

2017 Corporate Governance Report

Board Responsibilities

Energy Development Corporation

BOARD RESPONSIBILITIES

The primary responsibility of governing EDC and overseeing the management of its business lies with the EDC Board of Directors.

Board composition and structure. The 2017 Board of Directors consists of eleven (11) highly-qualified and highly-experienced professionals with core competencies on business, local and international finance, asset management and energy. On May 8, 2017, *Oscar M. Lopez, Federico R. Lopez, and Richard B. Tantoco*, were elected as executive directors; *Francis Giles B. Puno, Jonathan C. Russell, Peter D. Garrucho, Jr., Joaquin E. Quintos IV and Victor Emmanuel B. Santos Jr.*, were elected as non-executive directors, and *Edgar O. Chua, Francisco Ed. Lim, and Manuel I. Ayala*, were elected as independent directors. With the resignation of Directors Oscar M. Lopez, Peter D. Garrucho Jr. and Victor Emmanuel B. Santos, Jr. on October 3, 2017, *David Simon Luboff, David Andrew Baldwin and Christopher Low Eu Sun* have been elected as non-executive directors to serve the unexpired portion of the term of their predecessors.

The size, balance and composition of the Board of Directors enables it to fully support its responsibilities to the Company's stockholders. With an average age of 52 years, the current Board of Directors have a good mix of business, legal, financial and commercial expertise in various industries, including the power and energy sector. Of the current directors, Federico R. Lopez has been Chairman and CEO of EDC from 2010.

The roles and responsibilities of the Board and Board Committees are clearly delineated in the Corporate Governance Manual and Committee Charters, which are available in its website.

The Executive Directors hold directorship positions within the Lopez Group. They do not have directorships in listed companies outside of the Lopez Group.

The Non-Executive Directors do not participate in the day-to-day management of EDC, but bring a strong presence of independent judgment with wide and varied commercial experience in the power and energy industry to the Board and the Board Committees' deliberations. Director Francis Giles B. Puno previously worked with the Global Power and Environmental Group of the Chase Manhattan Bank where he executed financial advisory and debt arrangement mandates for power and water projects in Asia. Director Jonathan C. Russell was an executive of an international developer of independent power projects based in the USA and responsible for the development of large-scale IPP projects in Asia. Director Joaquin E. Quintos IV currently sits as Vice Chairman of the Credit Information Corporation, the national credit registry of the Philippines, and previously held executive positions in IBM Philippines. Director David Baldwin has 30 years of experience developing and operating industrial, energy and resource companies in Europe, Asia, Australasia, and the US, as well as 15 years leading listed and private businesses. Director David Luboff currently holds the position of Chief Executive Officer of various Macquarie companies and led the establishment and management of a number of international



Macquarie-managed infrastructure funds. Director Christopher Low led majority of the investments made in the Philippines by infrastructure asset manager MIRA.

The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties, and do not have concurrent directorships in more than five (5) publicly-listed companies in the Philippines.

The Independent Directors maintain independent judgment from Management, and do not involve themselves in business transactions or relationships with the Group, so as not to compromise their independence. As of December 31, 2017, EDC's Independent Directors are Edgar O. Chua, Francisco Ed. Lim and Manuel I. Ayala.

The Board now comprises of 18% executive directors, 55% non-executive directors, and 27% independent directors. The number of independent directors is more than the minimum regulatory requirement of at least 2, or 20% of the board, whichever is higher.

In 2017, the Non-Executive and Independent Directors met on May 31, 2017 without the presence of any of the executive directors and/or management on matters for consultation with the external auditor and process improvements on CG compliance monitoring.

In the annual corporate governance performance assessment of the Board of Directors, the Board perceived that the directors remain to be independent-minded in dealing with company issues thereby allowing constructive discussion and collaborative decision-making among themselves and with Management.

Nomination, Election and Succession, and Qualifications and Disqualifications of Directors. EDC's By-Laws, Corporate Governance Manual and the Charter of the Nomination and Compensation Committee lay down the procedure for the nomination and election of executive, non-executive and independent directors, and likewise provide the qualifications and disqualifications for directors.

Nominations of candidates by EDC stockholders are submitted in writing to the Board of Directors, through the Corporate Secretary, before the scheduled ASM. The Nomination and Compensation Committee (NCC) screens and evaluates the nominations in accordance with the standards, criteria, qualifications, disqualifications and requirements established by law, rules and regulations and those embodied in EDC's Corporate Governance Manual, the Charter of the NCC, and the By-Laws, all of which are posted in the Corporate Governance pages of EDC's website. In pre-screening and short-listing of nominees, the NCC looks into the complementarity of skills and experience and encourages diversity, considering factors such as, but not limited to, age, gender, ethnicity, culture, skills, competence and knowledge.

