 31, 2013)

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

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

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

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

## 5) Access to Information

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

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

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

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

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

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

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

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

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

---

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

by the members.

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

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

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

Ms. Oporto, 55 years old, Filipino, has been the Corporate Secretary of AEV since 2004 and Compliance Officer since November 2005. She is concurrently the Senior Vice President - Chief Legal Officer. She is also Vice President for Legal Affairs of Davao Light & Power Company, Inc.; Chief Compliance Officer and Corporate Secretary of Aboitiz Power Corporation; and Corporate Secretary of Visayan Electric Company, Inc., Hijos de F. Escaño, Inc. and Luzon Hydro Corporation. Prior to joining AEV, she worked in various capacities at the Hong Kong office of Kelley Drye & Warren, LLP, a New York-based law firm, and the Singapore-based consulting firm Albi Consulting Pte. Ltd. She obtained her Bachelor of Laws degree from the University of the Philippines and is a member of both the Philippine and New York bars.

**(e) Committee Procedures**

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

Yes

No

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



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

**6) External Advice**

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

Procedures	Details
<p>The Office of the Chief Legal Officer provides assistance to directors if they need external advice.</p> <p>The Chief Legal Officer can refer directors to external resource persons or request for advice on behalf of the Board.</p> <p>Moreover, the Management regularly invites resource persons, who are experts in various fields such as risk, insurance, banking, etc., to conduct briefings or seminars on topics relevant to the Board.</p>	<p>Electronic mail, personal discussions, seminars or presentations.</p>

**7) Change/s in existing policies**

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

Existing Policies	Changes	Reason
Company's Manual of Corporate Governance	Amendment of the Company's Manual of Corporate Governance to incorporate revisions required by SEC Memorandum Circular No. 4, Series of 2012 and to be more consonant with the SEC Revised Code of Corporate Governance.	To improve the Company's corporate governance practices.
Implementation of the Approval and Decision Matrices of Authority	Adoption of Approval and Decision Matrices of Authority	To identify and limit approval and decision-making authority within the Group.
Approval of the Board Audit Committee Charter	Adoption of a new charter	To assist the Board in making audit decisions effectively and in a timely manner.

(Updated as of December 31, 2013)

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>
(2) Variable remuneration	The Company rewards the individual directors and officers	The Company rewards the individual directors and officers

	<p>based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>	<p>based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>
(3) Per diem allowance	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p> <p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>
(4) Bonus	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p>	<p>The Company rewards the individual directors and officers based on their stretched strategic goals and ability to execute their duties and responsibilities.</p>

	<p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>	<p>AEV's performance reward philosophy is based on objective performance. Performance is evaluated and compensation is reviewed on an annual basis.</p> <p>AEV ensures that it pays its officers competitively by comparing rates with other Philippine based companies through market salary surveys. Changes in Board compensation, if any, are recommended by the Board Corporate Governance Committee, approved by the Board and affirmed or voted on by the shareholders in the Annual Stockholders' Meeting.</p>
(5) Stock Options and other financial instruments	At present, AEV does not have any stock option or grants other financial instruments to its officers. AEV has a stock transfer program for key management position.	At present, AEV does not have any stock option or grants other financial instruments to its officers. AEV has a stock transfer program for key management position.
(6) Others (specify)	NA	NA

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Board members' remuneration is a form of reward and recognition to attract, retain and optimize the directors who continually deliver quality services for the growth of the Company.	<p>To compensate Directors for their services rendered to the Company, they are entitled to a monthly allowance as approved by the shareholders. In addition, each Director and the Chairman of the Board receives a per diem for every Board and Board Committee meeting attended.</p> <p>Directors who absent themselves during a particular Board meeting shall not be entitled to any meeting allowance. Such allowances shall be reviewed from time to</p>	<p>AEV rewards its individual Directors and Officers based on ability to execute his duties and responsibilities. It is AEV's philosophy to reward based on individual performance.</p> <p>Performance is evaluated and compensation is reviewed on an annual basis. AEV ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies</p>

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

**Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.**

Shareholders approve any proposed compensation package of directors.

Remuneration Scheme	Date of Stockholders' Approval
No change in remuneration scheme.	May 20, 2013
No change in remuneration scheme.	May 21, 2012
Increased the monthly allowance and the per diem allowance of members of the Board in their attendance of board and committee meetings.	May 16, 2011

Increased the per diem allowance of members of the Board in their attendance of board and committee meetings.	May 17, 2010
---	--------------

(Updated as of December 31, 2013)

### 3) Aggregate Remuneration

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

Remuneration Item		Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Chairman of the Board	NA	Php150,000	NA
	Board Member	Php100,000	Php100,000	Php100,000
	Board Committee Chairman	Php150,000	Php150,000	NA
	Board Committee Member	Php100,000	Php100,000	Php100,000
(b) Variable Remuneration		None	None	None
(c) Per diem Allowance	Chairman of the Board	NA	Php150,000	NA
	Board Member	Php100,000	Php100,000	Php100,000
	Board Committee Chairman	Php100,000	Php100,000	Php100,000
	Board Committee Member	Php80,000	Php80,000	Php80,000
(d) Bonuses		None	None	None
(e) Stock Options and/or other financial instruments		None	None	None
(f) Others (Specify)		None	None	None
<b>Total</b>				

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None

(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify) Director and Officer Liability Insurance	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer	Php400 million limit of liability for each loss per policy period, with additional Php40 million dedicated additional limit for each director or officer
<b>Total</b>			

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

##### (a) Board of Directors

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

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

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

##### (b) Amendments of Incentive Programs

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

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

Incentive Program	Amendments	Date of Stockholders' Approval
NA	NA	NA

#### 5) Remuneration of Management

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

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

Name of Officer/Position	Total Remuneration
Erramon I. Aboitiz President & Chief Executive Officer	<b><u>Php131,803,054.00</u></b>
Stephen G. Paradies Senior Vice President/Chief Financial Officer/ Corporate Information Officer	
Xavier Jose Aboitiz Senior Vice President - Chief Human Resources Officer	
Luis Miguel O. Aboitiz First Vice President	
Susan V. Valdez Senior Vice President – Chief Reputation Officer and Risk Management Officer	

Source: 2013 Definitive Information Statement (SEC Form 20-IS)

## E. BOARD COMMITTEES

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

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Officers	Non-Executive Officers	Independent Directors (INED)				
Audit	0	2	3	The Board Audit Committee shall be composed of at least three (3) directors, two (2) of whom shall be independent directors and two (2) non-voting members in the persons of the	The Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders,	The Audit Committee is intended to provide assistance to the Board in fulfilling their responsibility to the shareholders,	The Committee is authorized by the Company to deal with any activity within its Charter. It is authorized to seek any information it requires from any



		<p>Chief Financial Officer and Chief Risk Management Officer. The Chairman of the Audit Committee shall be an independent director. Each member, preferably with accounting and finance backgrounds, shall have adequate understanding, familiarity and competence at most of AEV's financial management systems and environment.</p>	<p>potential shareholders and investment community relating to the:</p> <ol style="list-style-type: none"> <li>1. Integrity of AEV's financial statements</li> <li>2. AEV's compliance with legal/regulatory requirements</li> <li>3. The independent auditor's qualifications and independence</li> <li>4. The performance of AEV's internal audit function and independent auditors</li> </ol> <p>As part of this process, the external auditors will report to the Audit Committee, and the Group Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval.</p> <p>The Committee is required to ensure that corporate accounting and</p>	<p>potential shareholders and investment community relating to the:</p> <ol style="list-style-type: none"> <li>1. Integrity of AEV's financial statements</li> <li>2. AEV's compliance with legal/regulatory requirements</li> <li>3. The independent auditor's qualifications and independence</li> <li>4. The performance of AEV's internal audit function and independent auditors</li> </ol> <p>As part of this process, the external auditors will report to the Audit Committee, and the Group Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Board approval.</p> <p>The Committee is required to ensure that corporate accounting and</p>	<p>employee or members of the Company's Management in discharging its duties.</p> <p>The Committee is authorized by the Company to obtain outside legal or other independent professional advice and to secure the attendance of outsider experts with relevant experience and expertise as it deems necessary in the performance of its duties.</p> <p>The Committee may evaluate and update this Charter as it deems appropriate but only doing so with the sanction of the full Company.</p>
--	--	---	--	--	---

				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.	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.		
Corporate Governance (assumed the functions of the Nomination and Remuneration Committees)	0	2	3	<p>The Board believes that it can usefully supplement its ability to make decisions related to governance principles and guidelines effectively and in a timely manner if it can delegate the task of preparing a strategic agenda for the Board and ensuring that the Board is given the information necessary for making good governance decisions. The Corporate Governance Committee is intended to assist the Board and not to pre-empt any board responsibilities in making the final decisions on corporate governance, nomination and compensation matters.</p> <p>In performing its duties, the Committee will maintain effective working relationships with the Board and the Group senior leadership. To perform his or her role effectively, each</p>	<p>The Committee has five main broad responsibilities:</p> <ol style="list-style-type: none"> <li>1. Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group.</li> <li>2. Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board</li> </ol>	<p>The Committee has five main broad responsibilities:</p> <ol style="list-style-type: none"> <li>1. Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group.</li> <li>2. Assist the Board by developing and recommending for approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board</li> </ol>	<p>In performing its duties, the Committee shall have the authority to retain at the expense of the Group such outside counsel, experts and other advisors as it determines appropriate to assist it in the full performance of its functions, subject to Board approval of such appointment.</p> <p>The Committee is required to contribute to the management of the Group's affairs to ensure good governance, as outlined here, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.</p>

