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August 6, 2013

**JANET A. ENCARNACION**  
HEAD, Disclosures Department  
The Philippine Stock Exchange, Inc.  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Dear Ms. Encarnacion:

We submit the attached revised EDC Manual on Corporate Governance duly filed with the Securities and Exchange Commission, incorporating amendments in the duties and functions of the Audit and Governance Committee in the Charter and the mirror provisions in the CG Manual.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Erudito S. Recio", is written over a vertical blue line that extends downwards from the signature area.

**Erudito S. Recio**  
Investor Relations Manager &  
Company Information Officer



# **MANUAL ON CORPORATE GOVERNANCE**

*(Revised July 2013)*

## **Section 1 INTRODUCTION**

### **Subject 1 General Provisions**

#### **PURPOSE**

The Board of Directors, officers, executives and employees of Energy Development Corporation hereby commit themselves to the principles and best practices of sound corporate governance provided in this Manual and acknowledge that the same shall serve as a guide in the attainment of the Company's corporate goals.

This Manual on Corporate Governance is adopted pursuant to SEC Memorandum Circular No. 2, Series of 2002, as revised by SEC Memorandum Circular No. 6, series of 2009.

#### **ORIENTATION PROCESS**

Funds shall be allocated by the Treasurer of the Company for the purpose of conducting orientation programs or workshops to disseminate and implement the provisions of this manual. A Director should attend seminars on corporate governance conducted by a duly licensed private or government entities.

#### **INVESTOR RELATIONS FUNCTION**

There shall be an Investor Relations Group within the Company which shall be headed by a full-time employee of the Company which shall be tasked with:

1. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities
2. Formulation of a clear policy on communicating or relating relevant information to the company's stakeholders and to the broader investor community privately, accurately, effectively and sufficiently.

## PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly encourage observance and implementation of the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's Directors, Officers, Executives and employees in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded
2. In case of second violation, the subject person shall be suspended from holding office; provided that, the duration of such suspension shall depend on the gravity of the violation in each case.
3. In case of third violation, the maximum penalty of removal from office shall be imposed.

The willful commission of a third violation of any provision of this Manual by any Director, Officer, Executive or employee shall be a sufficient cause for removal from office of such Director, Officer, Executive or employee.

The Compliance Officer shall be responsible for determining violation(s) after notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, subject to further approval by the Board.

## REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Board Committee or Officer through the Company's Compliance Officer.

## EVALUATION SYSTEM

The Compliance Officer shall establish an evaluation system to determine and measure compliance with the provisions of this Manual. The adoption of such performance evaluation system shall be covered by an appropriate Board approval. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such other form of report applicable to the Company. Any violation thereof shall subject the responsible Director, Officer or employee to the penalty provided on the previous page under Section 1 of this Manual.

## REVISIONS AND PERIODIC REVIEW

The provisions of this Manual and the enforcement thereof shall be subject to quarterly review or such other frequency as may be determined by the Board. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

All business processes and practices of the Company that are not consistent with the corporate governance policies set out in this Manual shall be revoked or upgraded to make them compliant with such policies.

The EDC's Board of Directors approves the revisions to the policies, while the Compliance Office, in coordination with the concerned units approves the revisions to the procedures. The Administrative Systems Section has the custody over this Manual and is responsible for effecting and attesting to the changes in it.

## DISSEMINATION OF MANUAL

The Directors, Officers, Executives and department/division heads shall ensure the comprehensive dissemination of this Manual to all employees and related third parties and shall likewise enjoin their compliance with the provisions hereof. An adequate number of printed copies of this Manual shall be reproduced by Administrative Systems under the supervision of the Human Resources/Legal Division of the Company, with a minimum of at least one (1) hard copy thereof furnished to every department/division. With the proper dissemination of this Manual, it is expected that everyone in the organization should make themselves familiar with the contents of the code and observe not only its letter, but also its spirit.

## INSPECTION OF MANUAL

This Manual shall be available for inspection by any stockholder or employee of the Company at reasonable hours on business days subject to such express limitations provided by the Corporation Code and other relevant laws, circulars, rules and regulations.

## ADOPTION AND EFFECTIVITY

This Manual was originally adopted by the Board of Directors of the Corporation and made effective on November 15, 2006 under Board Resolution No. 133 series of 2006.

Amendments to the Manual have been effected under Board Resolution Nos. 36, Series of 2007 dated April 26, 2007; 121, Series of 2007 dated November 20, 2007; and 8, Series of 2008 dated January 22, 2008.

In 2010, the Manual has been amended in compliance with SEC Memorandum No, 6, series of 2009 under Board Resolution No. 29, Series of 2010 dated March 10, 2010 and Board resolution No. 57, Series of 2010 dated July 29, 2010.

In 2011, the Manual underwent several amendments as follows: amendment pursuant to a Board Resolution in the meeting held March 15, 2011 for the purpose of compliance with the directives of the SEC Corporation Finance Department in furtherance of SEC Memorandum Circular No. 6, Series of 2009, and the revisions in the provisions on the Charters of the Risk Management Committee and CSR Committee, respectively. *(Amended pursuant to Board Resolutions passed during the May 9 and July 13, 2011 Board Meetings)*

## **Subject 2**

### **Definitions and Interpretation**

#### **DEFINITIONS**

The following terms are used in this Manual with the respective meanings ascribed to such terms below, unless the context otherwise requires:

Corporate Governance	The framework of rules, systems and process in the corporation by which the board of Directors and Management perform their respective duties and responsibilities to the stockholders and where Management aligns its strategy with the board.
Articles of Incorporation	the Articles of Incorporation of the Company and all amendments thereto;
Board of Directors	the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all business and controls its properties
Board Committees	One or all of the following Committees composed of Members of the Board of Directors: <ul style="list-style-type: none"><li>a. Nomination and Compensation Committee</li><li>b. Audit and Governance Committee</li><li>c. Risk Management Committee</li><li>d. Corporate Social Responsibility Committee</li><li>e. Operations Committee</li><li>f. and such other Committees which the Board may constitute from time to time</li></ul>
BSP	the Bangko Sentral ng Pilipinas
By-Laws	the By-Laws of the Company and all amendments thereto;
President	the President of the Company
Chairman	the Chairman of the Board
Code	SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the “Revised Code of Corporate Governance”
Commission	the Securities and Exchange Commission
Company	Energy Development Corporation

