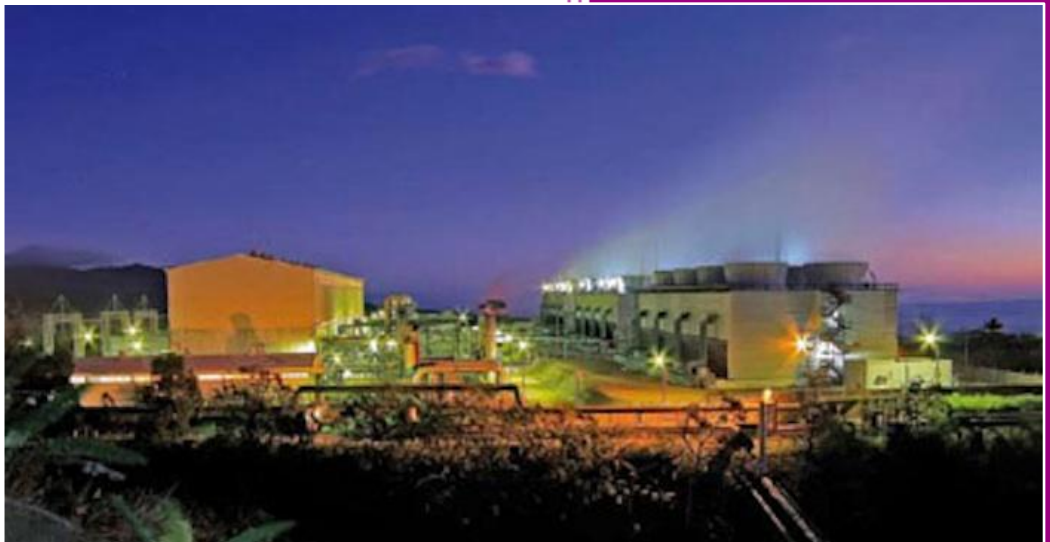


2016

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE OFFICE
Energy Development Corporation

Table of Contents

Corporate Governance Statement.....	3
Vision, Mission and Corporate Objectives	4
Corporate Governance Policies & Initiatives	5
Recognition of Excellent Corporate Governance Practices	6
THE 2016 CG ACTIVITIES OF THE ENERGY DEVELOPMENT CORPORATION	6
1. RIGHTS OF SHAREHOLDERS	6
Basic Shareholder Rights.....	6
Right to be Notified of, and to Participate in Decisions re Fundamental Corp.Changes..	7
Right to Elect Directors.	8
Right to Dividends (Dividends Policy).....	8
Policy on Mergers, Acquisitions and/or Takeovers.	9
2. EQUITABLE TREATMENT OF SHAREHOLDERS.....	9
The “One Share, One Vote” Rule.	10
Prohibition on Conflict of Interest and Insider Trading.....	10
Related Party Transactions.	10
2016 Annual Stockholders' Meeting (ASM).	11
3. ROLE OF STAKEHOLDERS.....	13
EDC's Key Principles in Dealing with its Stakeholders	14
EDC Activities Promoting Stakeholders' Interests	15
4. DISCLOSURE AND TRANSPARENCY	24
Responsible persons for information disclosure.....	24
Contents of disclosures.....	24
Medium / Channels of Disclosure.	24
Share Capital.	25
5. BOARD RESPONSIBILITIES.....	28
Board composition and structure.	28
Nomination, Election & Succession, and Qualifications & Disqualifications of Directors.	29
Term of Office of Directors.	29
Board Diversity Policy.	30
Chairman and Chief Executive Officer (CEO).....	30
Decisions Requiring Board Approval.	31
Board Meetings.....	31
Board Committees.	32
BOARD COMMITTEES' FUNCTIONS AND ACTIVITIES.....	33
a. Audit and Governance Committee (AGC).	33
b. Nomination and Compensation Committee (NCC).	35
c. Risk Management Committee (RMC).	35
d. Corporate Social Responsibility Committee (CSRC).	36
e. Operations Committee (OpsCom).....	36
f. Related Party Transactions (RPT) Committee.	37
BOARD ACTIVITIES FOR 2016	37
Board Orientation and Training Program.....	37
Board Strategic Planning.....	37
The Annual in-House Corporate Governance Evaluation.....	38
Compensation of Directors and Executive Officers.....	39
INTERNAL AUDIT	40
EXTERNAL AUDIT.....	40
RISK MANAGEMENT	41



EDC Treasurer/CFO/ SVP for Finance and Shared Services Group Nestor H. Vasay received in behalf of the Corporation, the Plaque of Recognition from the 1st Institutional Investors' Corporate Governance Awards

Good and responsible corporate governance has always been fundamental to EDC's long-term success and growth in the renewable energy industry. EDC has stood firm but progressive throughout the years, harnessing indigenous and renewable energy resources to generate clean power in a sustainable manner and with little impact on the environment while safeguarding the best interests of all its stakeholders and maximizing shareholder value. As the Company continues to grow, its commitment to raise the bar of good governance within the organization drives the Company's competitiveness and creates value to its stakeholders.

Corporate Governance Statement

The EDC Board of Directors, Management and employees are committed in upholding and demonstrating the principles and best practices of corporate governance provided in the Company's Manual of Corporate Governance.

As advocates of accountability, fairness, integrity and transparency, the Board of Directors believes that good governance serves as the basis for the responsible management of EDC's businesses and as a guide in preserving stakeholders' interest and in delivering shareholder value.

CORPORATE GOVERNANCE

The challenge to go beyond mere compliance and box-ticking is what drives EDC's leaders to challenge themselves in finding ways to improve the Company's governance standards while considering innovations to be at par with international best practices.

The Board of Directors mandates that the Company's Corporate Governance policy be embodied in its Corporate Governance Manual and it has tasked the Audit and Governance Committee (AGC) as CG oversight body. The AGC, under its Charter, has been imbued with the duty of monitoring and assessing the Company's corporate governance practices and implementing CG-related policies that meets international best practices and complements its business and operational strategies aligned with applicable laws and regulations.

Vision, Mission and Corporate Objectives

The Board of Directors has established EDC's Vision, Mission and Core Values, as follows:

VISION

- *We will become the global leader in geothermal energy as we strengthen our leadership in the Philippine renewable energy industry.*

MISSION

- *We are committed to providing the present and future generations with a better life with clean and renewable energy.*

CORE VALUES

- We are guided by the following distinct Lopez Group values:
 - *A Pioneering Entrepreneurial Spirit*
 - *Business Excellence*
 - *Unity*
 - *Nationalism*
 - *Social Justice*
 - *Integrity*
 - *Employee Welfare and Wellness*
- *We know from generations of experience that it is by living according to these values that a company can be built to last.*

Consistent with its vision, mission and core values, EDC's Board of Directors and Management has set up the following corporate objectives:



In the Board Strategic Planning Session last September 7, 2016, the Board of Directors reviewed and affirmed EDC's vision and mission, thereby reinforcing its corporate strategies and commitments to provide present and future generations with clean and renewable energy. These strategies and commitments add value at every stage of its operations and continue to protect the interests of all shareholders and stakeholders alike. Examples of EDC's exemplary good governance practices are: the promotion of customer and investor interests, environmental stewardship, employee development and community welfare activities. The Board has also committed to continuously monitor the implementation of EDC's corporate strategy.

Corporate Governance Policies & Initiatives

To achieve effective corporate governance, the Board of Directors continuously reviews and directs the upgrades of EDC's internal policies and processes, while the Management institutes strategic and operational improvements that combine competent leadership, effective risk management and a values-led culture.

EDC's Articles of Incorporation, By-Laws, and Revised Corporate Governance Manual serve as reference sources and primary literature to assist the Board in performing its fiduciary duties as Directors of EDC. Its Corporate and Committee Charters and CG Manual lay down, among others, the basic principles and structure of good governance covering the rights of its shareholders, the minimum qualifications of its directors, and the primary roles and duties of its directors and officers. To ensure compliance with legislation and best practices, the Board periodically reviews these corporate documents to ensure that the corporation remains relevant and effective as it works towards the attainment of its corporate objectives.

Its Code of Conduct and Business Ethics (CCBE) and Code of Conduct and Discipline (CCD) provide the reasonable norms of conduct in the discharge of duties, and the business and personal ethics and standards of behavior required to be observed by its employees, Management and the Board of Directors. It promotes integrity and ethical conduct in all aspects of operations, including confidentiality of information, use of company property/resources and conflict of interest. It also sets out prohibited activities or misconduct such as insider trading, soliciting or accepting gifts (in excess of certain value) and fraud. Compliance with the CCBE and CCD are being monitored by the Nominations and Compensation Committee of the Board of Directors, the Human Resources Management Group and the Internal Audit Group.

Other governance-related policies on Conflict of Interest, Protected Disclosures ("Whistleblower"), Giving and Receiving of Corporate Gifts, and Fraud also guide and set the boundaries in which the employees, Management and Board interact with stakeholders to operate and achieve its corporate objectives. These policies cover a wide array of topics ranging from matters involving work performance, dealings with customers, suppliers, creditors, and government regulators, handling corporate assets, records and information, avoidance of conflict of interest and corrupt practices, fraud identification and reporting and the encouragement and protection of whistleblowers.

In addition, its Related Party Transactions Policy ("RPT Policy") provides a governance framework that ensures the Board and Management's commitment to integrity and transparency in related party transactions of the Company. EDC's Related Party Transactions Board Committee, chaired by an Independent Director, with 100% of EDC's Independent Directors constituting the majority of the committee membership, oversees the implementation of the Company's RPT Policy.

Lastly, the Enterprise Risk Management Manual lays down the Company's risk management framework that enables EDC to better address different risks and ensures that its business objectives are attained with the highest level of efficiency. EDC's Risk Management Committee, composed of Non-Executive Directors, oversees the implementation of its Enterprise Risk Management Manual.

Recognition of Excellent Corporate Governance Practices



In 2016, EDC was one of the publicly-listed companies under the US\$2 to US\$10 Billion (Mid-Cap) market capitalization category to have received the 2016 Institutional Investors' Governance Award.

It is a recognition given by institutional investors for the Company's continuing adherence to good corporate governance practices.

Also, in the ASEAN Corporate Governance Scorecard for 2016, EDC received a rating of 92.87 points, which is an improvement from the previous year's rating of 92.47 points.

Compliance with the Corporate Governance Code

In order to comply with the Corporate Governance Code, EDC's CG structure is held together by a strong Board of Directors, a dedicated and hardworking Audit and Governance Committee (AGC) and a highly-engaged and committed Vice-President and Compliance Officer.

The 2016 corporate governance activities of the Company is led by its Vice-President and Compliance Officer Erwin O. Avante. As the Compliance Officer, he is responsible for raising a culture and awareness of good governance within the company, and in monitoring and ensuring compliance by EDC Directors, Management and Employees with corporate governance laws, rules, regulations, as well as observance of good governance practices and principles which are embedded in EDC's Manual on Corporate Governance. EDC's Audit and Governance Committee (AGC) exercises oversight function over the Company's corporate governance practices and policies. Lastly, the Board of Directors decides on corporate matters and strategies, always mindful of their corporate governance responsibilities not only towards the Company, but also to EDC's shareholders and stakeholders.

For 2016, EDC has complied with its Manual on Corporate Governance which contains relevant provisions of the Philippine SEC Revised Code of Corporate Governance.