Upon election, a new Director receives an orientation about the Company and its business,

conducted by the Office of the President (OP) and the Strategy and Risk Management Group (SRMG). In addition, the Corporate Governance Office likewise ensures that the Directors receive a proper corporate governance orientation to remind them of their general and specific duties and responsibilities to EDC's stakeholders, as well as their reporting responsibilities to the SEC and PSE.

Succession, in the event of vacancy or replacement, of any member of the Board of Directors is provided in EDC's By-Laws. Any vacancy in the Board of Directors, except that caused by removal, shall be filled by a majority vote of the Board of Directors constituting a quorum at a meeting specially called for that purpose, and the director so elected shall serve for the unexpired term. For any vacancy arising from removal, the stockholders shall fill up such vacancy in the manner provided in Sections 28 and 29 of the Corporation Code.

Term of Office of Directors. The term of office of the directors, whether independent, non-executive or executive, is only one year, subject to re-election after the end of their term, as provided in the Company By-Laws.

In 2017, EDC's Corporate Governance Manual has been amended to reflect the maximum cumulative term of nine (9) years for Independent Directors. After such period, the Independent Director shall be perpetually barred from re-election as such, but may continue to qualify for nomination and election as a non-Independent Director.

Board Diversity Policy. EDC welcomes board diversity as it promotes constructive interaction among the members of the Board. The Board has committed to improving the selection process to ensure a mix of competent Directors whose qualifications can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, regardless of gender, age, disability, race, or political, religious or cultural affiliations. EDC's policy on diversity of the Board's structure is clearly defined in the Corporate Governance Manual.

While no woman is currently sitting in the Board, female directors have previously been elected, namely, Lilia R. Bautista [1987], Corazon R. Estrella [1987, 1990, 1998, 1999, 2000, 2001, 2002, 2003, 2004], Regina O. Benitez [1998, 1999, 2000], Veronica I. Jose [1999, 2000], and Asuncion J. Espina [2005, 2006].

Chairman and Chief Executive Officer (CEO). The Chairman of the Board and CEO is Federico R. Lopez. Since EDC's privatization in 2007, he has served as a Director, and beginning 2010, has been elected as the Company's Chairman and CEO.

As Chairman, he presides at all meetings of the Board and performs such other duties as he may be called upon to perform by the Board. He is accountable for the proper processes and direction of the meetings and activities of the Board. He also ensures the optimization of the skills and combined knowledge and experience of the Board in order to achieve operational

excellence. Being the lead proponent of EDC's corporate governance policies, he supports efforts to ensure that the Board meets regularly in accordance with the corporate governance policies and practices. He likewise ensures 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.

As the Chief Executive Officer, he has general supervision over EDC's business, affairs, and properties. He also performs such duties and responsibilities that may be assigned to him by the Board of Directors from time to time. He is accountable to the Board, to EDC's stockholders and to the stakeholders for the proper implementation of projects and other operational requirements.

Although the positions of Chairman and CEO have been held by one person, the role, responsibilities and functions of the Chairman and the CEO are clearly delineated in the By-Laws. Also, to ensure constructive discussion within the Board and encourage independent views in dealing with company issues, the powers and responsibilities of directors are clearly delineated from the powers and responsibilities of management, and the independent directors are highly competent and actively participate in the discussions. Lastly, to ensure independent views and perspectives, a lead director may be designated among independent directors present during meetings whenever the Chairman has clear conflict of interest.

Corporate Secretary. Atty. Bernadette Ann V. Policarpio is EDC's duly-elected Corporate Secretary beginning October 3, 2017, after serving as Assistant Corporate Secretary since September 7, 2016. She is assisted by the duly-elected Assistant Corporate Secretary, Atty. Ana Maria A. Katigbak-Lim. Both have extensive legal experience and training, focusing on corporate and business law practice and litigation. They play a crucial role in assisting the Board during the meetings, in facilitating the dissemination of notices, agenda, board papers and other board materials, and performing such other functions as may be required by the Board.

Decisions Requiring Board Approval. The Corporate Governance Manual enumerates several matters requiring Board Approval, such as but not limited to, annual report and financial statements, dividends, policies, budgets, strategy and direction. Other matters requiring Board Approval include decisions involving fundamental corporate acts identified in the Corporation Code, such as but not limited to amendments to the Articles of Incorporation and By-Laws, sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of EDC's properties, incurring, creating or increasing its bonded indebtedness, increasing or decreasing its capital stock, merger or consolidation, investment of corporation funds in another corporation or business and dissolution.

