

Audit and Governance Committee (AGC).

Three out of the five members of our AGC are independent directors, namely Francisco Ed. Lim, Arturo T. Valdez and Edgar O. Chua, its Chairman. Other AGC members include Francis Giles B. Puno and Ernesto B. Pantangco. Our 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 our AGC members are found in the pages on Director's Profile.

The major function of our AGC is to assist our Board in its oversight responsibility as regards EDC's integrity of 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 our AGC's responsibilities are provided in our Corporate Governance Manual and AGC Charter.

The AGC had four (4) meetings in 2014. Directors who are non-committee members also attended the AGC meetings. On the average, ninety percent (90%) of our AGC members are in attendance in every committee meeting in 2014. Details of the AGC meeting attendance are as follows:

Audit and Governance Committee	
Name of Directors Who Attended	No. of Meetings Attended
Edgar O. Chua Chairman, <i>Independent Director</i>	4
Ernesto B. Pantangco Member	2
Francis Giles B. Puno Member	2
Francisco Ed. Lim Member, <i>Independent Director</i>	4
Arturo T. Valdez Member, <i>Independent Director</i>	4

**Other non-member directors attended at least one committee meeting, namely, Federico R. Lopez, Richard B. Tantoco and Jonathan C. Russell.*

For 2014, the following are the activities of our 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 AGC 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.

- **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 2013 financial statements audit) and approved the re-engagement of SGV & Co. for another year (2014 audit). The AGC approved the non-audit services rendered by external auditors. It also approved the Internal Audit annual plan 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. It approved the annual plans and programs of the Compliance Office. Likewise, the AGC have supported the initiatives of the Compliance 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, ensuring that all directors and senior executives comply with the corporate governance training requirements.

With the AGC's support to the Compliance Office's governance programs and projects, the Company has been cited for its exemplary CG programs and practices:

- (a) ASEAN Corporate Governance Scorecard's **Top 50 Philippine Publicly-Listed Companies (PLCs) for 2013 and 2014**, with scores of 82% and 87%, respectively. The results of both 2013 and 2014 scorecards were released separately in the same year, 2014; and
- (b) **"Asia's Most Promising Company in Corporate Governance"** by Hong Kong-based CG Asia Magazine;

Also, although EDC has never been a finalist in the **PSE Bell Awards**, it is consistently cited among those PLCs with notable CG practices that have been shortlisted and qualified to proceed to the second phase screening thereof.

- **Assessment of Performance.** The AGC assessed its performance for the year 2014 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. Based on the required provisions of the SEC, the Audit and Governance Committee's self assessment scores add up to 97.06% which is equivalent to "Outstanding".