			<p>Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.</p>	<p>members against the approved criteria.</p> <p>3. 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.</p> <p>4. Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the Group CEO and other key senior leadership roles.</p> <p>5. Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation</p>	<p>members against the approved criteria.</p> <p>3. 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.</p> <p>4. Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the Group CEO and other key senior leadership roles.</p> <p>5. Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation</p>	
--	--	--	--	--	--	--

				structures and levels for 6. Board Directors, the Group CEOs and other senior leaders.	structures and levels for 6. Board Directors, the Group CEOs and other senior leaders.		
Risk and Reputation Management	1	2	1	<p>The Board believes that it can usefully supplement its ability to make decisions related to risk management effectively and in a timely manner if it can delegate to a Risk Committee the task of preparing an appropriate strategic agenda for the Board and ensuring that the Board is given the information necessary for making good risk management decisions.</p> <p>The purpose of the Risk and Reputation Management Committee is to assist the Board, and to some extent the Audit Committee of the Board, in the following:</p> <p>1. Exercise of oversight responsibilities with regard to:</p> <p>a. Risk Management</p> <ul style="list-style-type: none"> <li>• Risk Appetite and Tolerance of the Group</li> <li>• Risk Profile of the Group and its performance against the Defined Risk Appetite and Tolerance</li> <li>• Risk Management Framework</li> <li>• Governance Structure to</li> </ul>	<p>The Risk Committee represents the Board in discharging its responsibility relating to risk management related matters across the Group.</p> <p>Risk Management</p> <p>a. Governance - Approve principles, policies, strategies and structures to guide and support the RM process and implementation across the Group</p> <p>b. Process and Integration - Review the methodology, tools and processes for identifying, assessing, treating, monitoring and reporting risks. These include:</p> <ul style="list-style-type: none"> <li>• Reviewing with management, on an annual basis, the established risk appetite and risk tolerance,</li> <li>• Identification, assessment and</li> </ul>	<p>The Risk Committee represents the Board in discharging its responsibility relating to risk management related matters across the Group.</p> <p>Risk Management</p> <p>a. Governance - Approve principles, policies, strategies and structures to guide and support the RM process and implementation across the Group</p> <p>b. Process and Integration - Review the methodology, tools and processes for identifying, assessing, treating, monitoring and reporting risks. These include:</p> <ul style="list-style-type: none"> <li>• Reviewing with management, on an annual basis, the established risk appetite and risk tolerance,</li> <li>• Identification, assessment and</li> </ul>	<p>The Committee does not have decision-making authority, except in the circumstances described herein or to the extent that such authority is expressly delegated by the Board.</p>

			<p>support its Framework</p> <p>b. Reputation Management</p> <ul style="list-style-type: none"> <li>• Reputation Issues Management</li> <li>• Corporate Branding &amp; Communication Strategy</li> <li>• Governance structure to support its framework</li> </ul> <p>2. Establish and maintain a constructive, collaborative relationship, with the Group's senior leadership, especially, the Group CEO, the Group Chief Risk Management Officer and the heads of each of the businesses within the Group.</p> <p>3. Assist the Board, and to some extent the Board Audit Committee, in fulfilling its corporate governance responsibilities relating to risk management and reputation management.</p> <p>4. Assist the Board and not to pre-empt any Board responsibilities in making decisions related to risk management and reputation management. As appropriate, make recommendations to the Board for policy adoption.</p>	<p>treatment of key risks at Strategic, Project and Operational levels</p> <ul style="list-style-type: none"> <li>• Monitoring and follow-up the significant risks identified, including emerging risk issues and trends</li> <li>• Reviewing key strategies and results of the development, testing and audits of Business Continuity Plans (Emergency Response, Incident &amp; Crisis Management and Business Recovery</li> <li>• Reviewing the integration and alignment of the Risk Management framework, concepts and process with key internal and external processes and management systems</li> </ul> <p>c. Risk Finance</p> <ul style="list-style-type: none"> <li>• Reviewing the framework and process</li> </ul>	<p>treatment of key risks at Strategic, Project and Operational levels</p> <ul style="list-style-type: none"> <li>• Monitoring and follow-up the significant risks identified, including emerging risk issues and trends</li> <li>• Reviewing key strategies and results of the development, testing and audits of Business Continuity Plans (Emergency Response, Incident &amp; Crisis Management and Business Recovery</li> <li>• Reviewing the integration and alignment of the Risk Management framework, concepts and process with key internal and external processes and management systems</li> </ul> <p>c. Risk Finance</p> <ul style="list-style-type: none"> <li>• Reviewing the framework and process</li> </ul>	
--	--	--	---	--	--	--

				<p>for achieving the optimal balance between retaining and transferring risks. This includes the structures for the Risk Finance activities and the processes of Risk Finance with regards to</p> <ul style="list-style-type: none"> <li>• Procurement and renewal of insurance lines</li> <li>• Claims management</li> <li>• Risk engineering surveys.</li> <li>• Captives management</li> </ul> <p>d. Capability Building - Review of the plan and performance of the Capability Building programs developed to raise awareness and enhance the Group's understanding and appreciation of risk management</p> <p>Risk Reporting</p> <ul style="list-style-type: none"> <li>• Review the Group's risk management policy, at least on an annual basis.</li> <li>• Provide a</li> </ul>	<p>for achieving the optimal balance between retaining and transferring risks. This includes the structures for the Risk Finance activities and the processes of Risk Finance with regards to</p> <ul style="list-style-type: none"> <li>• Procurement and renewal of insurance lines</li> <li>• Claims management</li> <li>• Risk engineering surveys.</li> <li>• Captives management</li> </ul> <p>d. Capability Building - Review of the plan and performance of the Capability Building programs developed to raise awareness and enhance the Group's understanding and appreciation of risk management</p> <p>Risk Reporting</p> <ul style="list-style-type: none"> <li>• Review the Group's risk management policy, at least on an annual basis.</li> <li>• Provide a</li> </ul>	
--	--	--	--	--	--	--

				<p>forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers.</p> <ul style="list-style-type: none"> <li>• Undertake a periodic review of the delegated authorization and control levels. Upon consultation with the Group CEO and Group CFO, to make recommendations to the Board related to any changes in these levels seen to be appropriate.</li> <li>• 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.</li> </ul>	<p>forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers.</p> <ul style="list-style-type: none"> <li>• Undertake a periodic review of the delegated authorization and control levels. Upon consultation with the Group CEO and Group CFO, to make recommendations to the Board related to any changes in these levels seen to be appropriate.</li> <li>• 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.</li> </ul>	
--	--	--	--	---	---	--

				<ul style="list-style-type: none"> <li>• Review reports and significant findings of Internal Audit with respect to risk management activities, together with management's responses and follow-up reports</li> <li>• Review significant reports from regulatory and government agencies relating to risk management and compliance issues, and management's responses, if any</li> <li>• Ensure that risk reports (risk management plan, risk maps, etc.) are updated to reflect audit reports and findings above, including any additional risk information and mitigation</li> <li>• Escalate to the Board Audit Committee, for discussion at a joint</li> </ul>	<ul style="list-style-type: none"> <li>• Review reports and significant findings of Internal Audit with respect to risk management activities, together with management's responses and follow-up reports</li> <li>• Review significant reports from regulatory and government agencies relating to risk management and compliance issues, and management's responses, if any</li> <li>• Ensure that risk reports (risk management plan, risk maps, etc.) are updated to reflect audit reports and findings above, including any additional risk information and mitigation</li> <li>• Escalate to the Board Audit Committee, for discussion at a joint</li> </ul>	
--	--	--	--	--	--	--



				<p>session of the Audit and Risk Committees, any items that have a significant financial statement impact or require significant financial statement/r regulatory disclosures; and escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by the Committee in a joint session of the Audit and Risk Committees. Review the appointment , performance and replacement of the Chief Risk Management Officer</p> <p>Reputation Management</p> <ul style="list-style-type: none"> <li>• Ensure proper reputation management framework implementation across the group</li> </ul>	<p>session of the Audit and Risk Committees, any items that have a significant financial statement impact or require significant financial statement/r regulatory disclosures; and escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by the Committee in a joint session of the Audit and Risk Committees. Review the appointment , performance and replacement of the Chief Risk Management Officer</p> <p>Reputation Management</p> <ul style="list-style-type: none"> <li>• Ensure proper reputation management framework implementation across the group</li> </ul>	
--	--	--	--	--	--	--

				<ul style="list-style-type: none"> <li>• Issues Identification</li> <li>• Issues Evaluation (Analysis &amp; Action)</li> <li>• Issues Monitoring</li> <li>• Review Reputation Survey with management on an annual basis</li> <li>• Review of Corporate Brand &amp; Communication Strategy</li> <li>• Review exposures and strategies to mitigate Reputation risks</li> <li>• Review Social Media Strategy &amp; Corporate Policy</li> <li>• Review group CSR Strategy &amp; Programs</li> </ul>	<ul style="list-style-type: none"> <li>• Issues Identification</li> <li>• Issues Evaluation (Analysis &amp; Action)</li> <li>• Issues Monitoring</li> <li>• Review Reputation Survey with management on an annual basis</li> <li>• Review of Corporate Brand &amp; Communication Strategy</li> <li>• Review exposures and strategies to mitigate Reputation risks</li> <li>• Review Social Media Strategy &amp; Corporate Policy</li> <li>• Review group CSR Strategy &amp; Programs</li> </ul>	
--	--	--	--	---	---	--

**2) Committee Members**

**(a) Executive Committee**

The Company does not have an Executive Board Committee.

