

As the country's largest electricity distribution utility company, Meralco is committed to observe the highest standards of ethical business practices and uphold the tenets of service excellence in the conduct of its business and other dealings with its customers, regulators, shareholders, and other stakeholders, guided by the principles of Fairness, Accountability, Integrity, Transparency, and Honesty.

As a publicly-listed company, Meralco subscribes to the highest standards of good corporate governance and has put in place a set of well-defined policies and processes to enhance corporate performance, sustain operational growth, and reinforce accountability, as well as protect the interests of all stakeholders.

The Company is in full compliance with the corporate governance code, rules, and regulations promulgated and enforced by the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), Philippine Dealing & Exchange Corp. (PDEX), and other relevant regulatory bodies.

The Company's Board of Directors (Board) champions its corporate governance policies and processes while its Management recommends, implements and oversees relevant programs and communications to ensure full compliance to these policies and processes in the service, and for the benefit, of all stakeholders.

In 2016, the Company and its officers received several awards and accolades from the SEC, PSE, and the investment community for excellence in corporate governance:

- **First Institutional Investors' Governance Awards.** The Company was among the 15 listed companies acknowledged by the group composed of the Fund Managers Association of the Philippines (FMAP), the Philippine Investment Funds Association (PIFA), the Trust Officers Association of the Philippines (TOAF), and PJS Corporate Support Group.
- **Top 10 Finalist, Bell Awards.** The Company was named as one of the finalists for the Bell Award for Corporate Governance by the PSE, given to listed companies and trading participants practicing the highest standards of corporate governance in the country based on the PSE's Corporate Governance Guidelines for Listed companies including, among others, a sound business strategy and policies to protect shareholders' rights, and a responsible Board working to foster the long-term success of the Company and to safeguard the best interest of its shareholders and other stakeholders.

## A. RESPONSIBILITIES OF THE BOARD

The Board is responsible for setting the Company's vision, mission, overall strategic directions, corporate objectives, and long-term goals, and ensures that obligations to shareholders and to all stakeholders are understood and met.



It is the Board's mandate to enhance shareholder value by fostering the long-term success of the Company, and sustaining its competitiveness and profitability in a manner consistent with its vision, mission and corporate objectives.

The Board promulgates the Company's Manual of Corporate Governance (MCG) which provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and adhere to in dealing with various stakeholders. Management ensures that the operations of the Company are aligned with the MCG. The MCG conforms to regulations set forth by the SEC, the PSE, PDEx, and other relevant regulatory bodies.

The MCG is reviewed annually to ensure that it is up to date with local and international best practices, and relevant to the Company's strategic direction.

The MCG further mandates the Board to formulate and to annually review the Company's vision and mission statement, strategic objectives, key policies and the mechanism for performance assessment of the Board and Management, principally the President and Chief Executive Officer (CEO).

The Board, in its regular meeting held on February 26, 2016 as part of the Board's assessment of their performance in the past year, reviewed and confirmed the vision, mission, and corporate strategic objectives of the Company. In the same meeting, the Board also reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems. The Board further confirmed the Company's full compliance with the code of corporate governance.

The Board adopts a process of selection that encourages diversity and ensures a mix of competent directors and officers, without regard to gender, race, religion, or age.

The Nomination and Governance Committee (Nom&Gov) reviews the nomination, selection, and composition of the Board and affirms that its membership has a proper mix and diversity of qualifications, background, experience, independence, and skills needed to effectively perform its responsibilities. The Company has a non-executive director who has had prior work experience in the sector or broad industry group to which the Company belongs. Former Ambassador Manuel M. Lopez was the Chairman, President and CEO of the Company in different periods from 2001 to 2010. In accordance with the Securities Regulation Code, the Company has an 11-seat Board, two (2) of whom are independent and non-executive, namely, Ret. Chief Justice Artemio V. Panganiban and Mr. Pedro E. Roxas.

The Nom&Gov ensures that independent decision-making is encouraged and that no individual director dominates the Board's decision-making. The non-executive directors actively participate in discussions at the Board and Board Committee levels, as well as with Management.

On March 14, 2016, the Nom&Gov assessed the profiles of the directors and found that the independent, non-executive directors are indeed independent of the Company, its related corporations, its Management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they are reasonable and do not hinder in any way the performance of their duties to the Company.

