

2011 CORPORATE GOVERNANCE REPORT: Enriching lives

OUR CORE VALUES

Aboitiz Equity Ventures, Inc.'s corporate culture is steeped in long standing values of fairness, prudence, integrity, trustworthiness, respect for individual and diverse communities, and a work ethic that is based on team work and corporate social responsibility all woven into a weft of an entrepreneurial spirit.

These values have shaped the quintessential Aboitiz corporate character: in the Aboitiz **passion for better ways**; the drive to lead in and innovate on our businesses; the **drive to serve** our stakeholders and to enrich our neighboring communities' lives; and the **drive to excel** in whatever we do, wherever we go.

CORPORATE GOVERNANCE PRINCIPLES AND THE ABOITIZ WAY

AEV recognizes that good corporate governance practices create value for the company and its businesses. The Company adheres to eleven core principles and practices of corporate governance, namely: (i) the *independence* of the Company's personality from that of its Board, officers and employees; (ii) the view that the Company has its own distinct rights and duties; (iii) that the Board has the *original power to decide* the Company's policies; (iv) that the Company can demand *loyalty* from its Board, officers and employees; (v) that the Company's business must be pursued through a long term *sustainability strategy*; (vi) that shareholders and stakeholders must be treated *Equitably and with Fairness*; (vii) a system of Accountability; (viii) *Transparency* in corporate operations and company reports; (ix) an *Ethical business*; (x) *Corporate Social Responsibility*; and (xi) *Sustainability and Environmental Compliance*.

The Company's corporate governance practices ensure a Board culture fostering collegiality, promoting independent mindedness of directors, an environment of candidness and free flow of ideas and feedback from directors to team members; fully functioning Board Committees; open and robust lines of communication on all levels within the corporate structure and a professional management team.

The Board is committed to performing its roles in ensuring accountability of past actions (e.g. report to shareholders, legal and regulatory compliance and audit reports review) and monitoring and supervision of executive performance, financial results and budgets and possible corrective action, and its roles in determining future corporate strategies and in the making of present and future policies. The Board held its annual Board Retreat on November 11, 2011 in Mactan Island, Cebu to discuss both strategic roadmap and policies.

KEY GOVERNANCE MECHANISMS FOR COMPANIES WITH CONTROLLING SHAREHOLDERS

The Company, its Board, and its professional management recognize their duties to the Company's stakeholders, within the context of its special ownership structure and the social, cultural, political and economic environment under which the Company does business. The Company acknowledges that the Aboitiz ownership structure may be categorized as a company with a controlling shareholder and that it must be address any inherent risks and weakness this brings out as well as maintain the strengths of its ownership structure.

The Company recognizes that controlling shareholder action, if not principled and imbued with a commitment for corporate governance, could lead to insider opportunism and diversion of shareholder value. The Company is therefore deeply committed to unhampered exercise of the minority shareholder protection and empowerment provisions under the Corporation Code of the Philippines. These statutory rules include, the One Share–One Vote rule, Cumulative Voting, and supermajority vote for certain corporate acts, giving the minority shareholder the ability to influence Board composition (including Independent Directors), Board compensation, amendment of the Company's Articles and By-laws, and the treatment of Board duties as a high level of fiduciary responsibilities. Current Company procedures and mechanisms require accurate and timely disclosures for transparency of process, and insider trading and trading blackout guidelines are intended to prevent controlling shareholder opportunism.

The AEV Board is comprised of nine Directors. To promote critical review and control of the management process, the Company's Directors, are non-executive and independent of management, except for the President & CEO, Mr. Erramon I. Aboitiz and Senior Vice President, Mr. Enrique M. Aboitiz, Jr. who are part of the management team. The Board includes three highly competent and dynamic Independent Non-executive Directors to whom shareholder concerns can also be conveyed. Independent Directors are not subject to firing by management or by the Company's controlling shareholders since they are selected through the Board Corporate Governance Committee's process and in accordance with the requirements of the Philippine Securities and Exchange Commission (SEC), are elected by the shareholders at large. This process supports minority shareholder protection and empowerment.

Pursuant to the One Share–One Vote rule, the Company does not have any arrangements that unbundle or separate voting rights and cash flow rights. All shareholders are entitled to voting and dividend rights. These ensure that the Company's controlling shareholders' interests are aligned with the minority shareholders interests.

The Company has policies on transactions with related parties requiring the full disclosure thereof in the Company's financial statements and in other Company reports. The Company's related party transactions include, among others, written service level agreements with its affiliates and subsidiaries for human resources, internal audit, legal, treasury and corporate finance services, guarantees of credit accommodations of subsidiaries and affiliates; and intercompany advances for working capital requirements of subsidiaries and affiliates. The Company does not set thresholds for disclosure of related party transactions, but rather fully discloses all related party transactions regardless of amounts in compliance with existing accounting standards, or ensures that they have the character of arm's length transactions. (*See details in the Audited Financial Statements*)

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

THE FOUNDATIONS OF THE COMPANY'S CORPORATE GOVERNANCE

The Company maintains a long term growth and sustainability horizon for its corporate existence. We believe that a balancing of all stakeholders' interests is necessary for such horizon. The Company's corporate governance, rooted on a values-based corporate culture for a sustainable future, is its real benchmark for corporate governance. The Company is committed to preserving its fundamental core values and embedding these in its daily business practices, making corporate governance every ones' business and duty. The Board and the entire management team are committed to living up to and protecting the Aboitiz corporate brand and reputation.

As a Philippine company listed on the Philippine Stock Exchange (PSE), the Company is subject to a number of laws and rules that affect it and its subsidiaries' governance. Major statutes of which the Company is compliant, include, among others: the Corporation Code of the Philippines, the Securities Regulation Code, General Banking Act and Thrift Banking Act, Secrecy of Bank Deposits Law, Anti-Money Laundering Act, Unclaimed Balances Law, National Internal Revenue Code the Labor- Code of the Philippines, the Social Security System Law, the Electric Power Industry Reform Act, the Renewable Energy Law, the Consumer Protection Act, other applicable statutes, implementing rules, regulations, guidelines, and governing circulars and policies of the Philippine Securities & Exchange Commission (SEC), the PSE, the Bangko Sentral ng Pilipinas, the Bureau of Internal Revenue, the Department of Energy, Department of Environment and Natural Resources, the Energy Regulatory Commission, the Food and Drug Administration, and other relevant administrative agencies with oversight of its core businesses. Its corporate governance policies are found in its Articles of Incorporation and By-Laws, in the Amended Manual of Corporate Governance, the Code of Ethics, Directors' code of ethics, Board and Board Committees internal work procedure rules, Information Systems Management and Security Policies, its Enterprise Risk Management Policies and in other Company and Aboitiz group policies and guidelines.

The Company has been consistently considered as one of the top Philippine companies by the Institute of Corporate Directors (ICD) for its commitment to good corporate governance practices. For its 2010 ICD corporate governance scorecard, it was again recognized as on the top companies practicing good corporate governance. The Company was recently given gold award status by the ICD. The Company had notably improved its ranking from being silver to a gold award recipient.

COMPLIANCE WITH THE SEC CODE OF CORPORATE GOVERNANCE

The Manual of Corporate Governance (Manual) is the corporate governance charter of the Company. It is a clear statement by the Company, the Board of Directors, Management, Employees and Shareholders, that corporate governance is a necessary component of what constitutes sound strategic business management. AEV's corporate organization is committed to undertake every effort necessary to create this Company wide awareness as part of the Aboitiz corporate culture. The Manual was approved by the Board at its regular meeting on August 14, 2002 and was submitted and received by the SEC on September 3, 2002. The Manual has since been reviewed, revised, updated and amended by subsequent Board actions in keeping with evolving best practices. Aboitiz is committed to complying with best practices corporate governance whenever possible, including the continued compliance with the SEC's form corporate governance manual. The Board regularly reviews the Manual in order to update its practices in line with the SEC's and the PSE's regulatory amendments and global developments. In order to keep updated and consistent with current rules, the Board amended the Manual of Corporate Governance of the Company with the amendments approved by the SEC on March 31, 2011. The Board Corporate Governance Committee continually studies the Manual for any potential amendments in keeping with evolving practices.

The Manual can be found on the Company's website: www.aboitiz.com/AEV/1672:corporate-governance.html.

COMPANY AND VISION

The Company's vision as a publicly listed company is to create long term value for all our stakeholders. The Company's investment focus is for its businesses to provide basic goods and services to meet the demands of a growing economy and for it to develop and rely on its core competencies, financial strength, and reputation to achieve its goals. The Company is committed to continuously maximizing shareholder value and seeking to become the premier investment company in the Philippines.

