

2017 Corporate Governance
Report

**Equitable Treatment
of Stockholders**



Energy Development Corporation

EQUITABLE TREATMENT OF STOCKHOLDERS

EDC ensures that all stockholders, whether of common or preferred shares, or with a majority or minor stake, or who may be an individual or an institutional investor, are treated fairly and equitably and can exercise their rights without discrimination or undue restriction.

To promote equality among stockholders, the EDC Board of Directors has put in place the following policies:

- **The “One Share, One Vote” Rule.** EDC adheres to the “One Share, One Vote” rule. EDC stockholders enjoy voting rights recognized in Section 6 of the Corporation Code equivalent to the number of shares held by them.

In acting on fundamental corporate actions under Section 6 of the Corporation Code, EDC stockholders may vote such number of shares held by them to approve or reject such corporate action, i.e. one share, regardless of class, yields one vote. The manner of electing directors is explained under the Rights of Stockholders.

- **Prohibition on Conflict of Interest and Insider Trading.** Internal regulations governing conflict of interest, trade secrets and use of confidential information have been put in place. Details of these regulations are found in EDC's CCBE and its Personnel Manual under the Section “Conflict of Interest Policy”.

Transactions with possible conflicts of interest involving employees must be reported to senior management for clearance and/or investigation prior to submission to the President, who may elevate the same to the Board for the latter's disposition, depending on the magnitude of the conflict of interest. For matters involving a Director or Officer, the Nomination and Compensation Committee will investigate, review, dispose and/or recommend to the Board how to dispense with such transactions pursuant to the NCC Charter.

During Board meetings, pursuant to the CG Manual and as a matter of practice and protocol, EDC directors abstain from participating in the board discussion and in voting on matters whenever there is an apparent or real conflict of interest between the Director and the Company.

The Company also continues to observe strict compliance with PSE's Trading Rules and Restrictions, particularly on transparency and fairness of transactions. It recognizes that material information received by members of the Board, Management, officers and employees carries the risk of abuse of insider information. Through the proper mechanism in its conflict of interest policy, the Company ensures that transactions



involving the use of company information are monitored, reviewed and cleared to protect the interest of all stockholders and to comply with SEC and PSE Rules.

To ensure the fairness and transparency of trading activities involving company shares, Directors, Officers, executives and company insiders, are required to comply with the trading blackout notices issued by the Investor Relations Office whenever they come to know of price-sensitive material information, such as the approval of the financial statements, until the trading blackout is expressly lifted. Whenever Directors and Officers trade in company shares, they are required to report to the SEC and to EDC their dealings in company shares via SEC Form 23-A or 23-B. EDC, in turn, makes the corresponding disclosures to the public via PSE EDGE and the company website. A table showing the levels of direct and indirect shareholdings in EDC shares by the Company's Directors and Officers shares are be found in the Company's SEC Form 17-A (Annual Report) .

- **Related Party Transactions.** EDC has developed its own Related Party Transactions (RPT) Policy wherein material RPTs, including those involving its Directors, are to be disclosed and reviewed by its Independent Directors, and shall be approved in accordance with its RPT Policy.

The Board of Directors acknowledges that related party transactions may give rise to conflict of interest. To address this, the Board, through the RPT Board Committee, ensures that material RPTs, including loans and financial assistance to entities that are not wholly-owned subsidiaries, are done under reasonable, fair and arm's length terms in compliance with pertinent laws, rules and regulations, and that said transactions inure to the benefit and best interest of the Company and its stockholders as a whole, given relevant circumstances.

Details on the nature, value, relationship and disclosure of RPTs are found in the Notes to its Audited Financial Statements under Related Party Transactions.

2017 Stockholders' Meetings.

EDC held two (2) stockholders' meetings in 2017: an Annual Stockholders Meeting (ASM) on May 8, 2017 and a Special Stockholders Meeting (SSM) on December 12, 2017.

The Annual Stockholders' Meeting.