EDC's Approvals Manual also identifies several items requiring Board Approval, such as, but not limited to, contracts and purchase orders over P250 million.

Board Meetings. EDC's Corporate Secretary prepares the schedule of EDC's Board meetings, in accordance with the provisions in the By-laws, and disseminates it to the members of the Board and Key executives, through the Office of the President, so that EDC's Directors can plan accordingly and fit the year's Board meetings into their respective schedules.

EDC's Board Meetings are usually scheduled at the beginning of the year. For 2017, the Board Meeting schedule was released by the Office of the President in the early part of 2017. The Board of Directors of the Company held its 2017 meetings on the following dates:

Date of Meeting	Nature of Meeting
January 27, 2017	Regular
February 28, 2017	Special
March 22, 2017	Regular
May 8, 2017	Organizational
August 8, 2017	Regular
October 3, 2017	Special
October 12, 2017	Special
November 22, 2017	Regular

During board meetings, EDC's directors are expected to prepare for, attend, participate, and to act prudently, in good faith, and in the best interest of EDC and its stockholders. The Board is aptly apprised and has full and unrestricted access to information on EDC's over-all performance, major business issues, new projects, the economic and environmental impact. The Board has direct contact and communication with Management and employees at any time. As a matter of protocol, Board papers for Board Meetings are provided at least five (5) business days before the date of the Board Meeting.

In 2017, the Board conducted a total of eight (8) meetings, including its organizational meeting. On the average, eighty-eight percent (88%) of EDC Directors were present in every Board meeting for the year. Details of the Directors' board meeting attendance are set out below:

DIRECTORS' ATTENDANCE IN BOARD MEETINGS FOR 2017								
NAME OF DIRECTORS	27-Jan	28-Feb	22-Mar	08-May	08-Aug	03-Oct	12-Oct	22-Nov
OSCAR M. LOPEZ**	A	/	/	A	/	A	N/A	N/A
FEDERICO R. LOPEZ	/	/	/	/	/	/	/	/
RICHARD B. TANTOCO	/	A	/	/	/	/	/	/
PETER D. GARRUCHO, JR.**	/	/	/	/	A	A	N/A	N/A
FRANCIS GILES B. PUNO	/	/	A	/	/	/	A	/
ERNESTO B. PANTANGCO*	/	/	N/A	N/A	N/A	N/A	N/A	N/A
JONATHAN C. RUSSELL	A	/	/	/	/	/	/	/
JOAQUIN E. QUINTOS IV	/	/	/	/	/	/	/	/
VICTOR EMMANUEL B. SANTOS JR.**	N/A	N/A	/	/	/	A	N/A	N/A
FRANCISCO ED. LIM	/	/	/	/	/	/	/	/
EDGAR O. CHUA	/	/	/	/	/	/	/	/
MANUEL I. AYALA	/	/	/	/	/	/	/	A
DAVID ANDREW BALDWIN**	N/A	N/A	N/A	N/A	N/A	N/A	/	/
DAVID SIMON LUBOFF**	N/A	N/A	N/A	N/A	N/A	N/A	/	/
CHRISTOPHER LOW EU SUN**	N/A	N/A	N/A	N/A	N/A	N/A	/	/

* Mr. Ernesto Pantangco retired from the EDC Board, and he was replaced by Mr. Victor Emmanuel B. Santos Jr. effective March 1, 2017.

** Chairman Oscar Lopez, Mr. Peter Garrucho Jr. and Mr. Victor Emmanuel Santos Jr. resigned from the EDC Board, and Mr. David Andrew Baldwin, Mr. David Simon Luboff and Mr. Christopher Low were elected on October 3, 2017, subject to their acquisition of at least one (1) share each.

The minimum quorum requirement for board decisions under EDC's By-Laws is a majority of the members of the Board, with the presence of at least one independent director. Further, every decision of a majority of the quorum shall require the concurrence of at least one independent director for the validity of the decisions of the board.

Board meetings are recorded and minuted, and all resolutions are documented by the Corporate Secretary. Committee meetings are likewise recorded and minuted, with the resolutions documented by the respective Committee Secretariats.

Board Committees. To facilitate in monitoring the Company's performance and to enhance the effectiveness of the Board in discharging its fiduciary duties, six board-level committees have been constituted, namely: the **Audit and Governance Committee, Nomination and Compensation Committee, Risk Management Committee, Corporate Social Responsibility Committee, the Operations Committee** and the **Related Party Transactions Committee**.