AN ETHICAL BUSINESS

The Aboitiz Code of Ethics and Business Conduct adopted by the Company in 2002 sets out how the Executive management, team leaders and team members can achieve and maintain ethical standards in the Company's day to day operations and summarizes the Company's fundamental policies and directives. The Code of Ethics and Business Conduct clearly sets the standards, policies and procedures on proper business conduct with co-employees, shareholders, investors, suppliers, customers, analysts, creditor and financial institutions, fair dealings, conflicts of interest and related party transactions, inappropriate gifts and favors, appropriation of corporate opportunities, dealing with proprietary and confidential information and Company system and assets, use and misuse of inside information, fair and truthful disclosures to the public, maintenance of accurate books and records, respect and dignity accorded to others, promotion of safe and healthy working environment and the enforcement and administration of the Code of Ethics. The detailed implementation of the Code of Ethics and Business Conduct is also delegated to the various functional teams of AEV Corporate Center.

All newly hired employees in the Company attend a new-hires' seminar that includes an orientation on the Company's Manual of Corporate Governance and Code of Ethics and Business Conduct. In addition, the Office of the Chief Compliance Officer conducts a group-wide formal Corporate Governance Seminar for all employees, including management and executives. Invited speakers and guests for the recently concluded Corporate Governance Seminar include the Director of the SEC and key note officers of the PSE. These seminars are conducted to inculcate in and refresh all employees' awareness and understanding of the Manual and the Code and the underlying principles of corporate governance and ethical behavior and conduct. Employees receive compliance certificates for such seminars.

All employees have an individual responsibility to ensure that business practices adhere to the rules of the Code of Ethics and Business Conduct. Generally, no employee or officer seek or has sought exemptions from the application of the corporate governance rules and guidelines of the Company.

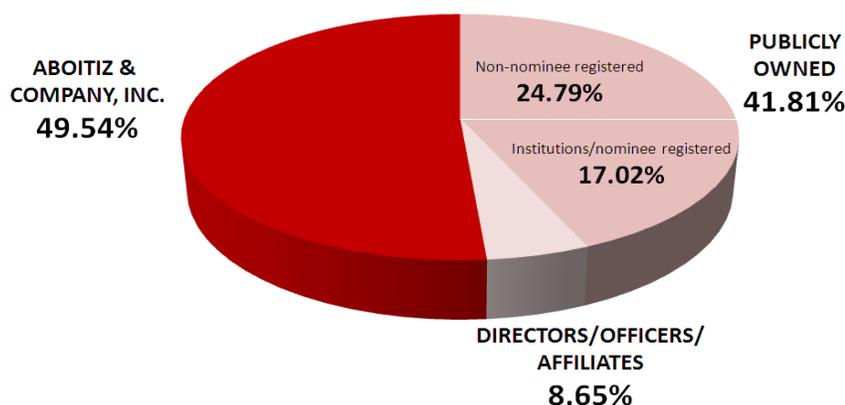
The Code of Business Ethics can be found at the Company's website: www.aboitz.com/AEV/1685:code-of-ethics-and-business-conduct.html

OUR OWNERSHIP STRUCTURE

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. (See *Management's Discussion and Analysis or Plan of Action and the Company's Financial Statements*)

According to the share register kept by The Hong Kong and Shanghai Banking Corporation Limited, the Company's newly-appointed stock and transfer agent, as of March 30, 2012, the Company had 10,054 shareholders. Aboitz and Company, Inc. owned, as of the same period, 2,735,600,915 shares or 49.54% of the 5,521,871,821 of the total outstanding and common stock entitled to vote. Of the publicly held shares, 24.79% are owned by institutions and/or are nominee-registered 16.58% Filipino & 8.20% Foreign), i.e., held off record by banks, brokers and/or nominees, such as the PCD Nominee Corp. This means that the actual shareholder is not displayed in the share register or included in shareholding statistics. As a result, the ultimate shareholder of such nominee-registered shares does not participate in shareholder votes and other actions, unless otherwise represented by proxy or nominee. The Company has exerted efforts to extend the communication channels between the Company and the institutional shareholders through its Investor Relations Office and to the nominee registered shareholders through the PCD Nominee Corp.

Below is the general view of shareholders composition.



Aboitz & Co., Inc. is, by itself, held by 200 shareholders. While strictly speaking it is not a publicly-held company within the qualifications and meaning of the Securities Regulation Code, it is effectively, a widely-held company with a sizeable shareholder base.

For more information on the Company's shareholders see the Company website: www.aboitz.com.

THE BOARD'S VISION AND MISSION

The Company's Board of Directors acts on behalf of AEV. AEV's Directors recognize that the Board has the duty to represent and protect the interests of the owners of the business, as well as other key external stakeholders, regardless of category, within the boundaries of its corporate charter, and all relevant statutes and legal regulations and rules. The primary purpose of the Company's Board revolves around governing the various businesses in which it has a direct interest. In addition, its responsibilities extend to other stakeholders in respect of compliance with regulatory standards; the provision of appropriate information and updates; and the effective representation and protection of the Aboitz brand and reputation.

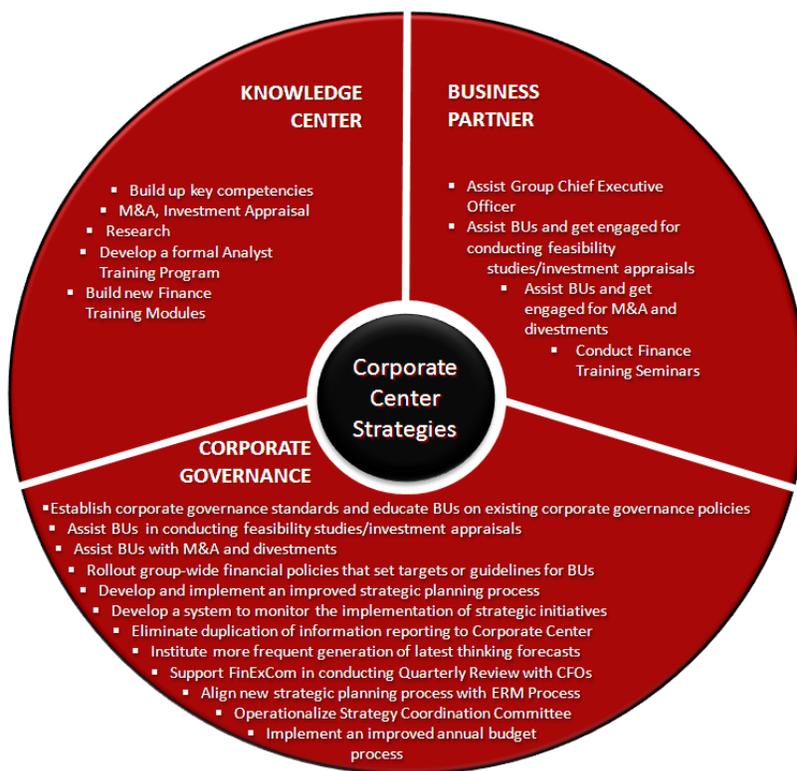
CHALLENGES & STRATEGIES

Our Management recognizes that the top challenges for Aboitz businesses today is managing the continued growth of its businesses, bolstering the appropriate organizational capability through recruitment and training of talent, as well as building and maintaining its corporate brand for the benefit of all its stakeholders.

In order to support the growth and expansion of its businesses, the Company's corporate strategy is to act as the as the corporate center for all Aboitz group companies. The AEV Corporate Center mission is to provide management services and business solutions to all its Business Units (BU). AEV Corporate Center is committed to create and maintain long term value for all stakeholders by being the Knowledge Center, a Business Partner and Governance Center

of the Aboitiz group of companies. Each functional unit of the Company, such as the Corporate Center's Human Resources, Treasury, Accounting, Risk Management, and Legal and Corporate Services support the BUs in these three key areas.

AEV corporate center's role and goal, as laid down by the Company's Board and Management is best summarized below:



The Company pursued the following strategic goals and initiatives for 2011:

- Instilling practices and bring all business units to the same level of excellence
- instituting sustainability initiatives across the group
- building partnerships with internal and external specialists and experts critical to the success of its business units
- Managing talent as a group
- Managing group succession planning as a group
- building organizational capacity
- creating worker migration programs to improve retention
- crafting strategic plans, developing projections tied to long-term goals and systematically monitoring implementation of strategic objectives
- establishing an enterprise risk management platform for the group
- maximizing the synergy across group by leveraging a centralized corporate functions
- developing a system that consolidates the information on purchasing across the group, establishing a quality management system under ISO 9001:2008
- implementing a disciplined Information Technology planning process, and
- protecting and enhancing corporate reputation and brand.

EXECUTION OF CORPORATE STRATEGIES

ALIGNMENT OF GOALS AND MONITORING OF PERFORMANCE THROUGH SUCCESS FACTORS

AEV is optimizing the use of Success Factors web-based technology for the alignment of strategies and goals from the Chief Executive Officer (CEO) all the way down to the team leaders and members of the AEV organization and even through to the BUs. SuccessFactors Goal Management helps the Aboitiz organization work as a cohesive team to cover more ground. It is designed to improve goal alignment to enable two-way communications on AEV's strategic and tactical goals by providing greater visibility company-wide. It strengthens accountability. Team members assigned tasks are measurable and clearly articulated goals become visible to others. It boosts employee engagement. Managers and employees can see individual goals and broader goals to which they are linked to better understand how they contribute to the organization's long-term goals. It also reinforces goals every day to keep team members on track. Employees can make frequent updates, gauge probability of success, and provide comments on their goals while managers can proactively identify and resolve issues. Through the use of this technology tool, each AEV employee can view his tangible contribution and alignment of his corporate and personal goals all the way through to top management whilst top management, i.e., the CEO, can also view the cascade of his goals to all employees. This accessible view provides a system for assessing achievement and performance of all goals of Team AEV.