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

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

**(b) Audit Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jose C. Vitug	<u>May 20, 2013</u>	<u>5</u>	<u>5</u>	<u>100</u>	<u>2008-2014</u>
Member (ID)	Raphael P.M. Lotilla	<u>May 20, 2013</u>	<u>5</u>	<u>5</u>	<u>100</u>	<u>2012-2014</u>
Member (ID)	Stephen T. CuUnjieng	<u>May 20, 2013</u>	<u>5</u>	<u>5</u>	<u>100</u>	<u>2011-2014</u>
Member (NED)	Roberto E. Aboitiz	<u>May 20, 2013</u>	<u>5</u>	<u>2</u>	<u>40</u>	<u>2007-2014</u>
Member (NED)	Justo A. Ortiz	<u>May 20, 2013</u>	<u>5</u>	<u>4</u>	<u>80</u>	<u>2006-2014</u>

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

- (1) Jose C. Vitug (Independent Director, Chairman – Board Audit Committee, Member – Board Corporate Governance Committee), 79 years old, Filipino, has served as Independent Director of AEV since 2005. He is a Senior Professor at the Philippine Judicial Academy and Consultant of the Committee on Revision of the Rules of the Supreme Court of the Philippines; Chairman of the Angeles University Foundation Medical Center; Independent Director of ABS-CBN Holdings Corporation; Trustee of the Mission Communications Foundation, Inc.; Dean of the Angeles University Foundation School of Law and a Graduate Professor of the Graduate School of Law of San Beda College. He was formerly an Associate Justice of the Supreme Court, Chairman of the House of Representatives Electoral Tribunal and Senior Member of the Senate Electoral Tribunal.
- (2) Raphael P.M. Lotilla (Independent Director, Member – Board Audit Committee – Board Corporate Governance Committee), 55 years old, Filipino, has served as Independent Director of AEV since May 2012. He was the Executive Director of the Partnerships in Environmental Management for the Seas of East Asia, an inter-governmental regional organization. Mr. Lotilla also served the Philippine government in various capacities as DOE Secretary from March 2005 to July 2007, President and Chief Executive Officer of PSALM from January 2004 to March 2005, and Deputy Director-General of National Economic and Development Authority from 1996 to 2004. Mr. Lotilla earned his degrees in Bachelor of Science in Psychology and Bachelor of Arts in History from the University of the Philippines, Diliman and finished his Bachelor of Laws from the same school. He holds a Master of Laws degree from the University of Michigan Law School, Ann Arbor, Michigan, U.S.A.
- (3) Stephen T. CuUnjieng (Independent Director, Member – Board Audit Committee, Member – Board Corporate Governance Committee – Board Risk and Reputation Management Committee), 54 years old, Filipino, has served as Independent Director of AEV since 2010. He has a long and extensive experience in investment banking with a number of major international investment banks. He has led several high profile transactions in the Philippines and Asia and has won nine Deals of the Year awards since 2005. He is currently Chairman for Asia of Evercore Partners, an investment bank listed with the New York Stock Exchange; and Adviser to the Board of SM Investments Corporation. He previously held Vice Chairman, Managing Director and Director positions with Macquarie, Merrill Lynch and Salomon Brothers, among others. He graduated from Ateneo de Manila University and also has a LL.B (with honors) from Ateneo School of Law. He has a MBA from the Wharton School of the University of Pennsylvania, U.S.A.
- (4) Roberto E. Aboitiz (Director, Member – Board Audit Committee, Member – Board Corporate Governance Committee), 64 years old, Filipino, has served as Director of AEV since 1994. He served as Chairman of AEV from 2005 until December 2008. He is Chairman of the Board of Directors of CIPDI and CIPSI; Vice Chairman of ACO; Director of THI, AboitizLand, Cotabato Light and Davao Light; Trustee of Aboitiz Foundation; Chairman and President of RAFI and West Cebu People Solutions, Inc. He is Co-Chairman of the Metro Cebu Development and Coordinating Board. He was a Director of CitySavings from 1992 up to March 2013. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Behavioral Science. In 2008, he received the Doctor of Humanities (Honoris Causa) and the Perlas Award for Valuable Leader in Youth and Community Development. He was also conferred the Doctor of Science in Business Management (Honoris Causa).

- (5) Justo A. Ortiz (Director, Member – Board Audit Committee, Member – Board Risk and Reputation Management Committee), 56 years old, Filipino, has served as Director of AEV since 1994. He is also Chairman and Chief Executive Officer of UnionBank, Vice Chairman of MegaLink, Director of Bankers Association of the Philippines, Member of Philippine Trade Foundation, Inc. and World Presidents Organization. Prior to his stint in UnionBank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A. He graduated magna cum laude with a degree in Economics from Ateneo de Manila University.

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

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

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

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

1. Appoint, determine the compensation of, and review the scope of work, fees and performance of,

including re-appointment and resignation, of the independent auditors of the Company.

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

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

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

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

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

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

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

**(c) Nomination Committee (functions incorporated into the Board Corporate Governance Committee)**

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jon Ramon Aboitiz	<u>May 20, 2013</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Member (NED)	Roberto E. Aboitiz	<u>May 20, 2013</u>	<u>4</u>	<u>2</u>	<u>50</u>	<u>2010-2014</u>
Member (ID)	Jose C. Vitug	<u>May 20, 2013</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Member (ID)	Raphael P.M. Lotilla	<u>May 20, 2013</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2012-2014</u>
Member (ID)	Stephen T. CuUnjieng	<u>May 20, 2013</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2011-2014</u>
Ex-officio	M. Jasmine S. Oporto	<u>May 20, 2013</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Ex-officio	Xavier Jose Aboitiz	<u>May 20, 2013</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>

(Updated as of December 31, 2013)

**(d) Remuneration Committee (functions incorporated into the Board Corporate Governance Committee)**

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jon Ramon Aboitiz	May 20, 2013	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Member (NED)	Roberto E. Aboitiz	May 20, 2013	<u>4</u>	<u>2</u>	<u>50</u>	<u>2010-2014</u>
Member (ID)	Jose C. Vitug	May 20, 2013	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Member (ID)	Stephen T. CuUnjieng	May 20, 2013	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Member (ID)	Raphael P.M. Lotilla	May 20, 2013	<u>4</u>	<u>4</u>	<u>100</u>	<u>2012-2014</u>
Ex-officio	M. Jasmine S. Oporto	May 20, 2013	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>
Ex-officio	Xavier Jose Aboitiz	May 20, 2013	<u>4</u>	<u>4</u>	<u>100</u>	<u>2010-2014</u>

(Updated as of December 31, 2013)

**(e) Others (Specify)**

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

BOARD RISK AND REPUTATION MANAGEMENT COMMITTEE

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Enrique M. Aboitiz, Jr.	May 20, 2013	5	5	100	2009-2014
Member (NED)	Justo A. Ortiz	May 20, 2013	5	5	75	2009-2014
Member (NED)	Jon Ramon Aboitiz	May 20, 2013	5	5	100	2010-2014
Member (ID)	Stephen T. CuUnjieng	May 20, 2013	5	3	60	2010-2014
Ex-officio	Stephen G. Paradies	May 20, 2013	5	4	80	2009-2014
Ex-officio	Susan V. Valdez	May 20, 2013	5	5	100	2012-2014

(Updated as of December 31, 2013)

**3) Changes in Committee Members**

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

Name of Committee	Name	Reason
Executive	Not applicable.	
Audit	No change in membership.	
Nomination	No change in membership.	
Remuneration	No change in membership.	
Corporate Governance	No change in membership.	
Risk and Reputation Management Committee	No change in membership.	

(Updated as of December 31, 2013)

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Not applicable.	
Audit	<p><b>A. March 31, 2013</b></p> <ol style="list-style-type: none"> <li>1. Evaluated Sycip Gorres Velayo &amp; Co. (SGV) Presentation of Audit Results for Financial Year 2012</li> <li>2. Evaluated AEV YTD 2012 Financial</li> <li>3. Evaluated presentation of Group Internal Audit Overall Opinion for 2013</li> <li>4. Discussed Audit Highlights for Completed Audit Engagements</li> <li>5. Discussed 2013 Audit Plans and Deliverables</li> <li>6. Discussed Audit Committee Self-Assessment for 2013</li> </ol> <p><b>B. May 02, 2013</b></p> <ol style="list-style-type: none"> <li>1. Reviewed AEV YTD March 2013 Financials</li> <li>2. Presentation of Group Internal Audit</li> </ol> <p><b>C. August 30, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed Appointment of External Auditors for 2013</li> <li>2. Discussed YTD June 2013 Financials</li> <li>3. Presentation of Group Internal Audit               <ol style="list-style-type: none"> <li>a. Proposed Alignment of Audit and Risk Vulnerability Measures</li> <li>b. Audit Highlights of Completed Engagements</li> </ol> </li> </ol> <p><b>D. August 30, 2013 (joint with Board Risk &amp; Reputation Management Committee)</b></p> <ol style="list-style-type: none"> <li>1. Discussed Audit Plan for 2013</li> <li>2. Discussed YTD September 2013 Financials</li> <li>3. Discussed Presentation of Group Internal Audit               <ol style="list-style-type: none"> <li>a. Audit Highlights of Completed Engagements</li> <li>b. Review of Internal Audit Charter</li> <li>c. Master Plan for 2014</li> </ol> </li> </ol> <p><b>E. October 29, 2013</b></p> <ol style="list-style-type: none"> <li>1. Summary of Risk</li> <li>2. Discussed Management Plan (MP) Validation Review</li> <li>3. Discussed Alignment of Vulnerability Storing of Audit and Risk Management for Board Reporting Purposes</li> <li>4. Discussed Risk Maturity Index Results</li> </ol>	<p>All issues passed upon by the Committee in these matters were discussed and addressed.</p>
Nomination	(Incorporated into the Corporate Governance Committee)	
Remuneration	(Incorporated into the Corporate Governance Committee)	