The Chairman of the Board, Mr. Manuel V. Pangilinan, serves to represent the interests of all shareholders and stakeholders, and to oversee the performance of the Board and its Directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and likewise espouse. Together with the President and CEO, Mr. Oscar S. Reyes, the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, and/or independent directors may raise, and ensures that the Board exercises strong oversight over the Company and its Management, such that the prospect of any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the MCG which is accessible at the Company's website.

The Board reviews and approves major projects, policy decisions, annual budgets, major investment funding, and major restructuring of core businesses.

The Board jointly plans meeting dates at the start of the calendar year, meets once a month, and holds special meetings as may be required.

In 2016, the Board's major accomplishments included the following:

- Evaluation of compliance to ERC requirements
- Review of the Retail Competition and Open Access (RCOA) Rules
- Review and approval of Business Separation and Unbundling Plan Package
- Evaluation of compliance to the 2016 PSE Corporate Governance Disclosure Guidelines Survey
- Review of SEC's Draft Revised Code of Corporate Governance
- Approval of Consolidated Changes in the Annual Corporate Governance Report (ACGR)
- Approval of construction, development, and commissioning of substation assets
- Review and approval of Power Generation Projects
- Review and approval of other local and international business initiatives
- Review and approval of Power Supply Agreements
- Approval of construction of Power Tech Building for Research and Development (R&D) and Training Facility on Smart Grid
- Approval of Pole Relocation Projects
- Approval of Audited Financial Statements
- Approval of report of external auditors covering the Company's Audited Financial Statements
- Approval of dividend declaration

- Conduct of the 2016 Annual General Meeting
- Appointment of inspectors and canvassers for Annual General Meeting ballots
- Screening of nominees to the Board of Directors
- Approval of 2017 Schedule of Board Meetings
- Enterprise Performance Evaluation and Assessment
- Performance Assessment of the Board, Board Committee, and President and CEO
- Review and approval of executive promotions, rightsizing policy and succession planning
- Review and approval of Employee Performance Management Plan and Long Term Incentive Plan

#### Business Plan and Annual Budgets

- Approval of 2017-2021 medium term business plan and 2016 annual operating and capital expenditure budgets
- Approval of budget realignment for certain services
- Monitoring of Investment Committee Report
- Review and approval of proposed CAPEX for Regulatory Year 2017
- Review and approval of corporate strategic objectives
- Monitoring of the implementation of corporate strategies
- Review of forecast of Subsidiaries' projects

#### Major Investment Funding

- Infusion of equity to subsidiaries
- Partial divestment from a joint venture
- Renewal of credit lines, credit facilities and bonds

In 2016, the Company's non-executive directors met 11 times without the presence of the Executive Director, Mr. Oscar S. Reyes. The agenda in these meetings were Management's reports, corporate governance directions, reports of the internal and external auditors, and the performance assessment of the President and CEO.

#### Corporate Secretary

All Board members have direct and independent access to the corporate secretary as well as Management. The corporate secretary, under the direction of the Chairman, is responsible for ensuring that good information flows within the Board and Board Committees and between Management and non-executive directors. He also facilitates the orientation and assists with the professional development of directors as required by regulators.

Among the duties of the corporate secretary are the following:

- Schedule Board meetings and other related activities and notify the Board accordingly
- Provide the necessary Board papers associated with items on the meeting agenda at least five (5) business days ahead of the Board meetings
- Provide ready and reasonable access to information that directors may need for their deliberation on issues listed in the agenda of the Board

## 2016 AGM AND BOARD MEETING ATTENDANCE

Director	Designation	May 31, 2016		Board Meetings
		Annual General Meeting	Organizational Meeting	
Manuel V. Pangilinan <sup>1</sup>	Chairman	Present	Present	11/13
Lance Y. Gokongwei	Director	Present	Present	11/13
Oscar S. Reyes	Director	Present	Present	13/13
Ray C. Espinosa <sup>2</sup>	Director	Present	Present	12/13
James L. Go	Director	Absent	Present	13/13
John L. Gokongwei Jr.	Director	Absent	Present	13/13
Anabelle L. Chua <sup>3</sup>	Director	Present	Present	7/8
Napoleon L. Nazareno <sup>4</sup>	Director	Present	Present	5/5
Jose Ma. K. Lim	Director	Present	Present	12/13
Manuel M. Lopez	Director	Present	Present	12/13
Artemio V. Panganiban <sup>5</sup>	Independent Director	Present	Present	13/13
Pedro E. Roxas <sup>6</sup>	Independent Director	Present	Present	13/13

