

Meralco 2013 PSE Corporate Governance Guidebook



Guideline	COMPLY	EXPLAIN
1.1 Have a clearly defined vision, mission and core values.	YES	Meralco Website Section: “Corporate Mission, Vision, Values and Principles” http://www.meralco.com.ph/company/page-about-corporateinfo-misvis.html
1.2 Have a well-developed business strategy.	YES	<ul style="list-style-type: none"> The Strategy and Innovation Office (SIO) was created in Oct. 16, 2013, with the responsibility of developing and executing focused and forward looking Business and Technology Innovation Strategy and Execution Roadmap of the Company. The mandate will also include organizational support for the new regulated and unregulated business model(s) and service development; and, new organic and inorganic growth strategies. <i>(Annex A: Memo on the Creation of Strategy Innovation Office)</i> SIO is headed by Dr. Bartosz K. Wojszczyk a recognized industry leader in business development, corporate strategy, transformation, technology innovation and commercialization. Meralco Power Club Magazine posted on Meralco Corporate Partners Website Meralco’s Roadmap to Innovation” page 8, for some of the strategies and plans that the Company will be pursuing as directed by the SIO Head, Dr. Bartosz. http://corporatepartners.meralco.com.ph/files/download/106f619111f6257 The Financial and Operating Results for year-end 2014, presented during the 17 March 2014 Investor and Analysts Briefing showed the attainment of the business plans and programs of the company for 2013, which is a confirmation of a well-developed business strategy. Meralco Website Section of Investor Relations: “Quarterly Report” http://meralco.com.ph/pdf/aboutmeralco/2013/4th_Quarter.pdf
1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company’s business environment, management style and culture.	YES	<i>Please refer to attached Annex B: Meralco’s Strategy Innovation Process</i>
1.4 Have its board continually engaged in discussions of strategic business issues.	YES	<p>Included in the specific duties and responsibilities of the Board as prescribed in the Company’s Revised CG Manual is to oversee the formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies and periodically evaluate Management’s overall performance.</p> <p>Meralco Website Section of Corporate Governance: “Policies and Implementing Rules (page 4)” http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf</p> <p>An example of board engagement in the discussions of the strategic business issues. Board meeting last January 27, 2014, where the President/CEO discussed the budget and business plan. <i>Please refer to submitted additional documents</i> <i>(Annex C: Excerpts of the Minutes of Board Meeting on January 27, 2014).</i></p>

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2.1. Have a board composed of directors of proven competence and integrity.	YES	Meralco Website Section of Corporate Governance: “Key Players - Board of Directors’ Profiles” http://www.meralco.com.ph/company/page-about-corp-governance-keyplayers.html#boarddirectors (Click on photo or name of director to view profile.)
2.2. Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.	YES	Meralco Website Section of Corporate Governance: “Key Players - Board of Directors’ Profiles” - Profile of Meralco Chairman, Manuel V. Pangilinan. (http://www.meralco.com.ph/company/page-about-corp-governance-keyplayers.html#boarddirectors) Meralco Website Section of PSE and SEC Disclosures: “May 28, 2013 Disclosure, (Item II.3a page 2)” http://www.meralco.com.ph/pdf/disclosures/2013.05/052813_Annual_Meeting_of_the_Stockholders.pdf
2.3 Have at least three (3) or thirty percent (30%) of its directors, whichever is higher, as independent directors.	NO	MERALCO currently has an 11-seat Board with two (2) Independent Directors. The number of independent directors is in accordance with the requirements of the Securities Regulation Code.
2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.	YES	ISO Surveillance Audit Schedule Document Meralco's critical processes are supported by policies, guidelines and procedures for proper guidance of its officers and employees in complying with these. These are certified ISO compliant or other similar certification. http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEScorecard/ISO_Certified_offices.pdf
2.5 Have Audit, Risk, Governance and Nomination and Election Committees.	YES	Meralco Website Section of Corporate Governance: “Key Players - Board Committees” Audit and Risk Management Committee (AuditCom) Charter (http://www.meralco.com.ph/company/page-about-corp-governance-keyplayers.html#boarddirectors) Nomination and Governance Committee (Nom&Gov) Charter (http://www.meralco.com.ph/pdf/aboutmeralco/Nomination%20and%20Governance%20Committee%20Charter%20082311.pdf) Meralco Website Section of PSE and SEC Disclosures: “May 28, 2013 Disclosure, (pages 2 and 3)” AuditCom and Nom&Gov committees composition: http://www.meralco.com.ph/pdf/disclosures/2013.05/052813_Annual_Meeting_of_the_Stockholders.pdf
2.6 Have its Chairman and CEO positions held separately by individuals who are not related to each other.	YES	Meralco Website Section of Corporate Governance: “Key Players - Board of Directors’ Profiles” Meralco Board Chairman, Mr. Manuel V. Pangilinan, is not related to the President/CEO, Mr. Oscar S. Reyes. (http://www.meralco.com.ph/company/page-about-corp-governance-keyplayers.html#boarddirectors)