<p>Corporate Governance (assumes the functions of the Nomination and Remuneration Committees)</p>	<p><b>A. January 30, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed Updates on WADDS and Re-Issuance of Stale Checks</li> <li>2. Evaluated Nominees for the Board of Directors for AEV</li> <li>3. Evaluated Proposed Corporate Governance Report for the</li> <li>4. Evaluated Annual Report (ASEAN Scorecard)</li> <li>5. Evaluated 2012 Statutory Compliance Report</li> <li>6. Reviewed Submission of the PSE Corporate Governance Guidelines Disclosure Template for the Year 2012</li> </ol> <p><b>B. May 9, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed Updates on Corporate Governance Scorecards</li> <li>2. Discussed Updates on Regulatory: <ul style="list-style-type: none"> <li>- Securities and Exchange Commission</li> <li>- Philippine Stock Exchange</li> </ul> </li> <li>3. Discussed Updates on Tax</li> <li>4. Discussed Updates on the 2013 2013 Cash Dividend Distribution</li> <li>5. Discussed Updates on Investor Relations</li> </ol> <p><b>C. August 30, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed Updates on Corporate Governance Scorecards</li> <li>2. Discussed Updates on Regulatory <ul style="list-style-type: none"> <li>- Securities and Exchange Commission</li> <li>- Philippine Stock Exchange</li> <li>- Bureau of Internal Revenue</li> </ul> </li> <li>3. Discussed Taguig City – Makati City Boundary Dispute</li> <li>4. Discussed Updates on New Company Policies</li> <li>5. Evaluated and Discussed the Board Assessment Results</li> <li>6. Discussed Updates on Investor Relations</li> </ol> <p><b>D. November 14, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed Updates on the Company’s Latest Corporate Social Responsibility Activities</li> <li>2. Discussed Updates on the Company’s New Corporate Governance Website</li> <li>3. Discussed Updates on Corporate Governance Scorecards and Practices</li> <li>4. Reviewed Violations from SEC and/or SEC or Request for Clarification</li> <li>5. Regulatory Updates</li> <li>6. Updates on Investor Relations</li> </ol>	<p>All issues passed upon by the Committee in these matters were discussed and addressed.</p>
<p>Risk and Reputation Management</p>	<p><b>A. January 30, 2013</b></p> <ol style="list-style-type: none"> <li>1. Discussed, Reviewed and Evaluated Risk Finance Update</li> <li>2. Discussed, Reviewed and Rvaluated Project Risk</li> </ol>	<p>All issues passed upon by the Committee in these matters were</p>



	<p>Management</p> <p>3. Discussed, Reviewed and Evaluated Aboitiz Foundation - Corporate Social Responsibility (CSR) Report</p> <p><b>B. April 24, 2013</b></p> <p>1. Discussed Updates on Risk Maturity Index 2. Discussed Updates on Risk Finance 3. Discussed Updates on Integration – ISMS, Internal</p> <p><b>C. August 24, 2013</b></p> <p>1. Reviewed Results of RMP Validation 2. Discussed the Alignment of Vulnerability Scoring of Audit and RM for Board Reporting Purposes 3. Discussed Results of Risk Maturity Index</p> <p><b>D. August 30, 2013</b></p> <p>1. Discussed Updates on Risk Finance 2. Discussed Updates on Operational Risk Management and Business Continuity Management Updates 3. Discussed Social Media Policy</p> <p><b>E. October 10, 2013</b></p> <p>1. Discussed Updates on Risk Finance 2. Discussed Updates on Project Risk 3. Discussed Updates on Risk Management Policy 4. Discussed Updates on Reputation Council Deliverables</p>	discussed and addressed.
--	--	--------------------------

#### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Not applicable	
Audit	Approved the inclusion in the audit master plan for next year governance audits which includes the risk management process audit and validation of the risk treatment plans committed by the different business units.	Adequacy and effectiveness of the risk management processes within the organization.
Nomination	Now Corporate Governance Committee	
Remuneration	Now Corporate Governance Committee	
Corporate Governance	Institute the use of electronic media and information and communication technologies (ICT) [E-Learning] in making all employees and officers of the Company knowledgeable on good corporate governance	Adopt, disseminate and implement best practices in corporate governance within the Aboitiz Group.

	practices.	
Risk and Reputation Management Committee	Achieve AON's risk maturity level 4 Groupwide.	Ensuring risk management policies and practices are consistently implemented across the Group.

## E. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

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

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

AEV and the Business Units (BUs) commit to:

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

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

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

1. Risk Maturity (RM) Index Assessment- The Risk and Reputation Management Report in the 2013 Annual Report states that AEV and its business units (BUs) continued to assess the state of the group's risk management (RM) maturity and how it compares against leading practices of similar organizations in the region and globally through the Aon's Risk Maturity Index (RMI). Participants of the RM maturity assessment included members of the board as well as key executives and team leaders.
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee – In the 2013 joint meeting between the Risk and Reputation Management and Audit Committees, the alignment of the vulnerability scoring for Internal Audit and Risk Management was agreed. Initial results of the Risk Management Plan Validation audits which were aimed to check the existence of Risk Treatment activities were also presented.
3. Board Risk and Reputation Management Committee – In 2013, quarterly committee meetings were held to assist the Board of Directors in handling board responsibilities on oversight of the Risk Management program, ensuring proper RM framework implementation, review, monitor and follow-up the significant risks identified, including emerging risk issues and trends and mitigation measures and review risks with management on an annual basis.

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

1. Risk Maturity Index Assessment- 2013
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee - 2013
3. Board Risk and Reputation Management Committee – 2013

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

1. Annual Risk Maturity Index Assessment
2. Joint Meeting – Board Risk and Reputation and Board Audit Committee – One joint meetings in 2012
3. Board Risk and Reputation Management Committee – Quarterly Meetings in 2013

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

Not applicable.

**2) Risk Policy**

**(a) Company**

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

1. Purpose

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

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

The Aboitiz Group's Risk Management Policy is adopted mostly from and consistent with International Standard ISO 31000 (Risk Management – Principles and Guidelines)

2. Scope

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

3. General Provisions

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

Regulatory, AP Business Development, etc.) discussions

#### 4. Risk Classification System

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

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

#### **(b) Group**

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

1. The Aboitiz Group maintains one risk management policy for AEV and AboitizPower as well as for the Group. All of our Business Units are now in the process of developing their respective RM Policy based on the Group RM Policy.

#### 2. Purpose

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

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

The Aboitiz Group's Risk Management Policy is adopted mostly from and consistent with International Standard ISO 31000 (Risk Management – Principles and Guidelines).

#### 3. Scope

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

#### 4. General Provisions

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

#### 5. Risk Classification System

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

Compliance. The Risk Classification system was established to:

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

(c) Minority Shareholders

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

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

**3) Control System Set Up**

**(a) Company**

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

Risks of AEV, as parent company of the Aboitiz Group cover not only risks affecting AEV as a company but key risks affecting its Business Units as well.

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Reputation Risk	Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media, and greater scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.	<ol style="list-style-type: none"> <li>1. Building the organization's capability through a formalized governance structure and an intelligence process</li> <li>2. Implementing anticipatory issues management.</li> <li>3. Development and implementation of a groupwide social media policy and strategy.</li> <li>4. Development of brand champions and brand advocates through effective corporate communication and branding programs.</li> <li>5. Ensuring brand integrity by establishing reputation metrics, aiming to close the gap between how we project ourselves and how others perceive the Company.</li> <li>6. Integrating sustainable practices across the value chain and ensuring that long-term decisions balance the interest of people, planet and profit.</li> </ol>
Competition Risk	As with other businesses, AEV and	<ol style="list-style-type: none"> <li>1. Separate business development</li> </ol>

	its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the actions of competitors can greatly diminish our competitive advantage.	<p>organizations for power and non-power businesses;</p> <ol style="list-style-type: none"> <li>2. Implement a more robust and comprehensive strategic planning process; and</li> <li>3. Integrate Enterprise Risk Management into the strategic planning process.</li> </ol>
Regulatory Risk	The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's Business Units particularly in the power and banking sectors are now being subject to more stringent regulations.	<ol style="list-style-type: none"> <li>1. Dedicated regulatory team for our Power Group;</li> <li>2. Our banking units have full time compliance officers who spearhead the implementation of compliance programs;</li> <li>3. Maintain good working relations with the Department of Energy, Bangko Sentral ng Pilipinas, Energy Regulatory Commission, Department of Environment and Natural Resources, Board of Investments, Food and Drug Administration, Securities and Exchange Commission, Department of Trade and Industry, Philippine Stock Exchange, and other key regulatory agencies;</li> <li>4. Participate actively in consultative processes that lead to the development of rules and regulatory policy.</li> </ol>
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown	<p>The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions.</p> <p>Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.</p>	<ol style="list-style-type: none"> <li>1. Perform regular preventive maintenance of all our facilities;</li> <li>2. Continually evaluate and strengthen loss prevention controls;</li> <li>3. Develop business continuity plans per site; and</li> <li>4. Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.</li> </ol>
Commodity Risk	Our food and power businesses have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. A fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these companies.	<ol style="list-style-type: none"> <li>1. Better understanding of the commodity markets;</li> <li>2. Enter into contracts and hedge positions with the different suppliers of these commodities;</li> <li>3. Develop a Commodity Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities.</li> </ol>
Project Risk	AEV is looking at major investment opportunities in the power	<ol style="list-style-type: none"> <li>1. Partner with contractors and suppliers of established good</li> </ol>

	generation, power distribution, infrastructure, renewable fuels, and real estate sectors. Given the variance in the scale and complexity of these projects, there are inherent risks and issues, such as project completion and execution within budget and timelines.	reputation; 2. Implement Project Risk Management following the PMBOK (Project Management Book of Knowledge) framework; 3. Regular review of the project risk register to monitor implementation of risk control measures.
--	--	---