Through this process of alignment and cascading, AEV's vision, corporate and tactical strategies are transformed into actionable goals measured against a well entrenched balanced score card discipline and framework. Twice a year, each functional team in AEV Corporate Center presents and defends their goal setting and goals accomplishment to a panel comprising the CEO, executive officers and functional team leaders. The accomplishments for key result areas are measured under the Balanced Score Card approach. The key result areas under Learning & Growth, Internal Business Processes, Cutting Edge Technology and Customer Service provide an additional framework for measuring success of the three pillars of competence, namely that of Knowledge Center, Business Partner and Governance.

Additionally, the Board Corporate Governance Committee organizes the assessment of the performance of the CEO by the members of the Board, while Corporate HR provides the numerous annual key officers, performance and competence assessment reviews, whether it be a 360 degrees survey, a Key Talent Review, a Success Factors Goals accomplishment review and other annual job performance measures.

In 2011, AEV Corporate Center embarked on the establishment of an ISO 9001:2008 Quality Management System Certification for key functional teams, namely Corporate HR, Audit, Treasury, and Legal and Corporate Services, to raise the quality of services and governance standards for all its Business Units. For 2012, other functional units will undergo the preparation for the ISO 9001:2008 certification. The 2011 preparation work has paved the way for better accountability and quality of the management services and business solutions provided to the Aboitiz group of companies.

INFORMATION SECURITY POLICY AND ENTERPRISE RISK MANAGEMENT SYSTEM

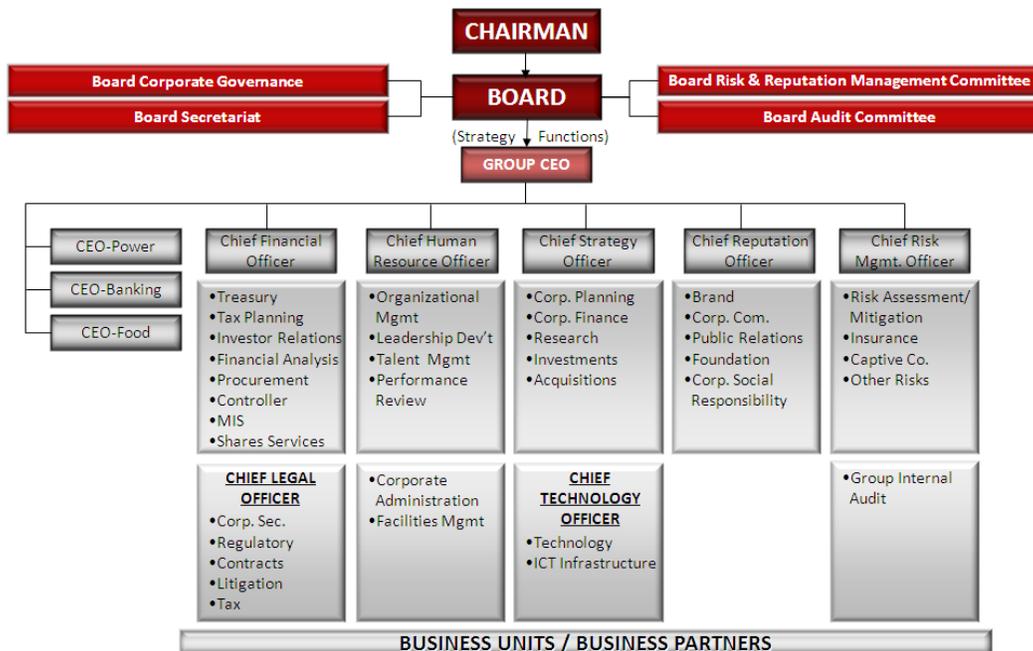
The Company recognizes the value and importance of information in business activities, products and services, hence it establishes the Information Security Management System with the objectives of (a) the required level of confidentiality for any information is always maintained. (b) the integrity of the information is always ensured and (c) the required information is always available to authorized users. The Information Security Policy also seeks to guide users on effective information-handling and for them to respond to security incidents by conducting information security awareness, education and training. It is the responsibility of the users to adhere to this policy. *(See Risk Management Report)*

The Company is committed to protect this information by implementing an Information Security Management System (ISMS) which will enable the organization as a whole, to identify, assess, mitigate and manage the Company's information security risks in line with the AEV Enterprise Risk Management Philosophy and also to ensure business management continuity. The Information Security Steering Committee is responsible for the maintenance, effectiveness and applicability of the policy to the organization. Detailed policies, procedures, standards, and guidelines are continually developed to support this Information Security Policy. Compliance to this Information Security Policy will be checked through audits and violations shall be addressed and corresponding disciplinary actions and sanctions must be in line and consistent with the AEV Manual on Personnel Policies and Procedures. This Information Security Policy is reviewed on an annual basis.

Continuing the momentum from our Enterprise Risk Management (ERM) Program Launch in 2010, AEV thru its ERM Group organized the gathering of over 100 risk management leaders and professionals across all the Aboitiz Businesses for the first ever Aboitiz Group ERM Forum last February 20, 2012 at Marriot Cebu.

ORGANIZATIONAL STRUCTURE

Below is AEV's organizational structure with the functional teams' responsibilities for execution of the Company's strategies, goals and corporate center mission.

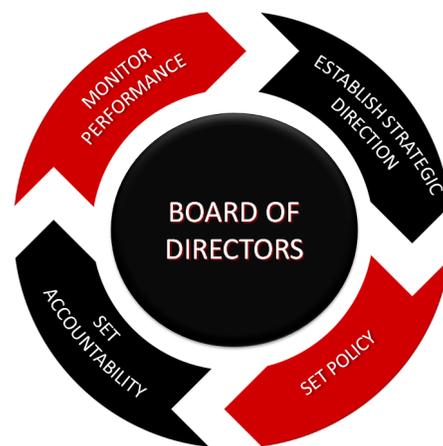


The Company's corporate operational strategy is for each of the core businesses, namely, Power, Food and Banking, to be managed by a group CEO. The Group CEO is responsible for the alignment of business strategies and strategy execution of the Company's BUs. In addition to the Board Committees, the Companies' committees, such as the Group HR Committee, the AEV Corporate Mancom, the Lexcom to name only a few, contribute to the overall drafting and execution of group policies and strategies.

BOARD RESPONSIBILITY

The Board is vital in setting the ethical tone of a company, not only by its own actions, but also in appointing and overseeing key executives and management. The Board of Directors of the Company sets the standards for the Company's corporate governance practices. The Board of Directors is committed to the adoption and observance of best practices in corporate governance. The Board of Directors is committed to the adoption and observance of best practices in corporate governance as well as compliance with all relevant laws, regulations and codes of business practice.

It is the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility. It shall exercise these duties in the best interests of AEV, its shareholders and other stakeholders.



BOARD SELECTION & COMPOSITION

For an effective Board composition, the selection of Members of the Board is based on the following qualifications: (i) ownership of at least one (1) share of stock of AEV in compliance with the Corporation Code of the Philippines; (ii) university education or sufficient experience in managing the business, in lieu of a college education, (iii) at least twenty one (21) years old; (iv) proven to possess integrity and probity; (v) no conflict of interest; (vi) able to devote his time in fulfilling his duties and responsibilities as Director; (vii) practical understanding of the businesses of the Company; (viii) membership in good standing in relevant industry, business or professional organizations; and (ix) previous business experience.

Every year, each Director is selected through a process intended to appoint a diverse mix of highly competent directors and officers with in-depth knowledge and experience in the core industries of AEV and/or corporate management and financial expertise. The Company follows a formal and transparent board nomination and election process to ensure the interests of all shareholders. Any shareholder may nominate a director and Independent Director. Nominees for directors are submitted to the 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.

Each member of the Board holds office for one year until his successor is elected at the next annual shareholders' meeting in accordance with the Corporation Code, the Company's By-Laws and the SEC guidelines. The Company allows shareholders to elect board members individually through the nominations process. At annual shareholders meetings, in accordance with the Corporation Code, the Company follows the rule of One-Share-One vote. Thus, minority shareholders can influence the board composition by way of cumulative voting rights. A cumulative voting right is a statutory right allowed in accordance with the Corporation Code of the Philippines.

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

The Company believes that the Board has a pivotal role in balancing the ownership rights enjoyed by shareholders with the discretion granted to senior officers to run the business. In this regard, the AEV Board exercises strategic guidance to the Company, provides effective monitoring and oversight of management to ensure accountability of the company to its stakeholders. The AEV Board recognizes that, for an effective corporate governance system, senior executives must constantly review and live these principles of corporate governance consistently with the commitment of the Board of Directors. All members of the Board of Directors and senior management executives have completed accredited corporate governance seminars. Pursuant to this directive, the Office of the Compliance Officer has also rolled out scheduled corporate governance seminars for all employees in the Company from rank and file, middle to top management.