Corporation Code	Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines;
Director	<p>a duly elected member of the Board. Under EDC’s present structure, the following are the classifications of its Directors:</p> <ul style="list-style-type: none"> <li>a. Executive Director - a director who is also the head of a department or unit of the corporation or performs any work related to the Company’s operation as a part of the Company’s executive management team;</li> <li>b. Independent Director - a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company</li> <li>c. Non-Executive Director – a director who is neither the head of a department or unit of the corporation nor performs any work related to its operation. He is neither part of the Company’s executive management team</li> </ul>
Exchange	the Philippine Stock Exchange. It is an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
Executive	the executives of the Company with the rank of a Manager up to Senior Manager
Internal Control	the system established by the Board of Directors and Management for the accomplishment of the Corporation’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
Internal Control System	the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk, cost or business activity, or combination of risks or business activities, to which the corporation is exposed;
Internal Audit	an independent and objective assurance activity designed to



	add value to, and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;
Internal Audit Department	a department or unit of the corporation and its consultants, if any, that reports to the Audit and Governance Committee of the Board, provide independent and objective assurance services in order to add value to, and improve the corporation’s operations;
Internal Auditor	the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
Management	the general body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
Manual	means this Manual on Corporate Governance, as may be amended from time to time
Officers	mean the officers of the Company from the rank of Assistant Corporate Secretary up to the Chairman of the Board as defined in the Company’s By-Laws;
Securities Code	means Republic Act No. 8799 otherwise known as the Securities Regulation Code
Senior Management	otherwise known as “Executive Management”, it is generally the team of individuals at the highest level of organizational management who have the day-to-day responsibilities of managing a corporation. They hold specific executive powers conferred onto them with and by authority of the Board of directors and/or the shareholders. These are most often the higher levels of responsibility in the corporation, with a position not lower than Vice-President
Year	means a calendar year

## **INTERPRETATION:**

1. Unless the context otherwise requires:
  - a. Words in the singular include the plural, and vice versa; and
  - b. Words importing any gender include all genders
2. A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.
3. The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof
4. All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the corporation

### **Subject 3 Objective**

This Manual shall institutionalize the principles of sound corporate governance in the entire Company.

The Board, Officers, Executives and employees of the Company believe that corporate governance is a vital component of what constitutes sound strategic business management and will therefore take the necessary steps to foster awareness within the Company

## **Subject 4**

### **Statement of Principles**

The Energy Development Corporation is governed by the following principles and rationale of good corporate governance:

#### 1. Fundamental Principles

- a. Transparency – the board should ensure that the company has a properly functioning system of disclosure, in line with generally accepted standards of reporting financial and other material information to the public;
- b. Accountability – the board should ensure a regime of checks and balances to maintain the integrity of all aspects of corporate operations, and keep everyone in the organization aware of his duty to answer to another for what is done or not done within an area of responsibility;
- c. Fairness/Equity – – the board should observe fairness in the dealings of the corporation with all other parties with stakes in or claims on it. Thus, the corporation must deal fairly and equitably towards all stakeholders, including, but not limited to, employees, shareholders, creditors, suppliers, community, government, the environment and society as a whole

#### 2. Rationale

- a. To promote the sustainable growth of the enterprise by ensuring a productive alignment of interests among the various stakeholders of the enterprise and between the enterprise and the community as a whole; and
- b. To promote a level-playing field within and without the enterprise – a fundamental assumption of a free-market economy

## **Section 2 COMPLIANCE SYSTEM**

### **Subject 1 Compliance Officer**

To ensure adherence to sound corporate governance principles and best practices, the Board of Directors shall appoint a Compliance Officer who shall report to the Chairman of the Board, through the Audit and Governance Committee.

### **Subject 2 Duties of the Compliance Officer**

The Compliance Officer shall perform the following duties:

1. Monitors compliance with the provisions and requirements of this Manual, the Code and such other laws, circulars, rules and regulations issued in relation to corporate governance;
2. Appears before the Commission upon due receipt of a summon on matters relating to the Company's compliance with this Manual, the Code and such other laws, circulars, rules and regulations issued in relation thereto;
3. Determines violation(s) of the provisions of this Manual and recommends penalty for such violation(s), subject to further review and approval by the Board;
4. Issues a certification every January 30 of each year on the extent of the Company's compliance with the provisions of this Manual for the immediately preceding fiscal year of the Company, explaining if necessary the reason(s) for the latter's deviation from the same;
5. Identifies, monitors and controls compliance risks; and
6. Review local and international development and trends in corporate governance and recommend appropriate changes to keep EDC at the forefront of corporate governance.

### **Subject 3 Disclosure of Appointment of Compliance Officer**

The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Compliance Officer.

## Section 3 BOARD GOVERNANCE

### BOARD RESPONSIBILITY

The Board of Directors is primarily responsible for the governance of the corporation. Corollary to setting the strategies and policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. The Board shall likewise review and comment on the strategic directions identified by Management.

### BOARD ACCOUNTABILITY

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

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the board to comply with its responsibilities to its stockholders.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

## Section 4 BOARD OF DIRECTORS

### Subject 1 Composition, Qualifications and Disqualifications

#### Composition:

The Board shall be composed of eleven (11) Directors, of which no more than three (3) shall be Independent Directors. .

A majority of the Directors shall be residents of the Philippines.

#### Qualifications of Directors:

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

1. At least a college graduate or, in the absence of such college degree or formal education, with sufficient experience in managing a business;
2. At least twenty-one (21) years old;
3. Shall have been proven to possess integrity and probity;
4. Shall be prudent.
5. Practical understanding of the business of the corporation;
6. Membership in good standing in relevant industry, business or professional organizations; and
7. Previous business experience.