**(b) Group**

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

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Reputation Risk	Today's world of higher corporate governance standards coupled with the rise of civil society groups, social media, and greater scrutiny from key stakeholders, have created a new environment where our corporate reputation has become a differentiating asset as well as our No. 1 risk.	<ol style="list-style-type: none"> <li>1. Building the organization's capability through a formalized governance structure and an intelligence process</li> <li>2. Implementing anticipatory issues management</li> <li>3. Development and implementation of a groupwide social media policy and strategy</li> <li>4. Development of brand champions and brand advocates through effective corporate communication and branding programs</li> <li>5. Ensuring brand integrity by establishing reputation metrics, aiming to close the gap between how we project ourselves and how others perceive the Company</li> <li>6. Integrating sustainable practices across the value chain and ensuring that long-term decisions balance the interest of people, planet and profit.</li> </ol>
Competition Risk	As with other businesses, AEV and its subsidiaries and affiliates operate in highly competitive environments. As such, failure to properly consider changes in our respective markets and predict the	<ol style="list-style-type: none"> <li>1. Separate business development organizations for power and non-power businesses;</li> <li>2. Implement a more robust and comprehensive strategic planning process;</li> </ol>

	actions of competitors can greatly diminish our competitive advantage.	3. Integrate Enterprise Risk Management into the strategic planning process.
Regulatory Risk	The complexity of the business and regulatory landscape is increasing dramatically. Several of AEV's Business Units particularly in the power and banking sectors are now being subject to more stringent regulations.	<ol style="list-style-type: none"> <li>1. Dedicated regulatory team for our Power Group;</li> <li>2. Our banking units have full time compliance officers who spearhead the implementation of compliance programs;</li> <li>3. Maintain good working relations with the Department of Energy, Bangko Sentral ng Pilipinas, Energy Regulatory Commission, Department of Environment and Natural Resources, Board of Investments, Food and Drug Administrations, Securities and Exchange Commission, Department of Trade and Industry, Philippine Stock Exchange, Housing and Land Use Regulatory Board (HLURB), local government units (LGUs), and other key regulatory agencies;</li> <li>4. Participate actively in consultative processes that lead to the development of rules and regulatory policy.</li> </ol>
Business Interruption Due To Natural Calamities And Critical Equipment Breakdown	<p>The loss of critical functions and equipment caused by natural calamities such as earthquakes, typhoons and floods could result to significant business interruptions.</p> <p>Interruptions may also be caused by other factors such as major equipment failures, fires and explosions, hazardous waste spills, workplace fatalities, product tampering, terrorism, and other serious risks.</p>	<ol style="list-style-type: none"> <li>1. Perform regular preventive maintenance of all our facilities;</li> <li>2. Continually evaluate and strengthen loss prevention controls;</li> <li>3. Develop business continuity plans per site;</li> <li>4. Procure Business Interruption insurance to cover the potential loss in profits in the event of a major damage to the Group's critical facilities and assets.</li> </ol>
Commodity Risk	Our food and power businesses have raw material and fuel requirements that are subject to price, freight and foreign exchange volatility factors. A fluctuation in any of these volatile elements, individually or combined, will result to increases in the operating costs of these companies.	<ol style="list-style-type: none"> <li>1. Better understanding of the commodity markets;</li> <li>2. Enter into contracts and hedge positions with the different suppliers of these commodities;</li> <li>3. Develop a Commodity Risk Management framework to help improve existing capabilities in managing and reducing uncertainty relating to these commodities.</li> </ol>
Project Risk	AEV is looking at major investment opportunities in the power generation, power distribution, infrastructure, renewable fuels, and real estate sectors. Given the	<ol style="list-style-type: none"> <li>1. Partner with contractors and suppliers of established good reputation;</li> <li>2. Implement Project Risk Management following the</li> </ol>



	variance in the scale and complexity of these projects, there are inherent risks and issues, such as project completion and execution within budget and timelines.	PMBOK (Project Management Book of Knowledge) framework; 3. Regular review of the project risk register to monitor implementation of risk control measures.
--	--	---

(c) Committee

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

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

		<p>impact or require significant financial statement/regulatory disclosures; and escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by both Committees to a joint session of the Audit and Risk and Reputation Management Committees.</p> <p><i>Source: Audit Committee Charter</i></p>
Risk Management Council	Monitor, Review and Approval	<ol style="list-style-type: none"> <li>1. Composed of Aboitiz Group CEOs (Group Mancom);</li> <li>2. Monitor Group's top risks;</li> <li>3. Reviews and approves Group-wide Risk Management strategies, programs and initiatives.</li> </ol> <p><i>Source: RM Policy</i></p>
Insurance Management Committee	Monitor, Review and Approval	<ol style="list-style-type: none"> <li>1. Reviews and validates the insurance quotations as provided by Risk Finance Team;</li> <li>2. Approves which insurance programs the Business Units will take;</li> <li>3. Acts on recommendatory basis for risks with values beyond a certain level and escalates to RM Council for approval.</li> </ol> <p><i>Source: Risk Finance Manual</i></p>
Risk Management Steering Committee	Monitor, Review and Approval	<ol style="list-style-type: none"> <li>1. Composed of the Risk Managers of the Aboitiz Group BUs;</li> <li>2. Discuss RM strategies, initiatives and programs for implementation to SBUs/BUs;</li> <li>3. Assists the RM Council (Group Mancom) in review of items and issues before taken up at the RM Council;</li> <li>4. Reviews group risks including emerging risks;</li> <li>5. Communicates developments and leading practices in RM including sharing of solutions to risk management issues/problems.</li> </ol> <p><i>Source: RM Policy</i></p>
AEV Management Committee		<ol style="list-style-type: none"> <li>1. Composed of the Chief Executive Officer, Chief Financial Officer, Chief Risk and Management Officer, Chief Human Resources Officer, Chief Legal Officer, and all functional Team Leaders.</li> <li>2. Meet, discuss and adopt policies for the organization to implement strategies of the Company.</li> </ol>

## F. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

The system of internal controls refers to policies and procedures designed by management to (1) manage and mitigate known risks; (2) protect its assets from loss or fraud; (3) ensure reliability and integrity of financial information; (4) ensure compliance to laws, statutory and regulatory requirements; (5) promote efficient and effective operations; and (6) accomplish the company's goals and objectives.

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

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

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

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

The review is done annually.

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

The state of internal controls is done at least annually. The company conducts an annual self-assessment on the performance of the Board Audit Committee aligned with SEC Memo Circular No. 4, series of 2012 which covers the criteria for assessing the effectiveness of the internal control system.

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

Not applicable.

### 2) Internal Audit

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

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Ensure that effective and appropriate organizational and	Audit Universe: AEV Group of Companies • Scope of work	Generally In-house. Outsourcing/Co-	Maria Lourdes Y. Tanate – AEV Group Internal Audit Head	<b>Functionally</b> reports to the Board Audit Committee and

<p>procedural controls are in place.</p>	<p>encompasses evaluating and improving the adequacy and effectiveness of the Company's risk management, control and governance processes</p> <p><b>NOTE:</b> <i>Detailed Scope, Roles and Responsibilities are included in the (1) Internal Audit Charter; (2) Board Audit Committee Charter; (3) Manual on Corporate Governance. All of which have been disclosed to the SEC.</i></p>	<p>sourcing is done from time to time for engagements that may be highly technical in nature or may be too manual (eg. Fixed Asset Count).</p>		<p><b>Administratively</b> reports to the President &amp; CEO</p> <ul style="list-style-type: none"> <li>Financial performance and all Audit report highlights are presented to the Audit Committee at least 4 times a year.</li> </ul> <p><b>General Flow of Audit Reporting</b></p> <p><b>Exit Conference</b> with the Business Units auditees up to Manager level</p> <p><b>Detailed report</b> presented to different levels of management of the BU</p> <p><b>Executive Summary</b> presented to the C-suite level executives</p> <p><b>Audit Report</b> to the Board</p>
--	---	--	--	--

**(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

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

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

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

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

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

Name of Audit Staff	Reason
<p><b><i>Movements from AEV Corporate Audit Team to the different SBUS FTY 2013</i></b></p> <p>Limbuhan, Peter G. – From AEV GIA to AEV iCSD (I.S. Internal Audit Senior)</p>	<p>Internal transfer. Job promotion to IT Security Supervisor.</p>