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2.7 Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	YES	<p>Company By-laws - Article II. Board of Directors –Sections 1 & 2 (pages 3 and 4) Meralco Website Section of Corporate Governance: “Policies and Implementing Rules ” Nomination and Election process for Directors: http://www.meralco.com.ph/pdf/corporategovernance/Amended_By_Laws_2013.pdf</p> <p>Meralco Website Section on Stockholders’ Meeting, Stock Price & Dividend Payouts</p> <ul style="list-style-type: none"> Voting Procedure explained before start of AGM – 2013 AGM Minutes (page 3) http://www.meralco.com.ph/pdf/corporategovernance/AGM_2013_v1_Mins.pdf
2.8 Have in place a formal board and director development program.	YES	<p>Meralco Website Section on Corporate Governance: “Meetings and Seminars” Policy on Director’s Orientation and Continuing Education http://www.meralco.com.ph/company/page-about-corp-governance-board.html</p> <p>Meralco Website Section on Corporate Governance: “CG News on Dec 20, 2013” Continuing Education Program for New Directors http://www.meralco.com.ph/pdf/newsandupdates/2013/NW06913.pdf</p>
2.9 Have a corporate secretary.	YES	<p><u>Appointment of Corporate Secretary, Atty. Simeon Ken R. Ferrer</u> Meralco Website Section of PSE and SEC Disclosures: “May 28, 2013 Disclosure, page 2” http://www.meralco.com.ph/pdf/disclosures/2013.05/052813_Annual_Meeting_of_the_Stockholders.pdf</p> <p><u>Qualifications , Duties and Responsibilities of Corporate Secretary</u> Meralco Website Section of Corporate Governance: “Policies and Implementing Rules, page 18” http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf</p>
2.10 Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors’ ability to vote independently.	YES	The Company is not aware of any such agreement.
3.1 Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	YES	<p><u>Internal Audit approved Charter by the Board, page 1</u> http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/Organization_Charter(Internal_Audit).pdf</p> <p><u>Internal Audit Functions</u> Manual of Corporate Governance, Section 15. Internal Auditor (page 21) http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf</p> <p><u>INTERNAL AUDIT Head, Helen T. de Guzman</u> Meralco Website Section of Corporate Governance: “Key Players – Internal Auditor” http://www.meralco.com.ph/company/page-about-corp-governance-keyplayers.html#internalauditor</p>

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3.2 Have a comprehensive enterprise-wide compliance program that is annually reviewed.	YES	<p>Concerned Executives of the Company are required to monitor and supervise the compliance of their respective assigned areas and attest their signature certifying their organizations full compliance. This serve as basis of the Certification of Commitment to Corporate Governance disclosed to SEC annually.</p> <ul style="list-style-type: none"> Copy of CGO Memo to all Concerned Executives http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEScorecard/CGO_Memo_on_compliance.pdf Copy of the Checklist of Compliance to CG http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEScorecard/CG_Compliance_Checklist.pdf
3.3 Institutionalize quality service programs for the internal audit function.	YES	<p>Meralco IA complies with the International Standards for the Professional Practice of Internal Auditing (ISPPIA), which requires under Quality Assurance and Improvement Program (Standard 1300) the following:</p> <p>i. Internal Assessments – includes on-going monitoring & periodic reviews of performance. Meralco Guidelines and Procedures on Client Feedback Process of Internal Audits http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEScorecard/Internal_Audit_Client_Feedback_Process.pdf</p> <p>ii. External Assessment –conducted at least once every 5 years by a qualified, independent reviewer from outside the organization.</p>
3.4 Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	YES	<p>E-Report Mo (Whistleblowing) Program Meralco website Section on Corporate Governance –“Policies and Implementing Rules (6b)” http://www.meralco.com.ph/company/page-about-corgovernance-policies.html On-line reporting thru E-report Mo in the Company Website http://www.meralco.com.ph/company/cg_services/ereport_forms.html</p>
3.5 Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	YES	<p>Certification of Internal Audit Head Annual confirmation statement on internal control submitted to MPIC. http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEScorecard/Certification_of_Internal_Audit_Head.pdf</p>
4.1 Have its board oversee the company’s risk management function.	YES	<p>Manual of Corporate Governance Section 4.2 Specific Duties of the Board (4.27 – page 5) Risk Management Function of the Board http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf Meralco Website Section on Corporate Governance: “Risk Management and Internal Control” http://www.meralco.com.ph/company/page-about-corgovernance-riskmanagement.html</p>
4.2 Have a formal risk management policy that guides the company’s risk management and compliance processes and procedures.	YES	<p>Risk Management Policy Meralco Website Section on Corporate Governance – “Risk Management and Internal Control” http://www.meralco.com.ph/company/page-about-corgovernance-riskmanagement.html</p>