2017 BOARD COMMITTEE MEMBERSHIP AND ATTENDANCE						
	AGC	NCC	RMC	CSRC	OPERATIONS	RPT
<i>Actual Composition</i>	SEVEN MEMBERS 3 ID, 4 NED	FOUR MEMBERS 1 ID, 2 NED, 1 ED	THREE MEMBERS 3 NED	FIVE MEMBERS 1 ID, 2 NED, 2 ED	SIX MEMBERS 2 ED, 4 NED	NINE MEMBERS 3 ID, 4 NED, 2 ED
<i>Members (as of December 31, 2017)</i>	Edgar O. Chua (Chairman, ID) Francisco Ed. Lim (ID) Manuel I. Ayala (ID) Francis Giles B. Puno (NED) Jonathan C. Russell (NED) Joaquin E. Quintos IV (NED) David Simon Luboff (NED)	Federico R. Lopez (Chairman) Manuel I. Ayala (ID) Francis Giles B. Puno (NED) David Simon Luboff (NED)	Francis Giles B. Puno (Chairman) Jonathan C. Russell (NED) David Andrew Baldwin* (NED)	Federico R. Lopez (Chairman) Edgar O. Chua (ID) Richard B. Tantoco Joaquin E. Quintos IV (NED) David Andrew Baldwin (NED)	Federico R. Lopez Richard B. Tantoco Francis Giles B. Puno (NED) Jonathan C. Russell (NED) Joaquin E. Quintos IV (NED) David A. Baldwin (NED)	Manuel I. Ayala (Chairman, ID) Francisco Ed. Lim (ID) Edgar O. Chua (ID) Federico R. Lopez Richard B. Tantoco Francis Giles B. Puno (NED) Jonathan C. Russell (NED) Joaquin E. Quintos (NED) David Simon Luboff (NED)
<i>2017 Attendance</i>	6 MEETINGS	3 MEETINGS	2 MEETINGS	1 MEETING	23 MEETINGS	6 MEETINGS
	Current Members					
	FEL (6), EOC (5), MIA (5), JCR (3), FGBP (2), JEQ (1), DBL (1)	FRL (3), FGBP (3), MIA (2), DSL (0)	FGBP (2), JCR (2), PDG (2)	FRL (1), RBT (1), EOC (0), JEQ (1), DAB (1)	FRL (13), RBT (22), FGBP (15), JCR (19), JEQ (20), DAB (2)	MIA (5) EOC (6), FEL (6), FGBP (3), JCR (2), RBT (1), FRL (0), DBL (1), JEQ (1)
	Former members					
	VBS (2), EBP (1)	PDG (3)	DAB (0)	EBP (0)	EBP (4), VBS (14)	EBP (1)

Each Committee has its own Committee Charter, which contains the purpose, the

composition, the structures, the reporting process, the delegated authority and specific duties and responsibilities within which the Committee operates. A copy of the Committee Charters and an archive of Committee reports for the previous years are available at the company website (<http://www.energy.com.ph/board-committees-charters-and-meetings/>).

Members of EDC's different committees were elected by the Board during the annual organizational Board meeting on May 8, 2017, and any subsequent change in the membership is made upon approval by the Board. The chart above enumerates the elected members, as well as the changes, in the Board committees as of December 31, 2017.

To further enhance the participation and involvement of the Board in the activities of various committees, a resolution requiring the Committees to open its meetings for other directors to attend has been approved, wherein Directors who are non-committee members may likewise sit and observe in the Committee meetings. During committee meetings, the observer-directors can comment and make suggestions, but they have no voting right therein.

BOARD COMMITTEES' COMPOSITION, FUNCTIONS AND ACTIVITIES

A. Audit and Governance Committee (AGC)

The AGC shall have at least three (3) non-executive directors as members, three (3) of whom shall be independent directors. Currently, there are seven (7) AGC members, three of whom are independent directors, namely Francisco Ed. Lim, Manuel I. Ayala and Edgar O. Chua, its Chairman. Other AGC members are non-executive directors Francis Giles B. Puno, Jonathan C. Russell, Joaquin E. Quintos IV and David Simon Luboff.

The AGC Chairman, Director Chua has more than 30 years experience in various fields, including auditing, general management and corporate affairs, and is not the Chairman of the Board or of any other EDC Board Committee. He has likewise served as Chairman of the AGC since 2011. He is supported by Directors Puno and Lim who have relevant background, skills and experience in the areas of accounting, auditing and finance since they served as AGC members since 2008 and 2010, respectively. Other AGC members also have relevant background or experience in areas of investment, finance and asset management. A more detailed profile or qualifications of the AGC members are found in the pages on Director's Profile.