The Company complies with Section 38 of the Securities Regulation Code and Rule 38 of its Amended Implementing Rules, requiring public companies to have independent directors constituting 20% of the total number of directors. As defined in the Securities Regulation Code, an independent director is "is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Moreover, the Company is cognizant on the new SEC Memorandum Circular No. 9, Series of 2011, regarding Term Limits for Independent Directors, which aims to enhance the effectiveness of Independent Directors and to encourage the infusion of fresh ideas in the Board of Directors.

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

At the election of Mr. Stephen CuUnjieng as Independent Director at the May 17, 2010 Annual Shareholders' Meeting, the ratio of independent directors on the Board was raised to 33%.

At 2011 Annual Shareholders Meeting, shareholders elected the following Board members for the 2011–2012 term:

Directors	
Jon Ramon Aboitiz	Chairman of the Board
Erramon I. Aboitiz	Director
Enrique M. Aboitiz Jr.	Director
Roberto E. Aboitiz	Director
Justo A. Ortiz	Director
Antonio R. Moraza	Director
Jose C. Vitug	Independent Director
Roberto R. Romulo	Independent Director
Stephen CuUnjieng	Independent Director

Members of the Board annually assess the Board's and their own individual performance through a Board Assessment Review initiated by Board Corporate Governance Committee. The Board Corporate Governance Committee recently conducted the 2011 Board Self-Assessment Review and the CEO assessment last February 1, 2012.

The Board meeting attendance of individual directors is reported to the Board Corporate Governance Committee by way of the Board Performance Report and SEC Certificate of Attendance. The attendance of the directors to the Company's board meetings was exemplary with an overall percentage of 95.84% attendance record for the eight regular and special strategy meetings for 2011 for each director and 95.84% presence of directors per meetings.

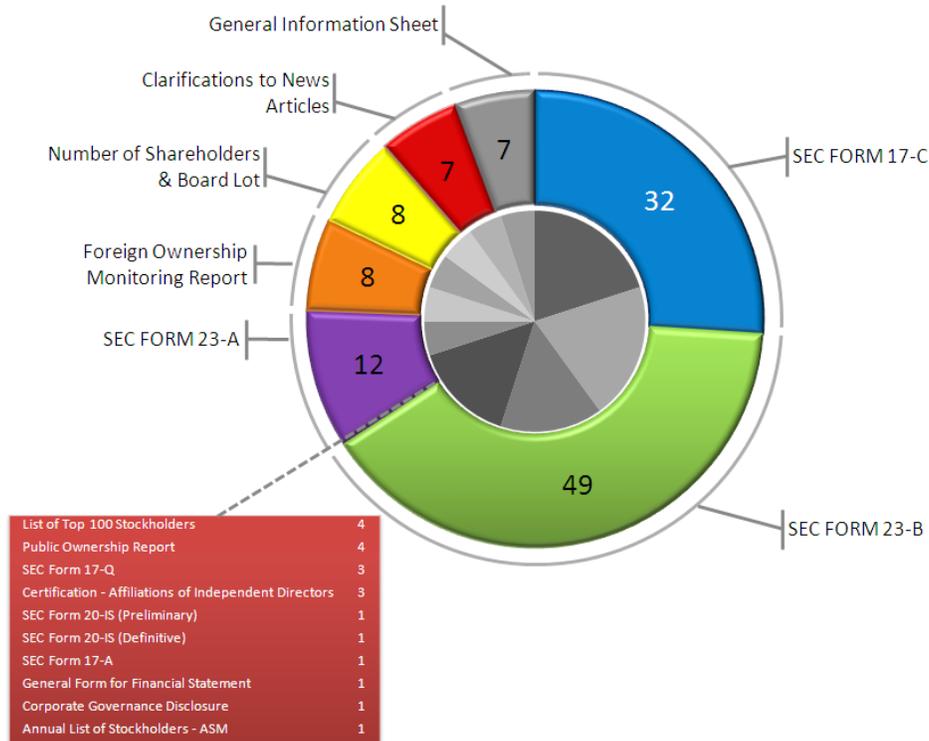
DIRECTORS	REGULAR MEETING	SPECIAL MEETING	REGULAR MEETING	REGULAR MEETING	REGULAR MEETING	REGULAR MEETING	SPECIAL BOARD STRATEGY SESSION	REGULAR MEETING	TOTAL NO. OF MEETINGS ATTENDED BY EACH DIRECTOR	PERCENTAGE OF MEETINGS ATTENDED BY EACH DIRECTOR
	Feb. 4, 2011	Mar. 3, 2011	Mar. 30 2011	May 16, 2011	July 27, 2011	Sept. 30, 2011	Nov. 11, 2011	Dec. 9, 2011		
Jon Ramon Aboitiz	P	P	P	P	P	P	P	P	8/8	100.00%
Erramon I. Aboitiz	P	P	P	P	P	P	P	P	8/8	100.00%
Roberto E. Aboitiz	P	P	P	A	P	P	P	P	7/8	87.50%
Enrique M. Aboitiz, Jr.	P	P	P	P	P	P	P	P	8/8	100.00%
Justo A. Ortiz	P	P	P	P	P	P	P	P	8/8	100.00%
Antonio R. Moraza	P	P	A	P	P	P	P	P	7/8	87.50%
Roberto R. Romulo, Independent Director	P	P	A	P	P	P	P	P	7/8	87.50%
Jose C. Vitug, Independent Director	P	P	P	P	P	P	P	P	8/8	100.00%
Stephen CuUnjieng, Independent Director	P	P	P	P	P	P	P	P	8/8	100.00%
TOTAL NO. OF DIRECTORS PRESENT IN EACH MEETING	9/9	9/9	7/9	8/9	9/9	9/9	9/9	9/9		95.84%
PERCENTAGE OF NO. OF DIRECTORS PRESENT IN EACH MEETING	100.00%	100.00%	77.78%	88.89%	100.00%	100.00%	100.00%	100.00%	95.84%	

Some of the clearly defined objectives of the Board are to improve shareholder returns; develop responsible long-term investors; and achieve discipline and sustainable growth. Among the significant transactions approved by the Board in Year 2011 were the signing of Notes Facility Agreement, acquisition by the Company and its wholly owned subsidiary Pilmico Foods Corporation (Pilmico Foods), of up to 60% and 40% respectively, of City Savings Bank, Inc.'s outstanding shares of stock and the strategic sale of AEV's shareholdings in ATS (ATS) Consolidated, Inc. (formerly Aboitiz Transport System (ATSC) Corporation) (its transport business), to focus on other expanding core businesses.

The Company's 2011–2012 Directors are well respected individuals of proven competence, integrity and known to be independently minded professionals. The Board is lead by a Chairman who is very knowledgeable about the Company's core businesses, seasoned in corporate finance with a deep commitment to corporate social responsibility. The Chairman, who is a non-executive director, ensures that the Board functions in an effective, robust and collegial manner. Despite relationship of consanguinity between the Company's CEO and the Chairman of the Board, all decisions and dealings are done in a professional manner in keeping with an Aboitiz Family constitution that sets strict standards for each member's work involvement in the Aboitiz group companies. (See Section on Information on Directors and Officers)

PSE AND SEC COMPLIANCE REPORT

The Office of the Corporate Secretary and Chief Compliance Officer regularly monitor AEV's compliance with the PSE and the SEC regulatory requirements. The Company is fully compliant for Year 2011. Below is the Company's PSE and SEC Reportorial Compliance Record:



MONITORING AND CONTROL

The Board of Directors is fully compliant with the Company's Manual. The Manual clearly defines the Board's responsibilities and the corporate governance policy of the Company. Proof of the Board's strict adherence to the Manual is the Company's clear record of compliance with SEC and PSE rules and regulations. The Manual was adopted with AEV's vision and mission of providing the Filipino with the basic goods and services necessary to meet the demands of a growing economy in mind. The mission of your Company is to develop and rely on its core competencies, financial strength and reputation to achieve its business goals. Your Company is committed to continuously maximizing shareholder value and striving to become the premier investment company in the Philippines

The Board approved the amendment of the Corporate Governance Manual in September 2009 and recently, in November 2010, to update it to current best practices. The Company is currently reviewing the Manual for further updating of the Manual to keep up with evolving best practices. The Manual designates a Chief Compliance Officer and defines his duties as well as outlines a Plan of Compliance revolving around the Board of Directors, its composition, qualifications, roles and responsibilities, the delineation of the roles of the Chairman and the CEO, conflict of interest and business interest disclosures, Board meetings and quorum requirements, and adequate and timely information and accountability of audits. The Company's Manual also specifies the composition and duties of the newly created and restructured board committees, the qualifications of the Corporate Secretary, an information security management policy, a sustainability policy a risk management policy, communication process and training process, reportorial or disclosure system of the Company's corporate policies, shareholders' benefit statement and a monitoring and assessment system. The Chief Compliance Officer coordinates with the regulatory officers of the Company's BUs to ensure compliance with other laws as well as to ensure the checks and balances and mitigating penalty measures are imposed.