<sup>1</sup> Chairman, Remuneration and Leadership Development Committee and Executive Committee  
<sup>2</sup> Chairman, Finance Committee  
<sup>3</sup> Elected during the 2016 Annual Stockholders Meeting  
<sup>4</sup> Not re-elected during the 2016 Annual Stockholders Meeting  
<sup>5</sup> Chairman, Audit Committee; Chairman, Risk Management Committee  
<sup>6</sup> Chairman, Nomination and Governance Committee

- Assist the Board in the performance of its duties
- Attend all Board meetings, take the minutes of meetings and maintain records of the same and ensure proper safekeeping of all Board papers
- Ensure that all Board procedures, rules, and regulations are faithfully followed
- Submit required reports and disclosures to SEC, PSE, PDEX and other regulatory agencies
- Conduct orientation program for new members of the Board regarding the Company's organizational structure and business operations

The Company's Corporate Secretary, Atty. Simeon Ken R. Ferrer met all the following qualifications and skills required for his position:

- Resident Filipino citizen of good moral character
- With adequate legal, administrative, basic accountancy, company secretarial and interpersonal skills

- Attends continuing education seminars where he receives regular updates of the laws, rules and regulations relevant to his duties
- With working knowledge of the operations of the Company and loyal to the Company's mission, vision, and corporate objectives

### Board Committees

The Board has formed various Board Committees, namely Executive Committee (ExCom), Audit Committee (AuditCom), Risk Management Committee (RMC), Nom&Gov, Remuneration and Leadership Development Committee (RLDC) and Finance Committee (FinCom). The Board has delegated specific responsibilities to each of these Committees. These Committees had been formed and are guided by their respective committee charters.

## 2016 BOARD COMMITTEE MEETING ATTENDANCE

Member	Executive	Nomination and Governance	Audit	Risk Management	Remuneration and Leadership Development	Finance
Manuel V. Pangilinan	1/1	N/A	N/A	N/A	3/3	N/A
Lance Y. Gokongwei	1/1	4/4	7/9	3/3	3/3	N/A
Oscar S. Reyes	N/A	N/A	N/A	N/A	N/A	N/A
Ray C. Espinosa	N/A	N/A	N/A	N/A	N/A	10/11
James L. Go	N/A	3/4	8/9	3/3	N/A	10/11
John L. Gokongwei Jr.	1/1	N/A	N/A	N/A	N/A	11/11
Jose Ma. K. Lim	1/1	2/4	9/9	N/A	2/2	N/A
Manuel M. Lopez	N/A	N/A	N/A	N/A	N/A	11/11
Pedro E. Roxas <sup>1</sup>	N/A	3/4	9/9	3/3	3/3	11/11
Artemio V. Panganiban <sup>1</sup>	1/1	N/A	9/9	3/3	N/A	N/A
Anabelle L. Chua <sup>2</sup>	N/A	1/1	8/9	3/3	N/A	10/11
Napoleon L. Nazareno <sup>3</sup>	N/A	2/3	N/A	N/A	1/1	N/A

<sup>1</sup> Independent Director

<sup>2</sup> Elected during the 2016 Annual Stockholders' Meeting

<sup>3</sup> Not re-elected during the 2016 Annual Stockholders' Meeting

The functions, authority and responsibilities of each Board committee and their accomplishments are as follows:

**A. Executive Committee (ExCom)** is composed of five (5) directors, one (1) of whom is an independent director. The ExCom may act, by majority vote of all its members, on such specific matters within the competence of the Board, as may be delegated to it under the By-Laws, or upon a majority vote of the Board, subject to the limitations provided by the Corporation Code.

In 2016, the ExCom:

- Approved the execution of short-term Power Supply Agreements (PSAs) under mutually acceptable terms to take effect upon ERC approval
- Reviewed and evaluated the power supply and demand outlook and favorably endorsed certain recommended investments in power generation

**B. Remuneration and Leadership Development Committee (RLDC)** is composed of four (4) directors, one (1) of whom is an independent director. The duties and responsibilities of RLDC as defined in its charter include assistance to the Board

in the development of the Company's overall performance management, compensation, retirement and leadership development policies and programs based on the Company-approved philosophy and budget.