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

*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

## Disqualification of Directors

### Permanent Disqualification

- (i) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business or activity which competes with or is antagonistic to that of the Corporation or any of its subsidiaries and affiliates, which disqualification may be waived by a majority vote of the Board of Directors, upon the recommendation of the Nominations Committee. Without limiting the generality of the foregoing, a person shall be deemed to be engaged in such business or activity:
  - a. If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of five percent (5%) or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least thirty percent (30%) of capital stock), or entity engaged in a business or activity which the Board of Directors, by at least a majority vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the Corporation or its subsidiaries and affiliates; or,
  - b. If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of five percent (5%) or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Corporation or that of its subsidiaries and affiliates, where the Board of Directors, by at least a majority vote of the directors present constituting a quorum, determines such corporation or entity as being involved in acts violative of the laws against combinations in restraint of trade; or where the membership in the Board of Directors of the Corporation of such officer, manager, controlling person or owner of such persons and entities, in the judgment of the Board of Directors, by at least majority vote of the directors present constituting a quorum, may violate the laws against combinations in restraint of trade; or,
  - c. Being a nominee, as determined by the Board of Directors by at least a majority vote of directors present constituting a quorum, of any person set forth in the preceding clause (a) or (b).
- (ii) Any person convicted by final judgment of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or similar fraudulent acts or transgressions;
- (iii) Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election as a Director
- (iv) Any person judicially declared to be insolvent;

- (v) Any person convicted by final judgment by a competent court of a crime, or found liable or responsible by final decision or order by a competent administrative body for any violation that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
  
- (vi) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
  
- (vii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been retrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
  
- (viii) Any person found guilty by final judgment by a foreign court or financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the preceding clause;
  
- (ix) Any person who has previously committed patently unlawful act(s) and/or other act(s) deemed inimical to the reputation and/or interest of the Corporation, its subsidiaries or affiliates;
  
- (x) Any person who has committed acts causing undue injury to the Corporation, its



subsidiaries or affiliates, or committed acts causing injury to another corporation while acting as an officer or director therein

- (xi) Any person who has previously committed gross negligence or bad faith in directing the affairs or another corporation where he served as an officer or director;
- (xii) In the case of independent directors:
  - a. When he becomes an officer, employee or consultant of the same corporation; and
  - b. The additional grounds for disqualification shall be those provided under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.
- (xiii) Any person who is disqualified by such other grounds for disqualification of directors as may be provided by law and applicable regulations, including those provided for under the Code of Corporate Governance, the Corporation Code, the Securities Regulation Act, as well as those that may be approved by the Board of Directors

For purposes of the foregoing paragraphs, the term “subsidiary” as used in the foregoing paragraphs of this Section is defined as a corporation or entity in which the Corporation, directly or indirectly, owns, controls or has the power to vote at least a majority of the shares or interests. Likewise, the term “affiliate” as used in the preceding paragraphs is defined as a corporation or entity in which the Corporation directly or indirectly owns, controls or has the power to vote at least ten percent (10%) but not more than fifty percent (50%) of the shares or interests.

Furthermore, for purposes of determining whether or not a person is engaged in an business or activity which competes with or is antagonistic to that of the Corporation or any of its subsidiaries and affiliates, or if he is a controlling person, beneficial owner, or the nominee of another, or if he suffers from the foregoing qualifications, the Board of Directors may take into account such factors as business, professional and family relationships.

## Temporary Disqualification

- (i) Refusal to fully disclose the extent of business interest as required under the Securities Code and its Implementing Rules and Regulations; provided that this disqualification shall be in effect as long as said refusal persists;
- (ii) Absence or non-participation for whatever reasons(s) for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (iii) Dismissal/termination from directorship in another corporation the shares of which are listed on the Exchange, for cause; provided that this disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- (iv) Being under preventive suspension by the Company; and
- (v) Conviction that has not yet become final involving offenses referred to in the grounds for the disqualification of directors set out above.
- (vi) In the case of independent directors,
  - a. his beneficial equity ownership in the corporation or any of its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
  - b. In the case of independent directors, the additional grounds for temporary disqualification shall be those provided under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code

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

## **Subject 2 Independent Directors**

As a corporation publicly listed in the Exchange, the Company shall conform with the requirement to have an independent director or such number of independent directors as maybe required by law and its articles of incorporation and by-laws. An independent director provides independent judgment, experience and objectivity.

“Independent Director” means a person who is independent of management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company and includes, among other persons, one who:

1. Is not an existing director, officer, executive or employee of the Company or of its related companies or any of its substantial shareholders (other than as an Independent Director of any of the foregoing);
2. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders
3. Is not a relative of any director, officer, executive or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders. For this purpose, “relatives” includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
4. Is not acting as a nominee or representative of any director, officer, executive or substantial shareholder of the Company, any of its related companies or any of its substantial shareholder;
5. Has not been employed in any executive capacity by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years;
6. Is not retained or, within the last two (2) years, has not been retained as a professional adviser by the Company, any of its related companies or any of its substantial shareholders, either personally or through his firm; or
7. Has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm’s length and are immaterial.

When used in relation to the foregoing paragraphs, “related company” means another company which is: (a) its holding company, (b) its subsidiary or (c) a subsidiary of its holding company; and “substantial shareholder” means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

### **Subject 3**

#### **General Responsibilities of the Board**

Compliance with the principles of sound corporate governance instituted in this Manual shall be the paramount responsibility of and shall start with the Board.

The Board shall exercise the corporate powers and conduct and manage the business and affairs of the Company in consonance with the principles of sound corporate governance instituted in this Manual and shall be responsible for fostering the long-term success of the Company and securing its sustained competitiveness.

Consistent with a director's three-fold duty of obedience, diligence and loyalty to the corporation he serves, the Directors shall:

1. Act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, By-laws of the company and in existing laws, rules and regulations;
2. Exercise their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the Company; and
3. Act in the best interest of the Company and for the common benefit of the Company's stockholders and other stakeholders.

A director's office is one of trust and confidence. As such, a Director shall act in a manner characterized by transparency, accountability and fairness.

