

ANNUAL ACTIVITY REPORTS OF THE EDC BOARD COMMITTEES

For the Year Ended December 31, 2011

For the year ending December 31, 2011, below are the significant activities and accomplishments of EDC's Board Committees.

THE AUDIT AND GOVERNANCE COMMITTEE (AGC)

- **Financial reporting.** The Committee reviewed with Management and the external auditors the quarterly and annual financial statements and endorsed them for Board approval and discussed the key accounting issues and the results of the audit examination with the external auditors.
- **Internal Control Environment.** The AGC conducted reviews of external audit results, functional responsibility over the Internal Audit, receiving reports on 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.
- **External and Internal Audit.** The AGC likewise reviewed the overall scope of the audit plan of the external auditor, and affirmed the management evaluation on the performance of the external auditor in the previous AFS preparation, and approved the engagement of the external auditor for the 2011 audit. The Internal Audit plan was also approved and ensured that independence is maintained and the scope of work and resources are adequate.
- **Compliance.** The Committee monitored the Company's compliance with laws, rules and regulations, and approved the annual plans and programs of the Compliance Office. The AGC likewise took steps to strengthen the governance framework by endorsing the

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changes to the Company's Corporate Governance Manual to align it with regulatory requirements, corporate policies and best practices, ensuring that all directors and senior executives comply with the CG Training requirements; endorsing the conduct of the annual CG evaluation on the Board and President's performance; and providing continued support to the company's participation in the Corporate Governance Scorecard project which won for the company recognition for exemplary governance practices.

NOMINATION AND COMPENSATION COMMITTEE

- The Committee studied the proposed schemes for EDC's Stock Option Plans, and endorsed for Board approval the proposed Executive Stock Option Plan.
- The Committee reviewed the qualifications, credentials and disqualifications of nominees for Regular and Independent Directors for the 2011 Annual stockholders Meeting
- The Committee also screened the nominees for Independent Director after the resignation of Independent Director John A. Prasetio.
- The Committee likewise reviewed and evaluated the qualifications and disqualifications of new EDC Vice-Presidents (Corporate Finance, Strategic initiatives office, Chief Information Officer) prior to their election by the Board.

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RISK MANAGEMENT COMMITTEE (RMC)

- **Strategic Risk Review.** The RMC identified and reviewed the strategic risk exposures of EDC, which can affect the achievement of the company's corporate objectives if not managed well. The strategic risks were approved by EDC's Board of Directors and are being managed by assigned senior management members. Consequently, the initiatives to address the strategic risks are regularly monitored.
- **Strategy Execution Process Implementation.** As part of the annual implementation of the strategy execution process (i.e. integrated balanced scorecard, enterprise risk management, and budget management systems), operational risks were identified by the business units for the 2012 cycle. Correspondingly, the initiatives that would address the business units' top risks are part of their 2012 balanced scorecard commitments. As instructed by the Risk Management Committee, project site risk assessments were conducted by the different project sites with the aim of having a project level risk assessment. With this, the company now has a project level perspective of each project site's top risks and the level of coordination between the company's steamfield and power plant operations, including the site and head office support activities, has been enhanced.
- **Risk Administration.** The RMC monitored the company's exposure to foreign exchange and interest rate risks. Consequently, EDC's Finance Sector reviewed its hedging strategies and regularly monitored the company's exposure to foreign exchange and interest rate fluctuations. The Committee also actively coordinated with the Technical Services and other concerned sectors to proactively manage drilling-related risk exposures. This enhanced the planning process and the level of coordination with the drilling contractor. Lastly, the RMC conducted a process-based risk assessment of the company's procure-to-pay process, which resulted to the identification of improvement areas in the vendor management process.

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- **Business Continuity Management.** The Committee conducted project scoping for the implementation of Business Continuity Management (BCM) in the head office and in all project sites. The planned phased implementation will start in 2012.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSRC)

- **Directions on new CSR programs.** The Committee deliberated on the strategic directions for present and future projects such as Branding for the BINHI: Greening Program, Corporate Climate Change Program, CSR strategy and 5-year roadmap, and Pantabangan-EDC Biodiversity program.
- **Approval of new CSR projects.** The Committee likewise approved the following CSR activities and programs for implementation starting 2011: College Admission Review and Readiness (CAREERS) Project, Rural Health Building Project of the Southern Negros Geothermal Production Field in Valencia, Negros Oriental, Technical-Vocational School for the Mt. Apo Geothermal Production Field in Kidapawan City, North Cotabato, CSR projects for the host LGUs of the Burgos Wind Power Project; and Legacy projects for the late UP Botanist Leonard Co.
- **Assessment of Partnerships.** The CSR Committee also reviewed the status and strategic directions certain partnerships would make, and their impact on EDC: Renewal of partnerships with the Department of Education on the Leyte Schools for Excellence project; Membership in the Consultative Corporate Group of the World Resources Institute; Assistance of Philippine Business Imperative for Climate Change with EDC as lead in the reforestation cluster of the Business Climate Action Summit on March 29, 2011; Alliance for Mindanao Off-grid Renewable Energy (AMORE) Program, specifically on the component of School Electrification and Education using Knowledge Channel as

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e-media; and Directions on various proposals for partnerships for the following projects: Malagos Garden Interactive Birds Show, the Ecotourism Project in Bacman with ABS-CBN Foundation Inc., and incorporation of BINHI project in Gawad-Kalinga housing projects.

- **Monitoring Activities.** Lastly, the CSR Committee also conducted review of existing CSR projects of EDC as part of its monitoring and oversight functions: Financial and operational performance of the KEITECH Educational Foundation, Inc. (KEEFI) and the Kananga-EDC Institute of Technology (KEITECH); Financial performance and assistance to the Mt. Apo Foundation Inc. (MAFI); and Biodiversity Program in EDC's Five Sites conducted by UP-Institute of Biology.

OPERATIONS COMMITTEE (OPSCOM)

- The Committee deliberated on eighty-six (86) items, 70% of which were high-valued procurement and drilling operations items comprising P 9.7 Billion out of the total of P10.55 Billion.
- The 86 items deliberated on by the Committee is lower compared to the 153 items passed upon by the Committee in 2010. The reduction was brought about by the increased approval limits for the president in May 2011.

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Attendance of the EDC Directors in Board Committee Meetings for 2011

COMMITTEE ATTENDANCE

BOARD OF DIRECTORS	AGC 5 Meetings	NCC 6 MEETINGS	OPSCOM 32 MEETINGS	RMC 2 MEETINGS	CSRC 5 MEETINGS
OSCAR M. LOPEZ		4/6			
FEDERICO R. LOPEZ	1/5	6/6	4/32	1/2	5/5
RICHARD B. TANTOCO	4/5	6/6	19/32	1/2	5/5
ERNESTO B. PANTANGCO	5/5	5/6	25/32		5/5
PETER D. GARRUCHO, JR.		6/6	15/32	1/2	
FRANCIS GILES B. PUNO	4/5	4/6	14/32	2/2	1/5
ELPIDIO L. IBANEZ	3/5	6/6	27/32	1/2	1/5
JONATHAN C. RUSSELL	2/5	5/6	24/32	2/2	
EDGAR O. CHUA	5/5	4/6		1/2	5/5
FRANCISCO ED. LIM	5/5	4/6		2/2	2/5
JOHN A. PRASETIO	<i>Mr. John A. Prasetio was a member of the Board in 2011 until his resignation on February 1, 2011</i>				
ARTURO T. VALDEZ	1/5	2/2			2/2