

2017 Corporate Governance Report

Role of Stakeholders

Energy Development Corporation

ROLE OF STAKEHOLDERS

To ensure that its corporate activities are aligned with the best interest of its stakeholders, EDC continues to implement its policies in dealing with its stakeholders in its Code of Conduct and Business Ethics (CCBE) and Code of Conduct and Discipline (CCD).

EDC's Key Principles in Dealing with its Stakeholders

Briefly, EDC, through its Board, Management, officers and employees, strictly observes the following key values and principles in dealing with its stakeholders, pursuant to the CCBE and CCD:

A. Business Partners (i.e. customers, suppliers, contractors, creditors, investors, government)

- Honor all contractual obligations in accordance with existing laws, rules and policies;
- Fairness and transparency in all procurement activities and business transactions;
- Maintain professional relationships with potential and current suppliers, contractors and clients;
- Maintain the highest standards of service, professionalism, fairness and honesty in dealing with clients, bankers and financial advisors;
- Strictly observe company policies and laws on conflict of interest;
- Treat business partners and their personnel with professionalism and courtesy and without compromising EDC's integrity;
- Avoid soliciting gifts, accepting bribes and doing special favors and other acts that might be construed as giving undue advantage; and
- Avoid accepting anything the value of which is manifestly excessive that may impair or be presumed to impair professional judgment.

B. The Environment and the Community

- Prioritize the environment and protect, conserve, develop and enhance all natural resources in and around every place EDC operates, particularly geothermal reservations enabling the Company to sustain operations and maintain ecological balance;
- Educate relevant stakeholders on environmental and social responsibilities; and ensure that they have understood, acknowledged and accepted these responsibilities;
- Promote environmental consciousness and protection, in partnership with local and private sectors;
- Respect the customs, traditions and beliefs of all indigenous peoples where it operates. Encourage them to wholeheartedly take active roles in the community development programs sponsored by the Company;

- Empower residents of host communities toward self-reliance, self-respect and unity by implementing livelihood programs;
- Support local employment, and provide equal opportunity to all qualified individuals in recruitment and other employment practices - regardless of ethnic, religious or other types of affiliation;
- Promote youth development, through appropriate activities and programs such as practicum, training and apprenticeship program for students and out-of -school youths regardless of their social affiliation; and
- Provide disaster relief operations in time of calamity.

C. The Employees

- Provide fair and competitive salaries and benefits to all employees and administers these promptly without regard to position or title;
- Provide equal opportunities for its employees' training and career development;
- Acknowledge, promote and reward the most qualified based on good performance;
- Acknowledge and respect the right of employees to freedom of association within the parameters of the law, and for as long as such activities will be beneficial to them and to the Company;
- Observe fair, non-discriminatory and transparent procedures in hiring employees based on qualifications and experience and in accordance with the organizational requirements of the company;
- Implement a fair and objective employee performance evaluation in order to promote productivity, career growth and general work improvement; and
- Ensure a safe, healthy and secure working environment for its employees.

EDC Activities Promoting Stakeholders' Interests

In promoting and protecting its stakeholders' interests, the Company implemented the following programs and activities:

A. Business Partners

Investors. EDC values its investors and stockholders and constantly updates them with current and accurate reports on the company's plans and performance for the year. Through meetings, conferences, and conference calls with individual and institutional investors and securities analysts, the Company gives its stockholders and potential investors an opportunity to learn about its business, strategic direction and priorities.

For 2017, the following are EDC's investor relations activities:

Investor Relations Activities for 2017	
Activity	Number of Activities Conducted for the Year
1-on-1 Meetings	26 Meetings
Investors' Conferences / Briefings	4 Conferences/Briefings (46 participants)
Conference Calls	23 Conference Calls
Email Responses	54 Emails

The Investor Relations web pages (<http://www.energy.com.ph/investors-relations/>) in the Company website made available to the public the presentations used for the analysts/investors' briefings of the quarterly financial and operations results. In addition to the structured and unstructured reports and disclosures, one hundred eighty (180) news articles on various activities were posted in the company website.

Customers. EDC sees the crucial role of its customers in the long-term sustainability of its operations. Thus, customers' welfare is given special attention by constant engagement and communication, offering fair prices and providing safe and prompt services in response to their needs.