### **Subject 4**

#### **Specific Duties and Functions of the Board**

To ensure a high standard of best practice on governance for the Company and to promote and protect the interest of the Company, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

1. Install a process of selection to ensure a mix of competent Directors and Officers each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and adopt an effective succession planning program for Management;
2. Elect the President and other Officers;

3. Adopt a professional development program for Officers and succession planning for the Company Executives;
4. Determine or validate the Company's purpose, its vision, mission and strategies to carry out its objectives;
5. Ensure that the Company complies with all relevant laws, rules and regulations and codes of best business practices
6. Identify the Company's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
7. Adopt a system of internal checks and balances and regularly evaluate applicability thereof under changing conditions;
8. Identify key risk areas and key performance indicators and monitor these factors with due diligence
9. Ensure the continuing soundness, effectiveness and adequacy of the Company's internal control environment; and
10. Properly discharge Board functions by meeting regularly, and give due consideration to independent views during Board meetings, which meetings shall be duly minuted; and
11. Adopt procedures for the Directors, either individually or as a group, in furtherance of their duties, to take independent professional advice and to have access to management;
12. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing rules and regulations.
13. Approval of items reserved to the Board, such as, but not limited to:
  - a. Annual Reports and Financial Statements
  - b. Dividends
  - c. Financial Policies
  - d. Budget
  - e. Retirement Plan and selection/appointment of Trustees
  - f. Safety/asset integrity matters
  - g. Others
14. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including business plans, operating budgets and Management's overall performance  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

15. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
16. Establish rules for an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
17. Appoint a Compliance Officer who shall have the rank of at least vice-president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
18. Perform such other functions which may be required under existing laws, issuances and regulations.

**Subject 5**  
**Specific Duties and Responsibilities of a Director**

A Director shall have the following duties and responsibilities:

1. To conduct business transactions with the Company fairly, ensuring that personal interest do not affect his independent judgment and the Board'
2. To devote time and attention necessary to properly discharge his duties and responsibilities;
3. To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
4. To exercise independent judgment;
5. To have a working knowledge of the statutory and regulatory requirements affecting the Company and its operations, including the provisions of the Company's Articles of Incorporation, By-Laws, the requirements of the Commission and, where applicable, the requirements of other regulatory agencies having jurisdiction over the Company; and

6. To observe confidentiality on non-public information acquired by reason of his position as a Director;
7. To ensure the continuing soundness, effectiveness and adequacy of the Company's, control environment.

**Subject 6**  
**Board Meetings and Quorum Requirement**

The Board shall schedule and hold regular meetings and convene for special meetings when required by business exigencies. Every Director shall attend such meetings, to ensure that the quorum requirement will be met, unless his absence thereat is due to justifiable causes.

In any meeting of the Board, an Independent Director must always be in attendance.

Justifiable causes include, but are not limited to, grave illness, death of an immediate family member or serious accidents.

To monitor the directors' compliance with attendance requirements, the Company shall submit to the Commission via SEC Form 17-C, on or before January 30 of the following year, a sworn certification about the director's record of attendance in Board meetings duly signed by the Corporate Secretary and the Chairman.

*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

**Subject 7**  
**Adequate and Timely Information**

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

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

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

*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

**Subject 8**

## **Training / Orientation Process**

The Board undertakes to require a newly elected member of the Board to attend, within a reasonable period after his election to the Board, a seminar on corporate governance conducted by any duly recognized private or government institution.

In addition, newly elected members of the Board should familiarize themselves with the Corporation's operations, senior management and business environment. They should be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations.

Appropriate training opportunities for both existing and potential directors may, from time to time, be identified and undertaken.

## **Section 5 BOARD COMMITTEES**

### **Subject 1 General Provisions**

To aid in ensuring compliance with the principles of sound corporate governance, the Board may create such committees, as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Company and to aid in good governance. As a minimum, however, the Board shall be supported by the following committees:

- a. Nomination and Compensation Committee
- b. Audit and Governance Committee;
- c. Risk Management Committee
- d. CSR Committee
- e. Operations Committee

The Board, however, may create and constitute such other Committees, as it may deem necessary. Any such newly constituted Committee shall have such authority and responsibilities and shall perform such duties as may, from time to time, be prescribed by the Board.

The Committees shall likewise report to the Board in such manner as the Board may require.



## **Subject 2 Composition**

The Board shall appoint the members and chairman (from among the members) of each Board Committee following the annual meeting of stockholders at which the directors are elected.

In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.

The Board shall ensure that the members of the Board Committees shall be as follows:

1. Audit and Governance Committee:
  - i. At least three (3) Directors as members; and
  - ii. Comprises at least a majority of the independent directors and shall be chaired by an independent director. Each member shall have adequate understanding and recent relevant financial experience or competence of the company's financial management systems and environment. The members shall preferably have accounting and finance backgrounds or with audit experience.<sup>1</sup> (Amended pursuant to Audit and Governance Committee endorsement dated May 7, 2013 and Board approval dated July 9, 2013.)
  
2. Nomination and Compensation Committee:
  - i. At least three (3) Directors as members, one of whom shall be an Independent Director; and
  - ii. The Chairman shall either be a regular or independent Director, elected from among the members of the Committee
  
3. Risk Management Committee:
  - i. At least three (3) Directors as members;
  - ii. At least one (1) Vice-President who shall be the Management Representative/s and Committee Resource person/s. The Committee shall also involve resource persons from other EDC sectors, as may be necessary.

The head of the Risk Management Department of EDC shall serve as head of the Secretariat of the Committee.  
*(Amended pursuant to Board Resolution No. 30, Series of 2011 dated July 13, 2011)*

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<sup>1</sup> All underlined items under Section 5, Subject 2 of this Manual were amended pursuant to the Audit and Governance Committee (AGC) endorsement dated May 7, 2013 and Board approval dated July 9, 2013.

#### 4. Corporate Social Responsibility Committee

- i. At least three (3) Directors as members, one of whom shall be elected as Chairman. The members shall be appointed by the Board.
- ii. A Vice-President shall be designated by the President to act as Management Representative/ Committee Resource Person. He/ She shall have no voting rights on matters deliberated by the committee.

The Committee Secretariat shall be a CSR Department Manager of the Company, or such other person designated by the President.

*(Amended pursuant to a Resolution of the EDC Board of Directors dated July 13, 2011)*

#### 5. Operations Committee

- i. At least five (5) Directors as members;
- ii. The Chief Executive Officer; and
- iii. The Chief Operating Officer

All Committees shall have at least one (1) Vice President as Management representative/resource person, to be designated / appointed by the President.