AGC membership increased from 5 to 7 members in 2017. There were also several changes in AGC membership during the year. With the retirement of Director Pantangco on March 1, 2017, Mr. Victor Emmanuel B. Santos, Jr. was appointed as AGC member. Thereafter, Directors Russell and Quintos were appointed as AGC members on August 8, 2017. When Director Santos resigned on October 3, 2017, he was replaced by Mr. David Simon Luboff as AGC member.

The AGC performs oversight functions in checking the integrity of EDC's financial reporting process, effectiveness and soundness of internal control environment, adequacy of audit functions for both internal and external audits, and compliance with rules, policies, laws, regulations, contracts and the code of conduct. The AGC also recommends the appointment, re-appointment and removal of the external auditor. Detailed enumeration of AGC's responsibilities are provided in the Corporate Governance Manual and the AGC Charter.

The AGC Charter was amended on August 8, 2017 to reflect changes on the composition of the membership.

The AGC had six (6) meetings in 2017. Details of the 2017 AGC meeting attendance are found in the table above on 2017 Board Committee Composition and Attendance.

The following are the 2017 activities of the AGC:

- **Financial Reporting and Disclosures.** The AGC reviewed with management and the external auditor (SGV & Co.) the annual audited financial statements and the quarterly interim financial reports and endorsed these to the Board for approval and release to regulatory agencies, stockholders and lenders. The review included discussions on the appropriateness of accounting policies adopted by management, the reasonableness of estimates, assumptions and judgments used in the preparation of financial statements, the impact of new accounting standards and interpretations, and other key accounting issues and audit results as highlighted by the external auditor.
- **Internal Control.** The AGC monitored the effectiveness of the internal control environment through various measures such as the review of the results of the external audit regarding internal control issues; exercising functional responsibility over Internal Audit and Compliance Office and receiving reports on work done in assessing key governance, risk management and control components; discussion with management on major control issues and recommendations to improve policies and processes; and promoting a culture of integrity and ethical values in the company.

Based on the results of the assurance activities performed by the Company's Internal Audit, the external auditor's unqualified opinion on the financial statements, and discussions with management, the Committee assessed that the Company's systems of internal controls, risk management, and governance processes are adequate and generally effective.

- **External and Internal Audit.** The AGC reviewed the overall scope and audit plan of the external auditor. It also reviewed and affirmed the management evaluation on the performance of the external auditor (for the 2016 financial statements audit) and approved the re-engagement of SGV & Co. for another year (2017 audit). It also approved the non-audit

services rendered by external auditor, and the Internal Audit annual plan and ensured that independence is maintained, the scope of work is sufficient and resources are adequate.

- **Compliance and Corporate Governance.** The AGC monitored the Company's compliance to laws, regulations and policies. It also reviewed and endorsed for the Board's approval amendments to the Company's Manual on Corporate Governance Manual twice: first, in May 2017, in compliance with the SEC's directive pursuant to Memorandum Circular No. 19, ss 2016, the "Code of Corporate Governance for Publicly-listed Companies", and second, in August 2017, in view of the amendments on Board Committees' composition under Section 5, Subject 2. It also supported the Company's initiatives to strengthen its corporate governance framework by providing full support to the Corporate Governance Office's efforts in (i) maintaining compliance with the Corporation Code and all other laws, rules and regulations on corporate governance, especially the Corporate Governance Code for Publicly Listed Companies, (ii) benchmarking CG practices with comparable companies, (iii) improving the CG evaluation system, and (iv) ensuring that our directors, key officers and senior executives comply with the corporate governance requirements on reporting and disclosure, as well as trainings.
- **Assessment of Performance.** The AGC assessed its performance for the year 2017 based on the guidelines and parameters set in SEC Memorandum Circular No. 4, series of 2012, which specified the required provisions or contents of an audit committee charter and the assessment of the audit committee's compliance therewith. The assessment results showed that the Audit and Governance Committee charter remained fully compliant with SEC requirements and the committee has fully complied with requirements set forth in the audit committee charter.

B. Nomination and Compensation Committee (NCC)

The NCC shall have at least three (3) members, one of whom shall be an independent director. Currently, the NCC is composed of four (4) members, comprising of two (2) non-executive directors, one (1) independent director, and one (1) executive director, and headed by Director Federico R. Lopez as Chairman. In 2017, there has been a change in NCC membership when Director Garrucho resigned on October 3, 2017 and was replaced by Mr. David Simon Luboff.

The NCC evaluates the qualifications of all persons nominated to the Board and those recommended to other positions requiring appointment by the Board. It also established a formal and transparent procedure for developing a policy on executive compensation and fixing the compensation packages of corporate officers and directors. Detailed enumeration of the NCC's responsibilities are provided in the Corporate Governance Manual and NCC Charter.