BOARD COMMITTEES

The Company's Board Committees are: Board Audit Committee, Board Risk Management Committee, and the Board Corporate Governance Committee. Membership in the Committees is from the duly elected directors of the Company's Board of Directors as regular members assisted by key officers of the Company on ex-officio basis.

The Board decided at its May 17, 2010 meeting to amend the Manual and have the functions of the Board Strategy Committee subsumed under the scope of functions of the full Board membership. As a result, the Board holds a special strategy Board meeting in addition to the strategy sessions at the regular board meetings, and the informal strategy meetings of the Directors.

At the same meeting, the Board also approved the merger of the Board Nominations and Compensation Committee into the Board Corporate Governance Committee. Membership of Independent Directors to both Board Corporate Governance Committee and Board Risk Committee was also increased. Independent Directors now comprise 60% of the voting members of the Board Corporate Governance Committee, 60% for the Board Audit Committee and 25% for the Board Risk Management Committee.

On February 1, 2012, the Board Corporate Governance Committee endorsed the creation of an expanded Board Risk Management Committee into a Board Risk and Reputation Management Committee. The Company is currently working on the revised charter of this newly expanded Board Committee and the proposed amendments to the Manual to document these changes.

BOARD CORPORATE GOVERNANCE COMMITTEE

Below is the membership of the Board Corporate Governance Committee.

Board Corporate Governance Committee	
Jon Ramon Aboitiz	Chairman
Roberto E. Aboitiz	Member
Roberto R. Romulo	Independent Director
Jose C. Vitug	Independent Director
Stephen CuUnjieng	Independent Director
M. Jasmine S. Oporto	Ex-Officio Member, Compliance Officer
Xavier J. Aboitiz	Ex-Officio member, Chief Human Resources Officer
Sebastian R. Lacson*	Ex-Officio member, Chief Reputation Officer
Susan V. Valdez**	Ex-Officio member, Chief Reputation Officer
*Mr. Sebastian R. Lacson was a member until November 8, 2011. He was replaced by Ms. Susan V. Valdez. ** Ms. Susan V. Valdez was appointed as member on November 8, 2011.	

No resolution of the Corporate Governance Committee can be approved without the vote of an Independent Director.

At the September 14, 2011 and February 1, 2012 meetings, the Board Corporate Governance Committee discussed the following:

September 14, 2011	February 1, 2012
Results of the Board, Self-Assessment 2009 vs. 2010 and CEO Evaluation 2010	Nominees for the Election as Members of the Board of Directors
Report on the attendance/participation on Corporate Governance Seminars conducted by the Legal and Corporate Services Team	Proposed agenda for the 2012 Stockholders' Meeting
Shareholders' Report and Updates	Timeline for the preparation and proposed content of the information statement and annual report for the 2012 annual stockholders' meeting
Institute of Corporate Directors Scorecard Ratings from 2008 to 2010	Salary Increase Guidance for 2012
Compliance on PSE Rules on Minimum Float	Proposed Corporate Governance Report for the Annual Report
Review of Senior Leadership Appointments	Review of Senior Leadership Appointments
Investor Relations Report	2011 Statutory Compliance Report
SEC and PSE Compliance	Board, Self-Assessment and CEO Assessment Forms
Open Access Distribution Utility Board	Corporate Governance Initiatives/Issues
PSE Briefings on Maharlika Board, Scrippless Trading and ASEAN Linkages	Shareholder Services
	Aboitiz Foundation, Inc. / Corporate Social Responsibility (CSR) Initiatives for 2012
	Investor Relations: 2011 Report and 2012 Program
	Creation of the Board Risk and Reputation Management Committee
	Renewal of the Liability Insurance of Directors and Officers

Attendance record by members of the Board Corporate Governance Committee has been exemplary. Individual directors' record of attendance at meetings of the Committee has been 93.75% and overall percentage of directors present at said meetings has been 93.75% as shown below

Board Corporate Governance Committee Meetings				
COMMITTEE MEMBERS	Feb. 1, 2012	Sept. 14, 2011	TOTAL NO.	PERCENTAGE
			OF MEETINGS ATTENDED BY EACH MEMBER	OF ATTENDANCE
Jon Ramon Aboitiz, Chairman	P	P	2/2	100.00%
Roberto E. Aboitiz, Member	P	P	2/2	100.00%
Jose C. Vitug, Independent Director	P	P	2/2	100.00%
Roberto R. Romulo, Independent Director	P	P	2/2	100.00%
Stephen CuUnjieng, Independent Director	A	P	1/2	50.00%
M. Jasmine S. Oporto, Ex-Officio Member, Chief Compliance Officer	P	P	2/2	100.00%
Sebastian R. Lacson, Ex-Officio member, Chief Reputation Officer*	-	P	1/1	100.00%
Xavier J. Aboitiz, Ex-Officio member, Chief Human Resources Officer	P	P	2/2	100.00%
Susan V. Valdez, Ex-officio Member, Chief Reputation Officer**	P	-	1/1	100.00%
TOTAL NO. OF DIRECTORS PRESENT IN EACH MEETING	7/8	8/8		93.75%
PERCENTAGE OF NO. OF DIRECTORS PRESENT IN EACH MEETING	87.50%	100.00%	93.75%	
* Mr. Sebastian R. Lacson was member until November 8, 2011. He was replaced by Ms. Susan V. Valdez.				
** Ms. Susan V. Valdez was appointed as member on November 8, 2011.				

The annual performance assessment of the Chief Executive Officer and Board of Directors is conducted by the Board Corporate Governance Committee. The attendance of directors at Board meetings is reported to the Board Corporate Governance Committee through the Board Performance Report and the Certificate of Attendance. These reports were submitted to the SEC and PSE in early January 2012.

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

BOARD RISK MANAGEMENT COMMITTEE

The primary purpose of the Board Risk Management Committee is to assist the Board, and to some extent the Board Audit Committee, in fulfilling the corporate governance responsibilities relating to risk management. The Board Risk Management Committee also assists in defining the Company's risk appetite and oversees the risk profile and performance against the defined risk appetite. It is also responsible for overseeing the identification, measurement, monitoring and controlling of the Company's principal business risks.

The Board is cognizant and committed to having a risk-aware corporate culture. The Board oversees the Company's risk management functions through the Board Risk Management Committee. The Board has adopted a formal risk management policy to guide and direct the Company's risk management and compliance processes and procedures. In 2011, the Company's Chief Risk Management Officer continued to implement the next phases of the Company's Enterprise Risk Management platform in accordance and conducted a study to benchmark the Company's practices with internationally recognized standards. (See *Risk Management Report of the Chief Risk Management Officer*)

The Board Risk Management Committee represents the Board in discharging its responsibility relating to all risk management related matters across the Aboitiz group companies. This Committee does not have decision-making authority, except in the circumstances outlined in the Manual or to the extent that the Board expressly delegates certain authority to it.

The Board Risk Management Committee is composed of three directors, one of whom, is independent, as well as two non-voting members, the Chief Financial Officer and the Chief Risk Management Officer.

The Board Risk Management Committee (sans the Reputation Management committee members) is currently composed of the following:

Board Risk Management Committee	
Enrique M. Aboitz, Jr. **	Chairman
Justo A. Ortiz	Member
Jon Ramon Aboitz *	Member
Stephen CuUnjieng	Independent Director
Stephen Paradies	Ex-Officio Member, Chief Financial Officer
Rolando C. Cabrera	Ex-Officio Member, Chief Risk Management Officer
*Mr. Jon Ramon Aboitz was Chairman of Board Risk Management Committee until May 16, 2011. He was replaced by Mr. Enrique M. Aboitz, Jr.	
** Mr. Enrique M. Aboitz, Jr. was appointed as Chairman of the Board Risk Management Committee on May 16, 2011.	

In its 2011 and 2012 meetings, the Board Risk Management Committee reviewed, discussed, updated and approved the following matters:

February 2, 2011	May 14, 2011	August 11, 2011	November 10, 2011	November 10, 2011 (Joint with Board Audit Committee)	February 1, 2012
Enterprise Risk Management (ERM) Group 2011 Key Initiatives	2011 Enterprise Risk Management Preliminary Report	Key Points from July 27 Meeting with Gregg Li	Risk Management Philosophy and Policy	Delineation of Risk Management and Audit Committee Roles	Formation of Risk and Reputation Committee
Business Risk Management	Business Community Management (BCM) Overview	Risk Appetite and Risk Tolerance	AEV and AP Risks	Reputation Management Oversight	Risk Management Team Status Report and 2012 Plans
Insurance Risk Management	Group Terrorism Insurance Update	ERM and BCM Timelines	BCM Update	Proposed Joint Risk Management and Audit Committee Meeting Schedules	
	Risk Based Audit (RBA) Update	ERM Organization	Insurance Risk Management Update		
	Authorization Limits Presentation	2011-2012 Insurance Renewal Strategy	Project Risk Management Mandate		
		Benchmarking vs. Aon Global Risk Survey			

Attendance record by members of the Board Risk Management Committee has been exemplary. Individual directors' record of attendance at meetings of the Committee has been 97.22% and overall percentage of directors present at said meetings has been 97.22% as shown below.