RLDC held three (3) meetings in 2016 to discuss the following:

- Review and approval of criteria for rank conferment
- Approval of candidates for rank conferment of Vice President and Senior Vice President
- Review of performance evaluation plan results
- Review of merit increase programs
- Review and endorsement of Annual Bonus Plan for 2016
- Review of Long-Term Incentive Plan
- Review of Toplighting Initiative's core actions and key objectives
- Review of proposed Executive Rightsizing Policy
- Presentation and review of proposed succession planning programs
- Performance evaluation of President/CEO

The RLDC recommends to the Board a framework of remuneration for directors and Management, including the President and CEO.

## DETAILS OF 2016 BOARD REMUNERATION (IN PHP)

	Remuneration for AGM and Board Meetings Attended	Remuneration for Committee Meetings	Total
EXECUTIVE DIRECTOR			
Oscar S. Reyes	1,560,000	-	1,560,000
EXECUTIVE DIRECTOR	1,560,000	-	1,560,000
NON-EXECUTIVE DIRECTORS			
Manuel V. Pangilinan	1,320,000	80,000	1,400,000
Lance Y. Gokongwei	1,320,000	360,000	1,680,000
Manuel M. Lopez	1,440,000	220,000	1,660,000
Ray C. Espinosa	1,440,000	200,000	1,640,000
John L. Gokongwei, Jr.	1,560,000	240,000	1,800,000
Jose Ma. K. Lim	1,440,000	300,000	1,740,000
James L. Go	1,560,000	480,000	2,040,000
Anabelle L. Chua <sup>1</sup>	840,000	440,000	1,280,000
Napoleon L. Nazareno <sup>2</sup>	600,000	60,000	660,000
ALL NON-EXECUTIVE DIRECTORS	11,520,000	2,380,000	13,900,000
INDEPENDENT DIRECTORS			
Pedro E. Roxas	1,560,000	580,000	2,140,000
Artemio V. Panganiban	1,560,000	260,000	1,820,000
ALL INDEPENDENT DIRECTORS	3,120,000	840,000	3,960,000
<b>GRAND TOTAL</b>	<b>16,200,000</b>	<b>3,220,000</b>	<b>19,420,000</b>

<sup>1</sup> Elected during the 2016 Annual Stockholders Meeting  
<sup>2</sup> Not re-elected during the 2016 Annual Stockholders Meeting

For the sole Executive Director and Management, the framework takes into account all aspects of executive remuneration including salaries, allowances, bonuses, and benefits in kind. The framework is benchmarked against pay and employment conditions within the industry and it links rewards to corporate and individual performance.

The Company's directors receive a per diem allowance for their attendance in the Board and Board Committee meetings. Each director is entitled to a per diem allowance of PhP120,000 for every Board meeting attended and PhP20,000 for every committee meeting.

### Remuneration of Management and Employees

The Company adopts a remuneration policy comprised of fixed and variable components in the form of base salary and variable bonus linked to the Company's and the individual's performance. Compensation packages and revisions of key management's remuneration are subject to the review and approval of the RLDC.



The top five (5) key officers of the Company have received an aggregate remuneration of PhP469 million. For more information on the aggregate total remuneration paid to all key officers, please refer to the discussion entitled Compensation of Key Management Personnel in the Notes to Consolidated Financial Statements.

#### **Advisers/Consultants to Remuneration and Leadership Development Committee**

Towers Watson is a leading human resources consulting firm which provides professional services that helps organizations improve performance through effective people management. At present, it offers solutions to the Company in the areas of employee engagement and compensation and benefits management.

#### **C. Nomination and Governance Committee (Nom&Gov)**

The Nom&Gov is composed of five (5) directors with an independent director as chairman. The duties and responsibilities of Nom&Gov as reflected in its charter include screening of qualified nominees for election as directors, assessing the independence of directors, introducing improvements on Board organization and procedures, setting-up of mechanisms for performance evaluation of the Board and Management, and providing programs for continuing education of the Board.

The Nom&Gov undertakes the process of identifying the qualification of directors aligned with the Company's strategic directions. It reviews and recommends to the Board for the appointment of directors and members to the Board Committees. The process involves identifying, reviewing, and recommending potential candidates to the Board for consideration.