### **Subject 3 Charter Requirement**

Each Board Committee shall have a separate Charter, which shall define and govern, among other matters, the objectives, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedure for escalation to the Board of decisions of such Board Committee as provided in this Manual and the Company's Articles of Incorporation and By-Laws.

The respective Charters of the Board Committees shall be approved by the Board and shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by the Board.

Each Board Committee shall report or submit to the Board a summary of the actions taken by such Committee pursuant to the terms of their respective charters.

**Subject 4**  
**General Duties and Functions of Board Committees**

The general duties and functions of different committees under the EDC Board of Directors are hereinafter set forth as a general guide in their respective operations, without prejudice to the promulgation of specific duties and internal committee protocols in their respective Charters duly-approved by the Board.

**Subject 4A**  
**Nomination and Compensation Committee**

NOMINATION AND COMPENSATION COMMITTEE

Duties and Responsibilities:

*On Nomination:*

1. To pre-screen and shortlist candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications for directors set forth in existing laws, relevant regulations and this Manual.
2. To consider and recommend to the Board the permanent or temporary disqualification or such other appropriate administrative sanction of any Director based on the grounds provided under this Manual and the Committee Charter
3. To determine and submit an appropriate recommendation or finding on whether a candidate's directorship in other corporations would affect his capacity to serve and perform his duties as a Director diligently, taking into consideration the following factors:
  - (i) The nature of the business of the Company;
  - (ii) The number of directorships/active memberships and officerships of a Director in other corporations or organizations;
  - (iii) Any possible conflict of interest;
  - (iv) The age of the Director; and
  - (v) Such other factors which the Board may consider from time to time.

4. To ensure that the Executive Directors, the Independent Directors and Non-Executive Directors who serve as full-time executives in other corporations shall submit themselves to a low-indicative limit on directorships in other corporations in order that the capacity of said directors to serve the Company with utmost diligence shall not be compromised.
5. To ensure that the Company shall conform with the requirement to have an independent director or such number of independent directors as maybe required by law and its articles of incorporation and by-laws.
6. In connection with the qualification and election of independent directors for purposes of a stockholder's meeting, to conduct the nomination process for the election of independent directors under the procedures/guidelines provided under the Committee's Charter.
7. After the nomination, to prepare a final list of all candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of the Securities Code Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with Securities Code Rules 17.1 (b) or 20, respectively, or in such other reports the company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee. Only nominees whose names appear on the final List of Candidates shall be eligible as Independent Directors. No other nomination shall be entertained after the final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual stockholders' meeting.
8. To identify and recommend the candidates among the incumbent Directors to fill vacancies in any of the Board Committees, taking into consideration the factors set out in the respective Charters of said Committees as well as any other factors it deems appropriate.
9. To redefine, in consultation with the Board, the roles, duties and responsibilities of the President, if the Committee reasonably believes that such is necessary in order to integrate the dynamic requirements of the business as a going concern and the future plans of the Company, subject at all times to the principles of sound corporate governance.
10. To identify candidates for any vacancies in the Board.
11. To conduct and Annual Board evaluation process to assess the effectiveness of the Board.

12. To put together terms of reference for senior executives of the Company, including the CEO, VPs, etc., setting forth qualifications and competencies for such offices, which shall include commercial, financial and/or technical experience and expertise in running a business enterprise.

*On Compensation:*

13. To establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors; provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy objectives, plans and programs as well as the power and energy industry.
14. To review and recommend to the Board the Company's compensation system, policies and guidelines and oversee the development and implementation of compensation and incentives program and guidelines affecting members of the Board, President , Vice Presidents and Senior Managers. The levels of honoraria, remuneration or compensation of the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the honoraria, remuneration or compensation of executive directors may also be structured or be based on corporate and individual performance.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
15. To review annually the existing salary structure of the President, Vice Presidents and Senior Managers against actual payline and existing trendline of the industry compensation and benefits and brief the Board on the situation of the company and how it compares with the industries and leading companies.
16. To review and recommend to the Board changes in the organizational structure and staffing requirements affecting Senior Managers of higher.
17. To undertake any special projects or investigations which the Committee considers necessary, and perform other tasks or duties as may be requested or delegated by the Board of President.

**Subject 4B**  
**Audit and Governance Committee<sup>2</sup>**

AUDIT AND GOVERNANCE COMMITTEE

Duties and Responsibilities

*On Audit*

- A) To review all financial statements by:
- 1) Obtaining an understanding of the company's significant financial reporting matters, including but not limited to:
    - a) Financial results
    - b) Information on management discussion and analysis
    - c) Significant balance sheet changes
    - d) Accounting principles, including changes
    - e) Significant accounting issues and complex transactions
    - f) Related party transactions
    - g) Subsequent events, and
    - h) Recent professional, legal, tax and other regulatory pronouncements and its impact on the financial statements.
  - 2) Reviewing with management and the external auditors the results of the audit, including any difficulty encountered. This review will include any restriction on the scope of the independent auditor's activities or on access to requested information, and any significant disagreement with management.
  - 3) Review the quarterly, half-year and annual financial statements with management and external auditors (as applicable) before its submission to the Board, and release to appropriate regulatory agencies and creditors
  - 4) Review the management representation letter before submission to the external auditor. The Committee fully recognizes that management has the primary responsibility for the financial statements and the financial reporting process.
  - 5) Discussing the annual audited financial statements and quarterly financial statements with management and the external auditors.