Board Risk Committee Meetings									
COMMITTEE MEMBERS	TOTAL NO. OF MEETINGS						ATTENDED BY EACH MEMBER	PERCENTAGE OF ATTENDANCE	
	Feb. 2, 2011	May 12, 2011	Aug. 11, 2011	Nov. 10, 2011	Nov. 10, 2011*	Feb. 1, 2012			
Enrique M. Aboitz, Jr., Chairman***	P	P	P	P	P	P	6/6	100.00%	
Justo A. Ortiz, Member	P	P	P	P	P	P	6/6	100.00%	
Jon Ramon Aboitz, Member**	P	P	P	P	P	P	6/6	100.00%	
Stephen CuUnjieng, Independent Director	P	A	P	P	P	P	5/6	83.33%	
Stephen G. Paradies, Ex-officio Member, Chief Financial Officer	P	P	P	P	P	P	6/6	100.00%	
Rolando C. Cabrera, Ex-officio Member, Chief Risk Management Officer	P	P	P	P	P	P	6/6	100.00%	
							97.22%		
TOTAL NO. OF DIRECTORS PRESENT IN EACH MEETING	6/6	5/6	6/6	6/6	6/6	6/6			
PERCENTAGE OF NO. OF DIRECTORS PRESENT IN EACH MEETING	100.00%	83.33%	100.00%	100.00%	100.00%	100.00%		97.22%	
<p>*There was a joint meeting together with Board Risk Management Committee and Board Audit Committee on Nov. 10, 2011.</p> <p>** Mr. Jon Ramon Aboitz was Chairman of Board Risk Management Committee until May 16, 2011. He was replaced by Mr. Enrique M. Aboitz, Jr.</p> <p>*** Mr. Enrique M. Aboitz, Jr. was appointed as Chairman of the Board Risk Management Committee on May 16, 2011.</p>									

The Board Risk Management Committee's initiatives for 2011–2012 include the following key processes, i.e. quality assurance review of its internal audit teams, Business Continuity Management review and Claims Management protocols.

BOARD AUDIT COMMITTEE

The Company has a well entrenched internal audit group, the Corporate Audit Team, which is overseen by the Board through the Board Audit Committee. The Board Audit Committee represents the Board in its oversight responsibility over all audit-related matters of the Company's group companies. It oversees the optimization of effective financial management, as well as compliance with regulatory reporting requirements for all Business Units.

The Board Audit Committee oversees the function of the Corporate Audit Team in maintaining a comprehensive enterprise-wide compliance program and a robust and an institutionalized quality service platform for the Company's internal audit functions that are annually reviewed. The Board Audit Committee, in conjunction with the Corporate Audit Team, performs the following functions: reviews and approves non-audit services conducted by the external auditor and corresponding fees, assesses and recommends the external auditor on behalf of the Board to ensure a selection of credible, competent, external auditor with the ability to understand the complexity of the entire range of the transactions of the Company, provides the Board with adequate and relevant information on the external auditors for a fair and transparent selection or tender process, and schedules regular meetings and dialogues with the external audit team (with and without management teams present). The Company's Chief Financial Officer (CFO), an ex-officio member of the Board Audit Committee, attends meetings between the Board Audit Committee and the external auditor primarily to ensure (a) immediate clarification and feedback of audit issues to the Audit Committee, and (b) prompt instructions to the Company of any policy that the Board Audit Committee proposes to implement. The Company follows the policy of rotating lead audit partner of external auditors every five years.

Existing corporate audit policies require that the financial reports are attested to by the Chief Executive Officer and Chief Financial Officer and that a sound internal audit, control and compliance system is in place and working effectively in the Company.

The Corporate Audit Team ensures that that existing Company mechanisms allow all stakeholders to raise valid audit issues to the Board Audit Committee. The Company's internal audit team is currently establishing an ISO 9001:2008 Quality Management System to further raise the quality of internal audit services of the Company to itself and to all Business Units.

The Board Audit Committee's executive decision-making authority is limited to the circumstances listed in the Manual and to such delegated authority issued by the Board. By defined policy, the Board Audit Committee recommends to the Board of Directors the choice of external auditor and pre-approves audit plans and the scope and frequency of audits before an audit is actually conducted. Services of external auditors for the years 2008, 2009 and 2010 were preapproved by the Board Audit Committee. The Board Audit Committee also reviews the extent and nature of these services to ensure that the independence of the external auditors, are preserved.

The Board Audit Committee is composed of at least three directors. Currently, three Independent Directors sit in the Committee, and two non-voting members in the persons of the CFO and the Chief Risk Management Officer. The Chairman of the Board Audit Committee is an Independent Director. Each member, generally with accounting and finance backgrounds, has adequate understanding, familiarity and competence on most of AEV's financial management systems and environment.

The table on the right is the 2011–2012 Board Audit Committee membership.

Board Audit Committee	
Jose C. Vitug	Chairman, Independent Director
Roberto R. Romulo	Independent Director
Stephen CuUnjieng	Independent Director
Roberto E. Aboitiz	Director
Justo A. Ortiz	Director
Stephen G. Paradies	Ex-Officio Member, Chief Financial Officer
Rolando C. Cabrera	Ex-Officio Member, Chief Risk Management Officer

Below are the highlights for the Board Audit Committee work for year 2011–2012 :

March 2, 2011	May 4, 2011	July 26, 2011	November 3, 2011	November 10, 2011 (Joint with Board Audit Committee)	February 29, 2012
Presentation of the Results of the 2010 Audit by Sycip, Gorres and Velayo (SGV), the Company's External Auditor	Presentation of the First Quarter 2011 Financial Statements and Results of Operations	Presentation of the First Half 2011 Financial Statements and Results of Operations	Presentation of the 3rd Quarter 2011 Financial Statements and Results of Operations	Delineation of Risk Management and Audit Committee Roles	SGV Presentation of Audit Results of Financial Year 2011
Presentation of the 2010 Financial Results	Presentation of the 2011 First Quarter Audit Highlights	Disclosure and Approval on Appointment of External Auditors	External Auditor Presentation of the 2011 Audit Plan	Reputation Management Oversight	AP Year-to-Date 2011 Financials

March 2, 2011	May 4, 2011	July 26, 2011	November 3, 2011	November 10, 2011 (Joint with Board Audit Committee)	February 29, 2012
2010 Year-ender Internal Audit Report and 2010 Audit Plans		Presentation of the 2011 First Half Audit Highlights	Presentation of the 2011 3rd Quarter Internal Audit Highlights	Proposed Joint Risk Management and Audit Committee Meeting Schedules	Presentation of Group Internal Audit
2010 Report of the Compliance Officer			Group Internal Audit Future Organization		Updates on EQAR Action Plans
					2012 Internal Audit Plans
					Audit Committee Meeting Schedules

Attendance record by members of the Board Audit Committee has been exemplary. Individual directors' record of attendance at meetings of the Committee has been 91.84% and overall percentage of directors present at said meetings has been 93.88% as can be seen below.

Board Audit Committee Meetings									
COMMITTEE MEMBERS	Mar. 2, 2011	Apr. 7, 2011	May 4, 2011	Jul. 26, 2011	Nov. 3, 2011	Nov. 10, 2011*	Feb. 29, 2012	TOTAL NO. OF MEETINGS ATTENDED BY EACH MEMBER	PERCENTAGE OF ATTENDANCE
	Jose C. Vitug, Chairman/Independent Director	P	P	P	P	P	P	P	7/7
Roberto R. Romulo, Member/Independent Director	P	P	A	P	P	P	P	6/7	85.71%
Stephen Cuunjieng, Independent Director	P	P	P	P	P	P	P	7/7	100.00%
Roberto E. Aboitiz, Member/Director	P	P	P	P	P	P	P	7/7	100.00%
Justo A. Ortiz, Member/Director	P	P	A	P	P	A	P	5/7	71.43%
Stephen G. Paradies, Ex-Officio Member, Chief Financial Officer	P	P	A	P	P	P	P	6/7	85.71%
Rolando C. Cabrera, Ex-Officio Member, Chief Risk Management Officer	P	P	P	P	P	P	P	7/7	100.00%
TOTAL NO. OF DIRECTORS PRESENT IN EACH MEETING	7/7	7/7	5/7	7/7	7/7	6/7	7/7		91.84%
PERCENTAGE OF NO. OF DIRECTORS PRESENT IN EACH MEETING	100.00%	100.00%	71.43%	100.00%	100.00%	85.71%	100.00%		93.88%

* There was a joint meeting of the Board Risk Management Committee and Board Audit Committee

OTHER COMMITTEES & GROUP INITIATIVES

Aside from the Board Committees established by the Manual, the Company has other policy recommendatory and evaluation committees, such as, but not limited to, the AEV Corporate Mancom, the Group Mancom, the Human Resources Committee, Legal Executive Committee (LexCom) and the Government Relations Committee.

