

2017 Corporate Governance Report

Rights of Stockholders

Energy Development Corporation



RIGHTS OF STOCKHOLDERS

EDC continues to take the following measures to protect the rights of every stockholder:

Basic Stockholder Rights.

EDC's stockholders, whether of common or preferred shares, or with a majority or minor stake, or who may be an individual or an institutional investor, are equitably provided with the following basic stockholders' rights recognized in the Corporation Code, among others: **voting rights, pre-emptive rights, appraisal rights, right to inspect corporate books and records, right to information, right to receive dividends, right to participate and be adequately informed on decisions about fundamental corporate acts.**

The Board of Directors continues to give its full support for programs and activities promoting the exercise of stockholders' voting rights, through the early release of the Notice and Agenda for the stockholders' meetings containing an explanation of the items to be discussed, the reiteration during stockholders meeting of the voting procedure, and the disclosure to the stockholders of specific acts approved by the Board. It also continues to support programs for the protection of stockholders' right to take collective action through appropriate mechanisms for the resolution of issues and concerns.

To protect the rights of the Company's minority stockholders, the Board makes sure that appropriate safeguards are in place when deciding fundamental corporate actions, and that Independent Directors actively participate in the deliberations of the Board of Directors and the Board Committees.

Right to be Notified of, and to Participate in Decisions Concerning Fundamental Corporate Changes.

EDC encourages its stockholders' personal attendance to annual and special stockholders' meetings to ensure their effective and active participation therein and to help them arrive at a well-informed decision on the proposed fundamental changes in the company, which may include amendments in the Company's Articles of Incorporation and By-Laws, increase in the authorized capital stock, or transfer of all, or substantially all, company assets. If individual stockholders or authorized representatives of institutional stockholders cannot attend such meetings, these stockholders are informed ahead of time of their right to appoint a proxy.

In addition to the stockholders' right to be informed on corporate changes, EDC also ensures that all available measures are taken so that meeting notices and relevant company information reach its stockholders under the most efficient, convenient and timely manner.



EDC held two (2) stockholders meeting during the year: an Annual Stockholders Meeting (ASM) on May 8, 2017 and a Special Stockholders Meeting (SSM) on December 12, 2017.

EDC released the Notice of ASM on March 1, 2017. Thereafter, the Definitive Information Statement (SEC Form 20-IS) containing the Notice of Meeting and the Agenda, the proxy forms and all information necessary for stockholders to make informed decisions, was filed with the SEC and PSE and distributed to stockholders on April 10, 2017, or twenty-eight (28) days before the ASM on May 8, 2017. Electronic copies of the Information Statement were distributed to the stockholders in compact disc formats by regular mail, via postings in EDC's website and by disclosures in the Philippine Stock Exchange's Electronic Disclosure Generation Technology (PSE EDGE). Stockholders were also advised that hard copies of the Information Statement could be requested from the Office of the Corporate Secretary and the Investor Relations Office.

EDC released the Notice of SSM on October 12, 2017. Thereafter, the SEC Form 20-IS containing the Notice of Meeting and the Agenda, the proxy forms and all information necessary for stockholders to make informed decisions, was filed with the SEC and PSE, and distributed to stockholders on November 17, 2017, or twenty-five (25) days before the SSM on December 12, 2017. Hard copies of the SEC Form 20-IS were distributed to the stockholders via regular mail or personally handed out during the meeting, and electronic copies were made accessible via EDC's website and by disclosures in the PSE EDGE.

The Company encourages stockholder's participation in major Company decisions by holding both ASM and SSM at a convenient place accessible to the public. The Company held its ASM at the PSE Auditorium, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, and its SSM at East Tower Function Room, One Rockwell, Rockwell Drive, Makati City.

Prior to the ASM, all EDC stockholders, including non-controlling stockholders, were given an opportunity to nominate candidates to the Board. It is of note that the Company's independent directors were nominated by non-controlling individual stockholders.

EDC stockholders were given an opportunity to raise questions to the Board and Management during the stockholders' meetings. Questions and answers were recorded and included in the ASM and SSM Minutes and in the Corporate Governance section posted in EDC's website (<http://www.energy.com.ph>). Details of the meeting are further discussed in this report under "Equitable Treatment of Stockholders".

The outcome of the Annual and Special Stockholders' Meetings, with details of the approved agenda items and the approving, dissenting and abstaining votes, as well as the outcome of the Organizational Meeting of the Board of Directors with details of the approved agenda items, were immediately disclosed to the public via SEC submissions, PSE EDGE Disclosures and the Company website.



Outside of the stockholders' meetings, EDC engaged and kept its investors, stockholders and stakeholders informed, through disclosures and activities led by its Investor Relations Office. For the year, the Investor Relations Office conducted twenty-six (26) one-on-one meetings, four (4) investor conferences/briefings with 46 participants, and twenty-three (23) conference calls, replied to fifty-four (54) email queries and posted one hundred seventy-three (173) structured and unstructured disclosures to encourage and engage its individual and institutional stockholders, including those located outside the Philippines, to participate in the meetings and activities of the company.