The Nom&Gov has put in place a formal and transparent process for the nomination of any new director to the Board. Stakeholders who have identified suitable candidates submit the Nomination and Acceptance Letters, Full Business Interest Disclosure Forms and curriculum vitae of such candidates to the Nom&Gov for discussion and review on or before the deadline set by the Nom&Gov.

These candidates are sourced from the business network of Board members, from professional search firms such as the Institute of Corporate Directors (ICD), or from shareholders. One of the Company's directors, who is also the President and CEO, Mr. Oscar S. Reyes is a Fellow of the ICD. The Company's Corporate Secretary, Atty. Simeon Ken R. Ferrer is also an ICD Fellow. These candidates should be skilled in core competencies such as strategic planning, business expertise, and industry knowledge.

The shareholders elect the Directors during the Annual General Meeting (AGM) of Shareholders held every last Tuesday of May.

Upon appointment, the Company sends out a formal letter setting the Director's roles and responsibilities and any new director will then attend various briefings with Management.

The Nom&Gov had four (4) meetings in 2016 and accomplished the following:

- Conducted and discussed the results of Board, Board Committees, and President and CEO Performance Assessment
- Conducted assessment of Meralco's Public Ownership Report
- Screened nominees to the Board of Directors
- Reviewed PSE Corporate Governance Guidebook
- Assessed the Company's compliance to the draft of the Revised ASEAN Corporate Governance Scorecard
- Reviewed the SEC's Revised Code of Corporate Governance
- Assessed the Company's final ASEAN Corporate Governance Scorecard (ACGS)
- Reviewed and endorsed the Company's consolidated changes in Annual Corporate Governance Report (ACGR) for 2016
- Reviewed the Company's PSE CG Guidelines Disclosure Survey
- Reviewed the Company's 2016 ACGS Self-Assessment Results
- Reviewed and approved the following policies:
  - Social Media Policy
  - Amended Suppliers Business Conduct Policy
  - Amended Whistleblowing Internal Rules and Regulations
  - Guidelines on Board and Board Committee Memberships
- Facilitated the Annual CG Enhancement and Continuing Education Programs

**D. Audit Committee (AuditCom)** – The AuditCom consists of two (2) independent directors, and four (4) non-executive directors, one (1) of whom has over 20 years of experience in the areas of accounting, corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. for 10 years. The AuditCom is chaired by an independent director.

The AuditCom had nine (9) meetings in 2016 and performed the following:

- Internal Control
  - Evaluated the effectiveness of the internal control system of the Company.
  - Obtained Management's assurance on the adequacy and effectiveness of the Company's internal control system and noted Management's Control Policy
  - Reviewed and endorsed for Board approval certain Related Party Transactions
- Financial Reporting
  - Reviewed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Company
  - Endorsed for Board approval the Audited Consolidated Financial Statements of the Company

- **Audit Process**

- o Assessed Internal Audit's performance for the preceding year
- o Reviewed and approved the annual Internal Audit Plan including subsequent changes to the Audit Plan
- o Discussed the audit results reported by the Chief Audit Executive in her quarterly reports to the Committee
- o Reviewed and approved the audit plan, scope of work and proposed fees of the External Auditors for audit and non-audit services
- o Held executive sessions with the External Auditors without the presence of Management
- o Assessed the independence, performance, and effectiveness of the External Auditors, taking into consideration their credibility, competence, ability to understand complex related party transactions, and the adequacy of their quality control procedures. Based on this assessment, incumbent External Auditors were re-nominated by the Committee to the Board as the External Auditors of the Company with the assurance that the lead audit partner complies with Rule 68 of the Securities Regulation Code on rotation of External Auditors
- o Monitored Management's appropriate corrective actions to the audit recommendations of Internal Audit and the External Auditors

- **Compliance**

- o Reviewed and assessed Management's processes of monitoring compliance with laws and regulations through Internal Audit
- o Obtained updates on the status of compliance of the Company, as they relate to the requirements of the ERC, the SEC and other regulatory agencies concerned with environment and safety, labor, and other standards

**E. Risk Management Committee** - consists of two (2) independent directors and three (3) non-executive directors. It assists the Board in its oversight role on the risk management process. The following activities were accomplished by the Committee:

- Reviewed Management's top business risks and discussed ongoing risk treatments
- Noted Management's short-to medium-term plans to streamline enterprise risk management integration in the annual strategic planning activities, to institutionalize risk management functions at the subsidiaries and to develop a risk reporting dashboard that will facilitate reporting and monitoring of top risks and mitigation plans
- Reviewed the effectiveness and certified the adequacy of the Company's risk management system

The Board, through the RMC, institutes a framework of prudent and effective controls which enables risks to be identified, assessed, and managed accordingly.