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

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

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

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

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

**(f) Audit Control Policies and Procedures**

Disclose all internal audit controls, policies and procedures that have been established by the company and

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

<sup>7</sup> “Findings” are those with concrete basis under the company’s policies and rules.

the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
<p>Operating Policies &amp; Procedures of Business Units</p>	<p>BU's have their respective operating policies and procedures. The updating of which is done regularly—some <u>as a result of audit findings</u>. The updating of policies and procedures is an action item that gets included in the Issues Monitoring Report (IMR) mentioned above with the corresponding timeline commitment by the BU.</p> <p>Examples of <b>ongoing</b> corporate initiatives to ensure that processes are properly documented includes compliance to world-class standards such as:</p> <ol style="list-style-type: none"> <li>1. Quality Management System (QMS (ISO9001:2008)</li> <li>2. Information Security Management System (ISMS) – ISO 27001</li> <li>3. Occupational Health and Safety Assessment Series (OHSAS ISO 18001)</li> <li>4. Environmental Management Systems (EMS ISO 14001)</li> <li>5. HACCP and HALAL Certification for the Food Group</li> </ol>

**(g) Mechanism and Safeguards**

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><b>INTERNAL AUDITORS:</b></p> <ol style="list-style-type: none"> <li>1. Group Internal Audit (GIA) functionally reports to the Board Audit Committee and administratively to the President &amp; CEO of the Company  <i>(Source: Board Audit Committee Charter 13. C Internal Control &amp; Audit)</i></li> <li>2. GIA is a recommendatory body. It has no direct operational responsibility of authority over any of the activities audited.</li> </ol>	<p>Information provided by Investor Relations is limited to information already publicly available. At no point is insider information given.</p> <p>All transactions are made on an arms-length basis and regular reports regarding the results of Investor Relations' interaction with outside parties are provided to the Management and the</p>	<p>Information provided is limited to information already publicly available. At no point is insider information given.</p> <p>All transactions are made on an arms-length basis and regular reports regarding the results of interaction with outside parties are provided to the</p>	<p>Information provided is limited to information already publicly available. At no point is insider information given.</p> <p>All transactions are made on an arms-length basis and regular reports regarding the results of</p>

<p>GIA will not implement internal controls, develop procedures and install systems, prepare records or engage in any other activity normally reviewed by the team, as this may impair its objectivity and judgment. The GIA Head annually confirms to the Board the organizational independence of the internal audit activity. <i>(Source: Internal Audit Charter. Independence &amp; Objectivity)</i></p>	<p>Board.</p> <p>Quarterly briefings are conducted on a regular basis and all analysts are invited to attend without any exclusivity.</p>	<p>Management and the Board.</p>	<p>interaction with outside parties are provided to the Management and the Board.</p>
<p><b>EXTERNAL AUDITORS:</b></p> <ol style="list-style-type: none"> <li>1. The Board appoints, determine the compensation of, and review the scope of work, fees and performance of, including re-appointment and resignation, of the independent auditors of the Company.</li> <li>2. Ensure that the independent auditors shall not at the same time provide the services of an internal auditor to the same client. The Committee shall ensure that other non-audit work shall not be in conflict with the functions of the independent auditor</li> </ol> <p><i>(Source: Board Audit Committee Charter, 13, B. Independent External Auditors)</i></p>			

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

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

**G. ROLE OF STAKEHOLDERS**

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

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

		stakeholders, including the customers.
Supplier/contractor selection practice	The Company adopted the Quality Management System (QMS) which defines and interacts with all activities of the organization, beginning with the identification of customer requirements and ending with their satisfaction, at every transaction interface, which include the methods for supplier/ contractor selection.	<p>The Company follows a procedure of bidding or request for proposals from prospective suppliers/ contractors.</p> <p>Suppliers are selected based on price and/or skill and experience.</p>
Environmentally friendly value-chain	The Company is committed to strike a balance between economic growth, social development and environmental stewardship in the conduct of its business. The Company implements programs that promote environmental preservation as well as social and economic development in the communities where its businesses operate.	Management provides and maintains a healthy and safe work environment in accordance with industry standards and in compliance with legislative requirements. All Team Members are equally responsible for maintaining healthy and safe workplaces that minimize the probability for accidents or hazardous incidents.
Community interaction	The Company's broader obligations to society and the community are addressed by the Company's continued compliance with its Manual, with all relevant laws and regulations, and the principles of sustainable development practices by the Company and our BUs. The Company is committed to strike a balance between economic growth and social development and environmental stewardship, in the conduct of its business.	<p>The Aboitiz Group, driven by its passion for a better world, continues to pursue initiatives to help enrich the planet through various sustainable projects that it has implemented in 2012. The biggest highlight of its "green efforts" in 2013 was the planting of 2.68 million seedlings all across the country under the Group's Aboitiz Passion for Reforest and Agro-forest to Keep (APARK) Program, well in advance of its initiative to plant 3 million trees by 2015.</p> <p>The Company, through the Aboitiz Foundation, also initiated CSR activities which focus on three programs components namely: education, enterprise development and environment supported by corporate donations of its BUs.</p> <p>In 2013, Aboitiz Foundation, Inc. provided strong leadership in the country in disaster relief operations in Visayas and Mindanao as it mobilized and organized efforts to help the disaster victims to pick-up their lives from the devastating effects of the Bohol and Central Visayas earthquake in October 2013 and</p>



		<p>Typhoon Haiyan or Yolanda in November 2013 that hit across a wide area of coverage in Central Philippines. Aboitiz Foundation spearheaded its #BangonVisayas relief efforts in response to the natural calamities that left a trail of loss across the Visayas and the Aboitiz Challenge project to raise P200 million in funds for the relief, rehabilitation, rebuilding, and reconstruction work in the affected areas of Typhoon Yolanda. Through the initiative and generosity of the various BUs, partners, friends, and donors, the campaign successfully raised P208 million for this purpose. Through its commitment to give back to the community, the employees also initiated projects such as Christmas outreach and participation in Brigada Eskwela.</p>
Anti-corruption programmes and procedures	<p>As a publicly-listed company, the Company is subject to numerous stringent laws and regulations. All Company employees are made aware of their responsibility to know and understand the laws applicable to their respective job responsibilities and are directed to comply with both the letter and the spirit of these laws.</p>	<p>One such policy is the non-acceptance of gifts from persons who have a beneficial relationship with the Company. The Company makes it a point that employees know that gifts and special favors may create an inappropriate expectation or feeling of obligation.</p>
Safeguarding creditors' rights	<p>In dealings with its customers, suppliers and business partners, the Company abides by the Fair Dealing Policy found in its Code.</p>	<p>Every employee, officer and director therefore always prioritizes the best interests of the Company's clients and endeavors to deal fairly with suppliers, competitors, the public and one another. No one should take unfair advantage of anyone through manipulation, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.</p>

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

The Company through its foundation, Aboitiz Foundation, Inc. (AFI), undertakes a committed Corporate Social Responsibility program. The Annual Report of AFI is published and also circulated to AEV shareholders. Linkage to AFI Annual Report is also available in the AEV website. Moreover, the Company publishes a separate Sustainability Report which shows its initiatives in the protection of the environment guided by its triple bottomline approach of People, Planet, and Profit.

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

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

The Company has a Corporate Policy on Occupational Health and Safety, which mandates Management to eliminate any potential hazards or work situations that may result to property loss or damage, accidents or personnel illness and injury. It is the policy of the Company to protect both people and property.

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

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

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

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

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

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

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

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

Below are examples of the health, safety, and welfare practices of the Company's Business Units

which reflect the Aboitiz Group's policies:

1. In 2013, Davao Light & Power Company, Inc. initiated the Intensified Safety or I-Safety Campaign, which aims to inform its customers on the hazards of electricity so they can avoid accidents. Aside from giving information on the risks related to electricity, the campaign also included an anti-pilferage presentation aimed at educating and protecting the customers from unscrupulous acts related to electricity theft. There were also presentations on energy saving tips and how to read an electric meter to help them manage their electricity.
2. Hedcor, an AboitizPower subsidiary, was recently awarded the Gawad Kaligtasan and Kalusugan Award for Occupational Safety and Health by the Department of Labor (DOLE) and the Safety Milestone Award by the Bureau of Working Conditions.
3. In 2013, AboitizPower subsidiaries Hedcor Sibulan, Inc. and Hedcor, Inc. were both ISO-certified. Hedcor Sibulan secured another three International Organization for Standardization certificates while Hedcor, Inc. successfully obtained recertification. After a series of audits and testing, Certification International Philippines, Inc. (CIP), a local ISO certifying company, awarded to Hedcor Sibulan, Inc. the 90001:2008 or Quality Management System, 14001:2004 or Environmental Management System, and OHSAS 18001:2007 or Occupational Health and Safety Management. Since being commissioned in 2010, Hedcor Sibulan has been supplying clean and renewable energy to Davao City without compromising the company's mission to operate, develop, and improve efficiency of plants.
4. Pilmico Foods Corporation merited a re-certification for its ISO 9001:2008/hazard analysis and critical points control/good manufacturing practice. Pilmico Foods was given its formal re-certification and has been continuously recognized as an ISO 9001:2008 / Hazard Analysis & Critical Control Points (HACCP) / Good Manufacturing Practice (GMP)-certified company. The ISO 9001:2008/ HACCP/GMP re-certification audit required Pilmico to review, improve and manage the processes necessary for the continual improvement of its quality management system. It is also designed to provide the company with a set of principles that ensures a systematic approach in achieving customer satisfaction.

