

### **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. In pre-screening and shortlisting of candidates, the Committee shall ensure that there is complementarity of skills and experience and encourage diversity, considering factors such as, but not limited to, age, gender, ethnicity, culture, skills, competence, knowledge.
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 regular and Independent Directors for purposes of a stockholder's meeting, to conduct the nomination process for the election of regular and 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 regular and 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. For independent directors, 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 for election as regular or 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.
  11. 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.
  12. 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.
  13. To identify candidates for any vacancies in the Board.
  14. To oversee the conduct of the Annual Board evaluation process to assess the

effectiveness of the Board.

15. 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:*

16. 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 aligned with the long-term interests of the company, and consistent with the Company's culture, strategy objectives, plans and programs as well as the power and energy industry.
17. 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, 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.
18. 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.
19. To review and recommend to the Board changes in the organizational structure and staffing requirements affecting Senior Managers of higher.
20. 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

### 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.
- 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.
  - 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.

*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.
- 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.
- 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

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 amounts of over P 250.0 Million, subject to the exception that all transactions considered to be not in the usual course of business, including related-party transactions, shall require the approval of the Board of Directors; 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

## Subject 4F Related Party Transactions Committee

### DUTIES AND RESPONSIBILITIES

The Related Party Transactions Committee shall have authority over related party transactions of the Company.

The RPT Board Committee shall have the following functions and responsibilities, among others:

1. To perform oversight function in the Company's compliance to pertinent rules, laws, regulations and policies relating to related party transactions;
2. At the beginning of the calendar year, review and endorse for Board approval changes in the RPT Policy and Guidelines;
3. Review and approve/endorse RPTs in accordance with the RPT Guidelines and Procedure;
4. Review reports on Pre-Cleared RPTs and Non-Material RPTs in view of proposing changes to the RPT Policy and these Guidelines;
5. Recommend to the Board of Directors any change to the RPT Policy and these Guidelines, including any modification in the list of Pre-Cleared RPTs and the materiality threshold;
6. Oversee the effective implementation of the RPT Policy and Guidelines; and
7. Such other duties as may be assigned by the Board of Directors.