**F. Finance Committee or FinCom** – The FinCom is composed of six (6) directors, one (1) of whom is an independent director, with the Chief Finance Officer (CFO) as ex-officio member.

It reviews the financial operations of the Company and other matters relating to major purchase contracts, and acquisition and investments, new business or ventures, and divestment and/or sale of company assets.

In its 11 meetings in 2016, the FinCom:

- Reviewed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Company
- Reviewed and endorsed the declaration of cash dividend
- Reviewed and discussed the regular Treasury update
- Reviewed and approved the Company's cash optimization strategy
- Approved the renewal of credit lines and bonds
- Reviewed and endorsed the Company's 2017 annual operating and capital expenditure budgets and the 2017 to 2021 medium-term business plan
- Reviewed and approved several service and supply agreements with contract value in excess of PhP50 Million each
- Reviewed and endorsed for approval certain Power Supply Agreements
- Reviewed and endorsed the partial divestment of the Company's interest in a joint venture
- Reviewed and endorsed the additional capital call, surety bonds, capital infusions for subsidiaries

The Board ensures that the Company complies with all relevant laws and regulations, and adopts best business practices, including the requirement of SEC for all directors and key officers to attend annually a Corporate Governance training with SEC-accredited providers.

**Orientation and Continuing Education Programs**

Each newly elected director is provided with a director's kit which contains company policies and other information pertaining to his duties and obligations as a director provided under existing laws and regulations. An in-house orientation programme, incorporating briefings from the corporate and regulatory units are arranged for any new director to better familiarize himself with the Company's businesses, stakeholders, regulatory environment, and governance practices.

The Company has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of the Company's MCG, the ERC Resolution No. 1, Series of 2004, and the SEC Memo Circular No. 20, Series of 2013, the directors attended a joint Corporate Governance Enhancement Session for all First Pacific Group of Companies in the Philippines on November 23, 2016, entitled "Digital Transformation, Risk Management and Governance in the 21st Century".



## ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS

Director	Program	Name of Training Institution
Manuel V. Pangilinan	Digital Governance: Issues in Emerging Technologies	Chia Ling Koh Director, Osborne Clarke
	Digital Transformation, Risk Management and Governance in the 21st Century	Mike Walsh CEO of Tomorrow, Global consultancy on designing companies for the 21st century
Ray C. Espinosa	Digital Governance: Issues in Emerging Technologies	Chia Ling Koh Director, Osborne Clarke
	Digital Transformation, Risk Management and Governance in the 21st Century	Mike Walsh CEO of Tomorrow, Global consultancy on designing companies for the 21st century
Jose Ma. K. Lim	SEC granted Mr. Jose Ma. K. Lim an exemption from the corporate governance training requirement	
Oscar S. Reyes	Digital Governance: Issues in Emerging Technologies	Chia Ling Koh Director, Osborne Clarke
	Digital Transformation, Risk Management and Governance in the 21st Century	Mike Walsh CEO of Tomorrow, Global consultancy on designing companies for the 21st century
Artemio V. Panganiban	Digital Governance: Issues in Emerging Technologies	Chia Ling Koh Director, Osborne Clarke
	Digital Transformation, Risk Management and Governance in the 21st Century	Mike Walsh CEO of Tomorrow, Global consultancy on designing companies for the 21st century
	Corporate Governance Seminar on Financial Reporting and Audit	SyCip Gorres Velayo & Co.
Pedro E. Roxas	Corporate Governance Seminar on Financial Reporting and Audit	SyCip Gorres Velayo & Co.
Manuel M. Lopez	Corporate Governance Training Program	SyCip Gorres Velayo & Co.
Lance Y. Gokongwei	Sustainable Development Goals IEngaging Investors and Sustainability	Patricia Dwyer
James L. Go	SEC granted Messrs. John L. Gokongwei, Jr. and James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	
John L. Gokongwei, Jr.		
Anabelle L. Chua	Digital Governance: Issues in Emerging Technologies	Chia Ling Koh Director, Osborne Clarke
	Digital Transformation, Risk Management and Governance in the 21st Century	Mike Walsh CEO of Tomorrow, Global consultancy on designing companies for the 21st century