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

Corporate HR has a universal training passport (UTP) program for all employees, including the Principles of Quality Living, Seven Habits, Creating the Future Organization, Basic Quality Awareness, Working Program, to name just a few technical in-house training skills. The Company adheres to a merit-based performance incentive pay compensation package that includes some form of employee stock ownership plans, merit increase schemes and bonus schemes for performance and incentives to employees. The Company offers not only statutory benefits but also additional internal benefit programs to enhance the quality of life of our employees.

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

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

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

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

a) Reporting Violations

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

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

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

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

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

**H. DISCLOSURE AND TRANSPARENCY**

**(j) Ownership Structure**

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

Shareholder	Number of Shares	Percent	Beneficial Owner
Aboitiz & Company, Inc.	2,735,600,915	49.54%	Aboitiz & Co., Inc.
PCD Nominee Corp. (Filipino)	555,979,566	10.07%	PCD participants acting for themselves or for their customers.
PCD Nominee Corp. (Foreign)	537,793,725	9.74%	PCD participants acting for themselves or for their customers.
Ramon Aboitiz Foundation, Inc.	424,538,863	7.69%	Foundation

*Source: 2013 Definitive Information Statement (SEC Form 20-IS)*

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

<b>TOTAL</b>			
--------------	--	--	--

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

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

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

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

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

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.	Php389,760.00	Php896,000.00

**(m) Medium of Communication**

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

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

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

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

The Company's 2013 Audited Financial Statement was filed with the Bureau of Internal Revenue and the Securities and Exchange Commission on 10 April 2014 and 11 April 2014, respectively, and the same was submitted as an attachment to the Company's Annual Report (Form 17-A) to the Philippine Stock Exchange on 15 April 2014.

**(o) Company Website**

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

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

**(p) Disclosure of RPT**

RPT	Relationship	Nature	Value
Service contracts at fees based on agreed rates	AEV subsidiaries	Professional and technical assistance	P456,761.00
Cash deposits and placements	UnionBank of the Philippines (Subsidiary)	Interest income on deposits and money market placements	P696,452.00
Aviation services rendered by AEV Aviation	ACO and other subsidiaries	Aviation service income	P22,190.00
Lease of commercial office units by CPDC	ACO, significant shareholders and other affiliates and subsidiaries.	Rental income	P16,507.00
Purchase of lots for residential and commercial project development by AboitizLand	ACO	Purchase price	Total consideration of P595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next ten years. As at December 31, 2012, the current and noncurrent portion of the related liability amounted to P81.6 million and P444.5 million, respectively
Power supply and purchase agreements	Power sales to Metaphil International, Inc., AboitizLand, SFELAPCO, VECO, SNAP-Magat and; Power purchases from SNAP-Benguet, CEDC, EAUC and SNAP-Magat	Power sales and purchases	Sales- P4,296,582.00, Purchases- P1,085,701.00

Construction services	Aboitiz Construction Group, Inc. (ACGI), a wholly owned subsidiary of ACO	Rehabilitation of Tiwi and Makban power plants, tunnel repairs of LHC, and construction of TSI power plant.	P1,456,817.00
Investments in Retirement Plan	AEV, UBP and AP shares of stock	Dividends	P1,086,822.00

Source: 2012 Audited Financial Statement appended to the Annual Report (SEC Form 17A)  
2012 Definitive Information Statement (SEC Form 20-IS)  
AEV Retirement Fund Balance Sheet as of March 2013

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

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

**I. RIGHTS OF STOCKHOLDERS**

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

**(a) Quorum**

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

<b>Quorum Required</b>	majority of the outstanding capital stock of the Company, in accordance with the Corporation Code of the Philippines
------------------------	--

**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

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

**(c) Stockholders' Rights**

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

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights <u>not</u> in The Corporation Code</b>
The Company's shareholders have the following rights in accordance with the Corporation Code:	All rights granted by the Corporation Code are likewise granted to the Company's shareholders.

1. Voting right (one share- one vote) 2. Pre-emptive right 3. Power to inspect corporate books 4. Right to information 5. Right to dividends 6. Appraisal right 7. Cumulative voting right	
--	--

#### Dividends

Declaration Date	Record Date	Payment Date
March 1, 2012 (regular)	March 16, 2012	April 3, 2012
March 5, 2013 (special)	March 19, 2013	April 15, 2013
March 5, 2013 (regular)	March 19, 2013	April 15, 2013

#### (d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
The Company ensures the presence of important resource persons during the Annual Stockholders Meeting (ASM), such as the directors, management and the external auditor, to ensure that shareholder queries are adequately answered.	Notice and agenda items are disseminated to stockholders. Media briefings are likewise conducted by the Chief Executive Officer and Chief Financial Officer after the ASM.
Publication of notices in several newspapers and the company website	All instructions disclosed for shareholders to participate actively in the ASM
Shareholders who cannot attend the ASM may vote in absentia through proxies	Proxies are sent out by the Company together with the Notice to the ASM. Proxies are likewise made available in the company website.

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

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

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



April 24, 2013. The notice was likewise published by the Company on April 15, 2013.

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

May 20, 2013

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

No questions were raised during the Annual Stockholders' Meeting on May 21, 2012.

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

Resolution	Approving	Dissenting	Abstaining
<b>Resolution No. 2013-1</b>  <b>"RESOLVED,</b> that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the Annual Report and Audited Financial Statements of the Company as of December 31, 2012."	4,744,633,037	0	0
<b>Resolution No. 2013-2</b>  <b>"RESOLVED,</b> that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the delegation of the authority to elect the Company's external auditor for 2013 to the Board of Directors."	4,744,631,477	0	1,560
<b>Resolution No. 2013-3</b>  <b>"RESOLVED,</b> that the stockholders of Aboitiz Equity Ventures, Inc. (the "Company") approve, ratify and confirm as it hereby approves, ratifies and confirms all contracts, investments and resolutions issued and all other acts and proceedings of the Board of Directors, Corporate Officers and Management of the Company for the past year 2012 and including all acts up to May 20, 2013."	4,744,447,187	0	185,850

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

The results of the votes taken during the May 20, 2013 Annual Stockholders Meeting were disclosed at the Annual Shareholders Briefing on May 23, 2012.

**(e) Modifications**

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

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

ASM.	
------	--

(f) **Stockholders' Attendance**

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual Stockholders' Meeting	<p>1. Mr. Jon Ramon Aboitiz - Chairman, Board of Directors and Board Corporate Governance Committee/ Member, Board Risk Management Committee</p> <p>2. Mr. Erramon I. Aboitiz - President &amp; Chief Executive Officer</p> <p>3. Mr. Enrique M. Aboitiz, Jr. - Chairman, Board Risk Management Committee</p> <p>4. Mr. Justo A. Ortiz - Member, Board Audit Committee and Board Risk Management Committee</p> <p>5. Mr. Antonio R. Moraza – Director</p> <p>6. Justice Jose C. Vitug (ret.) - Independent Director/ Member, Board Corporate Governance Committee/ Chairman, Board Audit Committee</p> <p>7. Mr. Stephen CuUnjieng -</p>	May 20, 2013	Vote	0.07%	85.85%	85.92%

	Independent Director/ Member, Board Corporate Governance Committee, Board Risk Management Committee and Board Audit Committee					
	8. Mr. Raphael P.M. Lotilla – Independent Director/Member, Board Corporate Governance Committee/Member, Board Audit Committee					
Special Stockholders' Meeting	No Special Stockholders' Meeting was held during the year 2013.					

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

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

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

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

**(g) Proxy Voting Policies**

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

	Company's Policies
Execution and acceptance of proxies	The Office of the Corporate Secretary accepts and validates the proxies.
Notary	Proxy is not required to be notarized.
Submission of Proxy	A deadline is set by the Corporate Secretary in the submission of proxies which is seven (7) days prior to the opening of the meeting, in accordance with the Company's

	By-laws.
Several Proxies	There is no occasion to require several proxies since all items requiring the vote of a particular stockholder are already set out in the proxy.  Several proxies received from the same stockholder pertaining to the same shares shall be subject to validation by the Office of the Corporate Secretary.
Validity of Proxy	A proxy shall be valid only when received by the Corporate Secretary on or before the deadline, at least seven (7) days before the ASM.
Proxies executed abroad	Proxies executed locally or abroad have the same effect.
Invalidated Proxy	Invalidated proxies do not carry any force or effect.
Validation of Proxy	The validation of proxies is done by the Office of the Corporate Secretary.
Violation of Proxy	Votes through proxies are tabulated to ensure that the votes therein are followed.

**(h) Sending of Notices**

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

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

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

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	Total: 9,782 Active shareholders given copies: 5,660 PCD Nominees were given copies for shareholders.
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	April 24, 2013
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	April 24, 2013
<b>State whether CD format or hard copies were distributed</b>	Both digital format and printed copies were distributed.
<b>If yes, indicate whether requesting stockholders</b>	Digital copies: 4,982

were provided hard copies	Printed copies: 276 E-mail: 97
---------------------------	-----------------------------------

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

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

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

The authority to appoint the Company's external auditors for 2014-2015 was delegated by the shareholders to the Board of Directors.

**2) Treatment of Minority Stockholders**

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

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

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

	hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.
Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders, in accordance with the By-laws, the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of AEV.	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.