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4.3 Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Tread way Commission) I and II.	YES	Risk Management Policy Meralco Website Section on Corporate Governance – “Risk Management and Internal Control” http://www.meralco.com.ph/company/page-about-corp-governance-riskmanagement.html Meralco Website Section on Corporate Governance – “Risk Management and Internal Control, (page C1 of 7).” http://www.meralco.com.ph/pdf/aboutmeralco/Enterprise_Risk_Management_Policy.pdf
4.4 Have a unit at the management level, headed by a Risk Management Officer (RMO).	YES	Appointment of the Head of Enterprise Wide Risk Management (EWRM) Office <i>Annex D: Memo on Appointment of the Head of EWRM Office</i> Risk Management Policy - Roles and Responsibilities of EWRM Office → EWRM Policy (page B-6 of 7) http://www.meralco.com.ph/pdf/aboutmeralco/Enterprise_Risk_Management_Policy.pdf
4.5 Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	YES	Meralco Website Section on Corporate Governance: “Risk Management and Internal Control” http://www.meralco.com.ph/company/page-about-corp-governance-riskmanagement.html Risk Management Policy http://www.meralco.com.ph/pdf/aboutmeralco/Enterprise_Risk_Management_Policy.pdf
4.6 Seek external technical support in risk management when such competence is not available internally.	YES	The Company is committed to provide the best practices standards to the risk owners to guide them in the design, implementation and improvement of critical processes and risk measures. (EWRM Policy page C-7 of 7). Risk Management Policy http://www.meralco.com.ph/pdf/aboutmeralco/Enterprise_Risk_Management_Policy.pdf An example of this commitment to best practice is the engagement of SGV ERM experts in 2011 to evaluate the Company’s ERM Framework, in terms of governance, strategy, reporting & communication, tools & technology and culture & capability.
5.1 Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	YES	Approval of all non-audit services of the external auditor is prescribed under the Charter of the Audit & RM Committee (item 2.8 page 3) Meralco Website Section of Corporate Governance: “Key Players - Board Committees” http://www.meralco.com.ph/pdf/aboutmeralco/AuditCom_24Sept2012.pdf (item 2.8 page 3) For the last 2 years (2012-13), the external auditor did not render any non-audit services to Meralco.
5.2 Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	YES	Meralco Website Section of Corporate Governance: “Key Players - Board Committees, (items 2.6 to 2.10 page 3)” Audit & RM Committee duties and responsibilities http://www.meralco.com.ph/pdf/aboutmeralco/AuditCom_24Sept2012.pdf

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5.3 Ensure that the external auditor has adequate quality control procedures.	YES	<p>Considered during the evaluation of the external auditor. In 2013, SGV was evaluated by the Audit & Risk Management Committee during its meeting of April 19, 2013</p> <p>Excerpts of the Minutes of AuditCom Meeting on Apr. 19, 2013 (page 6). http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/Excerpts_AuditComm_April_19_2013_meeting.pdf</p>
5.4 Disclose relevant information on the external auditors.	YES	<p>Disclosed in the Definitive Information Statement under the caption “Independent Public Accountants” (page 17).</p> <p>Definitive Information Statement of May 28, 2013</p> <ul style="list-style-type: none"> PSE/SEC Disclosure http://www.meralco.com.ph/pdf/disclosures/2013.04/Definitive_IS_AnnualMeeting_05282013.pdf
5.5 Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	YES	<p>Audit & RM Committee duties and responsibilities in their charter (items 2.6 to 2.10, page 3)</p> <p>Meralco Website Section of Corporate Governance: “Key Players - Board Committees” http://www.meralco.com.ph/pdf/aboutmeralco/AuditCom_24Sept2012.pdf</p>
5.6 Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	YES	<p>Annually, the Audit & Risk Management Committee holds executive session with external auditors, normally after completion of audit. In 2013, executive session with SGV was held on March 15, 2013. (page 6)</p> <p>Excerpts of the Minutes of AuditCom on March 15, 2013 http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/Excerpts_AuditCom_March_15_2013_meeting.pdf</p>
5.7 Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	YES	<p>2012 Annual Report</p> <p>Please refer to “Statement of Management’s Responsibility” in the 2012 Annual Report, page 81). http://www.meralco.com.ph/pdf/aboutmeralco/annual_2012.pdf</p>
5.8 Have a policy of rotating the lead audit partner every five years.	YES	<p>Meralco Website Section of Corporate Governance: “Key Players - Board Committees”</p> <p>Audit & Risk Management Committee charter (Item 2.10). http://www.meralco.com.ph/pdf/aboutmeralco/AuditCom_24Sept2012.pdf</p>
6.1 Adopt the principle of “one share, one vote.”	YES	<p>Amended By Laws</p> <p>Meralco adopts the principle of “one share, one vote” as specified in its By-laws Section 3 (page 1) http://www.meralco.com.ph/pdf/corporategovernance/Amended_By_Laws_2013.pdf</p> <p>2013 AGM Minutes</p> <p>Voting Procedures as explained during the AGM – 2013 AGM Minutes page 3) http://www.meralco.com.ph/pdf/corporategovernance/AGM_2013_v1_Mins.pdf</p>