For several years, EDC, in partnership with First Gen Corporation, has taken the initiative of holding a customer's annual appreciation night. The event provides a venue to express its appreciation to its customers for keeping good business relations with the Company and to get feedback on its services.

In 2017, EDC's customer appreciation night was held at the Sofitel Philippine Plaza Manila. Customers from various parts of the Philippines attended the said event. Prior to the evening festivities, a seminar entitled "Maximizing Productivity" was conducted by renowned inspirational speaker Mr. Francis Kong. At the event, EDC formally recognized its customers for exemplary business relations and customer performance with the following citations: the Prompt Payer and the Customer of the Year.

EDC also recognizes the importance of the safety of persons going to the project sites, including visiting customers or regulators. A mandatory safety briefing, with proper safety equipment when applicable, is provided to visitors of various project sites for their protection.

Suppliers and Contractors. The Company recognizes the vital role of suppliers and contractors in EDC's continuing operations, thus, they are valued and treated fairly and with respect on the basis of fair competition, good cooperation and mutual support.



In the selection of its suppliers and contractors, EDC is committed to the pursuit of business excellence and the adoption of process excellence in procurement and supply chain management. The Company requires its suppliers and contractors to undergo an evaluation and accreditation process to ensure that only those companies duly-registered with appropriate regulatory bodies, and compliant with government rules and regulations, as well as those which are financially and technically capable of completing the projects, are awarded with contracts.

The Company conducts a financial risk evaluation to determine a supplier's capacity to meet financial commitments and to deliver goods/services based on credible financial statements. A legal evaluation is also conducted to ascertain a supplier's statutory compliance and legitimacy as an entity fit for engagement after an evaluation of required documents. Technical evaluation to ascertain the supplier's qualifications vis-a-vis actual requirements for procurement is also conducted.

As part of the accreditation process, the Company checks suppliers' and contractors' compliance with its Conflict of Interest Policy. It also adopts relevant contract terms that guarantee the supplier's agreement to abide by laws, rules, regulations and EDC-established standards pertaining to the environment, health and safety, and other applicable laws. A competitive and transparent bidding process in selecting suppliers and contractors is also implemented and continuously updated to ensure that the database of accredited suppliers and contractors remain current. It also evaluates contractor and suppliers' actual performance to ensure their adherence to agreed specifications under the contracts.

The Company also recognizes the importance of giving due attention to the safety and health of the Contractors' employees at the workplace to ensure safe performance of contracted work. Thus, applicant contractors also undergo a Health, Environment and Safety (HES) evaluation by looking at their respective HES culture, Safety Management System, regulatory compliance and safety performance and are required to submit a Safety Plan specific to the project.

Creditors. EDC respects the rights of its creditors and complies with its contractual obligations, including loan agreements. It conducts annual meetings with its creditors to keep them updated on the status of the Company's operations and the latest industry trends and news.

The Company also provides prompt and accurate reports of its financial standing to allow its creditors to continuously evaluate and monitor the company's performance and credit standing. The EDC Enterprise Risk Management Policy and Manual is also periodically reviewed in order to improve understanding of the risks that the Company may face towards achieving its goals and targets.

The Government and the Republic of the Philippines. EDC promotes national development through the utilization and development of indigenous renewable energy resources to produce

clean power with low carbon footprint and by being in the forefront of geothermal and wind power resource development.

The Company contributes to research and development on clean and renewable energy by cooperating with and supporting the Philippine Government in the furtherance of policies expressed in relevant laws and regulations, including compliance with requirements enforced thereunder.

EDC also keeps itself abreast with and closely monitors new and upcoming laws, rules and regulations affecting its business. The Company actively participates in public hearings and consultative technical proceedings, through the submission of position papers and attendance in such consultations. In the proper fora participated in by government agencies and/or other stakeholders, EDC conducts briefings on its operations, plans or expert views, as may be relevant.

B. The Environment and the Community

EDC continuously puts in effort and investment to improve its value chain and to deliver clean, abundant and renewable energy that benefits communities, generates profits in a responsible manner and creates a positive impact on the society.