THE 2016 CG ACTIVITIES OF THE ENERGY DEVELOPMENT CORPORATION

For the year ending December 31, 2016, below are the Corporate Governance activities of EDC:

1. RIGHTS OF SHAREHOLDERS

EDC continues to take the following measures to protect the rights of every shareholder:

Basic Shareholder Rights.

EDC's shareholders, whether of common or preferred shares, or with a majority or minor stake, or who may be an individual or an institutional investor, are equitably provided with the following basic stockholders' rights recognized in the Corporation Code, among others: voting rights, pre-emptive rights, appraisal rights, right to inspect corporate books and records, right to information, right to receive dividends, right to participate and be adequately informed on decisions about fundamental corporate acts.

In carrying out the commitment to uphold these stockholders' rights, the Board of Directors give its full support for programs and activities promoting the exercise of stockholders' voting

rights, as well as programs for the protection of shareholders' right to take collective action through appropriate mechanisms for the resolution of issues and concerns.

Appropriate safeguards were put in place to protect the rights of the Company's minority shareholders in decisions involving fundamental corporate actions, and, through the Independent Directors, proper representation in decisions of the Board of Directors

Right to be Notified of, and to Participate in Decisions Concerning Fundamental Corporate Changes.

EDC encourages its shareholders' personal attendance to annual and special stockholders' meetings to ensure their effective and active participation therein and to help them arrive at a well-informed decision on the proposed fundamental changes in the company, which may include amendments in the Company's Articles of Incorporation and By-Laws, increase in the authorized capital stock, or transfer of all, or substantially all, company assets. If individual shareholders or authorized representatives of institutional shareholders cannot attend such meetings, these shareholders are informed ahead of time of their right to appoint a proxy.

In addition to the stockholders' right to be informed on corporate changes, EDC also ensures that all available measures are taken so that meeting notices and relevant company information reach its shareholders under the most efficient, convenient and timely manner. In 2016, EDC first released its notice of the Annual Stockholders' Meeting on March 9, 2016. Thereafter, the Definitive Information Statement (SEC Form 20-IS) containing the Notice of Meeting and the Agenda, the proxy forms and all information necessary for stockholders to make informed decisions, was filed with the SEC and PSE and distributed to shareholders on April 12, 2016, or thirty (30) days before the Annual Stockholders' Meeting on May 12, 2016. Electronic copies of the Information Statement were distributed to the shareholders in compact disc (CD) formats by regular mail, via postings in EDC's website and by disclosures in the Philippine Stock Exchange's Electronic Disclosure Generation Technology (PSE EDGE). Stockholders may also request for a hard copy of the Information Statement from the Office of the Corporate Secretary and the Investor Relations Office (c/o Erudito S. Recio, Senior Manager, Investor Relations).

Shareholder's participation in major Company decisions are likewise encouraged and ensured by holding the Annual Stockholders' Meeting (ASM) at a convenient place accessible to the public. In 2016, the ASM was held at the PSE Auditorium, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

Further, prior to the ASM itself, all EDC shareholders, including non-controlling shareholders, are given an opportunity to nominate candidates to the Board. For 2016, the Company's independent directors were nominated by non-controlling shareholders identified in the Company's 2016 Annual Corporate Governance Report.

During the Stockholders' meetings, EDC shareholders are given an opportunity to raise questions to the Board and Management. In 2016, these questions and answers were recorded and included in the 2016 Consolidated Annual Corporate Governance Report (ACGR) of EDC, in the ASM Minutes and in the Corporate Governance section posted in EDC's website (<http://www.energy.com.ph>). Details of the meeting are further discussed in this report under "Equitable Treatment of Shareholders".

The outcome of the Annual Shareholders' Meeting, with details of the approved agenda items and the approving, dissenting and abstaining votes, as well as the outcome of the Organizational Meeting of the Board of Directors with details of the approved agenda items, are immediately disclosed to the public via SEC submissions, PSE EDGE Disclosures and the Company website.

Outside of the stockholders' meetings, EDC engages and keeps its investors, shareholders and stakeholders informed, through activities led by its Investor Relations Office. In 2016, the Investor Relations Office conducted thirty-six (36) one-on-one meetings, one (1) non-deal road shows, four (4) investor briefings, eight (8) conference calls and posted one hundred eleven (111) structured and unstructured disclosures to encourage and engage its individual and institutional shareholders, including those located outside the Philippines, to participate in the meetings and activities of the company.

Lastly, in addition to the ASM and the regular activities of its Investor Relations (IR) Office, appropriate mechanisms have also been installed which allow its shareholders, its other stakeholders, and the public at large to participate and give their feedback and complaints. These feedback mechanisms include the Whistleblower Hotline, EDC's website (www.energy.com.ph) and the contact information of EDC's Investor Relations Office.

Right to Elect Directors.

In electing the members of its Board of Directors, EDC shareholders may vote such number of voting shares for as many persons as there are directors to be elected or to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his voting shares, or he may distribute them on the same principle among as many candidates as he shall think fit. The one share, one vote rule applies.

Right to Dividends (Dividends Policy).

EDC's Board of Directors is authorized to declare dividends as long as EDC has unrestricted retained earnings in accordance with Section 43 of the Corporation Code.

In the case of cash dividends, holders of common shares are entitled to receive annual cash dividends of at least 30% of the prior year's attributable recurring net income based on the recommendation of the Board of Directors, without need of stockholders' approval. Such recommendation for cash dividend declaration will take into consideration factors such as current and prospective debt service requirements and loan covenants, the implementation of business plans, operating expenses, budget, funding for new investments, as well as appropriate reserves and working capital, among others.

In the case of stock dividends, Board and stockholders' approval are required in accordance with existing laws. Stockholders representing at least two-thirds of EDC's outstanding capital stock must approve the stock dividend declaration.

In 2016, EDC's Board of Directors approved the declaration of the following cash dividends: (1) on March 9, 2016, the declaration of a cash dividend of P0.14 per share on the common shares in favor of common shareholders of record as of March 23, 2016 and payable on or before April 12, 2016; (2) on March 9, 2016, the declaration of a cash dividend of P0.0008 per share on the preferred shares in favor of holders of preferred shares of record as of March 23, 2016 and payable on or before April 12, 2016; and (3) on September 7, 2016, the declaration of a special cash dividend of P0.12 per share on the common shares in favor of common shareholders of record as of September 22, 2016 and payable on or before October 12, 2016.

Below is a table showing the dividend declarations and pay-outs made by EDC for the last three (3) years:

DIVIDEND DECLARATIONS AND PAY-OUTS 2014-2016				
Type	Value	Record Date	Date Payable	Reference
Special Cash dividend on Common shares, P0.12/sh	2,248,441,200	22-Sept-16	12-Oct-16	PSE Disclosure dated September 7, 2016
Cash dividend on Common shares, P0.14/sh	2,623,656,000	23-Mar-16	12-Apr-16	PSE Disclosure dated March 9, 2016
Cash dividend on Preferred shares, P0.0008/sh	7,500,000	23-Mar-16	12-Apr-16	PSE Disclosure dated March 9, 2016
Special Cash dividend on Common shares, P0.11/sh	2,062,500,000	23-Sept-15	07-Oct-15	PSE Disclosure dated September 9, 2015
Cash dividend on Common shares, P0.10/sh	1,875,000,000	20-Mar-15	16-Apr-15	PSE Disclosure dated March 6, 2015
Cash dividend on Preferred shares, P0.0008/sh	7,500,000	20-Mar-15	16-Apr-15	PSE Disclosure dated March 6, 2015
Special Cash dividend on Common shares, P0.10/sh	1,875,000,000	20-Oct-14	13-Nov-14	PSE Disclosure dated October 3, 2014
Cash dividend on Common shares, P0.10/sh	1,875,000,000	17-Mar-14	10-Apr-14	PSE Disclosure dated February 28, 2014
Cash dividend on Preferred shares, P0.0008/sh	7,500,000	17-Mar-14	10-Apr-14	PSE Disclosure dated February 28, 2014

Policy on Mergers, Acquisitions and/or Takeovers.

Before entering into extraordinary transactions, such as mergers, acquisitions and/or takeovers, the Company conducts above-adequate due diligence and review of such extraordinary transactions and the parties potentially involved in it, by securing, among others, the services of expert third-party firms and consultants to evaluate the fairness of the transaction price and its terms and conditions, and to ensure the viability of such transaction to EDC in the long-term. When EDC acquired 60% of First Gen Hydro Power Corporation (FGHPC) in 2008, the Company created a committee composed exclusively of its Independent Directors to oversee the transaction on behalf of EDC's management, supported by an independent financial adviser to render the fairness opinion, and a sole financial advisor.

EDC also recognizes the rights of its shareholders to participate in the approval of any merger or consolidation in accordance with Section 77 of the Corporation Code, as well as related party transactions requiring their approval as provided in the Corporation Code.

Where the matter involves a related party, the Company complies with its Related Party Transactions (RPTs) Policy and exercises greater care and transparency in ensuring reasonable, fair and arm's length transaction price, terms and conditions that are compliant with pertinent laws, rules and regulations, and that the transactions inure to the benefit and best interest of the Company and its shareholders as a whole, given relevant circumstances. Material RPTs are disclosed and reviewed by the Company's independent directors, and approved in accordance with the RPT policy.

Disclosures to the Exchange and the investing public are made available by the Company frequently to ensure that the full transparency is afforded the public.

2. EQUITABLE TREATMENT OF SHAREHOLDERS

EDC ensures that all shareholders, 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 shareholders 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, EDC shareholders 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 Shareholders.

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 Code of Conduct and Business Ethics and its Personnel Manual under the Section “Conflict of Interest Policy” and EDC's 2016 Consolidated Annual Corporate Governance Report filed with the SEC.

EDC's Board of Directors and Officers are also required to submit a “Full Business Interest Disclosure” to ensure that their business interests do not conflict with their position in the Company.

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 (NCC) will investigate, review, dispose and/or recommend to the Board how to dispense with such transactions pursuant to the NCC Charter.

During Board meetings, as a matter of practice and protocol, EDC directors abstain from participating in the board discussion on matters that may appear to create a conflict of interest on their part.

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 transactions undertaken by its Directors and Officers, they are required to adhere to trading blackouts, and when they trade in company shares, they are likewise 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, from the beginning to the end of the year can be found in the discussion under Share Capital.

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, it ensures that 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 shareholders 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.

2016 Annual Stockholders' Meeting (ASM).

Details on how EDC stockholders are equitably treated during EDC's 2016 ASM are as follows:

a) The Company's shareholders participated in the 2016 Annual Stockholders' Meeting either in person or through their authorized representatives. Only shareholders of record as of March 23, 2016 were entitled to notice of, and vote at, the 2016 ASM. Shareholders 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 May 2, 2016.

b) Meeting notices are in English since it is an official language in the Philippines, and also for the benefit of foreign stockholders. For the 2016 ASM, the Notice was first disclosed via the PSE EDGE on March 9, 2016 or more than sixty (60) days before the date of the scheduled meeting on May 12, 2016 to provide shareholders 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 published by the Company on April 12, 2016.

c) In the meeting Notice and Agenda in the SEC Form 20-IS, the Company individually identified all items on the agenda and provided a brief explanation on the rationale of each item to guide its shareholders in arriving at a well-informed decision. It also provided other relevant and adequate information for the shareholders' consideration, including -

1. *Nomination and Election of EDC Directors.* Basic information on its nominees, such as the name, type of directorship, education, experience, positions held in other businesses, date of first election and participation in board and committee meetings during the previous year, shareholding in EDC and such other information on conflict of interest were provided to shareholders 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 2016-2017.