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6.2 Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	YES	<p>Amended By Laws Amended By-laws --> Article 1 Meetings of Stockholders (pages 1 to 3) http://www.meralco.com.ph/pdf/corporategovernance/Amended_By_Laws_2013.pdf</p> <p>Manual of Corporate Governance Revised Manual of Corporate Governance --> Section V. Investors' Rights and Protection (pages 23 to 26) http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf</p>
6.3 Have an effective, secure and efficient voting system.	YES	<p>The conduct of the registration, proxy handling, balloting and canvassing of shareholders votes during the AGM were facilitated by the use of an automated system, Stockholders' Meeting System (SMS). All resolutions at the AGM are voted through ballots casted by the shareholders which were counted using SMS for accuracy and greater transparency. The poll voting results, in addition to the proxy voting results, were immediately used and reported to the shareholders during the AGM. All votes received were be tabulated by the Office of the Corporate Secretary and results thereof were validated by an independent third party: the auditing firm, Reyes and Tacandong, which was duly appointed to act as such for the 2013 Annual Stockholders' Meeting. (2013 AGM Minutes pages 2 to 3)</p>
6.4 Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	YES	
6.5 Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	YES	<p>On April 25, 2013, 30 days prior to the AGM, the Office of the Corporate Secretary sent the Notice of 2013 AGM to all stockholders of record as of March 15, 2013.</p> <p>2013 Notice of AGM http://www.meralco.com.ph/pdf/disclosures/2013.04/Definitive_IS_AnnualMeeting_05282013.pdf</p>
6.6 Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	YES	<ul style="list-style-type: none"> Prior to the meeting, all shareholders were given the opportunity to submit their views on any issues that they deemed fit for inclusion in the agenda, as well as to propose qualified candidates for directors 20 days prior to the AGM through the Stockholders Relations office at 632-8765 or via email to stockholders.affairs@meralco.com.ph. No suggestions or views were however received from the shareholders this 2013. (2013 AGM Minutes - page 2) <p>2013 AGM Minutes http://www.meralco.com.ph/pdf/corporategovernance/AGM_2013_v1_Mins.pdf</p> <ul style="list-style-type: none"> Invitation for Shareholders to also submit proposed agenda and nominate candidates is posed in the Company website prior to the AGM <p>Meralco Website Banner http://www.meralco.com.ph/company-index.html#&panel1-3</p>

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6.7 Ensure that all relevant questions during the AGM are answered.	YES	2013 AGM Minutes Sample of AGM Minutes with questions and answers recorded - 2013 AGM Minutes --> QUESTIONS AND ANSWERS ON THE FLOOR (pages 11 and 12) http://www.meralco.com.ph/pdf/corporategovernance/AGM_2013_v1_Mins.pdf
6.8 Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	YES	The Company is committed in respecting and protecting the rights of its shareholders, either minority or majority shareholders, as stated in its Manual of Corporate Governance - V. INVESTORS' RIGHTS AND PROTECTION (page 23). Meralco Website Section of Corporate Governance: "Policies and Implementing Rules and Regulations – Revised Manual of Corporate Governance" http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf Additional Measures For Minority Shareholders' Protection 1. Related Party Transactions Policy – setting the rules in the review and approval of RPTs as follows: <ul style="list-style-type: none"> Significant and material RPTs are to be reviewed and approved by the AuditCom composed of non-executive and independent Directors, the Board and/or the shareholders. (page 2) Disclosure of Board of Directors and Key Officers of their significant interests in the Company (page 3) Prohibition in the granting of loans to Directors (page 3) http://www.meralco.com.ph/pdf/corporategovernance/RPT.pdf 2. Policy on Blackout Period/Restriction on Trading of Shares Policy – to protect against insider abuses of information at the expense of current and potential shareholders. (Item No. 5) http://www.meralco.com.ph/company/page-about-corgovernance-policies.html
6.9 Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	YES	Entrenchment of management or the existing shareholder group is avoided by ensuring that stockholders of record are informed and notified of the annual stockholders' meeting, the necessary details thereof, and are allowed to exercise their right to vote, whether in person or by proxy. The Company adheres to the requirements of the SEC and PSE with respect to the provision of proper and timely notice of annual meeting/s and has an existing policy on proxy voting, to ensure the same. Notice of 2013 AGM http://www.meralco.com.ph/pdf/disclosures/2013.04/Definitive_IS_AnnualMeeting_05282013.pdf Proxy Voting Policy http://www.meralco.com.ph/company/page-about-investor-stockmeeting.html
6.10 Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	YES	Information is released through PSE/SEC Disclosure and immediately posted in the Company website. Following are sample disclosures: Meralco Website Section on About Us – "Disclosures and Communications – PSE/SEC" Public Ownership Report as of December 31, 2013 http://www.meralco.com.ph/pdf/disclosures/2014.01/01152014_PUBLIC_OWNERSHIP_REPORT.pdf

