

Audit and Governance Committee (AGC) Report 2015

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.

Our 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 our AGC's responsibilities are provided in our Corporate Governance Manual and AGC Charter.

The AGC had four (4) meetings in 2015. Details of the AGC meeting attendance are as follows:

Audit and Governance Committee	
Members	No. of Meetings Attended
Edgar O. Chua Chairman, <i>Independent Director</i>	4
Ernesto B. Pantangco Member	4
Francis Giles B. Puno Member	2
Francisco Ed. Lim Member, <i>Independent Director</i>	3
Arturo T. Valdez	4

For 2015, 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 for the year 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 2014 financial statements audit) and approved the re-engagement of SGV & Co. for another year (2015 audit). The AGC approved the non-audit services rendered by external auditor. It also approved the Internal Audit annual plan for 2015 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 Corporate Governance Office. 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, 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 2015**, with a score of 92.47%; and

(b) 1st runner up award for the Ethics and Governance category in the **2015 ASEAN Corporate Sustainability Summit & Awards**;

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 our performance for the year 2015 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.