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 shareholders in advance.

e) A proxy form, together with instructions on how to appoint a proxy to shareholders' meeting, were enclosed in the Notice and the SEC Form 20-IS to assist the shareholders who cannot attend the meeting themselves. Shareholders can download proxy forms from EDC's website. For those represented by a proxy, their votes were submitted and received not later than May 2, 2016. The proxy is required to be duly signed and accomplished by the stockholder and submitted within the deadline, after which, the company will validate and accept the same, without need for notarization.

f) The 2016 ASM was held on 12 May 2016 at 10:00a.m. at the PSE Auditorium, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. The venue is accessible and capable of accommodating all shareholders. 80.5% of EDC shareholders attended the 2016 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, all corporate officers and executive management, as well as the external auditors, attended the meeting to answer all aspects of shareholders' questions. With ten 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 are 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 shareholders.

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 shareholders to pose their queries or to express their opinions or recommendations and the management addressed and answered all the queries respectfully. The questions asked and the issues raised during the 2016 ASM are duly recorded in the Minutes of the Meeting.

l) EDC shareholders voted by poll for each agenda item. Voting results were announced during the ASM and were reported to the PSE and SEC the next day. The Securities Transfer Services Inc. tabulated the votes for each agenda item.

CORPORATE GOVERNANCE

The following tables show the voting results in the 2016 Annual Stockholders' Meeting of the Energy Development Corporation:

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the previous stockholders' meeting	22,213,116,077 (79/01%)	0	0
Approval of the Management Report and Audited Financial Statements for the year ended December 31, 2015	22,197,020,077 (78.95%)	0	16,096,000
Confirmation and ratification of all acts and resolutions of Management and the Board of Directors from the date of the last stockholders' meeting to date as reflected in the books and records of the Company	22,197,020,077 (78.95%)	0	16,096,000
Approval of appointment of SGV & Co. as the Company's external auditor	22,069,590,377 (78.50%)	134,438,500	9,087,200

ELECTION OF REGULAR DIRECTORS				
Name of director	Votes received In favor of election	%*	Votes received Against the election	Abstaining Votes
Oscar M. Lopez	21,473,712,857	76.38%	722,942,720	16,460,500
Federico R. Lopez	21,031,708,399	74.80%	1,167,871,378	13,536,300
Richard B. Tantoco	21,595,218,614	76.81%	607,453,263	10,444,200
Peter D. Garrucho, Jr.	21,272,527,452	75.66%	931,501,425	9,087,200
Joaquin E. Quintos IV	21,294,914,758	75.74%	909,114,119	9,087,200
Ernesto B. Pantangco	21,440,833,162	76.26%	763,195,715	9,087,200
Francis Giles B. Puno	21,047,587,083	74.86%	1,156,441,794	9,087,200
Jonathan C. Russell	21,307,916,258	75.79%	896,112,619	9,087,200
*Percentage is based on total outstanding voting shares of EDC of 28,115,400,000				
ELECTION OF INDEPENDENT DIRECTORS				
NAME OF DIRECTOR	VOTES RECEIVED IN FAVOR OF ELECTION	%	VOTES RECEIVED AGAINST THE ELECTION	ABSTAINING VOTES
Edgar O. Chua	22,193,777,577	78.94%	9,591,200	9,747,300
Francisco Ed. Lim	22,194,437,677	78.94%	9,591,200	9,087,200
Arturo T. Valdez	22,188,364,571	78.92%	15,664,306	9,087,200

3. ROLE OF STAKEHOLDERS

EDC sees its stakeholders - customers, investors, suppliers, contractors, creditors, communities and the government - as partners towards achieving its goals and targets and attaining long-term sustainability of its operations. It values their contributions to the Company's success and recognizes their rights and interests.

Thus, the Company has put in place and has been implementing policies in dealing with its stakeholders in its CCBE and CCD to ensure that its corporate activities are aligned with the best interest of its stakeholders.

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 has implemented the following programs and activities:

A. Business Partners

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

For 2016, the following are EDC's investor relations activities:

Investor Relations Activities for 2016	
Activity	Number of Activities Conducted for the Year
1-on-1 Meetings	36 Meetings
Investors' Conferences / Briefings	4 Conferences/Briefings (56 participants)
Non-Deal Road Shows	1 NDR (4 participants)
Conference Calls	8 Conference Calls
Email Responses	72 Emails

The Investor Relations web pages (<http://www.energy.com.ph/investors-relations/>) in the Company website also makes 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, fifteen (15) new articles on various activities and awards of EDC are posted in the company website throughout 2016.

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 event. 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 2016, EDC's customer appreciation event, headed by President/COO Richard B. Tantoco, was held at the Forbes Ballroom of the Conrad Hotel Manila. Customers from various parts of the Philippines attended the said event. Prior to the evening festivities, a seminar entitled "Train Up" was conducted by renowned inspirational speaker Mr. Edric Mendoza. 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 awarded nine (9) Green Ambassador citations for those advocating green energy and demonstrating strong preference for renewable energy.

The Company also conducted two (2) Customer Assemblies in Bohol. The Assemblies provided EDC the opportunity to touch base with customers through teambuilding activities, tours, game shows and dinner parties.

Also, EDC ensures the health and safety of all persons going to the project sites, especially its visitors whether they be customers or regulators. A mandatory safety briefing, with proper safety equipment, is provided to visitors for their protection whenever they visit the project sites.

Suppliers and Contractors. Since suppliers and contractors play a vital role to EDC's success and continuity, they are valued and treated fairly and with respect on the basis of fair competition, good cooperation and mutual support. EDC's commitment to the pursuit of business excellence is key to the selection of the best and most suitable supplier and the adoption of process excellence in procurement and supply chain management.

In 2016, the Company continues to require its suppliers and contractors to undergo an evaluation and accreditation process to ensure that only those companies duly-registered with appropriate regulatory bodies, operating for at least three years 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.

In selecting suppliers, it 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 and business case assessments detailing cost savings potential and other value drivers for EDC, are 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.

Creditors. EDC respects the rights of its creditors and complies with all 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 use of clean and renewable power in addressing the energy requirements of the Philippines, while maximizing the benefits of natural resources. It continues to be in the forefront of geothermal energy and wind power resource development.

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

It also actively participates in government consultations on new and upcoming laws, rules and regulations affecting its business, through the submission of position papers and participation in hearings and consultative technical proceedings. In the proper fora participated in by government agencies and/or other stakeholders, the Company conducts briefings on its operations, plans or expert views, as may be relevant.

B. The Environment and the Community

Delivering clean, abundant and renewable energy benefits the community when it creates long-term economic value, generates profits in a responsible manner and creates a positive impact on the society. Thus, EDC continuously puts in effort and investment to improve its value chain by harmonizing every action with nature and its communities. By reducing the business impact of operations to the environment and creating self-sufficient communities, every activity will be harmonized with the planet and the people.

Climate Change Initiatives. Recognizing the need to lessen the impact of its operations on the environment, EDC continues to provide clean and renewable energy, and supports initiatives towards addressing the hazards that can be brought about by climate change to its assets, personnel and communities.

As its major contribution to climate stability, the Company made a deliberate decision to continue to choose a clean and renewable energy portfolio. It is aligning its strategies with the goals for low carbon development in support of the Philippines' economic and environmental goals under the Paris Climate Agreement. It has commenced sustainability initiatives such as GHG accounting, energy management, waste management, water management and greening the supply chain as distinct actions towards sustainability.

The Company also continues to undertake holistic management of the forests around its projects to ensure the protection of the water-based hydro and geothermal reservoirs through forest patrols, reforestation, biodiversity monitoring, information education, and alternative livelihoods for forest dwellers to avoid encroachment. It has organized forest communities in its project sites and provided them with livelihood opportunities since 1990. These interventions have drastically reduced destructive activities like illegal logging and slash-and-burn farming.

Biodiversity Conservation and Preservation, Enhancement and Advocacy. EDC's efforts towards environmental sustainability and stewardship are embodied in the BINHI Greening Legacy Program

comprised of the programs Binhi-Tree for Life, Binhi-Tree for Food, Binhi-Tree for Leisure and the Binhi-Tree for the Future.

The BINHI program serves as EDC's flagship environment program to preserve and enhance the critical watersheds that sustain its five operating sites and five key biodiversity areas. By creating shared value across its host communities and local governments, and harnessing scientific approaches in watershed management, land-use planning, forest protection and development, settler management and governance, and resource optimization, EDC ensures environmental sustainability in the communities it operates. The Company has completed the search and documentation of all 96 target threatened species under its BINHI Tree for the Future program in partnership with DENR. The results of this project will also be used as basis for EDC's continuing efforts to protect, propagate and increase the population of the species. Also, EDC's ongoing project called 10 Million Trees for 10 Years showed promising progress with a total of 14,750 trees already planted by 276 individuals and partners as of date.

Livelihood Programs. EDC is committed to transforming its host communities into self-sufficient communities and to instill in them the spirit of enterprise.

Through EDC's HELEn program, the entrepreneurial skills of the residents of its host communities are cultivated and enhanced by training them not only on production, marketing and financial management, but also on the value of accountability and responsibility through on-the-job trainings in the different aspects of the work, and by supervising the implementation of livelihood modules by farmer cooperatives and farmers/community associations. EDC further empowers its host communities by supporting income-generating projects of cooperatives and community associations which generates employment for community members.

Capability Building. To complement EDC's livelihood programs, the capability of the school facilities and personnel are enhanced with the construction of 2 classroom buildings, the repair of 45 school buildings and facilities, the provision of classroom furniture and school materials to 27 schools, and the provision of financial incentives to 52 teachers. For the students, EDC subsidized the miscellaneous fees and school supplies of 24,725 elementary school students, and awarded scholarships to 521 top-performing and indigent high school students and 56 college students, giving them an opportunity to stay in school for another year.

The Company also facilitated skills training of 2,324 individuals for various livelihood and income-generating projects, and conducted an audit remediation to 3 partner cooperatives to help them make their financial and administrative processes more efficient. It also gives importance to the Indigenous People's culture, thus, assisting in the integration of Ubo-Manobo culture in the school curriculum.

It also continues to implement its College Admission Review and Readiness (CAREERS) Project to provide equal access to quality education and gainful employment. In 2016, 7 college students under the CAREERS Project have graduated from the University of the Philippines. There are currently 60 students in different UP Campuses who benefit from the CAREERS Project's monthly monitoring, mentoring and financial assistance. Also, it provides support to 14 college students enrolled in prestigious local universities/colleges.

It also continues to provide financial support to the scholars of the KEITECH Educational Foundation, Inc. (KEITECH) wherein 686 scholar graduates have successfully passed 100% of the qualification assessment for National Certifications, and 641 have been employed locally and globally. Aside from development of technical skills, the training center takes pride in its values formation

program which is much appreciated by its partner employers from various industries. Tech-voc experts and the trainees' parents have observed significant positive behavioral changes in the trainees.

Community Health and Safety. To further ensure the safety of the communities surrounding its plants, EDC conducted Disaster Preparedness and Management trainings to 37 barangays/schools in its host communities, and supported the training of 70 Barangay Emergency Response Team (BERT) members on basic rescue and emergency response. It also funded road concreting, and construction of footbridge and bleachers in 4 barangays in Valencia, Negros Oriental.