Environmental Conservation, Protection, Enhancement and Advocacy. To lessen the impact of its operations on the environment, the Company maintains and monitors over 9,000 hectares of tree plantations and conducts tree-planting activities in collaboration with various individuals and organizations. It supports local government coastal and river clean-up drives and ecological solid waste management. It also launched the BINHI book to provide further education on the importance of native trees.



Livelihood Programs. EDC, through its HELEn program, has cultivated and enhanced the entrepreneurial skills of the residents of its host communities by supervising livelihood trainings on production, marketing and financial management to farmer cooperatives and farmers/community associations, and incorporating leadership training and values formation to emphasize the importance of accountability and responsibility.

Apart from establishing systems for livelihood development, the Company awards major livelihood projects that generate employment to community members and provide income to association members. In 2017, the Company has awarded small and large-scale contracts relating to company operations and maintenance works, thereby, providing employment to some 2,222 local farmers federation members.



Capability Building. In 2017, to complement EDC's livelihood programs, the capability of the school facilities and personnel were enhanced with the repair of 57 school buildings and facilities, and the provision of financial incentives to 296 teachers. EDC also subsidized the miscellaneous fees of 16,083 elementary school students, awarded scholarships to 2,046 top-performing and indigent high school students and 67 college students, and provided academic incentives and on-the-job-trainings.

EDC also continues to implement its College Admission Review and Readiness (CAREERS) Project to provide equal access to quality education and gainful employment to qualified residents of host communities. In 2017, the CAREERS Project produced the 14 UP graduates, and supported 39 UP students through monthly monitoring, mentoring and financial assistance. Also, the Company provided support to 37 college students enrolled in top local universities/colleges.

Community Health and Safety. To further ensure the safety of the communities surrounding its plants, EDC conducted Disaster Preparedness and Management trainings to some 171 individuals residing in barangays within its host communities, and supported the training of Barangay Emergency Response Team (BERT) members on basic rescue and emergency response.

The Company also extended health services support, such as medical, dental, optical, circumcision, bloodletting, outreach activities, health awareness and responsible parenthood activities to 2,467 individuals of the host communities, and distributed medicines and medical supplies to 45 barangay health centers. It also supported some 164 Barangay health workers from partner barangays with health care paraphernalia and incentives to further capacitate them in providing quality health service to the community.

To improve community health and sanitation practices, the Company constructed communal toilets benefitting 150 households and rehabilitated water systems in 17 areas.

C. The Employees

Employees' Health, Safety and Welfare. EDC views employees as its most valuable resource and, thus, makes sure that they have a healthy and safe working environment at all times. This is seen from how the Company diligently implements preventive and mitigating measures to reduce work-related risks and its continuous pursuit of improving the overall well-being of employees through the integrated management of corporate-wide Health, Environment, and Safety (HES) programs.

In promoting a healthy lifestyle, EDC undertook the following activities for its employees in 2017:

- a) The Fitness for Duty standard was implemented to minimize the risk of an adverse consequence to the health and/or safety of an employee or contractor, resulting from foreseeable health condition;
- b) Set-up of an onsite annual health examination facility to provide a more convenient option for employees;
- c) Quarterly random blood sugar testing were conducted across all sites to promote the employee's health consciousness;
- d) Annual flu vaccination were facilitated for 600 employees and dependents;
- e) Participated in the World Day for Safety and Health at Work celebration to promote the prevention of occupational accidents and diseases;
- f) Diabetes, HIV and AIDS awareness campaign for its employees were conducted;
- g) Launched the use of Pinggang Pinoy, an easy to understand food guide showing the recommended food group proportions in every meal;
- h) Conducted employee orientation on establishing smoke-free environments in public and enclosed places, on the ill effects of smoking and the available support and mechanism for those who would like to quit smoking;
- i) Continuously implemented its Food Safety Program;
- j) Released the Infectious Disease Management Guide, Guidelines for Conduct of Random Drug Testing and Guidelines for Conduct on Alcohol Breath Testing;
- k) Conducted trainings on First Aid and Basic Life Support were conducted;
- l) Reviewed and updated the Company's Medical Emergency Response Plan;
- m) Implemented its Business Travel Health program to assess the employee's fitness to travel and work overseas and to provide First Aid and Basic Life Support training, vaccinations and equipment to protect their health during their business travel; and
- n) Sponsored a volunteer blood donation program wherein EDC conducts several bloodletting activities across all sites, and Blood Supply Program wherein EDC assists employees and their family obtain blood supply when needed.