In 2017, the NCC had three (3) meetings. Details of the 2017 NCC meeting attendance are

found in the table above on 2017 Board Committee Composition and Attendance.

During these meetings, the NCC reviewed the qualifications, credentials and disqualifications of nominees for Regular and Independent Directors in the 2017 Annual Stockholders Meeting, as well as the qualifications and disqualifications of Mr. Victor Emmanuel B. Santos Jr., who replaced Director Ernesto B. Pantangco on March 1, 2017. The NCC also reviewed the qualifications and disqualifications of Directors David S. Luboff, David A. Baldwin and Christopher Low, who replaced Directors Oscar M. Lopez, Peter D. Garrucho, Jr. and Victor Emmanuel B. Santos Jr., who resigned on October 3, 2017.

The NCC also assessed and reviewed the skills, qualifications and disqualifications of the newly appointed Vice Presidents and Heads of certain business units of the Company.

C. Risk Management Committee (RMC)

The RMC shall be composed of at least three (3) non-executive directors as members, and as far as practicable, three of whom are independent directors. Currently, the RMC is composed of three (3) non-executive directors, and headed by Director Francis Giles B. Puno as its Chairman. The RMC Chairman is not the Chairman of the board or of any other EDC Board Committee. He has gained knowledge and experience on risk and risk management since he has served as RMC Chairman and member since 2009. He is also supported by Director Russell who has been a member of the RMC since 2008. When Director Garrucho resigned on October 3, 2017, he was replaced by Mr. David Andrew Baldwin.

The RMC is a separate Board Committee that assists the EDC Board of Directors in its oversight responsibility over Management's activities in managing risks involving physical, financial, operational, labor, legal, security, environmental and other risks of the Company. In carrying out its mandate, the RMC:

1. Conducts a yearly evaluation of the Company's risk assessment and risk management program and ensure that appropriate controls are in place;
2. Recommends 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, and 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 the Risk Management Committee Charter and recommend any proposed changes to the Board of Directors.

The RMC Charter was amended on August 8, 2017 to reflect changes on the composition of the membership.

The RMC conducted two (2) meetings in 2017. All RMC members attended all meetings in 2017.

The following are the activities of the RMC in 2017:

- **Enterprise Risk Management.** The RMC conducted the annual risk assessment for all groups as part of the yearly planning and budgeting processes. To facilitate the activity, the RMC updated the consequence criteria on safety, environmental, reputation and financial impacts, likelihood criteria, risk map and enterprise risk dictionary.

The RMC also assessed the critical assets of the Company to highlight the status of the priority assets of EDC on a fleet-wide and per business unit perspective, and has reviewed and updated the Company's ERM Manual.

- **Business Continuity Management (BCM).** The RMC reviewed and updated the Company's Crisis Management Plan. It exercises oversight function over the conduct of the Business Impact Analysis in all locations in preparation for the review and updating of the Business Recovery Plans of the Head Office and Strategic Business Units, as well as over the review and updating of the Head Office Emergency Response Plan.

D. Corporate Social Responsibility Committee (CSRC)

The CSRC shall be composed of at least three (3) members. Currently, the CSRC has five (5) members, composed of two (2) non-executive directors, two (2) executive directors and one (1) independent director. It is headed by Director Federico R. Lopez as Chairman.

There were also several changes in CSRC membership during the year. With the retirement of Director Pantangco on March 1, 2017, he was replaced by Mr. Victor Emmanuel B. Santos Jr. Thereafter, Director Quintos was appointed CSRC member on August 8, 2017. When Director Santos resigned from the Board on October 3, 2017, he was replaced in the committee by Mr. David Andrew Baldwin.

The CSRC conducts an annual review of the Company's CSR programs to ensure that these programs comply with applicable laws, conform with international standards and global trends, and are consistent with Company policies, guidelines and objectives on CSR. It ensures that the CSR program is integrated and applied consistently throughout the organization and identifies

and recommends program enhancements that will increase effectiveness and overall improvement in company performance and image. Detailed enumeration of the CSRC's responsibilities are provided in EDC's Corporate Governance Manual and CSRC Charter.

In 2017, the CSRC reviewed major CSR projects of the Company and provided directions, strategies and necessary endorsements. Only one meeting was held by the Committee to provide guidance in the implementation of the CSR and environmental initiatives. Almost all of CSRC members were in attendance in said committee meeting.

E. Operations Committee (OpsCom)

The OpsCom shall be composed of six (6) members of the Board of Directors. Currently, there are two (2) executive directors and four (4) non-executive directors as OpsCom members.