The Company also extended health services support, such as medical, dental, optical, circumcision, bloodletting, outreach activities, health awareness and responsible parenthood activities to 2,884 individuals of the host communities, and distributed medicines and medical supplies to 42 barangay health centers. It also supported more than 271 Barangay health workers from partner barangays with health care paraphernalia 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 99 households and rehabilitated water systems in 10 barangays. EDC also supported various local government coastal/river clean-up drives and ecological solid waste management.

Likewise, 2,551 school children were beneficiaries of the nutrition feeding program implemented in EDC-assisted partner schools.

C. The Employees

Employees' Health, Safety and Welfare. EDC advocates a safe, healthy, secure and drug-free working conditions for its employees in the head office and the sites. It is also committed to keeping its employees healthy, engaged, enabled, energized and vigorous by advocating good work-life balance for them.

As the Company sees its employees as a valuable resource, EDC endeavors to prevent occupational accidents and injuries at all times and promote and enhance a drug-free work place. We have committed to make all reasonable efforts to comply with all government regulations pertaining to safety and health issues and to carry out effective safety and health programs intended to minimize, if not totally eliminate, employee and other stakeholder's injuries and damage or destruction of EDC assets.

All these are clear in EDC's Health and Safety Policy and Drugs-Free Workplace Policy.

Health and Welfare. In promoting a healthy lifestyle, EDC has undertaken the following activities in 2016:

- a) Intensified competency development, advisories and information campaigns on the recognition and investigation of occupational illnesses, HIV-AIDS and diabetes;
- b) Implementation of the Fitness for Duty standard, which is designed to minimize the risk of an adverse consequence to the health and/or safety of an employee or contractor, resulting from foreseeable health condition;
- c) Health-related education and discussion accessible to employees and their families on the basics of diabetes, its risks, prevention and management;

- d) Free random blood sugar testing were conducted across all sites to promote awareness of the employees and attain better control of their illness;
- e) Sponsored and/or discounted quadrivalent influenza vaccination for 594 employees and dependents;
- f) Sponsored annual physical examinations to which 100% of EDC head office employees completed;
- g) Regular five-kilometer "Walk the Talk" walkathons, and regular sports tournaments in EDC alone and with other Lopez Group companies;
- h) Conduct of a Wellness Fair that featured various products and services addressing workplace stress, stress management discussions with employees, and laughter yoga session by Pinoy Laughter Yoga Foundation;
- i) Trainings on First Aid and Basic Life Support were conducted by the Philippine Red Cross. This year marked the most number of EDC employee volunteers trained in First Aid and Basic Life Support, which brought EDC the recognition by the Philippine Red Cross as Safety Services Partner and Pearl Partner Awardee;
- j) Business Travel Health program aims to prepare employees prior to deployment in EDC's international sites by requiring them to undergo medical evaluation and assess their fitness to travel and work at the location, to undergo First Aid and Basic Life Support training, to provide vaccinations and equipment to protect their health during their business travel; and
- k) 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;

Safety. In 2016, EDC continued the implementation of various safety programs that will ensure safety in all the facilities across the organization. To better improve its safety performance, the Company also initiated safety audits at the workplaces to ensure that the safety standards and programs are implemented and complied with across the operating units. The activities also served as input in updating and improving the safety standards to ensure that they are effective and easy to implement. The following safety programs in 2016 were likewise implemented:

- a) Contractor Safety Passport System wherein all workers, including contractor workers, are required to receive the right training for the hazards they may be exposed to while working at the site. Also, contractors are required to submit a safety plan specific to the project prior to the performance of work on company premises;
- b) Compliance with the requirements of the Permit to Work Standard to ensure that all work activities to be performed are carefully analyzed to identify hazards, and that the appropriate measures are undertaken to eliminate or reduce the hazards in order to prevent injury, illness, fire, damage to property or environmental incident;
- c) Audit of the incident reporting and investigation standard and the permit to work standard were performed to identify the gaps in implementing the standards at the worksites;
- d) Conduct of safety walkthroughs by site leaders and subject matter experts to ensure compliance of target work activities with EDC's safety standards and programs;
- e) Regular safety coordination and alignment meetings are conducted across the organization to ensure alignment of all safety activities; and
- f) Consequence Management Program which aims to establish clear accountabilities, and ensure active engagement of all employees, contractors and workers to reduce the risk of

health, environment and safety incidents to all employees and workers while engaged in activities for EDC or on premises under EDC's operational control.

All matters related to the health, safety and welfare of employees, including training and development programs, employee relations and rewards and compensation are fully discussed in the Performance Report which will be released on or before the Annual Stockholders' Meeting.

Employee Empowerment. EDC highly values the contribution of its employees in the long-term sustainability of its business. To enable its employees to perform their functions more effectively and to support its strategic goals for the year, the Company continues to develop higher-level skills and attain personal career satisfaction by offering various training and development opportunities to its employees. Programs on development of coaching skills, interpersonal communication, safety awareness, business continuity management, and risk management, among others, were offered to its employees in 2016.

Below is a table showing the training data of its employees in 2016.

2016 Training Data		
Rank	Average Training Hours	Over-all Average Training Hours
Executives	26	77
Managers	58	
Supervisors	133	
Professional/ Technical	436	
Rank & File	46	

New employees also undergo an onboarding program conducted by the Human Resources Management Group to give them a more in-depth understanding and appreciation about EDC's business and culture.

Also, EDC's Leadership Team, comprised of the Board, Management, executive officers, managers and supervisors, participated in the 2016 Leaders' Assembly as part of its succession program for the Company. Themed "Powering Infinite Possibilities," the Assembly served as a venue to inform officers, managers and supervisors of EDC top management's vision, goals and plans for the Company. The Assembly also provided EDC's Management an opportunity to engage its employees and encourage them to participate in attaining the Company's bright future, by providing them a venue to speak up and voice out their concerns.

Rewards and Compensation. EDC's compensation philosophy is to recognize company and individual performance as reflected in the value of each officer or employee's position compared against the marketplace and within the company. Likewise, deserving employees who work hard and perform well are recognized by bestowing them with appropriate rewards and recognition.

To foster a positive and productive working environment and to motivate employees to always aim for excellence, EDC evaluates company and individual performance against EDC's business objectives vis-a-vis individual rewards and incentives using the Performance Management System, the EDC Performance P.A.C.E. Through the EDC Performance PACE, the Company recognizes the contribution of every employee in EDC's success and vitality.

Also, to give credit to the hard work, professionalism and loyalty of employees, EDC holds service recognition programs to formally recognize employees who have loyally and expertly served the Company for at least ten (10) years. In 2016, a total of 194 employees from the Head Office and the

project sites were given a rousing celebration and recognition for the long and quality service they have rendered to EDC.

The Company also gives qualified officers and employees the opportunity to be part of its Employee Stock Grant Plan (ESGP). The ESGP is an integral part of EDC's total rewards program for its officers and employees and is intended to provide an opportunity for participants to have real and personal direct interest in EDC. It covers officers and employees of EDC and other individuals whom the Nomination and Compensation Committee (NCC) may decide to include. Stock awards granted to EDC officers and employees are summarized in the Notes to Financial Statements.

Employee Relations. EDC Management continues to nurture the good relationship with its employees and unions.

The Company, through its Human Resources Management Group, conduct regular town hall meetings and dialogues with employees to update them on the plans, directions and targets of the Company. These town hall dialogues also gave EDC employees the opportunity to raise to the Board and Management their legal, ethical and operational concerns.

To increase awareness on company benefits and to facilitate the availment of the same, the Company continuously sends updates via group mail EDC Quick News and improves its intranet system to make more accessible to its employees the guidelines on their entitlement to company benefits as well as the services of its Human Resources Management Group.

Anti-corruption Programs. EDC supports a corporate culture where unethical and corrupt practices are highly discouraged and strictly prohibited. Its Management is primarily responsible in overseeing the effectiveness of its anti-corruption programs, which extend beyond detection and prevention of fraud and other corrupt practices.

Aside from the **Code of Conduct and Business Ethics (CCBE)** and **Conflict of Interest Policy**, the following policies are observed:

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 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, shareholders 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 CCD to be further discussed below, EDC's Internal Audit Group (IAG) 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. It 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 (CCD). EDC also has a Code of Conduct and Discipline, which was reviewed and revised in November 2015. It prescribes the norms of conduct and standards of behavior to instill a strong sense of discipline among its employees and to ensure EDC's core values are embraced by them in their work and daily lives.

Electronic and hard copies were made available, provided and distributed to its new employees. Acknowledgment forms expressing their joint commitment to strictly conform to the revised Code of Conduct and Discipline were also signed by its 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 and 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 empower employees with freedom and trust to strike the correct balance in their relationships with outside firms, to include vendors, consultants, contractors, suppliers, customers, regulators, political leaders, host communities and other business partners, among others.

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

f. Related Party Transactions (RPT) Policy. The Company believes that having an RPT Policy is another step towards strengthening EDC's anti-corruption stand 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.

4. DISCLOSURE AND TRANSPARENCY

EDC is committed to providing investors and all stakeholders timely, complete, and adequate information that may affect their decision to deal with Company shares. All material information about EDC is adequately and promptly disclosed, in accordance with SEC and PSE's disclosure policy.

Responsible persons for information disclosure. EDC's President and members of Management, each in their respective sectors, review and approve major company announcements. The Company's Corporate Secretary/ Assistant Corporate Secretary and Compliance Officer, as may be applicable, are responsible for making timely disclosures to the SEC. In coordination with them, its Investor Relations (IR) Department is responsible for disclosing to the PSE and ensuring that disclosures are made prior to their release to the news media.

Contents of disclosures. Disclosure of such information found in EDC's annual and quarterly financial statements (i.e. SEC Form 17-A and 17-Q) and other SEC and PSE reports (i.e. SEC Form 17-C, 20-IS, 23-A, 23-B, SEC Advisement Letters, PSE Disclosures etc.) includes, among others, operating and financial performance of EDC and its subsidiaries, acquisitions, sale and disposition of significant assets, EDC's ownership structure, information on major shareholders, beneficial owners holding 5% or more shareholdings, related party transactions and shareholdings of directors, biographical information on directors and members of board committees, dividend policy and declarations, remuneration of directors and senior management, corporate governance policies and full compliance thereof, audit and non-audit fees, details on board attendance to meetings, and such other non-financial information that may affect the investment decision of the investing public.

Medium / Channels of Disclosure. These information are made available to the public in the form of press releases to the media in newspapers, in EDC's printed annual reports, and in the Investor Relations and Corporate Governance sections of the website (www.energy.com.ph) in the form of presentations and SEC/PSE regulatory annual and quarterly filings and disclosures, and lastly, in its email and intranet system for internal publications. We make sure that EDC's website and intranet system is regularly updated to include the latest news and current information about EDC.

These disclosures are likewise made electronically available through the Electronic Disclosure Generation Technology (EDGE) of PSE which are then posted on the PSE EDGE website.

Investors, stockholders, and other stakeholders are likewise provided with information about EDC, and its operating and financial performance, through the following tools:

- 1-on-1 meetings and/or conference calls with Management
- Quarterly investors'/analysts' briefing with the President and Chief Financial Officer (CFO)
- Non-deal road shows (NDR) and/or investors' conferences with the President and/or CFO

The inquiries of investors and analysts are also answered by phone or email.