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6.11 Have a communications strategy to promote effective communication with shareholders.	YES	<p>Our Company website (www.meralco.com.ph) is the most effective, efficient and fastest way of informing our shareholders on the information they need to know about the Company and their shares of stocks. We have dedicated the following section in our website for our shareholders:</p> <ul style="list-style-type: none"> • Investors Relations – financial and operational reports (annual and quarterly reports), dividend policy, dividend declarations and notices, stockholders meetings, updated stock price, shareholders information on their shares of stocks and contact information in case for additional questions of information needed by the shareholder. http://www.meralco.com.ph/company/page-about-investor-stockmeeting.html • Corporate Governance – everything about the corporate governance structure and practices of the Company, including CG policies and programs, board compositions and structure, etc. http://www.meralco.com.ph/company/page-about-corp-governance.html • PSE/SEC Disclosures – latest significant information about the Company that shareholders must know. http://www.meralco.com.ph/company/page-about-disclosure-pse.html <p>Above communication is on top of the usual AGM Notices, Definitive Information Statement, Annual Reports and other printed materials delivered to all the shareholders in a timely manner.</p>
6.12 Have at least thirty percent (30%) public float to increase liquidity in the market.	NO	<p>Company disclosure to PSE on January 15, 2014, Meralco has 13.31% public float which is over and above the minimum PSE requirement of 10%.</p> <p>Meralco Website Section on About Us – “Disclosures and Communications - PSE/SEC (page 5)” http://www.meralco.com.ph/pdf/disclosures/2014.01/01152014_PUBLIC_OWNERSHIP_REPORT.pdf</p>
6.13 Have a transparent dividend policy.	YES	<p>Meralco Dividend Policy posted in the Company website Meralco Website Section on About Us – “Investors Relations - Stockholders Meeting, Stock Price & Dividend Payouts – Dividend Policy” http://www.meralco.com.ph/company/page-about-investor-stockmeeting.html</p>
7.1 Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	YES	<p>Meralco Website Section on Corporate Governance – “Policy and Implementing Rules- Revised “Standards of Business Conduct and Ethics” (Code of Ethics or COE)”</p> <p>The Company's Code of Ethics Section V. Communication and Disclosure (page 7) explicitly states the Company's commitments to accurate and timely disclosures to all the Company regulators as prescribed by existing laws and regulations.</p> <p>http://www.meralco.com.ph/pdf/aboutmeralco/MERALCO%20Revised%20Code%20of%20Ethics_10062010.pdf</p>
7.2 Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the	YES	<p>The Company is not aware that there is such an agreement</p>

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control, ownership, and strategic direction of the company.		
7.3 Disclose its director and executive compensation policy.	YES	<p>Disclosure on Executive Compensation at the 2012 Annual Report posted in the Company Website</p> <ul style="list-style-type: none"> Executive Compensation --> 2012Annual Report --> III. Role of Stakeholders --> Employees and Executive Compensation (page 42) http://www.meralco.com.ph/pdf/aboutmeralco/annual_2012.pdf <p>Disclosure on Board Remuneration at the 2012 Annual Report posted in the Company Website</p> <ul style="list-style-type: none"> Board Remuneration --> 2012 Annual Report --> Corporate Governance Report --> VI. Board Protocol --> Board Remuneration (page 48). http://www.meralco.com.ph/pdf/aboutmeralco/annual_2012.pdf <p>Disclosure on Board Remuneration at the 2012 ACGR posted in the Company Website</p> <ul style="list-style-type: none"> 2012 Annual Corporate Governance Scorecard --> REMUNERATION MATTERS (pages 65 to 69) http://www.meralco.com.ph/pdf/CGscorecard/ACGR_2012.pdf
7.4 Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	YES	<p>Quarterly report disclosed to PSE/SEC on Top 100 Stockholders of the Company which includes shareholders with 5% and more shareholdings</p> <p>Meralco Website Section on About Us – “Disclosures and Communications – PSE/SEC”</p> <ul style="list-style-type: none"> As of December 31, 2013 http://www.meralco.com.ph/pdf/disclosures/2014.01/01092014_TOP_100_STOCKHOLDERS.pdf As of Sept. 30, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.10/100913_Meralco_Top_Stockholders.pdf As of June 30, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.07/071113_Meralco_Top_100_Stockholders_as_of_June_30_2013.pdf As of March 31, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.04/041213_Top100_Stockholder.pdf
7.5 Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within ninety (90) days from the end of the financial year, while interim reports shall be published within forty-five (45) days from the end of the reporting period.	YES	<p>Meralco Website Section on About Us – “Disclosures and Communications – PSE/SEC”</p> <ul style="list-style-type: none"> 2013 Audited Financial Report- Date Released of 2013 Financial Operating Results – Mar. 17, 2014 http://www.meralco.com.ph/pdf/disclosures/2014.03/03172014_APPROVED_BY_THE_BODs.pdf Quarterly Report for the period ended 30 September 2013 - Date Disclosed: Nov. 14, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.11/11142013_MER17Q_3Q.pdf Quarterly Report (SEC Form 17-Q) for the period ended June 30, 2013 - Date Disclosed: Aug. 15, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.08/081513_MEC17Q_2Q2013.pdf Quarterly Report for the Period ended March 31, 2013 - Date Disclosed: May 16, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.05/051613_Quarterly_Report.pdf