The LexCom is one of the Company's institutional venue enabling members of the Legal and Corporate Services Team to meet with the executive management to discuss legal issues and concerns that affect the group. It is overseen by the Company's CFO and managed by the Chief Legal Officer. The LexCom has oversight over the Company's compliance with laws and regulations. The Chief Human Resources Officer, the Chief Risk Management Officer, the Chief Financial Officer of Aboitiz Power Corporation, as well as the legal team of the Legal and Corporate Services, the regulatory legal team and Business Units' legal team also participate in the LexCom meetings. The members report, discuss and assess corporate governance compliance track records, identification and mitigation of legal risks, review of litigation management procedures, tax protocols, current litigation issues and other related matters affecting the Aboitiz Group of companies, including overall legal expenditure of the Company's Business Units.

The LexCom meets every two months to regularly update management on ongoing projects or activities of the Legal and Corporate Services Team. The purpose of these meetings is to provide Executive Management with up to date and relevant legal developments within the subsidiaries and affiliates of the Company. The LexCom reviews if there are any requests for waivers or exemptions of company governance rules. The LexCom initiates the formal adoption of the Company's code of ethics 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.

The Company has a regulatory compliance team that handles compliance issues for the Company. The Company also has a government relations committee composed of senior management and certain members of the Board, having oversight over the Company's legal and administrative concerns and issues.

The LexCom also reviews or recommends the appropriate dispute resolution system for conflicts and differences with counterparties, particularly with shareholders and other key stakeholders to ensure that they are settled in a fair and expeditious manner 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.

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

THE RIGHT OF SHAREHOLDERS

EFFECTIVE EXERCISE OF SHAREHOLDERS' RIGHTS

The Company recognizes and upholds the importance of a genuine exercise of shareholders' rights as granted by the Corporation Code of the Philippines, by other related laws and by its corporate covenants under the Company's By-Laws and the Company's Manual. Foremost among corporate governance principles established by your Company is its assurance that shareholders enjoy all the rights granted by the Corporation Code of the Philippines. The Board and management team ensure the promotion of these rights and have been mandated to institute remedial measures to swiftly address any violation or transgressions.

ONE SHARE - ONE VOTE

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

Voting methods and vote-counting systems employed by the Company are clearly explained to ensure the effective exercise of Shareholders' right to vote. As earlier mentioned, the Company follows the system of cumulative voting for the election of directors, to allow shareholders an opportunity to elect each member of the Board of Directors individually. Other matters are also decided through voting by shares of stock. The Company adheres to the one-share-one-vote policy for the same class of shares. Proxy voting is allowed at all meetings and is facilitated through proxy voting forms. In its regular board meeting last November 12, 2010, the Board of Directors of the Company approved the deletion of the notarization requirement of proxy forms to be used in all shareholders' meetings of the Company. This is to facilitate easy voting by shareholders, in line with the Company's efforts to promote shareholder engagement and to improve corporate governance practices. As such, the amendment of the Company's By-laws to remove the notarization requirement, while approved by the Board, will be presented to the shareholders for their information and better understanding.

The Company adopts the policy of statutory shareholder voter protection requirements of the Corporation Code of the Philippines and the rules of the PSE which require either supermajority vote or majority of minority vote on certain transactions.

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. This is to give the shareholders sufficient time to go over information and to contact their proxies for appropriate instructions. 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. The Company makes it a point that the external auditor and other relevant individuals attend the annual shareholders' meetings to answer shareholder questions in such meetings. The Office of the Corporate Secretary ensures that all relevant questions during the annual shareholders' meetings are answered and recorded.

The Company has clear and enforceable policies with respect to treatment of minority shareholders. Compliance with the Philippine Corporation Code ensures shareholder against anti-takeover maneuvers or similar devices that may entrench management or the existing controlling shareholder group to avoid shareholder opportunism, and provides all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.

The Company recognizes other ownership rights beyond voting. In addition to the right to vote, the Company's shareholders have the right to: inspect the corporate books and records, be furnished annual reports and financial statements without costs and restrictions, access to information, receive dividends in accordance with the Company's dividend policy, and to exercise its appraisal right. When applicable, the Company commits to follow the mandatory tender offer requirements under the Securities Regulation Code

RIGHT TO INSPECT CORPORATE BOOKS AND RECORDS

Shareholders enjoy the right to inspect corporate books and records, including minutes of Board and Stockholders' meetings and the stock and transfer registry records affecting their shares. The Office of the Corporate Secretary ensures that all minutes of annual and special meetings of shareholders clearly and satisfactorily reflect all matters taken up at these meetings. The issues and motions raised, agreements arrived at during the meetings and corporate acts approved or disapproved are concisely reported. Resolutions and corporate acts approved or disapproved by the shareholders or Board of Directors are accurately recorded in the minutes. The Corporate Secretary dutifully records the minutes of the meetings and notes the attendance of the members of the Board of Directors and other key officers, who are identified at meetings.

RIGHT TO INFORMATION ON THE CORPORATION

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: www.aboitiz.com.

RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETINGS

The Company strives to maintain a transparent and fair conduct of its annual and special shareholders' meetings and believes that 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. The Annual Report, distributed prior to and during the annual stockholders meeting and available from the Company's website, includes the highlights and summary of the financial condition of the Company. The Information Statement filed with the SEC is prepared with the objective of providing full and accurate information enabling stakeholders to make informed decisions. Shareholders are provided with individual profiles of new and returning directors, as well as a summary of the Board meeting attendance and performance record of its directors.

The Company's policy on directors' compensation is disclosed to shareholders, and the proposed directors' compensation is presented for shareholder approval at the annual stockholders meeting.

In 2011, all AEV's directors received a monthly allowance of P100,000, except for the Chairman of the Board who received a monthly allowance of P150,000. SGV has been the Company's external auditing firm for the last 18 years. By policy, the Company changes its audit partner every five years. SGV attends all annual shareholders' meetings of the Company

ATTENDANCE AT ANNUAL SHAREHOLDERS' MEETING

The Chairman of the Board of Directors, the Chief Executive Officer, the chairmen of the various Board Committees, and the Company Corporate Secretary all attend the annual shareholders' meetings of the Company to answer any questions shareholders may have concerning the Company. Likewise, all members of the Board of Directors and other key officers are present at the shareholders' meeting and have been present at the past three annual shareholders' meetings. It is also the practice of the Company to hold a separate shareholders' briefing in Makati City two days after the annual shareholders' meeting to give shareholders who could not attend the Annual Shareholders' Meeting in Cebu City an opportunity to listen to the presentation by the Board and top Management on the current state of the Company's business and affairs and to ask any questions from the Directors and Officers.

RIGHT TO RECEIVE DIVIDENDS

The Company has a clear and transparent dividend policy. This is disclosed in the Operational and Financial Information section of the Annual Report, in the Information Statement and in the Report of its Chief Financial Officer. The Company maintains 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 that may restrict the payment of cash dividends. These circumstances include major projects and developments requiring substantial cash expenditure or restrictions on cash dividend payments under its loan covenants. Cash dividends declared by the Company to common stockholders from 2010–2012 are shown in the table below. *(See Management's Discussion and Analysis or Plan of Action in Annual Report)*

Year	Cash Dividend Per Year	Total Declared	Record Date
2012	P1.58	P8.7bn	3/16/2012
2011	P1.58	P8.7bn	3/17/2011
2010	P0.52	P2.9bn	3/24/2010

EQUITABLE TREATMENT OF SHAREHOLDERS

VOTING RIGHTS OF MINORITY SHAREHOLDERS

The Company believes in the value of building a sustainable and long-term relationship with its shareholders, and ensures that the Company's minority shareholders are equitably treated. Through the cumulative voting system, minority shareholders have the ability to influence Board composition. However, the removal of a director will not be allowed if this will result in a denial of minority shareholders representation in the Board.

Other rights enjoyed by minority shareholders include the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided that these items are for legitimate business purposes. The minority shareholders have access to any and all information relating to matters for which Management is accountable for and other information that is necessary. If certain information is not included then the minority shareholders can propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

FAIR DEALINGS FOR ALL SHAREHOLDERS

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

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

The Company strictly enforces a Policy on Trading of Company securities. The Policy imposes a trading blackout on AEV securities beginning ten trading days before and until two full trading days after the release of the quarterly or annual earnings of the Company. The Chief Compliance Officer sends out notices requiring the strict observance of the trading blackout via various media (email and short messaging services) to all the Directors, Officers and identified key employees of the Company during any relevant blackout period.

Insider trading is strictly prohibited under the Code of Ethics and Business Conduct and the Manual. The Amended Manual prohibits every member of the AEV organization from any misuse of inside information.