CORPORATE GOVERNANCE

Shareholders, investors and interested parties may contact EDC for additional information through its Investor Relations Officer, Erudito S. Recio, at Phone No: +63 (2) 982-2142, Fax No: +63 (2) 982-2141 or E-mail: recio@energy.com.ph.

Share Capital. EDC's authorized capital stock as of 31 December 2016 is P30.15 Billion, divided into: (a) 27,000,000,000 common shares with a par value of Php1.00 per share, or an aggregate par value of Php 27 Billion; (b) 15,000,000,000 voting preferred shares with a par value of Php0.01 per share, or an aggregate par value of Php150 Million; and (c) 300,000,000 non-voting preferred shares with a par value of Php10.00 per share, or an aggregate par value of Php 3 Billion. All common shares and voting preferred shares shall have full voting rights.

EDC's top ten (10) stockholders as of 31 December 2016 are as follows:

Name of Stockholder	Number of EDC Shares			
	Direct Shareholdings		Indirect Shareholdings	
	Preferred Shares	Common Shares	Preferred Shares	Common Shares
Red Vulcan Holdings Corporation	9,375,000,000	7,500,000,000	-	-
PCD Nominee Corporation (Foreign)	-	4,857,070,365	-	-
PCD Nominee Corporation (Filipino)	-	4,368,431,486	-	-
First Gen Corporation	-	991,782,700	9,375,000,000 (through Red Vulcan Holdings Corporation, a wholly owned subsidiary of Prime Terracotta Holdings Corporation)	7,500,000,000 (through Red Vulcan Holdings Corporation)* 986,337,000 (through Northern Terracotta Power Corporation)
Northern Terracotta Power Corporation	-	986,337,000	-	-
Peter D. Garrucho, Jr.	-	5,670,000	-	-
F. YAP SECURITIES, INC.	-	4,000,000	-	-
Benjamin K. Liboro &/or Luisa Bengzon Liboro	-	2,525,500	-	-
Croslo Holdings Corporation	-	2,200,000	-	-
Manuel Moreno Lopez or Maria Teresa Lagdameo Lopez	-	1,310,000	-	-

CORPORATE GOVERNANCE

Record and beneficial owners holding 5% shareholding of EDC as of December 31, 2016 are as follows:

Type of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Preferred	Red Vulcan Holdings Corporation 6 th Floor Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City (Red Vulcan Holdings Corp. is a major stockholder of EDC)	Beneficial Owner - First Gen Corporation (First Gen Corp. is a major stockholder of Prime Terracotta Holdings Corporation which owns 100% of Red Vulcan Holdings Corp.) Proxy - Federico R. Lopez, Chairman of First Gen Corporation	Filipino	7,500,000,000 9,375,000,000	40.00% 100.00%
Common	PCD Nominee Corporation (Foreign) *	Various stockholders There are no beneficial owner of more than 5% of the outstanding shares.	Foreign	4,857,070,365	25.92%
Common	PCD Nominee Corporation (Filipino) * (PCD Nominee Corp. is a stockholder of EDC)	Various stockholders There are no beneficial owner of more than 5% of the outstanding shares.	Filipino	4,368,431,486	23.31%
Common	First Gen Corporation 6 th Floor, Rockwell Business Center, Ortigas Avenue, Pasig City	Beneficial Owner - First Gen Corporation.	Filipino	991,782,700	5.29%
Common	Northern Terracotta Power Corporation	Beneficial Owner - First Gen Corporation. First Gen Corporation wholly owns Northern Terracotta Power Corporation.	Filipino	986,337,000	5.26%

* PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. (PCD), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippines capital market to implement an automated book-entry system of handling securities transactions in the Philippines.

Detailed information on EDC's parent company, holding company and subsidiaries are found in the Notes to EDC's Financial Statements and in its SEC Form 17-A.

CORPORATE GOVERNANCE

Direct and indirect shareholdings of the EDC Directors for 2016 are as follows:

Name	Number of EDC Shares			
	Direct Shareholdings		Indirect Shareholdings	
	Beginning Balance (01 Jan. 2016)	Ending Balance (31 Dec. 2016)	Beginning Balance (01 Jan. 2016)	Ending Balance (31 Dec. 2016)
Oscar M. Lopez	200,501	200,501	500,000	500,000
Federico R. Lopez	1	1	-	-
Peter D. Garrucho, Jr	5,670,000	5,670,000	1,000,000	1,000,000
Richard B. Tantoco	8,104,501	8,104,501	5,125,000	5,125,000
Ernesto B. Pantangco	2,112,501	2,112,501	-	-
Francis Giles B. Puno	2,102,501	2,102,501	-	-
Jonathan C. Russell	1,080,951	1,080,951	-	-
Edgar O. Chua	1	1	-	-
Francisco Ed. Lim	30,001	30,001	-	-
Arturo T. Valdez	1	NA*	-	-
Joaquin E. Quintos IV	1	1	-	-
Manuel I. Ayala	NA**	1	-	-

* Resigned based on July 22, 2016 PSE letter

** Elected on September 7, 2016.

Direct and indirect shareholdings of EDC officers for 2016 are as follows:

Name	Number of EDC Shares			
	Direct Shareholdings		Indirect Shareholdings	
	Beginning Balance (01 Jan. 2016)	Ending Balance (31 Dec. 2016)	Beginning Balance (01 Jan. 2016)	Ending Balance (31 Dec. 2016)
Nestor H. Vasay	650,000	650,000	-	-
Manuel S. Ogena	2,323,751	NA*	-	-
Dominador M. Camu, Jr.	-	-	-	-
Ma. Elizabeth D. Nasol	50,000	50,000	-	-
Vincent Martin C. Villegas	500	NA**	-	-
Erwin O. Avante	100,000	100,000	-	-
Ferdinand B. Poblete	10,000	10,000	-	-
Ariel Arman V. Lapus	148,000	-	-	-
Ellsworth R. Lucero	1,228,125	NA***	-	-
Manuel C. Paete	1,228,125	1,228,125	-	-
Liberato S. Virata	1,252,250	1,252,250	-	-
Reman A. Chua	53,750	53,750	-	-
Raymundo N. Jarque	-	-	-	-
Rassen M. Lopez	-	-	-	-
Bernardito M. Lapuz	-	-	-	-
Ramon A. Carandang	-	-	-	-
Ana Maria A. Katigbak	-	-	272,000	272,000

Bernadette Ann V. Policarpio	NA****	20,000	-	-
Glenn L. Tee	-	-	-	-
Maribel A. Manlapaz	70,000	70,000	-	-
Erudito S. Recio	32,000	32,000	25,100	25,100

* Resigned on June 30, 2016

** Resigned on January 27, 2016

*** Resigned on June 30, 2016

****Appointed on September 7, 2016

5. BOARD RESPONSIBILITIES

Accountable to its stakeholders, the Board of Directors undertakes the primary responsibility of governing EDC and overseeing the management of its business. To foster long-term and sustainable corporate success, the Board leads and directs the actions of Management by setting the direction, pace and strategies for its operations and future energy projects. The Board likewise helps in defining EDC's vision, mission and core values.

Consistent with its fiduciary responsibility, the Board regularly monitors Management's performance establishing standards of accountability, and exercises its powers and duties under the Corporation Code, applicable laws and the By-Laws in the best interest of EDC, shareholders and other stakeholders ensuring transparency, accountability and fairness.

Board composition and structure. The 2016 Board of Directors consists of eleven (11) highly-qualified and highly-experienced professionals with core competencies on business, local and international finance and energy, namely, *Oscar M. Lopez, Federico R. Lopez, Richard B. Tantoco and Ernesto B. Pantangco*, as executive directors, *Francis Giles B. Puno, Jonathan C. Russell, Peter D. Garrucho, Jr., and Joaquin E. Quintos IV*, as non-executive directors, and *Edgar O. Chua, Francisco Ed. Lim, and Arturo T. Valdez*, as independent directors. With the resignation of Director Arturo T. Valdez in July 2016, Manuel I. Ayala has been elected last September 7, 2016 to serve the unexpired portion of Director Valdez' term on September 7, 2016.

The size, balance and composition of the Board of Directors enables it to fully support its responsibilities to the Company's shareholders. With an average age of 69 years, the current Board of Directors have a good mix of business, legal, financial and commercial expertise in various industries, including the power and energy sector. Of the current directors, Federico R. Lopez has been Chairman and CEO of EDC from 2010.

The roles and responsibilities of the Board and Board Committees are clearly delineated in the Corporate Governance Manual, which is available in its website.

The Executive Directors mostly hold directorship positions within the Lopez Group. They do not have directorships in listed companies outside of the Lopez Group.

Non-Executive Directors are persons of high calibre and integrity that do not participate in the day-to-day management of EDC, but bring a strong presence of independent judgment with wide and varied commercial experience in the power and energy industry to the Board and the Board Committees' deliberations, and devote sufficient time and attention as necessary in order to perform their duties. Director Francis Giles B. Puno previously worked with the Global Power and Environmental Group of the Chase Manhattan Bank where he executed financial advisory and debt arrangement mandates for power and water projects in Asia. Director Peter D. Garrucho, Jr. served as Managing Director for Energy of First Philippine Holdings Corporation. Lastly, Director Jonathan C.

Russell was previously an executive of an international developer of independent power projects based in the USA and responsible for the development of large-scale IPP projects in Asia.

The Independent Directors maintain independent judgment from Management, and do not involve themselves in business transactions or relationships with the Group, so as not to compromise their independence. As of December 31, 2016, EDC's Independent Directors are Edgar O. Chua, Francis Ed. Lim and Manuel I Ayala.

The Board now comprises of 27.30 % independent directors, which is more than the minimum regulatory requirement of at least 2, or 20% of the board, whichever is higher.

In the annual corporate governance performance assessment of the Board of Directors, the Board perceived that every director remains to be independent-minded in dealing with company issues and are intolerant of mediocrity in management and board effectiveness.

Nomination, Election and Succession, and Qualifications and Disqualifications of Directors. EDC's By-Laws, Corporate Governance Manual and the Charter of the Nomination and Compensation Committee lay down the procedure for the nomination and election of executive, non-executive and independent directors, and likewise provide the qualifications and disqualifications for directors.

Nominations of candidates by EDC stockholders are submitted in writing to the Board of Directors, through the Corporate Secretary, at least forty (40) working days before the scheduled ASM. As necessary, EDC looks to professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the Board of Directors.

The Nomination and Compensation Committee (NCC) screens and evaluates the nominations in accordance with the standards, criteria, qualifications, disqualifications and requirements established by law, rules and regulations and those embodied in EDC's Corporate Governance Manual, the Charter of the NCC, the By-Laws and the Annual Corporate Governance Reports submitted to the SEC, all of which are posted in the Corporate Governance pages of EDC's website. Furthermore, the nominees are screened and evaluated without discrimination as to gender, race or religion. Lastly, the candidates are selected on the basis of their knowledge, experience and skills in diverse fields relevant to EDC's business, such as power and energy, business and finance and the environment.

Upon election, a new Director receives an orientation about the Company and its business, conducted by the Office of the President (OP) and the Strategy and Risk Management Group (SRMG). In addition, the Corporate Governance Office likewise ensures that the Directors receive a proper corporate governance orientation to remind them of their general and specific duties and responsibilities to EDC's stakeholders, as well as their reporting responsibilities to the SEC and PSE.