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Guideline	COMPLY	EXPLAIN
7.6 Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	YES	Nothing to disclose. No changes made yet since the last update in April 2010
7.7 Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	YES	<p>The AGM Notice together with the Definitive Information Statement provided to all shareholders at least 30 days prior to the AGM includes all the information that the shareholders should know and issues that requires shareholders' approval. This AGM Notice is likewise immediately posted in the Company Website for immediate information and access of all shareholders.</p> <p>Meralco Website Section on About Us – “Disclosures and Communications – PSE/SEC”</p> <ul style="list-style-type: none"> • Notice of 2013 AGM http://www.meralco.com.ph/pdf/disclosures/2013.04/Definitive_IS_AnnualMeeting_05282013.pdf
7.8 Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	YES	<p>All trading of Meralco shares by Directors and Key Officers are disclosed to PSE/SEC and published in Meralco website within two trading days upon consummation of the transactions.</p> <p>Meralco Website Section on About Us – “Disclosures and Communications – PSE/SEC”</p> <p>Some of 2013 PSE/SEC Disclosures:</p> <ul style="list-style-type: none"> • Ray C. Espinosa, Director - Disclosed Dec. 12, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.12/121213_SEC_Form_RCEspinoza.pdf • Nestor P. Sarmiento , Vice-President – Disclosed Sept. 15, 2013 http://www.meralco.com.ph/pdf/disclosures/2013.09/092013_NPSarmiento.pdf
7.9 Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	YES	<p>2013 Annual Report not yet finished. Please refer to the 2012 Annual Report for the sample of how principal risks are disclosed.</p> <p>Meralco Website Section on About Us – “Investor Relations – 2012 Annual Report”</p> <p>http://www.meralco.com.ph/pdf/aboutmeralco/annual_2012.pdf</p> <ul style="list-style-type: none"> • Audit and Risk Management Committee Report (page 81) • Risk Identified (pages 141 to 145) • Shareholders with 5% and more holdings (page 41)

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Guideline	COMPLY	EXPLAIN
8.1 Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers and customers, creditors, as well the community, environment and other key stakeholder groups.	YES	<p>The Company's Corporate Principles, published in the Company website clearly specify its commitments to protect the interests of its stakeholders.</p> <p>Meralco Website Section on About Us – "Corporate Information - Corporate Mission, Vision, Values and Principles" http://www.meralco.com.ph/company/page-about-corporateinfo-misvis.html.</p> <p>Clarification of these commitments are likewise included in its Corporate Governance report (2012 Annual Report, pages 41 to 44)</p> <p>Meralco Website Section on About Us – "Investor Relations – 2012 Annual Report" http://www.meralco.com.ph/pdf/aboutmeralco/annual_2012.pdf</p>
8.2 Have in place a workplace development program.	YES	<p>Learning and development programs are offered to employees for their competency development and professional growth. The company's learning and development organization implements a comprehensive curriculum for all employee levels that covers behavioral, leadership and technical competencies.</p> <p>An annual training plan is developed to ensure that the learning and development requirements of organizations are fulfilled and delivered efficiently. The corporate training plan is crafted based on strategic directions, expressed need of line organizations and consolidated Individual Development Plan (IDP).</p> <p>Reference: 2014 Corporate Training Plan. http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/2014_Training_Plan.pdf</p>
8.3 Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	YES	<p>Performance-based annual and long-term incentive plans were implemented to engage employees as One Meralco in seamless teamwork and collaboration towards achieving the Company's goals.</p> <p>Pay for Performance Philosophy Driven by MERALCO's total rewards philosophy, the Company's rewards programs provide opportunities for pay for performance, recognition and welfare coverage of our employees, that together with their jobs and the total work environment, will help attract, retain and motivate the best talent that MERALCO needs to accomplish its vision, mission and objectives.</p> <p>Long-Term Incentive Plan This is a three-year plan that is designed to engage and drive MERALCO's leadership cadre in delivering sustainable superior performance, and to share the success of the Company with selected Executive and Managerial employees who have consistently provided strategic value to MERALCO, in the achievement of its organizational and corporate business goals.</p> <p>Please refer to attached excerpts of the meeting of Remuneration and Leadership Development Committee of the Board last Nov. 2011 where these performance based reward mechanisms were discussed and approved and still sustained until this date.</p> <p>Excerpts of RLD Comm Meeting on November 21, 2011: http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/Excerpt from RLD Minutes of the Meeting-11-21-11.pdf</p>

