

Annual Activity Report of the EDC Board Committees

Reports for the year ended Dec. 31, 2010

The Audit and Governance Committee (AGC)

The AGC duties pertain to assisting the Board in fulfilling its oversight responsibility as regards the Company's integrity of financial reporting process, effectiveness and soundness of internal audit control environment, adequacy of internal and external audit functions, and compliance with rules, policies, laws, regulations, contracts and the code of conduct.

For 2010, the following are the significant accomplishments of the AGC:

- a. On **Financial Reporting**, by reviewing with management and the external auditor the annual audited financial statements and endorsed the same for Board approval. And by reviewing with management the quarterly unaudited financial statements and endorsed the same for Board approval.
- b. On **Internal Control Environment**, by monitoring the effectiveness of the internal control environment through various measures such as: the review of external audit's results; exercising functional responsibility over Internal Audit and Compliance Office and receiving reports on work done in assessing key 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.
- c. On **External and Internal Audit**, by reviewing the overall scope of external auditor's audit plan, as well as the management evaluation on the external auditor's performance, approves Internal Audit's annual plan, ensuring that independence is maintained, the scope of work is sufficient and resources are adequate.
- d. On **Compliance**, by monitoring the Company's compliance to laws, regulations and policies, approves Compliance Office's annual plans and programs, and taking steps to strengthen the governance framework such as: endorsement of changes to the Corporate Governance Manual to align it with regulatory requirements, corporate policies and best practices; ensuring smooth monitoring and implementation of recommendations to improve corporate governance as contained in the study made by the Asian Institute of Management; ensuring that all directors and senior executives comply with the corporate governance training requirements; endorsing the conduct of the annual evaluation of the Board and President's performance; and, providing continued support to the company's participation in the Corporate Governance Scorecard project which won for the company the 'Gold Awardee' rank as recognized by ICD/SEC/PSE in May 2010.

The Nomination and Compensation Committee (NCC)

In fulfillment of its mandate, the NCC met several times in 2010 to discuss and address the following matters:

- a. The team studying the Stock Option Plan presented two alternative schemes for deliberation and has been directed to prepare plan rules and mechanics for the Zero Coupon Loan, with details on tax liabilities, legal requirements, timing and administration.
- b. Review the qualifications of nominees for Independent Director, as well as regular Director, and endorse the same candidates for approval in the 2010 Annual Stockholders Meeting.
- c. Announced the resignation of Ms. Ana Regina Pia B. Go as Senior Vice President, Chief Financial Officer and Treasurer of EDC. The committee accepted the resignation, subject to formal board confirmation. Likewise, the committee unanimously endorsed the election of Mr. Nestor H. Vasay as Acting Chief Financial Officer, with full signing authority.

The Risk Management Committee (RMC)

The key activities of the Risk Management Committee for 2010 were as follows: Risk Management System Enhancement, Risk Administration, ERM Awareness, and RMC Charter Changes.

- a. **Risk Management System Enhancement** – As an integral part of EDC’s strategic pillars and long-term objective, RMC focused on enhancing the ERM system of the company wherein it was aligned to ISO 31000:2009 (Risk Management – Principles and Guidelines) and risk management reviews in all level of the organization with the Board of Directors has been conducted as part of its enhancement.
- b. **Risk Administration** – The committee monitors the company’s exposure to foreign exchange risk, conducted study on the company’s ICT (Information and Communications Technology) capabilities, conducted project risk review, and identified the company’s key strategic risks for 2011 which will be continuously monitored to ensure that they are properly managed.
- c. **ERM Awareness** – Various ERM seminars, workshops, and discussions were conducted in 2010 to re-introduce to the line and senior management the concept of enterprise risk management and the enhanced ERM system.
- d. **RMC Charter Changes** – The RMC conducted a year-end review of the risk management activities and the enhancements made to the company’s ERM system and decided to implement certain changes in its composition requirements.

The Corporate Social Responsibility (CSR) Committee

The CSR Committee of the EDC Board Performed its oversight functions on the implementation of the Company's CSR Program in 2010 to ensure that the company remained a responsible corporate citizen. The Program is dedicated to contribute to the improvement of the health, education, livelihood, and environment situation of communities surrounding EDC's various energy projects.

In the three (3) Committee meetings held in 2010, the following major items were discussed and resolved:

- a. Financial and operational performance and approval of operational matters of the KEITECH Educational Foundation, Inc. (KEFI) and the Kananga-EDC Institute of Technology (KEITECH);
- b. Global Reporting Initiative (GRI) performance indicators for EDC's 2009 and 2010 Sustainability Reports;
- c. Directions for and implementation status of the four (4) modules of BINHI : Greening Legacy Project, Including approval of the Authority for Expenditure (AFE) for the project;
- d. Sustainability measures and exit plan for the Northern Sierra Madre Natural Park (NSMNP) Reforestation Project in Isabela;
- e. Status of resettlement projects in Leyte, North Cotabato and Negros Occidental, specifically the transfer of houses and lots of beneficiaries in LGPF and NNGPF;
- f. Approval of revisions in the EDC Board CSR Committee Charter; and
- g. Review of other CSR projects, such as the progress of education and enterprise development modules, participation in the 2010 CSP Expo of the League of Corporate Foundation (LCF), and support for the Alliance for Mindanao Off-Grid Renewable Energy (AMORE) Project.

The Operations Committee (OpsComm)

In the performance of its mandate, the Operations Committee conducted a total of twenty-nine (29) meetings for 2010, 21 of which were attended by at least four (4) Directors, which is more than the prescribed presence of three (3) Directors to constitute a quorum.

In these meetings, the Operations Committee approved/endorsed approval of eighty-seven (87) high-valued procurement items, twenty-six (26) items of authority for expenditures, twenty-one (21) Operational Support items and nineteen (19) matters on Policy guidelines, with a total of one-hundred fifty-three (153) items.