Succession, in the event of vacancy or replacement, of any member of the Board of Directors is provided in EDC's By-Laws. Any vacancy in the Board of Directors, except that caused by removal, shall be filled by a majority vote of the Board of Directors constituting a quorum at a meeting specially called for that purpose, and the director so chosen shall serve for the unexpired term. For any vacancy arising from removal, the stockholders shall fill up such vacancy in the manner provided in Sections 28 and 29 of the Corporation Code.

Term of Office of Directors. The term of office of the directors, whether independent, non-executive or executive, is only one year, subject to re-election after the end of their term, as provided in the company by-laws.

In 2016, EDC automatically adopted the SEC regulation imposing term limits for independent directors embodied in the SEC Corporate Governance Code for Publicly-listed Companies (CG Code for PLCs), SEC Memorandum Circular No. 19, series of 2016 dated November 22, 2016 whereby Independent Directors may serve as such for a cumulative total of nine (9) years reckoned from 2012, after which, they shall be ineligible for re-election as Independent Director for a tenth term.

At present, even though EDC has automatically adopted the rules on term limits for Independent Directors, the same has not yet found actual application in the company since two of EDC's incumbent independent directors, Independent Directors Edgar O. Chua and Francis Ed. Lim, only have a total of five years' total tenure since 2012, after their successive elections as Independent Directors of EDC. Independent Director Ayala, on the other hand, has only less than a year's tenure as of the end of 2016.

Board Diversity Policy. EDC welcomes board diversity as it promotes constructive interaction among the members of the Board. The Board has committed to improving the selection process to ensure a mix of competent Directors whose qualifications can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, regardless of gender, age, disability, race, or political, religious or cultural affiliations. EDC's policy on diversity of the Board's structure is clearly defined in the Corporate Governance Manual.

While no woman is currently sitting in the Board, female directors have previously been elected, namely, Lilia R. Bautista [1987], Corazon R. Estrella [1987, 1990, 1998, 1999, 2000, 2001, 2002, 2003, 2004], Regina O. Benitez [1998, 1999, 2000], Veronica I. Jose [1999, 2000], and Asuncion J. Espina [2005, 2006].

Chairman and Chief Executive Officer (CEO). The Chairman of the Board and CEO is Federico R. Lopez. Since EDC's privatization in 2007, he has served as a Director, and beginning 2010, has been elected as the Company's Chairman and CEO.

As Chairman, he presides at all meetings of the Board and performs such other duties as he may be called upon to perform by the Board. He is accountable for the proper processes and direction of the meetings and activities of the Board. He also ensures the optimization of the skills and combined knowledge and experience of the Board in order to achieve operational excellence. Being the lead proponent of EDC's corporate governance policies, he supports efforts to ensure that the Board meets regularly in accordance with the corporate governance policies and practices. He likewise ensures that the Board meets regularly in accordance with an approved annual schedule and performs its duties responsibly. He shall determine the agenda of each meeting in consultation with the President.

As the Chief Executive Officer, he has general supervision over EDC's business, affairs, and properties. He also performs such duties and responsibilities that may be assigned to him by the Board of Directors from time to time. He is accountable to the Board, to EDC's shareholders and to the stakeholders for the proper implementation of projects and other operational requirements.

Although the positions of Chairman and CEO have been held by one person, the role, responsibilities and functions of the Chairman and the CEO are clearly delineated in the By-Laws. Also, to ensure constructive discussion within the Board and encourage independent views in dealing with company issues, the powers and responsibilities of directors are clearly delineated from the powers and responsibilities of management, and the independent directors are highly competent and actively participate in the discussions.

Corporate Secretary. Atty. Ana Maria A. Katigbak-Lim is EDC’s Corporate Secretary beginning September 7, 2016, after serving as Assistant Corporate Secretary for several years since 2007. She is assisted by the newly-elected Assistant Corporate Secretary, Atty. Bernadette Ann V. Policarpio. Both have extensive legal experience and training, focusing on corporate and business law practice and litigation. They play a crucial role in assisting the Board during the meetings, in facilitating the dissemination of notices, agenda, board papers and other board materials, and performing such other functions as may be required by the Board.

Decisions Requiring Board Approval. The Corporate Governance Manual enumerates several matters requiring Board Approval, such as but not limited to, annual report and financial statements, dividends, financial policies, budgets, retirement plan and selection/appointment of Trustees, safety/asset integrity matters, strategy and direction. Other matters requiring Board Approval include decisions involving fundamental corporate acts identified in the Corporation Code, such as but not limited to amendments to the Articles of Incorporation and By-Laws, sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of EDC's properties, incurring, creating or increasing its bonded indebtedness, increasing or decreasing its capital stock, merger or consolidation, investment of corporation funds in another corporation or business and dissolution.

EDC’s well-defined Approvals Manual also identifies several items requiring Board Approval, such as, but not limited to, contracts and purchase orders over P250 million.

Board Meetings. EDC’s Corporate Secretary prepares the schedule of EDC’s Board meetings, in accordance with the provisions in the By-laws, and disseminates it to the members of the Board and Key executives, through the Office of the President, so that EDC’s Directors can plan accordingly and fit the year’s Board meetings into their respective schedules.

EDC’s Board Meetings are usually scheduled at the beginning of the year. For 2016, the Board Meeting schedule was released by the Office of the President in the early part of 2016, details of which are listed below:

Date of Meeting	Nature of Meeting
January 27, 2016	Regular
March 9, 2016	Regular
May 12, 2016	Organizational
July 6, 2016	Regular
September 7, 2016	Regular
October 11, 2016	Special
November 25, 2016	Regular

During board meetings, EDC’s directors are expected to prepare for, attend, participate, and to act prudently, in good faith, and in the best interest of EDC and its shareholders. The Board is aptly apprised and has full and unrestricted access to information on EDC’s over-all performance, major business issues, new projects, the economic and environmental impact. The Board has direct contact and communication with Management and employees at any time. Board papers for Board Meetings are provided at least five (5) business days before the date of the Board Meeting.

In 2016, the Board conducted a total of seven (7) meetings, including its organizational meeting. On the average, ninety percent (90%) of EDC Directors are in attendance in every Board meeting in 2016. Details of the Directors’ attendances are set out below:

DIRECTORS' ATTENDANCE IN BOARD MEETINGS FOR 2016							
NAME OF DIRECTORS	27-Jan-16	9-Mar-16	ASM &	06-Jul-16	07-Sept-16	11-Oct-16	25-Nov-16
			Org Board 12-May-16				
OSCAR M. LOPEZ	A	/	/	/	/	/	/
FEDERICO R. LOPEZ	/	/	/	/	/	/	/
RICHARD B. TANTOCO	/	/	/	/	/	/	/
PETER D. GARRUCHO, JR.	/	A	/	/	/	/	/
FRANCIS GILES B. PUNO	/	/	/	/	/	/	/
ERNESTO B. PANTANGCO	/	/	/	A	/	/	/
JOAQUIN E. QUINTOS IV	/	/	/	A	/	/	/
JONATHAN C. RUSSELL	/	/	A	/	A	/	/
FRANCISCO ED. LIM	A	/	/	/	/	/	/
EDGAR O. CHUA	/	/	/	/	/	/	/
ARTURO T. VALDEZ*	/	/	/	/		NA	
MANUEL I. AYALA*			N/A		A	/	/

*Director Arturo T. Valdez resigned from the Board of Directors of EDC based on PSE letter dated July 22, 2016. Mr. Manuel I. Ayala was elected as a new director to serve the unexpired portion of Mr. Valdez' term, pursuant to the Company's By-Laws.

The minimum quorum requirement for board decisions under EDC's By-Laws is a majority of the members of the Board, with the presence of at least one independent director. Further, every decision of a majority of the quorum shall require the concurrence of at least one independent director for the validity of the decisions of the board.

Board meetings are recorded and minuted, and all resolutions are documented by the Corporate Secretary. Committee meetings are likewise recorded and minuted, with the resolutions documented by the respective Committee Secretariats.

Board Committees. To facilitate in monitoring the Company's performance and to enhance the effectiveness of the Board in discharging its fiduciary duties, six board-level committees have been constituted, namely: the Audit and Governance Committee, Nomination and Compensation Committee, Risk Management Committee, Corporate Social Responsibility Committee, the Operations Committee and the Related Party Transactions Committee.

2016 BOARD COMMITTEE COMPOSITION AND ATTENDANCE						
	AGC	NCC	RMC	CSR	OPERATIONS	RPT
Composition	FIVE MEMBERS 3 ID, 2 NED	FOUR MEMBERS 1 ID, 2 NED, 1 ED	THREE MEMBERS 3 NED	FOUR MEMBERS 2 ID, 2 ED	SEVEN MEMBERS 3 ED, 4 NED	FIVE MEMBERS 3 ID, 1 NED, 1 ED
	Edgar O. Chua (Chairman, ID) Francisco Ed. Lim (ID) Arturo T. Valdez* (ID) Francis Giles B. Puno Ernesto B. Pantangco	Federico R. Lopez (Chairman) Francis Giles B. Puno Peter D. Garrucho Jr. Arturo T. Valdez* (ID)	Francis Giles B. Puno (Chairman) Jonathan C. Russell Peter D. Garrucho, Jr.	Federico R. Lopez (Chairman) Edgar O. Chua (ID) Arturo T. Valdez* (ID) Ernesto B. Pantangco	Federico R. Lopez Richard B. Tantoco Francis Giles B. Puno Ernesto B. Pantangco Jonathan C. Russell Joaquin E. Quintos IV Peter D. Garrucho Jr. **	Edgar O. Chua (Chairman, ID) Francisco Ed. Lim (ID) Arturo T. Valdez* (ID) Francis Giles B. Puno Ernesto B. Pantangco

Meetings held	FOUR MEETINGS	FOUR MEETINGS	FOUR MEETINGS	1 MEETING	TWENTY-TWO MEETINGS	FOUR MEETINGS
2016 Attendance	EOC (4), EBP (2), FGBP (3), FEL (3), ATV (2) MIA (1)	FRL (4), FGBP (4), PDG (4), ATV (3)	FGBP (4), JCR (4), PDG (4)	FRL (1), EBP (1), EOC (0), ATV (1)	FRL (11), RBT (21), FGBP (19), EBP (10), JCR (19), JEQ (11), PDG (1)	EOC (4), FEL (3), ATV (2), MIA (1), EBP (2), FGBP (3)

* Resigned as of July 22, 2016. Mr. Manuel I. Ayala replaced Mr. Ibanez as a member in the Nomination and Compensation Committee, Audit and Governance Committee and Related Party Transactions Committee immediately after his election to the Board on September 7, 2016.

** No longer an Operations Committee member as of May 12, 2016

Each Committee has its own Committee Charter, which contains the composition, the delegated authority and specific duties and responsibilities within which the Committee operates. A copy of the Committee Charters and an archive of Committee reports for the previous years are available at the company website (www.energy.com.ph/corporate-governance/board-committees/annual-activity-report/).

Members of EDC's different committees were elected by the Board during the annual organizational Board meeting on May 12, 2016. The chart above enumerates the elected members of each Committee.