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

Our employees and officers are encouraged to promptly report any potential relationship, action or transaction that may give rise to a conflict of interest to the Human Resources Department or to the Chief Compliance Officer. Directors are under the obligation to disclose any actual or potential conflicts of interest to the Chairman of the Board and the Chief Compliance Officer. All Directors are also required to inhibit themselves from any Board discussion or decision affecting their personal, business or professional interests. Legal proceedings involving Directors and Officers that could affect their ability and integrity to serve the Company are required to be disclosed to the Chief Compliance Officer. No issues relating to related party transactions or conflict of interest has been raised in the past or recent years.

DISCLOSURE AND TRANSPARENCY

The Company believes that a strong disclosure system promotes real transparency. It is an essential part of market-based monitoring of companies and is centered on shareholders' ability to exercise their ownership rights on an informed basis. The Company is committed to elevating its standards of disclosure and transparency and the quality and depth of its corporate governance practices to enable the investing community to understand the true financial condition of the Company. Through the Investor Relations Office, the Office of the Corporate Secretary, the Annual Reports, the Company website, the Company's Information Statement and all disclosures to the PSE and SEC, the Company publishes timely material information all matters regarding the corporation, including, the financial situation, performance, ownership, and governance of the Company.

DISCLOSURE OF MATERIAL INFORMATION

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

The Company strives to publish a clear, comprehensive and informative Annual Report. The sections on Management Discussion and Analysis or Plan of Action, the Audited Financial Statements and Results of Operations of the Annual Report discuss in detail the financial and operating results of the Company. Other non-financial matters are discussed in the Shareholders' Report and Results of Operations section. Operating risks, particularly major risks, are also discussed in the Audited Financial Statements, which also include discussions on the Financial Risk Management Objectives and Policies of the Company. *(See other sections of the Annual Report)*

The Company has a policy on transparency of compensation for its Directors and key executives. Information on the basis of Board remuneration is readily accessible through the Company's Annual Report and its Board Corporate Governance Committee minutes. The Board Corporate Governance Committee ensures that the Directors and executives' remuneration is consistent with the Company culture, strategy and business policies at a level sufficient to attract and retain directors and officers who are needed to run the Company successfully. The Company rewards its individual Directors and Officers based

on ability to execute their duties and responsibilities. It is the Company's philosophy to reward officers and employees based on individual performance measured through established Human Resources management metrics. Performance is evaluated and compensation is reviewed on an annual basis. The Company ensures that it pays its directors and officers competitively by comparing rates with other Philippine-based companies through participation in and access to market salary surveys.

The Company is compliant with the requirement for the members of the Board of Directors and management to report or disclose to the SEC and the PSE, within five trading days from the disclosed transaction, any acquisition, disposal or change in their beneficial shareholdings in the Company. This is to monitor and ensure a proper relationship between Directors and the Company. Under its Manual, Directors have a duty to avoid conflicts of interest. Thus, a director must not do anything for and on behalf of the Company where his motivation and loyalties would be divided, or would result in favoring his own self-interest, or allowing someone connected or related to him to be given equal or higher stature to that of the Company. Directors have a duty to account to the Company for any profit or gain he may have obtained as a result of such activities. The Company may thus exercise certain rights against the director for acting in circumstances such as conflict of interest.

TRANSPARENCY OF AUDIT PROCESS

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

With an independent audit function, the Corporate Audit Team provides reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with. The team is also responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems. This is done by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems.

The Corporate Audit Team adheres to established professional standards and such standards promoted by the Institute of Internal Auditors' Code of Ethics. The Board Audit Committee assists the Board of Directors in its oversight responsibility of monitoring the quality and integrity of the accounting, auditing, legal, ethical and regulatory compliance, risk management and reporting practices of the Group and such other duties as directed by the Board. The Committee assists the Board in fulfilling its responsibility of corporate governance. The role and responsibilities of the Board Audit Committee are clearly defined in the Amended Manual, specifically the Audit Committee Charter. The Independent Director who acts as Chairman of the Board Audit Committee signs off on all Board Audit Committee Reports.

Aside from an internal audit, an annual external audit of the Company is performed by SGV, an independent, competent and qualified auditor which has been serving as the Company's external auditors for the fiscal years 1994 to 2010. Mr. J. Carlitos G. Cruz was the audit partner for the Company for 2009. . Previously Mr. Ladislao Z. Avila served as the audit partner of the Company from 2004 to 2008. Our external auditors also attend the Company's annual stockholders' meeting to respond to questions on the Company's audited financial statements for 2010. They also have the opportunity to make a statement during the meeting, if they deem it necessary. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter. SGV provides an external and objective assurance to the Board and shareholders that the financial statements fairly represent the financial position and performance of the Company in all materials aspects.

There has been no event in the past 17 years where the Company and its external auditors or the handling partner had any serious or material disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

LINKAGES TO THE COMPANY

The Company website contains up-to-date corporate information of the Company, including details of its business operations. The Investor Relations section of the Company website provides financial highlights, recent press releases and information on the shareholding structure and organizational structure of the Company, among others. An electronic copy of the Annual Report including the Corporate Governance Report can also be downloaded from the website. In addition, Management regularly provides updated news on the Company website. In addition, the Office of the Corporate Secretary, its shareholder affairs contact person, its Stock and Transfer Agent are also available for any communications, requests or clarifications.

The contact details for your Company's Investor Relations Office and shareholders inquiry point person is available on the website.

RELATED PARTIES TRANSACTIONS DISCLOSURES

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

THE ROLE OF THE STAKEHOLDERS IN CORPORATE GOVERNANCE

The Company has a corporate policy and an entrenched culture that recognizes and protects the rights and interests of key stakeholders, specifically its employees, suppliers and customers, creditors, as well the community, environment and other key stakeholder groups.

The Company has a long and deep corporate social responsibility culture and program. *(See Aboitiz Foundation Inc. Annual Report).*

It also has Sustainability Program and is committed to the principles of sustainability as these relate to the Company's businesses. SN Aboitiz Power Corporation, a subsidiary, has registered two (2) of its hydroelectric power plants, namely Ambuklao and Binga, under the Clean Development Mechanism (CDM), or carbon trading by the United Nations Framework on Climate Change. This is part of the Company's contribution to the international response to climate change promoting hydroelectric power projects as a major source of renewable energy for the country. Through CDM, a mechanism as per the Kyoto Protocol, enables industrialized countries that aim in reduction of greenhouse gas, to invest in climate change friendly project in developing countries, allowing them to develop emission reduction projects to earn carbon emission credits. *(See Sustainability Report)*

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

THE EMPLOYEE AS A STAKEHOLDER

Corporate HR has a universal training passport 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 Corporate HR's mission is to "To Attract, Retain and Optimize our A-people; constantly adding value to our businesses". This 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".

EMPLOYEE RELATIONS

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

Employees' professional and personal growth is of paramount concern to the Company and the Company is keen to provide opportunities to deepen employee's understanding of the Company's value-creating proposition. The Company cultivates a culture of life-long learning through high value, relevant, quality training programs designed to support employee career development path and personal growth. Exemplary performers are nurtured through a talent management program designed for the development of the next generation of corporate leaders. Corporate HR has a key Talent Retention Program for succession planning.

The Company maintains robust and open lines of communication between Management and employees and between and among the Board of Directors, the management team of the Business Units, allowing AEV's employees to interact with top executives in the organization and provide opportunities for leadership role models and mentoring. This allows a free exchange of ideas and shared experiences, promoting teamwork, collaboration, cooperation, innovation and diversity within the organization. The Company holds an Annual Coffee with the President participated by all employees and officers as a venue for a cascade of management's visions and for an exchange of ideas with the Chief Executive Officer of the Company. The Chairman of the Board and the Chief Executive Officer also organize regular formal and informal get-togethers with the Board of the Directors and key officers across the Company and its BUs providing invaluable interaction between the Board and the management team leaders.

OCCUPATIONAL HEALTH & SAFETY

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

RELATIONS WITH SHAREHOLDERS, CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND FINANCING PROVIDERS

The Company believes in the value of its shareholders and ensures that its shareholders and investors receive timely, relevant, balanced, high-quality and understandable information about the Company. The Investor Relations Office assures shareholders and investors of an easy and direct access to officially designated spokespersons for clarifying information and issues as well as dealing with investor concerns. AEV'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.

The Investor Relations Office conducted investors' briefings in March 4, 2011, May 6, 2011, July 29, 2011 and November 4, 2011 as a forum for investors to discuss the Full Year 2010 Financial Operating Results, First Quarter 2010 Financial and Operating Results, First Half 2011 Financial and Operating Results and Third Quarter 2011 Financial and Operating Results.

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

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

RELATIONS WITH THE COMMUNITY AND THE ENVIRONMENT

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 its Business Units. The Company is committed to strike a balance between economic growth and 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. The Company through its various operating BUs are committed, to the Million trees project for Cebu, to preserving or rehabilitating the watersheds surrounding their power plants and to the identified projects implemented through the Aboitiz Foundation. The policy of sustainability of businesses is an integral part of the way the Company conducts its businesses. An ingrained Corporate Social Responsibility agenda is part of the Company's contribution to enriching the lives of its neighboring communities as well as a legacy to the country. (*See Aboitiz Foundation Inc. Annual Report*).