There were also several changes in OpsCom membership during the year. With the retirement of Director Pantangco on March 1, 2017, Mr. Victor Emmanuel B. Santos Jr. was appointed as OpsCom member. Thereafter, Director Santos resigned on October 3, 2017, and he was replaced by Mr. David Andrew Baldwin as OpsCom member.

As provided in the Corporate Governance Manual and Operations Committee Charter, the Operations Committee deliberates, reviews and recommends all matters that will require board approval, and such assignments that may be delegated by the board on policy, organization / personnel, finance, expenditures, budget, fixed assets, procurement, credit and sales.

In 2017, the Operations Committee held a total of twenty-three (23) meetings, with an average member attendance of 80%. Pursuant to the Committee Charter, the presence of at least three (3) members of the Committee will constitute a quorum for the Committee meeting. Details of the 2016 Operations Committee attendance are found in the table above on 2017 Board Committee Composition and Attendance.

The Operations Committee deliberated, endorsed and/or approved a total of thirty-seven (37) proposals for purchase and operations support, well drilling and workover, drilling support and allied services, marketing, power supply agreements, and project financing. It also reviewed and endorsed for the Board's approval the Company's corporate budget for 2018.

F. Related Party Transactions Committee (RPTC)

The RPTC shall be composed of at least five (5) members, three (3) of whom are independent directors. Currently, the RPTC has nine (9) members, seven (7) of whom are non-executive and independent directors. The RPTC is headed by Independent Director Manuel I. Ayala as RPTC Chairman. Director Ayala is not the Chairman of the Board nor a Chairman of any other EDC Board Committee.

In 2017, RPTC membership increased from 5 to 9 members, and there were several changes in its membership. With the retirement of Director Pantangco on March 1, 2017, Mr. Victor Emmanuel B. Santos Jr. was appointed as RPTC member. Thereafter, Directors Lopez, Tantoco, Russell and Quintos were appointed as RPTC members on August 8, 2017. When Director Santos resigned on October 3, 2017, he was replaced by Mr. David Simon Luboff as RPTC member.

The RPT Committee was created to oversee the effective implementation of EDC's RPT Policy. It is also tasked to review all material and significant RPTs of the Company to ensure integrity and transparency of such transactions.

The RPT Committee had six (6) meetings in 2017. Details of the 2017 RPT Committee meeting attendance are found in the table above on 2017 Board Committee Composition and Attendance.

In 2017, the RPT Committee reviewed all non-material and pre-cleared RPTS cleared by the RPT Management Review Panel, and all material and significant RPTs submitted for review, endorsement and approval.

Details of RPTs entered by the Company during the year are disclosed in the Company's Notes to the Financial Statements.

BOARD ACTIVITIES FOR 2017

Board Orientation and Training Program. Upon election to the EDC Board, a new Director receives an orientation about the Company's business, its geothermal and renewable energy operations, the organizational and functional structure, among others. In addition to the in-house orientation given by the Company to the new Director, the Compliance Office likewise ensures that the new Director receives a proper corporate governance orientation.

Also, 73% of the current EDC directors and 100% of its corporate officers participated in the corporate governance seminar conducted for the year by a duly-accredited training provider. The corporate governance seminars provided EDC Directors, Corporate Officers and Senior Management an opportunity to learn and integrate corporate governance principles and be provided with useful insights on various and current governance issues. Further, as part of EDC's governance initiatives and beyond-compliance requirements, other members of the Management Team, such as the head of the various Business Units, also attended the Corporate Governance seminars for 2017.

Board Strategic Planning. To align the activities of the Company with its vision, mission, core values and goals for the year, the Board of Directors undertook a one-day Strategic Planning

Session last October 12, 2017.

The Strategic Planning Session provided a venue for the directors to set strategic directions and guidance. The Directors revisited and affirmed the company's mission and vision, and analyzed the present and future operating environment given the market trends of reduced hydrocarbon prices and continued downturn of solar installation costs. The Directors likewise assessed major opportunities for the company and its capability to capitalize on these opportunities, and determined strategies to grow the company as the energy industry shifts to a new paradigm.

The 2017 Strategic Planning Session was attended by ten (10) members of the Board, including the Chairman/CEO Federico R. Lopez, President/COO Richard B. Tantoco and three (3) of EDC's Independent Directors.