To further enhance the participation and involvement of the Board in the activities of various committees, a resolution requiring the Committees to open its meetings for other directors to attend has been approved, wherein Directors who are non-committee members may likewise sit and observe in the Committee meetings. During committee meetings, the observer-directors can comment and make suggestions, but they have no voting right therein.

BOARD COMMITTEES' FUNCTIONS AND ACTIVITIES

a. Audit and Governance Committee (AGC).

Three out of the five members of the AGC are independent directors, namely Francisco Ed. Lim, Arturo T. Valdez and Edgar O. Chua, its Chairman. When Mr. Valdez resigned, he was replaced by another Independent Director, Mr. Manuel I. Ayala on September 7, 2016. Other AGC members include Francis Giles B. Puno and Ernesto B. Pantangco. The AGC Chairman has more than 30 years experience in various fields, including auditing, general management and corporate affairs. A more detailed profile or qualifications of the AGC members are found in the pages on Director's Profile.

The AGC performs oversight functions in checking the integrity of EDC's financial reporting process, effectiveness and soundness of internal control environment, adequacy of audit functions for both internal and external audits, and compliance with rules, policies, laws, regulations, contracts and the code of conduct. The AGC also recommends the appointment, re-appointment and removal of the external auditor. Detailed enumeration of AGC's responsibilities are provided in the Corporate Governance Manual and the AGC Charter.

The AGC had four (4) meetings in 2016. Details of the 2016 AGC meeting attendance are found in the table above on 2016 Board Committee Composition and Attendance.

The following are the 2016 activities of the AGC:

- *Financial Reporting and Disclosures.* The AGC reviewed with management and the external auditor (SGV & Co.) the annual audited financial statements and the quarterly interim financial reports and endorsed these to the Board for approval and release to regulatory agencies, stockholders and lenders. The 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.* 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 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.

Based on the results of the assurance activities performed by the Company's Internal Audit, the external auditor's unqualified opinion on the financial statement, and discussions with management, the Committee assessed that the Company's systems of internal controls, risk management, and governance processes are adequate and generally effective.

- *External and Internal Audit.* The AGC reviewed the overall scope and audit plan of the external auditor. It also reviewed and affirmed the management evaluation on the performance of the external auditor (for the 2015 financial statements audit) and approved the re-engagement of SGV & Co. for another year (2016 audit). The AGC approved the non-audit services rendered by external auditor. It also approved the Internal Audit annual plan for 2016 and ensured that independence is maintained, the scope of work is sufficient and resources are adequate.
- *Corporate Governance and Compliance.* The AGC monitored the Company's compliance to laws, regulations and policies. Likewise, the AGC have supported the initiatives of the Corporate Governance Office in strengthening the company's corporate governance framework: maintaining full compliance with new issuances by regulations such as submission of the Annual Corporate Governance Report (ACGR), benchmarking on CG practices with comparable ASEAN companies, improving CG evaluation system, and ensuring that all directors and senior executives comply with the corporate governance training requirements.

Corporate Governance Citations and Recognition. With the AGC's support to the Corporate Governance Office's programs and projects, the Company has been cited for its exemplary CG programs and practices:

(a) ASEAN Corporate Governance Scorecard for Publicly-Listed Companies (PLCs) in 2016, with a score of 92.87%; and

(b) Recipient of the 2016 Institutional Investors' Governance Award;

- *Assessment of Performance.* The AGC assessed its own performance for the year 2016 based on the guidelines and parameters set in SEC Memorandum Circular No. 4 series of 2012 which specified the required provisions or contents of an audit committee charter and the assessment of the audit committee's compliance therewith. The assessment results showed that the Audit

and Governance Committee charter fully complied with SEC requirements and the committee has fully complied with requirements set forth in the audit committee charter.

b. Nomination and Compensation Committee (NCC).

The NCC evaluates the qualifications of all persons nominated to the Board and those recommended to other positions requiring appointment by the Board. It also established a formal and transparent procedure for developing a policy on executive compensation and fixing the compensation packages of corporate officers and directors. Detailed enumeration of the NCC's responsibilities are provided in the Corporate Governance Manual and NCC Charter.

In 2016, the NCC had four (4) meetings, wherein all the NCC members are in attendance.

During these meetings, the NCC reviewed the qualifications, credentials and disqualifications of nominees for Regular and Independent Directors in the 2016 Annual Stockholders Meeting, as well as the qualifications and disqualifications of the newly elected EDC Independent Director Manuel I. Ayala, who replaced Independent Director Arturo T. Valdez on September 7, 2016.

The NCC also assessed and reviewed the skills, qualifications and disqualifications of the newly appointed Corporate Secretary, Ana Maria A. Katigbak-Lim, and Assistant Corporate Secretary Bernadette Ann V. Policarpio. It also reviewed the appointment of the new Vice President/Head of the Business Development Group, the officers-in-charge and other advisers as well as the reassignment of the strategic business unit heads.

c. Risk Management Committee (RMC).

In performing its functions, the Risk Management Committee (RMC) assists the Board of Directors of EDC in its oversight responsibility over Management's activities in managing risks involving physical, financial, operational, labor, legal, security, environmental and other risks of the corporation. In carrying out its mandate, the RMC:

1. Conducts a yearly evaluation of the Company's risk assessment and risk management program and ensure that appropriate controls are in place;
2. Recommends to the Board the Company's strategic risks, including the risk mitigation and control measures that require immediate or urgent implementation;
3. Reviews EDC's risk tolerance, financial exposures, and investment guidelines, including the mitigating strategies, insurance, and other risk financing schemes being undertaken; and
4. Reviews periodically the security, safety, physical loss control measures, and the specific Emergency Response Plan to ensure that all risks are adequately covered.

The RMC, composed of non-executive directors, conducted four (4) meetings in 2016. All RMC members attended all meetings in 2016.

The following are the activities of the RMC in 2016:

- *Enterprise Risk Management Program.* The RMC has established a standardized reporting process covering Health, Environment, Safety, Security, Natural Hazards, IT and Admin incidents. The objective is to provide immediate information and updates on specific incidents to Management and internal stakeholders; activate, as necessary, the Emergency Response Groups and Crisis Management Committees of the affected business unit/s; and to serve as a data collection point to build a risk database for further risks and trends analysis to continuously improve EDC's systems and processes.

The RMC has also assessed the critical assets of the Company to highlight the status of the priority assets of EDC on a fleet-wide and per business unit perspective, and has conducted an annual risk review, which includes insurance updates, critical assets risk report, interest and FX Exposure updates, BGBU and LGBU risks reviews.

Lastly, the RMC has overseen the review of EDC's ERM Program against ISO 31000 with the objective of identifying gaps and determining appropriate projects or initiatives to address gaps.

- *Business Continuity Management Program.* The RMC established the Employee Emergency Communications protocol in which a newly acquired text blast facility is utilized for simultaneous dissemination of information for employees during emergency or crisis scenarios.

The RMC has also reviewed and updated the standard alert levels for earthquake, environment incident, pandemic, fire within EDC-managed facilities, landslide/flashflood, typhoon, heavy rains/flooding, well blow-out, safety, wildland fire, security and volcanic eruption. This will establish guidelines on the activation of Emergency Response Groups and Crisis Management Committees of the affected locations/business unit/s given a specific incident.

The RMC has likewise overseen the evaluation of EDC's BCM Program against ISO 22301 with the objective of identifying gaps and determining appropriate projects or initiatives to address the gaps.

d. Corporate Social Responsibility Committee (CSRC).

The CSRC conducts an annual review of the integrated CSR programs to ensure that these comply with applicable laws, conform with international standards and global trends, and are consistent with Company policies, guidelines and objectives on CSR. It ensures that the CSR program is integrated and applied consistently throughout the organization and identifies and recommends program enhancements that will increase effectiveness and overall improvement in company performance and image. Detailed enumeration of the CSRC's responsibilities are provided in EDC's Corporate Governance Manual and CSRC Charter.

In 2016, the CSRC performed its oversight function on EDC's integrated CSR program strategies and policies. Only one meeting was held by the Committee to provide guidance in the implementation of the CSR and environmental initiatives. Almost all of CSRC members were in attendance in said committee meeting.

Also, the CSRC reviewed the following 2016 initiatives: CSR Program Review (Studies and Surveys), BINHI Program, KEITECH Performance and Replication, and School Rebuilding Project.

e. Operations Committee (OpsCom)

As provided in the Corporate Governance Manual and Operations Committee Charter, the Operations Committee deliberates, reviews and recommends all matters that will require board approval, and such assignments that may be delegated by the board on policy, organization / personnel, finance, expenditures, budget, fixed assets, procurement, credit and sales.

In 2016, the Operations Committee held a total of twenty-two (22) meetings. Pursuant to the Committee Charter, the presence of at least three (3) members of the Committee will constitute a quorum for the Committee meeting. Details of the 2016 Operations Committee attendance are found in the table above on 2016 Board Committee Composition and Attendance.

The Operations Committee deliberated a total of forty-five (45) proposals for expenditure, financing and budget, which was approved or elevated to the Board for final approval. It provided guidance to the various business units and operating groups on project financing and growth projects, as well as domestic and international expansion activities.

f. Related Party Transactions (RPT) Committee.

The RPT Committee was created to oversee the effective implementation of EDC's RPT Policy. It is also tasked to review material and significant RPTs of the Company to ensure integrity and transparency of such transactions. Majority of its members are independent directors.

The RPT Committee had four (4) meetings in 2016. Details of the 2016 RPT Committee meeting attendance are found in the table above on 2016 Board Committee Composition and Attendance.

In 2016, the RPT Committee reviewed all the RPTs submitted to it for review.

BOARD ACTIVITIES FOR 2016

Board Orientation and Training Program. Upon election to the EDC Board, a new Director receives an orientation about the Company's business, its geothermal and renewable energy operations, the organizational and functional structure, among others. Thereafter, the Director will be scheduled to visit one or several of EDC's geothermal projects, for an on-site orientation of the business.

In addition to the in-house orientation given by the Company to the new Director, the Compliance Office likewise ensures that the new Director receives a proper corporate governance orientation.

The latest Director to be added to the current set of Directors is Director Manuel I. Ayala, who was elected on September 7, 2016. He underwent in-house orientation within the first month after his election.

Also, 90.9% of EDC directors and 100% of its corporate officers participated in the mandatory corporate governance seminar conducted for the year by a duly-accredited training provider, in compliance with SEC Memorandum Circular No. 20, ss. of 2013. The corporate governance seminars provided EDC Directors, Corporate Officers and Senior Management an opportunity to learn and integrate corporate governance principles and be provided with useful insights on various and current governance issues. Further, as part of EDC's governance initiatives and beyond-compliance requirements, other members of the Management Team, such as the head of the various Business Units, also attended the Corporate Governance seminars for 2016. Lastly, Chairman Emeritus Oscar M. Lopez was given by the SEC with permanent exemption from the CG Seminar Compliance requirement.

EDC's directors are encouraged to attend professional education programs. Director and President Richard B. Tantoco attended a workshop on blade geothermal well casing failure last May 2, 2016, and Director and Executive Vice President Ernesto B. Pantangco attended a forum on Asian innovation and entrepreneurship last May 25, 2016.

Board Strategic Planning. To align the activities of the Company with its vision, mission, core values and goals for the year, the Board of Directors undertook a one-day Strategic Planning Session last September 7, 2016.