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<sup>2</sup> All underlined items under Section 5, Subject 4B of this Manual were amended pursuant to the Audit and Governance Committee (AGC) endorsement dated May 7, 2013 and Board approval dated July 9, 2013)

- 6) Reviewing other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
  - 7) Understanding how management develops interim financial information and the nature and extent of internal and external auditor involvement.
  - 8) Reviewing interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.
- B) To perform oversight function in the management of the Company's internal controls by:
- 1) Monitoring and evaluating the effectiveness of the Company's internal control system in management, operations, finance, including information system security and control
  - 2) Obtaining management assurance on the state of internal controls
  - 3) Understanding the scope of internal and external auditors' review of internal control over the reliability of the company's financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
  - 4) Promoting a culture of integrity, and ethical values and behavior in the company.
  - 5) Meeting periodically with Risk Management Committee and key management to discuss the control environment.
  - 6) Perform oversight and review function of the cost-effectiveness and efficiency of business units against established performance standards.
  - 7) Formulating policies as to how staff may in confidence raise concerns in matters of financial reporting or other matters, ensure proportionate and independent investigation and follow-up action.
- C) To review Internal Audit Department's plans, activities, organizational structure and effectiveness in complying with the International Standards for the Professional Practice of Internal Auditing; and to ensure there is no unjustified restrictions, or limitations, on the reviews conducted by Internal Audit Department, such as but not limited to the following:
- 1) Review and approve the Internal Audit Department's charter, plans, activities, staffing, and organizational structure.
  - 2) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing by promoting quality assessment (QA) activities and receiving results of QA reviews.

- 3) Review and concur in the appointment, replacement, or dismissal of the chief audit executive (CAE); conduct performance appraisal and approve compensation and salary adjustments of the CAE
  - 4) Ensure that there are no unjustified restrictions in scope or budgetary limitations that impede the ability of the Internal Audit Department to execute its responsibilities
  - 5) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties. *(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
  - 6) Ensure that the Internal Audit Department maintains a professional audit staff with sufficient knowledge, skills, experience and professional certifications in order to meet the requirements of the Internal Audit Charter
  - 7) On an annual basis, meet separately with the chief audit executive to discuss any matters that the Committee or Internal Audit believes should be discussed separately
- D) To oversee adequacy of external audit activities by:
- 1) Recommending to the Board an external auditor (subject to shareholder ratification), reviewing and approving the audit fee and engagement letter.
  - 2) Reviewing the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
  - 3) Reviewing with management the external audit reports and findings as well as the company's reply to audit findings.
  - 4) Reviewing the performance of the external auditors and exercising final approval on the appointment or discharge of the auditors.
  - 5) Evaluate, determine and approve the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and the corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.
  - 6) Review the required rotation of the external auditor partners or firms.
  - 7) Reviewing and confirming the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services and discussing the relationships with the auditors.
  - 8) Meeting separately, as necessary, with the external auditors to deliberate on any matter that the committee or auditors believe should be discussed.



- 9) To perform oversight function in the Company's compliance to all rules, laws, regulations and policies by:
  - a) Formulating policies that will promote compliance;
  - b) Closely coordinating with the monitoring function of the Compliance Officer; and
  - c) Reviewing potential conflicts of interests and related party transactions.

*On Governance and Compliance:*

- A) In coordination with the Compliance Officer, monitor and facilitate the company's compliance to all rules, laws, regulations, and company policies that would have an impact in the organization's objectives.  
*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*
- B) Formulate policies that will promote compliance to rules, laws, regulations and company policies.
- C) Perform oversight and review function of potential conflicts of interest and related party transactions.
- D) Receive and review reports of internal and external counsels, auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions to address regulatory issues as well as updates on status of litigations, claims and contingencies, if any.
- E) Review the process for communicating the code of conduct to company personnel and for monitoring compliance therewith.
- F) Obtain regular updates from the Compliance Officer, management and company legal counsel regarding compliance matters.
- G) Review the Company's corporate governance activities and programs, and oversee the implementation thereof by the Company.

**Subject 4C**  
**Risk Management Committee**

RISK MANAGEMENT COMMITTEE

Duties and Responsibilities

*(Amended pursuant to the Board Resolution No. 30, series of 2011 dated May 9, 2011)*

The Risk Management Committee plays a vital oversight role and serves as an official liaison to the Board of Directors. The specific duties and responsibilities of the Committee are as follows:

1. Conduct a yearly evaluation of the company's risk assessment and risk management program and ensure that appropriate controls are in place.
2. Recommend to the Board the Company's strategic risks, including the risk mitigation and control measures that require immediate or urgent implementation.
3. Meet periodically with the *Audit and Governance Committee*, key management, and internal and external auditors to understand and discuss the control environment.
4. Review the Company's risk tolerance, financial exposures, and investment guidelines, including the mitigating strategies, insurance, and other risk financing schemes being undertaken.
5. Review periodically the security, safety, physical loss control measures, and the specific Emergency Response Plan adopted by the Company to ensure that all risks are adequately covered.
6. Review annually the adequacy of this Charter and recommend any proposed changes to the Board of Directors.

**Subject 4D**  
**Corporate Social Responsibility Committee**

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Duties and Responsibilities

1. To formulate and update the vision, strategy and execution of Corporate Social Responsibility (CSR) programs for the Company
2. To oversee, coordinate and integrate the management of the Company's CSR programs for:
  - a. Employees
  - b. Environment
  - c. Communities and Interest Groups
  - d. Government Instrumentalities (LGU, GAs, legislative bodies)
  - e. Business Partners (shareholders, suppliers, clients, contractors, GFIs, ODA, international organizations, energy family, program partners, etc.)
3. To oversee the Company's integrated CSR program.
4. To conduct an annual review of the integrated CSR programs to ensure that these:
  - a. comply with applicable laws
  - b. conform with international standards and global trends, and
  - c. are consistent with Company policies, guidelines and objectives on CSR
5. To ensure that the CSR program is integrated and applied consistently throughout the organization
6. To identify and recommend program enhancements that will increase effectiveness and overall improvement in company performance and image.
7. To apprise the Board/President regularly of the accomplishments and issues/concerns related to the integrated CSR program.
8. To redefine, in consultation with the Board, the roles, duties and responsibilities of the Committee in order to integrate the dynamic requirements of business and the future plans of the Company, subject at all times to the principles of sound corporate governance
9. To undertake special projects or activities which the Board/President or the Committee considers necessary, and perform other tasks or duties as may be requested or delegated by the Board or the President.

**Subject 4E**  
**Operations Committee**

OPERATIONS COMMITTEE

Duties and Responsibilities

The Operations Committee shall deliberate, review and recommend all matters that will require:

- a. Approval of the EDC Board;
- b. Approval of all proposals for expenditures with value up to P100 million; and
- c. Assignments that may be delegated by the Board to the Committee.