Source: Amended Manual of Corporate Governance

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

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

**J. INVESTORS RELATIONS PROGRAM**

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

Pursuant to the corporate governance principle of disclosure and transparency, information on the Company is made readily available. The Company provides shareholders with periodic reports that include information about the Board of Directors and key officers, including relevant professional information on the Directors and Officers, their shareholdings and dealings with the Company and their aggregate compensation.

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

Annual reports and financial statements of the Company may be secured without cost or restrictions and these are also available at the Company’s website.

1. The Investor Relations Officer communicates with institutional investors through the Company’s webpage, e-mail, and conference calls. In addition, the Investor Relations Officer communicates with investors through comprehensive reports on its operations, particularly the Company’s Report to Stockholders in the Annual Report and through its investors’ briefings, investor conferences, non-deal road shows and one-on-one meetings.
2. The Chief Reputation Officer approves corporate announcement after consensus with the Chief Executive Officer and Chief Financial Officer.
3. The Chief Compliance Officer approves all disclosures.
4. The Board of Directors has oversight on matters which are disclosed.

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

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

Details	
(1) Objectives	The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated

	spokespersons for clarifying information and issues as well as dealing with investor concerns.
(2) Principles	The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company.
(3) Modes of Communications	<p>The Company's commitment to its shareholders is reiterated annually through its comprehensive reports on its operations, particularly the Company's Report to Stockholders in the Annual Report and through its investors' briefings, investor conferences, non-deal road shows and one-on-one meetings. The Company continually plans website content management initiatives to regularly keep its shareholders updated with the latest Company developments.</p> <p>The Investor Relations Office conducted and is scheduled to conduct investors' briefings in March 12, May 7, July 30 and October 29, 2014 as forums for investors to discuss the Full Year 2013 Financial Operating Results, First Quarter 2014 Financial and Operating Results, First Half 2014 Financial and Operating Results and Third Quarter 2014 Financial and Operating Results.</p>
(4) Investors Relations Officer	<p><b>Investor Relations</b>  Mr. Dave Michael V. Valeriano  Aboitiz Equity Ventures, Inc.  Tel (632) 886 -2702  Email: <a href="mailto:aev_investor@aboitiz.com">aev_investor@aboitiz.com</a>  <a href="http://www.aboitiz.com">www.aboitiz.com</a></p> <p><b>2013 Analysts' Briefings:</b></p> <p>March 6, 2013 - Full Year 2012 Results  May 3, 2013 - First Quarter 2013 Results  August 2, 2013 - Second Quarter 2013 Results  October 30, 2013 - Third Quarter 2013 Results</p>

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

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

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

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

**K. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

The Company's Aboitiz Foundation, Inc., the foundation through which the Aboitiz Group undertakes their Corporate Social Responsibility initiatives, has contributed in social development projects in the year 2013, including among the numerous activities, the following highlights:

Initiative	Beneficiary
Priority programs in infrastructure building, scholarship programs and asset donations.	The Foundation partnered with AGAPP Foundation to build an additional 40 classrooms in 2014, or a total of 174 classrooms built.
Focus on education, enterprise development, and environment.	The Foundation has allocated a total of P272 Million for social development programs and projects.
#Bangon Visayas Disaster Relief Operations	Relief efforts initiated by the Aboitiz Group in response to calamities which devastated the Visayas Region in 2013.
Aboitiz Challenge	Raised P200 Million in funds for the relief, rehabilitation, rebuilding, and reconstruction work for areas affected by Typhoon Yolanda.
Education-related initiatives	A total of P151 Million was allocated by the Foundation for education-related initiatives. This includes the initiative to develop special science elementary schools and tech-voc secondary schools nationwide.
Grant of microfinance loans.	Partners in Cebu, Davao and Benguet.
Relief operations for calamity struck areas.	WeatherPhilippines Foundation Inc. is on its second year of implementation to assist in predicting weather conditions in the country by donating 1,000 weather stations nationwide.

#### L. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

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



	the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.	<p>II. Oversight on Financial Reporting and Disclosures</p> <p>III. Oversight on Risk Management and Internal Controls</p> <p>IV. Oversight on Management and Internal Audit</p> <p>V. Oversight on External Audit</p>
<b>Individual Directors</b>	<p>Annual appraisal to each member of the Board to determine each member's strengths and weaknesses.</p> <p>The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.</p>	<p>Rating is conducted on the following areas:</p> <p>I. Company Policies</p> <p>II. Attendance and Participation</p> <p>III. Performance</p> <p>The assessment form likewise contains specific questions for executive directors, independent directors and Chairmen of Board Committees.</p>
<b>CEO/President</b>	<p>Annual appraisal to each member of the Board to determine the CEO's strengths and weaknesses.</p> <p>The performance appraisal on the individual director, the CEO/ President, or the Board, as the case may be, is collated by Board Secretariat. The results of the appraisal are then discussed by the Board Corporate Governance Committee. Any issues arising from the discussion of the Committee is submitted to the members of the Board of Directors which shall address the issues.</p>	<p>Rating is conducted on the following areas:</p> <p>I. Personal Qualities</p> <p>II. Leadership Skills</p> <p>III. Managerial Skills: Building Commitment</p> <p>IV. Managerial Skills: Ensuring Execution</p> <p>V. Board Relations</p> <p>VI. Financial Management</p> <p>VII. Overall Performance</p> <p>The assessment form likewise inquires about the CEO's major accomplishments and developmental needs.</p>

**B. INTERNAL BREACHES AND SANCTIONS**

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

<b>Violations</b>	<b>Sanctions</b>
Violation of any provision of the Company's Manual of Corporate Governance	In the case of a first violation, the subject person shall be reprimanded.

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

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

**Sources:**

2013 Definitive Information Statement (SEC Form 20-IS)  
2013 Director Nomination Form  
Articles of Incorporation and By-Laws  
Board Protocol  
Guidelines for the Nomination of Independent Directors  
Revised Manual of Corporate Governance  
Annual Report (SEC Form 17-A)  
Code of Ethics and Business Conduct  
Audit Committee Charter

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

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

**SIGNATURES**

\_\_\_\_\_  
**JON RAMON ABOITIZ**  
**Chairman of the Board**

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

\_\_\_\_\_  
**JOSE C. VITUG**  
**Independent Director**

\_\_\_\_\_  
**STEPHEN T. CuUNJIENG**  
**Independent Director**

\_\_\_\_\_  
**RAPHAEL P.M. LOTILLA**  
**Independent Director**

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

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

NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

**NOTARY PUBLIC**

Doc No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_

REPUBLIC OF THE PHILIPPINES)  
CITY OF TAGUIG ) S.S.

SECRETARY'S CERTIFICATE

I, M. JASMINE S. OPORTO after having been duly sworn according to law, hereby depose and state that:

1. I am a Filipino citizen, of legal age with office address at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.
2. I am the duly elected and qualified Corporate Secretary of ABOITIZ EQUITY VENTURES, INC. (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office address at 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.
3. At the regular meeting of the Board of Directors held on July 24, 2014 at which meeting a quorum was present and acting throughout, the following resolution was unanimously passed and approved:

"RESOLVED, that the Board of Directors of Aboitiz Equity Ventures, Inc. (the "Company") approve, as it hereby approves the 2013 updates and amendments to the Company's 2012 SEC Annual Corporate Governance Report, particularly on the following matters:

Number	ACGR Section	Matter
1	A	Composition of the Board
2	A	Directorship in Other Companies
3	A	Changes in the Board of Directors
4	A	Continuing Education Programs for Directors
5	B	Dissemination of the Code of Business Conduct and Ethics
6	B	Monitoring Compliance with the Code of Business Conduct and Ethics
7	B	Related Party Transactions
8	C	Board Meetings and Attendance
9	D	Attendance in Board Committees
10	D	Work Done and Issues Addressed
11	E	Risk Management System
12	F	Internal Audit and Control
13	G	Role of Stakeholders (Company Activities)
14	G	Data on Health, Safety and Welfare of Employees
15	G	Handling Employee Complaints
16	H	Disclosure and Transparency (Auditor's Fees)
17	H	Disclosure and Transparency (Related Party Transactions)
18	I	Dividends
19	I	Result of Annual/Special Stockholders' Meeting's Resolutions
20	I	Stockholders' Attendance

21	I	Definitive Information Statements and Management Report
22	K	Corporate Social Responsibility Initiatives

4. This board resolution has not been revoked, amended, or modified, and remains valid and binding on the Company.
5. The foregoing board resolution is in accordance with the records of the Company.


IN WITNESS WHEREOF, the undersigned has hereunto set her hand this ~~JUL 30 2014~~ at Taguig City, Philippines.

  
M. JASMINE S. OPORTO  
Corporate Secretary <sup>mp</sup>

SUBSCRIBED AND SWORN TO before me this JUL 30 2014 at the City of Taguig, Philippines. Affiant, who is personally known to me, exhibited to me her Community Tax Certificate No. 148820 issued at Taguig City on February 5, 2014 and her Philippine Passport No. EB7264010 issued at DFA Manila on February 1, 2013 bearing the affiant's photograph and signature.

Doc. No. 365 ;  
Page No. 72 ;  
Book No. I ;  
Series of 2014.



  
**BRYAN JOSEPH L. MALLILLIN**  
Notary Public for Taguig City  
Notarial Commission No. 229  
Until December 31 2015  
NAC Tower 32nd Street Bonifacio Global City Taguig City  
PTR No A-2017539 January 03, 2014 Taguig City  
IBP No 962736, February 10, 2014, Quezon City  
Roll No 58787 IBP Quezon City Chapter  
MCLE Compliance No IV-0018683, April 14 2016