Details on equitable treatment of EDC stockholders during 2017 ASM are as follows:

- a) The Company's stockholders participated either in person or through their authorized representatives. Only stockholders of record as of March 15, 2017 were entitled to notice of, and vote at, the meeting. Stockholders who cannot personally attend the meeting designated their authorized representatives by submitting a duly-executed proxy instrument to the Office of the Corporate Secretary on or before April 28, 2017.
- b) Meeting notices were issued in English since it is an official language in the Philippines, and also for the benefit of foreign stockholders. In the 2017 ASM, the Notice of the Meeting was first disclosed via the PSE EDGE on March 1, 2017. To provide stockholders enough time to examine the information needed to arrive at an informed decision, it was again issued with the Meeting Agenda, as part of the Definitive Information Statement (SEC Form 20-IS) filed with the SEC, which was distributed by the Company on April 10, 2017.
- c) In the SEC Form 20-IS, the Company included the Notice and detailed Agenda, together with a brief explanation and rationale of each Agenda item to guide its stockholders and to provide them with the necessary information they can use to arrive at a well-informed decision. It also provided other relevant and adequate information for the stockholders' consideration, including -
 1. **Nomination and Election of EDC Directors.** Basic information on the nominees for Directors, such as the name, type of directorship, education, experience, positions held in other businesses, date of first election, shareholding in EDC and such other information were provided to stockholders in SEC Form 20-IS.
 2. **Remuneration. Information** on the amount and form of compensation received by the directors and key officers of EDC were provided in the SEC Form 20-IS.
 3. **Appointment of External Auditors.** SGV & Co, with Ms. Jhoanna Feliza C. Go as the audit partner-in-charge, upon the recommendation of the Audit and Governance Committee, were identified as EDC's external auditor for 2017-2018.
 4. **Dividends.** Information on the dividend policy and the dividend amount declared to be paid and the dividends actually paid in the previous years were likewise provided.

- d) No new item was included in the agenda on the day of the meeting nor was there any amendment made on material information in SEC Form 20-IS without informing the stockholders in advance.
- e) A proxy form with instructions on how to appoint a proxy to stockholders' meeting, was enclosed in the Notice and the SEC Form 20-IS to enable representation for the stockholders who cannot personally attend the meeting. Stockholders can also download proxy forms from EDC's website. For those represented by a proxy, their votes were submitted and received not later than April 28, 2017. The proxy was required to be duly signed and accomplished by the stockholder and submitted within the deadline, after which, the company validated and accepted the same, without need for notarization.
- f) The ASM was held on May 8, 2017 at 10:00 A.M. at the PSE Auditorium, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. The venue was accessible and capable of accommodating all stockholders. 79.2% of EDC stockholders attended the 2017 ASM, either in person or by proxy.
- g) EDC's Chairman of the Board/CEO, its President/COO, its Executive and Non-executive Directors and Independent Directors, its corporate officers and executive management, including the Investor Relations Officer, as well as the external auditors, attended the meeting to answer all aspects of stockholders' questions. With ten (10) members of its Board of Directors present in the Meeting, the Chairpersons of the Audit and Governance Committee, the Nomination and Compensation Committee, the Related Party Transactions Committee, the Risk Management Committee, and the CSR Committee were properly represented thereat.
- h) At the start of the ASM, the participants were briefed about the security precautions and emergency contingency plans that were put in place. The meeting was conducted in English to equally preserve all stockholders' interest and ease communication needs for foreign stockholders.
- i) The Company followed the agenda items as stated in the Notice and conducted the meeting in accordance with existing laws and regulations.
- j) The Corporate Secretary explained the voting procedures to be observed during the meeting, which was included in the Information Statement (SEC Form 20-IS) that was distributed to all stockholders prior to the meeting.
- k) The Chairman encouraged the stockholders to pose their queries or to express their opinions or recommendations and the management addressed and answered all the queries respectfully during the Meeting. The questions asked and the issues raised as well the Company's responses were duly recorded in the Minutes of the Meeting.
- l) EDC stockholders voted on each agenda item. Initial voting results were announced during the ASM, and approved items were reported to the PSE and SEC the next day. The Securities Transfer Services Inc. tabulated the votes for each agenda item.

The tables below shows the voting results in the Annual Stockholders' Meeting of the Company, which was reflected in the updates to its 2017 Annual Corporate Governance Report (ACGR):

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Previous Stockholders' meeting TOTAL VOTES: 22,258,157,543	22,254,375,043 (79.2%)	0	3,782,500
Approval of the Management Report and Audited Financial Statements for the year ended Dec. 31, 2016 TOTAL VOTES: 22,258,157,543	22,238,279,043 (79.1%)	16,096,000	3,782,500
Confirmation and Ratification of all acts and resolutions of Management and the Board of Directors from the date of the last stockholders' meeting as reflected in the books and records of the company TOTAL VOTES: 22,258,157,543	22,234,554,931 (79.1%)	18,993,400	4,609,212
Approval of the Appointment of SGV & Co. as the Company's external auditor TOTAL VOTES: 22,258,157,543	22,242,695,643 (79.1%)	11,679,400	3,782,500
Other Matters TOTAL VOTES: 22,258,157,543	19,017,768,106 (67.6%)	3,217,072,575	23,316,862
Adjournment TOTAL VOTES: 22,258,157,543	22,139,146,374 (78.8%)	113,429,769	5,581,400