Lastly, in addition to the ASM, SSM and the regular activities of its Investor Relations (IR) Office, the Company placed appropriate mechanisms which allow its stockholders, its other stakeholders, and the public at large to participate and give their feedback and complaints. These feedback mechanisms include the **Whistleblower Hotline**, the **EDC website (www.energy.com.ph)** and the **contact information of EDC's Investor Relations Office**.

Right to Elect Directors.

In electing the members of its Board of Directors, EDC stockholders may vote such number of voting shares for as many persons as there are directors to be elected or to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his voting shares, or he may distribute them on the same principle among as many candidates as he shall think fit. The one share, one vote rule applies.

Right to Dividends (Dividends Policy).

EDC's Board of Directors is authorized to declare dividends as long as EDC has unrestricted retained earnings in accordance with Section 43 of the Corporation Code.

In the case of cash dividends, holders of common shares are entitled to receive annual cash dividends of at least 30% of the prior year's attributable recurring net income based on the recommendation of the Board of Directors, without need of stockholders' approval. Such recommendation for cash dividend declaration will take into consideration factors such as current and prospective debt service requirements and loan covenants, the implementation of business plans, operating expenses, budget, funding for new investments, as well as appropriate reserves and working capital, among others.

In the case of stock dividends, Board and stockholders' approval are required in accordance with existing laws. Stockholders representing at least two-thirds of EDC's outstanding capital stock must approve the stock dividend declaration.

In 2017, EDC's Board of Directors approved the declaration of the following cash dividends: (1) on February 28, 2017, the declaration of a cash dividend of P0.14 per share on the common shares in favor of common stockholders of record as of March 20, 2017 and payable on or before April 12, 2017; and (2) on February 28, 2017, the declaration of a cash dividend of P0.0008 per share on the preferred shares in favor of holders of preferred shares of record as of March 20, 2017 and payable on or before April 12, 2017.

Below is a table showing the dividend declarations and pay-outs made by EDC in the last three (3) years:

ENERGY DEVELOPMENT CORPORATION				
DIVIDEND DECLARATIONS AND PAY-OUTS 2015-2017				
Type	Value	Record Date	Date Payable	Reference
Cash dividend on Common shares, P0.14/sh	2,623,181,400	20-Mar-17	12-Apr-17	PSE Disclosure dated February 28, 2017
Cash dividend on Preferred shares, P0.0008/sh	7,500,000	20-Mar-17	12-Apr-17	PSE Disclosure dated February 28, 2017
Special Cash dividend on Common shares, P0.12/sh	2,248,441,200	22-Sept-16	12-Oct-16	PSE Disclosure dated September 7, 2016
Cash dividend on Common shares, P0.14/sh	2,623,656,000	23-Mar-16	12-Apr-16	PSE Disclosure dated March 9, 2016
Cash dividend on Preferred shares, P0.0008/sh	7,500,000	23-Mar-16	12-Apr-16	PSE Disclosure dated March 9, 2016
Special Cash dividend on Common shares, P0.11/sh	2,062,500,000	23-Sept-15	07-Oct-15	PSE Disclosure dated September 9, 2015
Cash dividend on Common shares, P0.10/sh	1,875,000,000	20-Mar-15	16-Apr-15	PSE Disclosure dated March 6, 2015
Cash dividend on Preferred shares, P0.0008/sh	7,500,000	20-Mar-15	16-Apr-15	PSE Disclosure dated March 6, 2015



Policy on Mergers, Acquisitions and/or Takeovers.

Before entering into extraordinary transactions, such as mergers, acquisitions and/or takeovers, the Company conducts above-adequate due diligence and review of such extraordinary transactions and the parties potentially involved in it, by securing, among others, the services of expert third-party firms and consultants to evaluate the fairness of the transaction price and its terms and conditions, and to ensure the viability of such transaction to EDC in the long-term. When EDC acquired 60% of First Gen Hydro Power Corporation (FGHPC) in 2008, the Company created a committee composed exclusively of its Independent Directors to oversee the transaction on behalf of EDC's management, supported by an independent financial adviser to render the fairness opinion, and a sole financial advisor. Recently, when EDC received a tender offer from Philippines Renewable Energy Holdings Corporation (PREHC) on August 3, 2017, the Independent Directors engaged the services of another expert third-party firm to opine on the reasonableness of the methodologies and approaches used by the experts engaged by the offeror in determining the fair value of the Company.

EDC also recognizes the rights of its stockholders to participate in the approval of any merger or consolidation in accordance with Section 77 of the Corporation Code, as well as related party transactions requiring their approval as provided in the Corporation Code.

Where the matter involves a related party, the Company complies with its Related Party Transactions Policy and exercises greater care and transparency in ensuring reasonable, fair and arm's length transaction price, terms and conditions that are compliant with pertinent laws, rules and regulations, and that the transactions inure to the benefit and best interest of the Company and its stockholders as a whole, given relevant circumstances. Material RPTs are disclosed and reviewed by the Company's independent directors, and approved in accordance with the RPT Policy.

Disclosures to the Exchange and the investing public are made available by the Company frequently to ensure that full transparency is afforded the public.