Also, the Company implemented the following activities to minimize work-related incidents and to improve the management of its Health, Environment and Safety programs:

- a) Survey on health, environment and safety culture maturity of EDC leadership and employees to plan our way forward towards a culture change, including which issues to focus on and which tools to use;
- b) Contractor HES Management Program to ensure that only competent and responsible contractors are engaged as they are responsible for the health and safety of their employees and the public at the workplace;
- c) Streamlining and computerization of Permit to Work Standard to ensure timely issuance of work permit at the worksites without compromising work activities and appropriate measures are undertaken to eliminate or minimize exposure of workers from hazards;

- d) Issuance of HES Bulletin to all EDC employees on a weekly basis to provide general and practical HES information or tips;
- e) Safety audits, inspections and walkthroughs were conducted to ensure compliance of work activities with the company's safety programs and standards;
- f) Safety training and orientation were conducted to all EDC employees to provide knowledge and awareness of hazards present in the workplaces and to identify measures to eliminate or minimize hazard exposure; and
- g) Implementation of enterprise-wide Road Transport Safety Management Program to assess unsafe conditions and ensure that these are managed for the safe passage of the vehicle and its passengers.

Employee Empowerment. EDC knows that the growth and continued success of its business are driven by competent and highly-skilled employees. Thus, the Company provides employees with various training and development opportunities that aim to improve the quality of their performance. These include effective coaching skills, enhancement of interpersonal communication skills, safety awareness, business continuity preparations, and risk management that were all included in the 2017 Employee Trainings calendar. The table below illustrates how this was implemented in terms of training hours per employee.

2017 Training Data (as of December 31, 2017)				
Rank	Average Training Hours per Employee		Total Training Hours	
	Male	Female	Male	Female
Executives	13.71	13.33	192	40
Managers and above	28.7	45	2,038	1,260
Supervisors to Asst. Managers	19.59	29.86	6,564	2,926
Rank & File	8.4	19.84	8,278	6,488

New employees are also welcomed through an on-boarding program conducted by the Human Resource Management Group. This enables them to quickly understand the nature of EDC's business and also aligns them with the desired corporate culture.

In addition, the EDC Leadership Team - which includes the Board of Directors, executive officers, managers and supervisors – attends an annual **Leaders' Assembly** which similarly serves as an advanced learning activity. New trends and relevant topics in the energy industry are discussed during the gathering, as well as other corporate updates. This also provides internal networking opportunities and camaraderie-building sessions.



Rewards and Compensation. EDC's compensation philosophy takes into account the overall performance of the company and each individual employee, translating these into a rational rewards scheme based on the value of each officer's or employee's position (including further comparisons with the value of equivalent roles in the external market and within the company). Employees who distinguish themselves through their hard work and outstanding performance are likewise bestowed with additional rewards and recognition.

EDC evaluates company and individual performances against established business objectives vis-a-vis individual rewards and incentives using the Company's performance management system (PMS). The PMS fosters a productive working environment since it recognizes the individual contribution of employees and thus motivates them to always strive for excellence.

To formally recognize the hard work, professionalism, and loyalty of tenured employees, EDC also holds service awards programs for those who have been employed by the Company for at least ten (10) years. In 2017, the Company recognized a total of 287 employees for the years of quality service that they have rendered.

The Company also gives qualified officers and employees the opportunity to be part of its Variable Incentive Pay Plus (VIP+) Program. The VIP+ Program is EDC's total rewards program that aims to provide its participants an opportunity to have direct interest in the Company. It covers officers and employees of EDC and other individuals whom the Nomination and Compensation Committee approve.

Employee Relations. EDC Management continues to nurture good relations with all its employee unions. Through the Human Resource Management Group (HRMG), regular town hall meetings and dialogues with employees are conducted to discuss the plans, programs, and business directions of the Company. These also provided opportunities for employees to communicate and express any concerns they may have to the EDC Management and Board. In 2017, twenty four (24) town hall meetings and dialogues were convened to discuss company updates and developments.

The Company likewise maintains industrial harmony with its various employee unions. Management makes sure that union leaders are promptly informed about employee-related initiatives and arranges twice-a-year meetings between them and the EDC President and the Head of HRMG.