The Strategic Planning Session provided a venue for the directors to provide strategic direction and guidance. The Directors revisited and affirmed the company's mission and vision, and analyzed the present and future operating environment given the disruptions from coal, oil and solar energy sources. The Directors likewise assessed major opportunities for the company and its capability to capitalize on these opportunities, and determined strategies to grow the company as the energy industry shifts to a new paradigm.

The 2016 Strategic Planning Session was attended by nine (9) members of the Board, including the Chairman/CEO Federico R. Lopez, President/COO Richard B. Tantoco and two (2) of EDC's Independent Directors.

The Annual in-House Corporate Governance Evaluation. The Board annually undergoes an Integrated Corporate Governance Evaluation to assess the overall performance and effectiveness of the Board and the Board Committees as well as the performance of the President and the Chairman. For this evaluation cycle, a self-assessment for the individual directors was likewise conducted. The Integrated Corporate Governance Evaluation provides a constructive mechanism for improving board and committee effectiveness, identifying its strengths and weaknesses, and leading to an improvement in performance throughout the organization.

a. Criteria. The 2016 Integrated Corporate Governance Evaluation covers the Board, the Board Committee, the individual directors, the Chairman and the President's performance for the period from May 6, 2015 to May 12, 2016. The evaluation criteria have quantitative and qualitative components. The quantitative component covers an assessment of the following areas, as may be applicable:

- Composition and quality of the Board and its Committees;
- Performance of key responsibilities as provided in the Company's by-laws, manuals, charters and governing policies;
- Effectiveness and efficiency of the processes and procedures adopted;
- Participation, engagement, contribution and relationship of each director to the Board, their respective Committees and the Management;
- Adoption of the principles of accountability, integrity, leadership, transparency and independence of every member of the Board; and
- Leadership and business knowledge, expertise, focus and strategy.

The qualitative component provides the Board an opportunity to give its opinions and suggestions, or to identify particular issues or concerns or highlights about its performance or aspects of the Board's operations.

We also take into account the performance assessment of the Audit and Governance Committee prescribed in SEC Memorandum Circular No. 4, series of 2012.

b. Method and Process. Every member of the Board are given copies of the Integrated Corporate Governance Evaluation questionnaire to which he/she shall complete his/her responses. Individual responses are treated with the highest level of confidentiality and are processed by the Corporate Governance Office for the comprehensive results. When necessary, the members of the Board may have discussions with the Compliance Officer or the Corporate Secretary for clarification or interpretation. The summary of the evaluation results are reported to the Board, through the Audit and Governance Committee, who, in turn develops recommendations for Board consideration or action, whenever necessary.

c. Results Summary. Based on the results of the 2016 evaluation, the participants affirmed that the Board effectively discharged its functions and responsibilities. In general, there are no material deviations in the over-all performance of the Board as a whole, the Board Committees, the Individual Directors, the Chairman and the President from the provisions and requirements of EDC's Code of Corporate Governance.

Compensation of Directors and Executive Officers. The NCC has the responsibility to review and recommend to the Board the Company's compensation system and remuneration packages for corporate officers and directors.

The levels of honoraria, remuneration or compensation for EDC's directors and executive officers are set at the optimum level to attract and retain the services of qualified and competent directors and officers and in accordance with the Corporate Governance Manual. A portion of the honoraria, remuneration or compensation of the directors, whether executive, non-executive or independent, may also be structured or be based on corporate and individual performance. In accordance with its By-Laws, the Board shall receive such fees, remuneration or compensation for their services pursuant to a resolution of the stockholders.

In EDC, the current Board compensation package is as follows:

- Monthly director's fee: P50,000.00
- Attendance fee for Board meetings: P10,000.00 per meeting
- Bonus to Directors as a group: ½ of 1% of declared cash dividend
- Group Life Insurance Coverage: P 4 million, at a premium per month of P1,292.10 wherein P443.50 is being shouldered by the Company while the balance of P848.60 is being shouldered by the director.
- Group Hospitalization Insurance Coverage: P2,632.38 per month

Meanwhile, the process of determining the remuneration of the CEO and the 4 most highly compensated management officer begins with either: (a) a proposal directly from the Board, then a directive given to the NCC, pursuant to the NCC duties and functions; or (b) a proposal raised motu proprio by the NCC itself. After Board approval, the same shall be presented to the Company's Stockholders for their approval. Until such time that the stockholders approve the resolution fixing the remuneration and financial package, the same shall be without force and effect.

Below is a table summarizing the compensation of EDC's Chief Executive Officer and its four most highly compensated officers:

Name	Year	Salary	Bonus/Other Annual Compensation
Federico R. Lopez, Chairman & CEO			
Richard B. Tantoco, President & COO			
Ernesto B. Pantangco, Executive Vice President			
Nestor H. Vasay, Sr. Vice President, Chief Financial Officer and Treasurer			
Dominador M. Camu, Jr., Senior Vice President			
CEO and the four most highly compensated officers named above	2015	₱92,859,524	₱39,928,817
	2016	₱ 55,497,000	₱ 22,193,018
	2017 (estimate)	₱38,922,000	₱18,163,600
Aggregate compensation paid to all officers	2015	₱106,441,022	₱100,189,260

	2016	₱93,075,973	₱102,196,770
	2017 (estimate)	₱86,166,904	₱100,260,015

*Note: Certain officers of the Corporation, including the top four members of senior management listed in the table above, are seconded and received their salaries from First Gen Corp.

Below is the total remuneration received by five (5) members of EDC's Management who are not at the same time executive directors during the financial year ending December 31, 2016:

Name of Officer/Position	Total Remuneration
Bernardito M. Lapuz / Vice-President	P 59.645 Million
Ma. Elizabeth D. Nasol / Vice-President	
Liberato S. Virata/ Vice-President	
Manuel C. Paete/ Vice-President	
Ferdinand B. Poblete / Vice-President	

INTERNAL AUDIT

EDC has a well-established and independent Internal Audit Department, headed by the Chief Audit Executive (CAE), Glenn L. Tee, which is tasked to perform the Internal Audit functions in the Company and to provide reasonable assurance to the Board, Management and shareholders that key organizational and procedural controls are appropriate, adequate, effective and complied with. The Internal Audit functions encompass an independent and objective evaluation and improvement of the adequacy, propriety, effectiveness and compliance with EDC's risk management, control and governance processes.

As the working arm of the Audit and Governance Committee, the Internal Audit Department reports functionally to the AGC but reports administratively to the President of the Company. As such, internal Audit plans, activities, organizational structure, including the appointment and removal of the CAE, staffing and charter are reviewed and approved by the Audit and Governance Committee. Likewise, Internal Audit has direct access to the AGC and to all records, personnel and properties as mandated by the Internal Audit Charter. The results of the work of internal audit are reported to the AGC on a quarterly basis and any such period as may be deemed necessary.

EXTERNAL AUDIT

The Audit and Governance Committee recommends to the Board the appointment of EDC's external auditors (subject to shareholder ratification), reviews and approves the audit fees and non-audit fees, and reviews the required rotation of external auditor partners.

Since 2007, SyCip Gorres Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited, has served as EDC's external auditor. External auditors play a crucial role in ensuring that EDC's financial statements factually represent accounting records and are treated and presented in accordance with existing accounting standards, i.e. currently the Philippine Financial Reporting Standards. In auditing EDC for several years, SGV & Co. found no material disagreements on accounting matters or financial disclosure matters.

SGV & Co. representatives, now headed by Ms. Jhoanna Feliza C. Go, are also present at EDC's 2016 ASM to respond to auditing matters that may be raised by the shareholders. SGV & Co. was again approved by the Board and the stockholders for appointment as external auditor at the scheduled 2016 ASM.

Below is a table of the aggregate fees billed by SGV & Co. for each of the last three fiscal years:

Year	Audit and Audit-related Fee	Non-audit Fee
2016	₱13,191,237	₱ 2,782,924
2015	₱ 12,568,625	₱ 3,030,937
2014	₱ 11,560,499	₱ 10,782,862

EDC's Non-Audit fees do not exceed its Audit and Audit-Related Fees. The Audit and Governance Committee approved the 2016 audit fees at a regular meeting on December 2, 2016.

RISK MANAGEMENT

EDC's Risk Management System. The Board and the RMC are responsible for establishing and reviewing a system of managing physical, financial, operational, labor, legal, security, environmental and other risks faced by EDC, while day-to-day responsibility for internal control and risk management lies with Management. To a certain degree, EDC's employees are involved in its internal control and risk management processes.

EDC's risk management system is embedded in its strategic planning and budgeting processes, as part of its strategy execution process. Risk management activities are being done annually at the operational and strategic levels of the organization. With this, risk assessments are conducted to identify the top priority risks at the different levels of the organization (i.e. operational and strategic levels). Correspondingly, mitigating measures are formulated and implemented to manage the top risks.

Also, the Board established the Enterprise Risk Management (ERM) Manual, which aims to establish a common risk language that will enable a dynamic and consistent application of risk management initiatives, aligned with ISO 31000:2009 (Risk Management – Principles and Guidelines). It was revised on April 23, 2015. Based on EDC's ERM Manual, the RMC approves the risk appetite to guide the establishment of the risk tolerances based on physical injuries, environmental damage, reputation and financial impact. Once risks are identified, risk management strategies and plans are formulated, implemented, monitored and reviewed.

Key risks. The Company's risk management activities are performed in three different levels with corresponding risk owners as shown in Figure 4 below of EDC's Enterprise Risk Management Manual:



Figure 4. Levels of Enterprise Risk Management and Ownership

A. Strategic Risks. The ERM Manual defined strategic risks as those risks, whether internal or external, that significantly affect the accomplishment of the corporate short-term and long-term objectives. These are possible sources of loss due to adverse business decisions, improper implementation of plans, or lack of responsiveness to industry changes.

EDC's strategic risk management is integrated into the overall business strategy and planning processes, so that the risk management programs support the development and execution of the business strategy. It is a CEO and Board-level priority, wherein the objectives are to distill insights and provide clarity on the top 5 to 10 most important risks shaping EDC's performance; to support risk-informed decisions at the RMC-level; to ensure a risk dialogue among the Management Committee, so that strategic risks can be prioritized according to their impact and likelihood of occurrence; and to enable proper risk oversight by the Board.

B. Operational Risks. As provided in the ERM Manual, operational risks are those risks due to changes and circumstances in the internal and external environments that may affect EDC's way of doing business. These are the possible sources of loss due to inadequate or failed internal processes, people or system, or from external events such as natural calamities.

To prevent the risk of business interruption, EDC's asset management are continuously being implemented, evaluated and strengthened. Business Continuity and Crisis Management Plans are also being developed to improve resilience. Lastly, business interruption insurance can be obtained to cover the potential revenue loss during an operational risk event. By doing these, the top management, through the Management Committee, are connected with the rest of the organization on operational risk matters to ensure that critical risk information will surface in a timely manner.

C. Project Risks. The ERM Manual defines project risks as an uncertain event that, if it occurs, has a positive or negative effect on the project's progress, result or outcome. Project risk management is a continuous part of EDC's governance, and are embedded throughout the life cycle of every project as it is in the daily operation of the business.

Generally, project risks are managed by building risk management into the project life cycle, ensuring that a process is in place to identify, prepare for and mitigate risks; developing project contingency plans; actively promoting risk-based mindset within the Project Team; anticipating and mitigating post-project risks which may impact business as usual.

In 2016, the RMC has conducted a review of the effectiveness of the Company's risk management systems.