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Guideline	COMPLY	EXPLAIN
8.4 Have in place a community involvement program.	YES	<p>Launched in July 2011, Meralco's corporate social responsibility office, One Meralco Foundation, serves Filipinos through innovative and sustainable CSR initiatives aligned with the Company's power distribution business.</p> <p>2012 One Meralco Foundation Annual Report. http://www.meralco.com.ph/pdf/aboutmeralco/One_Meralco_Foundation.pdf</p>
8.5 Have in place an environment-related program.	YES	<p>The Environment, Safety and Health (ESH) Office is responsible for spearheading the formulation, implementation and management of environment, safety and health related tasks of the Company.</p> <p>Safety, Environment and Health 2013 Annual Report. http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/2013_SEM_Annual_Report.pdf</p>
8.6 Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	YES	<p>Our policies that guide our directors, officers, employees and business partners like Suppliers, are clearly stated in the following CG policies and are also posted in the Company Website.</p> <p>We have a Code of Ethics that guides all of our Directors, officers and employees on how we will deal with our suppliers, customers, creditors, market participants, shareholders and the public at large. We are guided by the governance principles of fairness, accountability, integrity and transparency. These principles are embodied in all policies of our Company including our Supplier's Business conduct policy.</p> <p>Meralco Website Section on Corporate Governance – "Policies and Implementing Rules)</p> <ul style="list-style-type: none"> • Code of Ethics http://www.meralco.com.ph/pdf/aboutmeralco/MERALCO%20Revised%20Code%20of%20Ethics_10062010.pdf • Suppliers' Business Conduct http://www.meralco.com.ph/pdf/corporategovernance/SBC_Policy.pdf
9.1 Develop and disclose a policy governing the company's transactions with related parties.	YES	<p>Policies in handling related party transactions are specified in the following documents which are also posted in the Company website:</p> <p>Meralco Website Section on Corporate Governance – "Policies and Implementing Rules)</p> <ul style="list-style-type: none"> • Related Party Transaction Policy – General Principles 1 - 7 (pages 2 and 3) http://www.meralco.com.ph/pdf/corporategovernance/RPT.pdf • Conflict of Interest Policy requires all directors, officers and employees to annually disclose their direct and indirect shareholdings, relatives and affiliates, transactions and other relevant interests through the Full Business Interest Disclosure (FBID) Form for directors and officers, and the Annual Conflict of Interest Disclosure Form for employees. <ul style="list-style-type: none"> ○ Full Business Interest Disclosure Form – Directors http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/FBID_Form_2013_for_Board_of_Directors_v1.pdf ○ Full Business Interest Disclosure Form – Officers http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/FBID_Form_2013_for_AVPs_and_Up_V3.pdf

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Guideline	COMPLY	EXPLAIN
		<ul style="list-style-type: none"> COI Disclosure Form – All employees other than officers. http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEscorecard/COI_Disclosure_Form_02212012.pdf
9.2 Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	YES	<p>Meralco Website Section on Corporate Governance – “Policies and Implementing Rules – Related Party Transactions” RPT Policy – defined threshold at P50 Million and above as “Material”. (page 2) “Material” means any RPT determined by the Audit and Risk Management Committee (AuditCom) to be potentially or actually significant to the Company. The aggregate amount of RPT under consideration, within the preceding twelve (12) month period, shall be among the aspects considered in determining the materiality of such. (Page 1) http://www.meralco.com.ph/pdf/corporategovernance/RPT.pdf</p>
9.3 Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	YES	All issues to be voted during stockholders meeting are processed and tabulated using an automated system, Stockholders’ Meeting System (SMS), This includes the voting and tabulation of votes for non-related party transactions requiring shareholders’ approval. No such RPTs however required to be voted by the shareholders in 2013.
9.4 Have its independent directors or audit committee play an important role in reviewing significant RPTs.	YES	<p>Material/significant RPTs, which involve an amount or value equal to or greater than Php 50 Million, shall be reviewed and endorsed by the AuditCom, prior to the approval of the Board.</p> <p>Meralco Website Section on Corporate Governance – “Policies and Implementing Rules – Related Party Transactions” (page 2). http://www.meralco.com.ph/pdf/corporategovernance/RPT.pdf</p>
9.5 Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company’s annual report.	YES	<p>The Company fully disclosed all its related party transactions in its Annual Report. Please refer to sample of the 2012 Annual Report on how these RPTs are disclosed:</p> <p>2012 Annual Report – Related Party Transactions (pages 132 – 133) http://www.meralco.com.ph/pdf/aboutmeralco/annual_2012.pdf</p>
9.6 Have a clear policy in dealing with material non-public information by company insiders.	YES	<p>Policy on Blackout Period/Restriction on Trading of Shares Meralco Website Section on Corporate Governance – “Policies and Implementing Rules” Item 5 http://www.meralco.com.ph/company/page-about-corgovernance-policies.html</p>
9.7 Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	YES	<p>Our RPT policy requires that Material transactions, including shareholders of affiliates, controlling shareholders, directors and key officers are disclosed to PSE/SEC (form 23-B – Changes in Beneficial Ownership) within 2-trading days after completion of the transaction. Such disclosures are likewise posted in the Company website within the day of PSE/SEC Disclosure for information of shareholders. The Company also fully disclosed all its related party transactions in its Annual Report. Meralco Website Section on About Us – “Disclosures and Communications – PSE/SEC”</p>

