

ANNUAL ACTIVITY REPORTS OF THE EDC BOARD COMMITTEES

For the Year Ended December 31, 2012

For the year ending December 31, 2012, below are the significant activities and accomplishments of EDC's Board Committees.

THE AUDIT AND GOVERNANCE COMMITTEE (AGC)

The Audit and Governance Committee (AGC) assists the Board in fulfilling its oversight responsibility as regards the Company's: a) integrity of financial reporting process; b) effectiveness and soundness of internal control environment; c) adequacy of audit functions, both external and internal audits; and d) compliance with rules, policies, laws, regulations, contracts and the code of conduct.

In fulfilling its responsibilities as stated in the AGC Charter, the Committee performed the following activities:

- **Financial Reporting and Disclosures.** The Committee reviewed with Management and the external auditor (SGV & Co.) the annual and quarterly interim financial reports and endorsed them for Board approval and release to regulatory agencies, stockholders and creditors. Their 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 Environment.** 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

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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 and audit plan of the external auditor. The Committee also reviewed and affirmed the management evaluation on the performance of the external auditor (for the 2011 financial statements audit) and approved the reengagement of SGV & Co. for another year (2012 audit) as well as the non-audit services rendered by external auditors. The AGC also approved the Internal Audit annual plan and ensured that independence is maintained, the scope of work is sufficient and resources are adequate.
- **Compliance.** The AGC likewise monitored the Company's compliance to laws, regulations and policies, by approving the annual plans and programs of the Compliance Office, taking steps to strengthen the governance framework such as: a) completion of the corporate governance evaluation (i.e. Board self assessment and President/COO evaluation), b) ensuring that all directors and senior executives comply with the corporate governance training requirements, c) participation in the ASEAN Corporate Governance Scorecard Project and the PSE Bell Awards, d) update of the corporate governance pages in the EDC website, and e) receiving the 'Platinum Award' for the 2011 Corporate Governance Scorecard results as adjudged by the Institute of Corporate Directors.
- **Committee Meetings.** The AGC conducted four (4) meetings in 2012, in which all Committee members attended at least a majority of the meetings.
- **Assessment of Performance.** In compliance with SEC memorandum Circular No. 4, series of 2012, the AGC assessed its own performance based on the guidelines and parameters set in SEC, and the results of which were reported to the SEC last October 4, 2012 (i.e.

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overall rating of 'Very Satisfactory'). Based on the results of the performance evaluation, the Committee committed to take steps to address the identified areas for improvement

NOMINATION AND COMPENSATION COMMITTEE

- In Compliance with the mandate under the Securities Regulation Code and the Company's Corporate Governance Manual, the NCC reviewed the qualifications, credentials and disqualifications of nominees for Regular and Independent Directors for the 2012 Annual stockholders Meeting; and
- The Committee likewise reviewed and evaluated the qualifications and disqualifications of new EDC Vice-Presidents (Supply Chain, Power Generation and Project Development Officer for EDC International) prior to their election by the Board, as well as the appointments of other officers to new or different Sectors.

RISK MANAGEMENT COMMITTEE (RMC)

- **Business Continuity Management.** To address Disaster Avoidance and Recovery Risk, which is one of the strategic risks of EDC, the Business Continuity Management Project was launched in 2012 in several locations company-wide, and targeted for completion in 2013.
- **Strategic Business Unit Risk Review.** In August 2012, Management decided to operate using strategic business units (SBUs) to support the company's vision to become a global leader in geothermal energy. Relative to this, risk reviews were conducted to identify the top risks of each SBU on (a) Steam availability and Sustainability, (b) FCRS Availability and Reliability, (c) Power Plant Availability and Reliability, and (d) Corporate Social Responsibility Projects, and the initiatives to address these top risks are scheduled for the Risk Management Committee's review in January 2013.

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- **Electric Cooperative Credit Risk Portfolio.** A credit risk portfolio analysis of EDC's customers was conducted to identify the credit default risk exposure of the Company, focusing on their financial strength and creditworthiness.
- **Vendor Evaluation.** Thirty-four (34) financial evaluations of suppliers and contractors were conducted to review their financial performance and credit history. The purpose of the evaluation was to provide EDC with an understanding of its suppliers' and contractors' financial condition and related risks.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSRC)

The Corporate Social Responsibility (CSR) Committee of the EDC Board performed its oversight function on EDC's CSR program policy and strategy on socioeconomic development of the company's host communities and on the stewardship of the environment where EDC operates. These programs have been guided by EDC's pursuit of corporate excellence that goes beyond compliance and beyond the financial bottom line.

- During the year, EDC Management embarked on a major CSR program shift to projects that required detailed studies for an extended period of time. Having approved the CSR road map for the Health, Education, Livelihood and Environment (HELEn) Program and having established major Climate Change Program thrusts in December 2011, the Committee allowed Management to develop the necessary projects under these initiatives for the first half of 2012 and then conducted the review in the middle of the year. Outside the CSR Committee, several meetings were then held thereafter by the CSR Committee Chairman with EDC Management to review the progress on the directions given by the CSR Committee.

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OPERATIONS COMMITTEE (OPSCOM)

- The Committee deliberated on seventy-two items which were approved or elevated to the Board for final approval with a cumulative worth of about P39.35 Billion. Of these, more than 40% of the items pertained to drilling activities while the bulk of the amount for operational support activities pertained to the 2012 corporate budget of EDC and the subsidiaries GCGI and BGI.
- The items deliberated on by the Committee in 2012 is lower compared to the 86 items passed upon by the Committee in 2011. The reduction was brought about by the increased approval limits for the President/COO