ELECTION OF DIRECTORS				
NAME OF DIRECTOR	VOTES RECEIVED IN FAVOR OF ELECTION	%	VOTES RECEIVED AGAINST THE ELECTION	ABSTAINING VOTES
Oscar M. Lopez	22,103,947,074	78.60%	150,427,969	3,782,500
Federico R. Lopez	20,866,356,474	74.20%	1,379,067,369	12,733,700
Richard B. Tantoco	22,114,226,274	78.64%	607,453,263	5,222,100
Peter D. Garrucho, Jr.	21,842,441,619	77.67%	411,933,424	3,782,500
Joaquin E. Quintos IV	21,884,833,263	77.82%	369,541,780	3,782,500
Victor Emmanuel B. Santos Jr.	20,810,158,788	73.99%	1,444,216,255	3,782,500
Francis Giles B. Puno	20,773,527,894	73.87%	1,480,847,149	3,782,500
Jonathan C. Russell	19,537,909,767	69.48%	2,716,465,276	3,782,500

Edgar O. Chua (Independent)	22,248,516,743	79.11%	5,858,300	3,782,500
Francisco Ed. Lim (Independent)	22,248,516,743	79.11%	5,858,300	3,782,500
Manuel I. Ayala (Independent)	22,209,420,543	78.97%	43,299,600	5,437,400

The Special Stockholders' Meeting.

Stockholders were equitably and similarly treated during the conduct of the SSM regardless of their shareholdings or class of shares, details are as follows:

- a) The meeting was held for the purpose of obtaining stockholders' approval on the amendments to the Company's Articles of Incorporation and By-Laws. The Company provided details and the rationale for the proposed amendments to guide its stockholders in arriving at a well-informed decision.
- b) The Company's stockholders participated in the meeting either in person or through their authorized representatives. Only stockholders of record as of October 30, 2017 were entitled to notice of, and vote at the 2017 SSM. Stockholders who cannot personally attend the meeting designated their authorized representatives by submitting a duly-executed proxy instrument to the Office of the Corporate Secretary on or before December 2, 2017.
- c) No new item was included in the agenda on the day of the meeting nor was there any amendment made on material information in SEC Form 20-IS without informing the stockholders in advance.
- d) The meeting was held on December 12, 2017 at 10:00 A.M. at the One Rockwell East Tower Function Room, Rockwell Drive, Rockwell Center, Makati City. The venue was accessible and capable of accommodating all stockholders. 95.47% of EDC stockholders attended the 2017 SSM, either in person or by proxy.
- e) EDC's Chairman of the Board/CEO, its President/COO, several Non-executive Directors and all Independent Directors, its corporate officers and executive management, including the Investor Relations Officer, attended the meeting to answer all aspects of stockholders' questions. With seven (7) members of its Board of Directors present in the Meeting, the Chairpersons of the Audit and Governance Committee, the Nomination and Compensation Committee, the Related Party Transactions Committee, the Risk Management Committee, and the CSR Committee were properly represented thereat.
- f) To equally preserve all stockholders' interest and ease communication needs for foreign stockholders, the Corporate Secretary explained in English the voting procedures that were to be observed during the meeting. The Chairman encouraged the stockholders to pose their queries or to express their opinions or recommendations and the management

addressed and answered in English all the queries respectfully. The questions asked and the issues raised during the 2017 SSM were duly recorded in the Minutes of the Meeting.

- g) EDC stockholders voted on each agenda item. Initial voting results were announced during the SSM, and approved items were reported to the PSE and SEC the next day. The Securities Transfer Services Inc. tabulated the votes for each agenda item.

The table below shows the voting results in the 2017 SSM of the Company:

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Previous Stockholders' meeting TOTAL VOTES: 26,836,169,068	26,797,791,285 (95.33%)	0	38,377,783
Approval of the Amendments to the Seventh Article of the Articles of Incorporation TOTAL VOTES: 26,836,169,068	26,797,776,285 (95.33%)	15,000	38,377,783
Approval of the amendments to the By-laws TOTAL VOTES: 26,836,169,068	26,727,137,143 (95.07%)	70,654,142	38,377,783