The matters for decision of the above authorities relate to the following:

- i. Policy
- ii. Organization/Personnel
- iii. Finance
- iv. Expenditures
- v. Budget
- vi. Fixed Assets
- vii. Procurement
- viii. Credit
- ix. Sales
- x. Inventories
- xi. Legal
- xii. Insurance; and
- xiii. General energy operations
- xiv. Other matters that may arise from time to time

## Section 6 EXECUTIVE OFFICERS

### Subject 1 Specific Duties and Functions

#### The Chairman

The Chairman of the Board shall be elected by and among the Directors. He shall preside at all meetings of the Board and shall perform such other duties as he may be called upon to perform by the Board.

He shall assist in ensuring that the Board meets regularly in accordance with the corporate governance policies and practices. He shall likewise ensure that the Board meets regularly in accordance with an approved annual schedule and performs its duties responsibly. He shall determine the agenda of each meeting in consultation with the President.

#### The Vice-Chairman

The Vice-Chairman performs the duties and responsibilities of the Chairman whenever the latter is unavailable, as well as such other duties as the Board from time to time designate.

#### The President

The President is responsible for leadership of the business and management of the operations of the Company within the authorities delegated by the Board. He shall ensure that the business and affairs of the Company are managed in a sound and prudent manner and that organization and procedural controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations and contracts.

The President shall provide the Board with a balanced and understandable account of the Company's performance, position and prospects on a regular basis.

#### Chief Executive Officer

The Chief Executive Officer shall have general supervision over the business and affairs, and the properties of the Corporation. He shall also perform such duties and responsibilities that shall be assigned to him by the Board of Directors from time to time.

If one person holds the position of CEO and Chairman, the Board shall take steps to ensure that proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. *(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*

## The Chief Operating Officer

The Chief Operating Officer shall be primarily responsible to oversee the everyday operations and functions of the company and such duties as the Board of Directors and/or the President from time to time designate.

## The Corporate Secretary and Assistant Corporate Secretary

The Corporate Secretary and Assistant Corporate Secretary who shall be citizens and residents of the Philippines shall be the ex-officio Secretaries of the Board of Directors; they shall attend all sessions of the Board and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for any committee of the Board when required. They shall give or cause to be given notice of all meetings of the stockholders and of the Board of Directors as may be required and shall perform such other duties as may be prescribed by the Board of Directors or by the President under whose supervision they shall be.

In addition to the general powers hereinabove conferred and the specific powers granted by the Company's By-Laws, the Corporate Secretary and Assistant Corporate Secretary shall have the following duties: *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*

1. They shall at all times strive to achieve perfection in the performance of their functions and undertake that no surprises are likely to come from them *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)* Likewise, loyalty to the mission, vision and specific business objectives of the Company shall form an important part of their duties.
2. Work fairly and objectively with the Board, Management and stockholders *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*;
3. Have appropriate administrative and interpersonal skills *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*;
4. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*;
5. Have a knowledge of the operations of the corporation *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*;
6. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*;
7. Ensure that all Board procedures, rules and regulations are strictly followed by the members *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*;
8. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer provided for in this Code *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*.
9. Implement the corporate governance improvements adopted by the Board, as

hereinafter adopted from time to time, including but not limited to:

- a. The organization of an annual one-day off-site strategy retreat for members of the Board for purpose of discussing and agreeing on strategic issues related to the Company and its business.
- b. The organization of training on corporate governance for the Board, which shall be conducted by a recognized director training organization.

For this reason, the Company shall allocate reasonable and sufficient resources to enable the Corporate Secretary in fulfilling these functions, including the appointment of a professional law office to assist him, if needed.

## **Section 7 REMUNERATION OF DIRECTORS AND OFFICERS**

The levels of honoraria, remuneration or compensation of the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the honoraria, remuneration or compensation of executive directors may also be structured or be based on corporate and individual performance.

In order to accomplish and maintain the sufficiency of the remuneration system for Directors and Officers, the Nomination and Compensation Committee shall review and recommend to the Board the Company's compensation system, policies and guidelines and oversee the development and implementation of compensation and incentives program and guidelines affecting members of the Board, President , Vice Presidents and Senior Managers.

*(Amended pursuant to the Board Resolution No. 13, series of 2011 dated March 15, 2011)*



## Section 8 INTERNAL AND EXTERNAL AUDITORS

### Subject 1 Internal Audit Functions

The Company shall have in place an independent internal audit function, which shall be performed by the Internal Audit Department through which the Board, management and stockholders of the Company shall be provided with reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective and complied with.

The Chief Audit Executive responsible for the internal audit activities shall report functionally to the Board, through the Audit and Governance Committee.

### Subject 2 Guidelines on Organizational and Procedural Controls

The minimum internal control mechanisms for management's operational responsibility shall center on the President, being ultimately accountable for the Company's organizational and procedural controls.

As such, Management should formulate, through the Internal Audit Department and under the supervision of the Audit and Governance Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines (*Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011*):

- i. The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained (*Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011*);
- ii. An effective system of internal organizational and procedural controls that will ensure the integrity of the financial reports and protection of the assets of the corporation should be maintained, based on the following factors (*Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011*):
  - a. The nature and complexity of business and the business culture;
  - b. The volume, size, complexity of the transactions;
  - c. The degree of risk;
  - d. The degree of centralization and delegation of the authority;

- e. The extent and effectiveness of information technology; and
  - f. The extent of regulatory compliance
- 
- iii. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations (*Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011*);
  - iv. The corporation should consistently comply with the financial reporting requirements of the Commission (*Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011*);

**Subject 3**  
**Selection / Appointment / Resignation / Dismissal of External Auditors**

The Board, through the Audit and Governance Committee, may recommend a duly accredited External Auditor, who shall be nominated for election or appointment by the stockholders as may be required but the term of which shall in no case exceed three (3) consecutive years.

The reason(s) for the resignation, dismissal or cessation from service and the date thereof of the External Auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

**Subject 4**  
**Functions of, and Restrictions on External Auditors**

The External Auditor shall enable an environment of sound corporate governance as reflected in the financial records and reports of the Company. The External Auditor shall undertake an independent audit and provide an objective assurance on the way in which the Company's financial statements have been prepared and presented. If the External Auditor believes that the statements made in the Company's annual report, information or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

The External Auditor of the Company shall not at the same time be engaged as the internal auditor thereof.