Governance-related Policies. Aside from the Code of Conduct and Business Ethics (CCBE), and Conflict of Interest Policy, EDC employees must observe compliance with the following governance-related policies in all aspects of their work in the Company:

a. Fraud Policy. EDC has a corporate fraud policy, which was established to facilitate the development of controls which will aid in the detection and prevention of fraud against the Company. It also aims to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls.

In EDC, fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his/her or the company's injury. It includes acts of forgery, misappropriation, profiteering, disclosing confidential information, bribery, destruction and removal or inappropriate use of company assets and other acts of dishonesty or fraud. EDC's Internal Audit Department (IAD) is primarily responsible for investigating corporate fraud cases. In the process of investigating corporate fraud cases, the Company, at all times, accord all individuals concerned with all the rights and privileges emanating from due process.

b. Whistleblower Policy ("Protected Disclosures Policy"). EDC also has a Whistleblower Policy wherein employees, customers, stockholders and other stakeholders, including the public at large, are encouraged to raise and report serious concerns involving illegal and questionable activities or omissions, unethical behavior, fraud and other malpractices prior to seeking resolution outside the company without fear of harassment, retaliation, or adverse employment consequence. EDC's Whistleblower Policy provides the procedures for whistleblowing, as well as the rights and responsibilities of whistleblowers under the said policy.

In furtherance of the Company's good governance initiatives and in consonance with the Fraud Policy and the Code of Conduct and Discipline (CCD) to be further discussed below, EDC's IAD has been put in charge for the administration, revision, interpretation and application of this policy, under the supervision of the Boards' Audit and Governance Committee.

The IAD has assigned hotlines to enable employees and other stakeholders to report serious concerns of irregularities and wrongdoings. **All stakeholders are encouraged to raise their concerns and complaints, together with detailed evidence, at hotline nos. +63 2 982-2202 or +63 917 863-4260.**

Once the IAD receives a complaint/ report, it will immediately evaluate if the report qualifies as a protected disclosure. The IAD will ensure that no retaliatory action be taken against a whistleblower by treating with strict confidentiality his identity, the content of the report and the recipient of the report. It will thereafter proceed to investigate the reported incident and observe confidentiality of the proceedings in accordance with the provisions of EDC's Protected Disclosure Policy, a copy of which is found in EDC's website. The whistleblower enjoys privileged communication as a defense in any action that may be brought against him arising from such disclosure



c. Code of Conduct and Discipline. EDC's CCD, which was last revised on November 2015, prescribes the norms of conduct and standards of behavior for its employees to ensure EDC's core values are embraced by them in their work and daily lives. Electronic or hard copies of the CCD were made available and/or accessible to EDC employees.

d. Guidelines on Giving and Receiving of Corporate Gifts. EDC issued its Guidelines on giving and receiving corporate gifts on February 14, 2013. Said Guidelines established the general principles on giving and receiving of gifts by all EDC officers and employees, probationary, regular, and contractual, and its subsidiaries, consistent with its CCD, Conflict of Interest Policy and other related Corporate Policies.

The purpose of the Guidelines is to set clear and realistic guidelines on giving and receiving of gifts that incorporate examples of what types of gifts are not allowed. The guidelines also helps motivate employees to strive for transparent business practices and relationships by keeping gifts and favors to a minimum, if not prohibiting them entirely, and empowering employees with freedom and trust to strike the correct balance in their relationships with external stakeholders, such as vendors, consultants, contractors, suppliers, customers, regulators, political leaders, host communities and other business partners.

e. Anti-Sexual Harassment Policy. EDC likewise has an Anti-Sexual Harassment policy, which was signed and made effective on December 7, 2012. This policy prescribes the rules and regulations towards the promotion of a work environment that values human dignity and respect for human rights. It prescribes the administrative process and disciplinary action for sexual harassment cases.

f. Related Party Transactions (RPT) Policy. The Company believes that having an RPT Policy is another step towards strengthening EDC's governance activities as it provides a governance framework towards ensuring the integrity and transparency of related party transactions. It also ensures that proper review and approval of transactions with a related party are undertaken in a manner that conforms with good governance, while facilitating timely contracting for goods and services.