The Annual in-House Corporate Governance Evaluation. The Board annually undergoes an Integrated Corporate Governance Evaluation to assess the overall performance and effectiveness of the Board and the Board Committees as well as the performance of the President and the Chairman. For this evaluation cycle, a self-assessment for the individual directors was likewise conducted. The Integrated Corporate Governance Evaluation provides a constructive mechanism for improving board and committee effectiveness, identifying its strengths and weaknesses, and leading to an improvement in performance throughout the organization.

a. Criteria. The 2017 Integrated Corporate Governance Evaluation covers the Board, the Board Committee, the individual directors, the Chairman and the President's performance for the period from May 12, 2016 to May 8, 2017. The evaluation criteria have quantitative and qualitative components. The quantitative component covers an assessment of the following areas, as may be applicable:

- Composition and quality of the Board and its Committees;
- Performance of key responsibilities as provided in the Company's by-laws, manuals, charters and governing policies;
- Effectiveness and efficiency of the processes and procedures adopted;
- Participation, engagement, contribution and relationship of each director to the Board, their respective Committees and the Management;
- Adoption of the principles of accountability, integrity, leadership, transparency and independence of every member of the Board; and
- Leadership and business knowledge, expertise, focus and strategy.

The qualitative component provides the Board an opportunity to give its opinions and suggestions, or to identify particular issues or concerns or highlights about its performance or aspects of the Board's operations.

We also take into account the performance assessment of the Audit and Governance Committee prescribed in SEC Memorandum Circular No. 4, series of 2012.

b. Method and Process. Every member of the Board are given copies of the Integrated Corporate Governance Evaluation questionnaire to which he/she shall complete his/her responses. Individual responses are treated with the highest level of confidentiality and are processed by the Corporate Governance Office for the comprehensive results. When necessary, the members of the Board may have discussions with the Compliance Officer or the Corporate Secretary for clarification or interpretation. The summary of the evaluation results are reported to the Board, through the Audit and Governance Committee, who, in turn develops recommendations for Board consideration or action, whenever necessary.

c. Results Summary. Based on the results of the 2017 evaluation, the participants affirmed that the Board effectively discharged its functions and responsibilities. In general, there are no material deviations in the over-all performance of the Board as a whole, the Board Committees, the Individual Directors, the Chairman and the President from the provisions and requirements of EDC's Code of Corporate Governance.

Compensation of Directors and Executive Officers. The NCC has the responsibility to review and recommend to the Board the Company's compensation system and remuneration packages for corporate officers and directors.

The levels of honoraria, remuneration or compensation for EDC's directors and executive officers are set at the optimum level to attract and retain the services of qualified and competent directors and officers and in accordance with the Corporate Governance Manual. A portion of the honoraria, remuneration or compensation of the directors, whether executive, non-executive or independent, may also be structured or be based on corporate and individual performance. In accordance with its By-Laws, the Board shall receive such fees, remuneration or compensation for their services pursuant to a resolution of the stockholders.

In EDC, the current Board compensation package is as follows:

- Monthly director's fee: P50,000.00
- Attendance fee for Directors' meetings: P10,000.00 per Board meeting and P6,000.00 per Board Committee meeting
- Bonus to Directors as a group: ½ of 1% of declared cash dividend
- Group Life Insurance Coverage: P 4 million, at a premium per month of P1,292.10 wherein P443.50 is being shouldered by the Company while the balance of P848.60 is being shouldered by the director.
- Group Hospitalization Insurance Coverage: P2,632.38 per month

Below is a table summarizing the compensation of EDC's Chief Executive Officer and its four most highly compensated officers:

Name	Year	Salary	Bonus/Other Annual Compensation
Federico R. Lopez, Chairman & CEO			
Richard B. Tantoco, President & COO			
Nestor H. Vasay, Sr. Vice President, Chief Financial Officer and Treasurer			
Erwin O. Avante, Vice President			
CEO and the four most highly compensated officers named above	2016	₱55,497,000	₱22,193,018
	2017	₱38,194,000	₱18,451,010
	2018 (estimate)	₱35,599,500	₱16,613,100
Aggregate compensation paid to all officers and directors as a group unnamed	2016	₱93,075,973	₱102,196,770
	2017	₱91,144,249	₱85,066,313
	2018 (estimate)	₱84,745,334	₱74,262,634

*Note: Certain officers of the Company are seconded and received their salaries from First Gen Corp.

Below is the total remuneration received by five (5) members of EDC's Management who are not at the same time executive directors during the financial year ending December 31, 2017:

Name of Officer/Position	Total Remuneration
Bernardito M. Lapuz /Vice-President	₱ 61.433 Million
Ma. Elizabeth D. Nasol / Senior Vice-President	
Liberato S. Virata / Vice-President	
James A. Villaroman/ Vice -President	
Noel D. Salonga/ Asst. Vice President	