When the External Auditor is tasked to perform non-audit work, the Company shall ensure that said non-audit work shall not be in conflict with its functions as the Company's External Auditor.

“Non-audit work” refers to other services offered by the External Auditor to the Company that are not directly related and relevant to its statutory audit functions or that may compromise the independence and objectivity of the external audit.

The Company’s external auditor shall be rotated or the handling partner shall be changed every three (3) years or earlier.

## **Section 9 STOCKHOLDERS' RIGHTS AND PROTECTION**

### **Subject 1**

#### **Commitment to Respect Stockholders' Rights**

##### STOCKHOLDERS' RIGHTS AND PROTECTION

The Company recognizes that the most cogent proof of sound corporate governance is that which is visible to the eyes of its investors. Therefore the provisions of this Section on stockholders' rights and protection shall serve as a guide for all internal and external parties, as a means of corporate governance covenant between the Company and all its stockholders.

##### COMMITMENT TO RESPECT STOCKHOLDERS' RIGHTS

The Articles of Incorporation and all resolutions adopted by the Board establishing and designating series of serial preferred stock, fixing the number of shares to be included in each series and the rights, preferences and limitations of the shares of each series as filed with the Commission, which are deemed part of the Articles of Incorporation, shall lay down the specific rights and powers of stockholders with respect to the particular shares of stock they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

The Board shall be committed to respect the voting right, right to information, right to dividends and appraisal rights of the stockholders.

### **Subject 2**

#### **Voting Right**

Owners of shares of common stock of the Company shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code, the Articles of Incorporation and the By-Laws.

At every meeting of the stockholders for the election of directors, owners of shares of common stock of the Company are entitled to one vote for each share of common stock owned by him. He may vote such number of 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 shares shall equal, or he may distribute them on the same principle among as many candidates as he shall think fit.

A director shall not be removed without cause if such removal will deny minority stockholders their representation in the Board.

### **Subject 3 Pre-Emptive Right**

All stockholders shall have pre-emptive rights or the right to subscribe to or purchase any unissued shares of stock of the Company offered for subscription or purchase, except as provided in Section 39 of the Corporation Code which states that pre-emptive right shall not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

### **Subject 4 Inspection Right**

All stockholders shall be allowed to inspect corporate books and records including minutes of board Meetings and stock registries; provided that, such right may be denied by the Board if the requesting stockholder improperly used information secured from prior examination, or is not acting in good faith, or does not have a legitimate purpose for inspecting the records, or if the Board determines it necessary to safeguard the rights and legitimate interest of the Company such as when the records to be inspected contain sensitive or confidential information or are covered by a confidentiality or non-disclosure obligation which will be breached by the Company if such records were made available for inspection.

### **Subject 5 Right to Information**

Stockholders shall be provided, upon request, with periodic reports filed by the Company with the Commission (e.g. proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Company's shares, material transactions with the Company, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the By-Laws, the minority stockholders shall be granted the right to propose the holding of a meeting and to propose items in the agenda of such meeting, provided that such items are for legitimate business purposes. The determination of whether any proposed item in the agenda of the proposed meeting is for a legitimate business purpose shall rest solely upon the discretion of the Board.

## **Subject 6 Right to Dividends**

Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the Articles of Incorporation, owners of share of stock with cumulative fixed dividend feature, as of the record date fixed by the Board in the resolutions declaring dividends on such shares, shall have the right to receive payment of such dividends on such shares. In all other cases, the Board shall determine, using its best judgment and taking into consideration, among other factors, the circumstances specified under the Company's Dividend Policy and the availability of unrestricted retained earnings whether dividends will be declared by the Board.

The Company shall be compelled to declare dividends when its retained earnings shall be in excess of one hundred percent ( 100%) of its paid-in capital stock, except: (i) when justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

## **Subject 7 Appraisal Right**

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

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term or corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets; provided that, a sale or other disposition shall be deemed to cover substantially all of the corporate property or assets if thereby the Company would be rendered incapable of continuing the business or accomplishing the purpose for which it was organized;
3. In case of merger or consolidation; and
4. In case of investment of corporate funds in another corporation or business or for any other purpose other than the primary purpose for which the Company was organized and such investment is not reasonably necessary to accomplish the Company's primary purpose.

**Subject 8**  
**Duty to Promote Stockholders' Rights**

It shall be the duty of the Board to promote stockholder's rights, remove impediments to the exercise thereof and allow possibilities of seeking redress for violation of such rights. The Board shall encourage the exercise of stockholders' voting rights and the collective action towards solution of problems through appropriate mechanisms.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject of the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in stockholder's favor. *(Amended pursuant to Board Resolution No. 13, series of 2011 dated March 15, 2011)*

They shall likewise be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The Board shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions in accordance with applicable laws, rules and regulations.

**Subject 9**  
**Commitment to Disclose Material Information**

The Board shall, at all times commit to fully disclose material information and/or transactions that could potentially affect the market price of the Company's shares and such other information which are required to be disclosed pursuant to the Securities Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, Board membership changes, shareholdings of Directors and Officers and any changes thereto, and remuneration of Directors and Officers and related party transactions.

The Board shall cause the filing with the Commission and the Exchange of all written disclosures or reports on material information and/or transactions in accordance with the Securities Code and its Implementing Rules and Regulations.

All disclosures shall be released by means of the established procedure of the Exchange for corporate announcements as well as through the Company's annual report for the interest of the stockholders and the public in general.

**Subject 10**  
**Disclosure of Company's Corporate Governance Policies**

The reports or disclosure required under this Manual shall be prepared and submitted to the Commission by the responsible Board Committee or Officer through the Company's Compliance Officer.



## **Section 10 GOVERNANCE SELF-RATING SYSTEM**

The Board shall annually undergo an internal self-rating evaluation that measures the performance of the Board and Management in the criteria pursuant to the best practices on good corporate governance.

The creation and implementation of such self-rating system, including its salient features, have been disclosed in the company's annual report.