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Guideline	COMPLY	EXPLAIN
		http://www.meralco.com.ph/company/page-about-disclosure-pse.html
10.1 Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	YES	<p>We have posted the Code of Ethics on our Company website in order to inform all our stakeholders and the public of the conduct we expect from all our Directors, officers and employees.</p> <p>Meralco Website Section on Corporate Governance – “Policies and Implementing Rules “</p> <ul style="list-style-type: none"> Code of Ethics http://www.meralco.com.ph/pdf/aboutmeralco/MERALCO%20Revised%20Code%20of%20Ethics_1006_2010.pdf Suppliers’ Business Conduct http://www.meralco.com.ph/pdf/corporategovernance/SBC_Policy.pdf
10.2 Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	YES	<p>The Revised Manual of Corporate Governance defines the duties of the Compliance Officer as the one responsible for monitoring and ensuring compliance of the Company with laws and relevant regulations.</p> <p>Meralco Website Section on Corporate Governance – “Policies and Implementing Rules – Revised Manual of Corporate Governance” (page 20)</p> <p>http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf</p> <ul style="list-style-type: none"> Compliance Checklist http://www.meralco.com.ph/pdf/CGscorecard/2013_PSEScorecard/CG_Compliance_Checklist.pdf Conducted Company roadshows explaining the Code of Ethics and other CG policies with emphasis on employees’ compliance with laws and regulations. The Board Committees were tasked to ensure the Company’s compliance to the principles of good corporate governance. <p>Revised Manual of Corporate Governance, Section 9.0 Board Committees (page1)</p> <p>http://www.meralco.com.ph/pdf/aboutmeralco/Revised_Corporate_Governance_2011.pdf</p> <ul style="list-style-type: none"> The Nomination and Governance Committee is tasked to determine on an annual basis the improvement of the corporate governance principles, structure and best practices/rules that can be adopted by the Company. The Committee is also tasked to design the appropriate orientation program for new Directors and continuing education program for existing Directors. <p>Nomination and Governance Charter, B. Responsibilities- page 1 (items 9 and 10):</p> <p>http://www.meralco.com.ph/pdf/aboutmeralco/Nomination%20and%20Governance%20Committee%20Charter%20082311.pdf</p>
10.3 Not seek exemption from the application of a law, rule regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to	YES	<p>The Company did not seek any exemption from application of a law, rule, regulation and other related governance issues.</p>

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Guideline	COMPLY	EXPLAIN
finally comply with the applicable law, rule or regulation.		
10.4 Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	YES	<p>Code of Ethics Meralco Website Section on Corporate Governance – “Policies and Implementing Rules- Code of Ethics (page 9) http://www.meralco.com.ph/pdf/aboutmeralco/MERALCO%20Revised%20Code%20of%20Ethics_10062010.pdf E-Report Mo (Reporting of Violations of Directors, Officers and Employees to Code of Ethics and other Corporate Governance policies of the Company) Meralco Website Section on Corporate Governance – “Policies and Implementing Rules- E-Report Mo” http://www.meralco.com.ph/company/page-about-corp-governance-policies.html</p>
10.5 Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	YES	<p>The Board appointed Atty. William S. Pamintuan as Compliance Officer to oversee the Company’s compliance to all relevant laws, rules and regulations. Meralco Website Section on About Us – “Disclosures and Communication - Item 11, sub item 2 (page 2) http://www.meralco.com.ph/pdf/disclosures/2012.09/092612_Appointment_of_committee_members_or_officer.pdf</p>
10.6 Respect intellectual property rights.	YES	<p>Code of Ethics - III. Confidentiality of Information and Proper Use of Property – Item 5 (page 4) Meralco Website Section on Corporate Governance – “Policies and Implementing Rules- Code of Ethics” http://www.meralco.com.ph/pdf/aboutmeralco/MERALCO%20Revised%20Code%20of%20Ethics_10062010.pdf</p>
10.7 Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	YES	<p>2012 Annual Corporate Governance Report posted in the Company Website, ALTERNATIVE DISPUTE RESOLUTION (pages 59-60):</p> <ul style="list-style-type: none"> • Corporation & Stockholders - The Company has created the office of Stockholder Affairs in assisting shareholders to resolve issues affecting their concerns. • Corporation & Third Parties - The Company complies with all relevant rules and regulations promulgated by the Energy Regulatory Commission (ERC) on the settlement of disputes between the Company and its customers. • Corporation & Regulatory Authorities -- The Company has adopted the policy of proactively and amicably engaging the ERC, SEC, DOE and other agencies in resolving issues affecting the Company and the concerned agencies. <p>http://www.meralco.com.ph/pdf/CGscorecard/ACGR_2012.pdf</p>

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This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this documents is true, complete and correct.

Done this March 28, 2014 in Iloilo City.

✓ **Mr. Pedro E. Roxas**
Independent director

Oscar S. Reyes
President & CEO