## PERFORMANCE INDICATORS

Financial	Non-Financial
<ul style="list-style-type: none"> <li>Measures reflecting the state of the Company to the shareholders such as financial results, debt and stockholders' equity, consolidated core net income, EBITDA, dividend payouts, revenues, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction metrics</li> <li>Customers served per employee ratio</li> <li>System Average Interruption Frequency Index (SAIFI)</li> <li>System Average Interruption Duration Index (SAIDI)</li> <li>System loss</li> </ul>

The Board assesses the Board, Management and the financial performance of the Company.

### Board, Committee and CEO Performance Assessment

The Board annually conducts a self-assessment of its performance individually, collectively, and as members of the different Board Committees. The self-assessment results are key factors in the enhancement of directors' performance and effectiveness in the discharge of their duties and responsibilities.

The Board conducted the performance assessment on February 26, 2016, under the following processes and criteria:

**1. Board Self-Assessment** - each director assessed their individual performance and the Board's performance as a whole based on the following categories:

- Board structure and qualifications
- Board duties and responsibilities
- Duties and responsibilities as an individual director

**2. General Board Committee Performance Assessment** – each director assessed the overall performance of the various Board Committees, based on the provisions of their respective charters.

**3. Board Committee Self-Assessment** – each committee member assessed his committee's performance vis-à-vis the respective charters and SEC's Guidelines for the Assessment of the Performance of Audit Committee of Companies Listed on the Exchange.

**4. President and CEO Performance Assessment** – each director assessed the President and CEO's leadership, working relations with the Board, communication and working relations with Management.

On the assessment forms, each director gives his or her opinions, suggestions, or identifies any concern about the performance of the Board and its Committees on various aspects of the Company's operation.

The CGO sends these assessment forms to all directors, collects the completed forms, and submits a summary report to the Nom&Gov and the Board as an agenda item for acknowledgment and discussion.

## B. RIGHTS OF SHAREHOLDERS

The Company recognizes the rights of all shareholders as provided in the Corporation Code of the Philippines, other pertinent laws, rules, and regulations, the Company's Articles of Incorporation, Amended By-Laws and Revised Manual of Corporate Governance.

### B.1 Right to Dividends

#### Dividend Policy

The Company's dividend policy, as approved by the Board and ratified by the shareholders during the May 25, 2010 AGM, calls for the payment of regular cash dividend equivalent to 50% of the (audited) consolidated core earnings for the year with a "look-back" basis, which allows the Company to pay special dividends beyond 50% of the consolidated core earnings for the year, subject to the availability of unrestricted retained earnings in accordance with the guidelines of the SEC.

Following are the cash dividends declared by Meralco's Board on Meralco common shares for 2016:

Declaration Date	Record Date	Payment Date	Rate per Share
February 26, 2016	March 23, 2016	April 15, 2016	PhP9.92
April 25, 2016	May 25, 2016	June 17, 2016	1.68
July 25, 2016	August 24, 2016	September 19, 2016	13.48

## B.2 Right to Participate in Decisions

The Company upholds the rights of all shareholders, including the minority shareholders, to participate in:

- Changes or amendments to the Company's Articles of Incorporation or By-laws;
- Authorization for issuance of additional shares;
- Authorization of extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company;
- Approval of remuneration or increase in remuneration of non-executive and executive Directors; and
- Voting on matters in absentia through the use of proxy forms.

## B.3 Right to Vote and Participate Effectively

### Disclosure and Release of Notice to AGM

To provide shareholders enough time to examine the Company's information, the AGM Notice was posted on the Company's website and distributed to shareholders on April 6, 2016, 55 days prior to the AGM date of May 31, 2016. Similar to all Company notices and circulars, the AGM Notice is written and published in English.

### AGM

It is the Company's policy to encourage shareholders, including institutional shareholders and minority shareholders, to attend and actively participate in the AGM. The 2016 AGM was held on Tuesday, May 31, 2016, at 10:00 AM at the Meralco Theater, Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City.

The Company facilitates participation of shareholders who cannot attend the meeting in person by enclosing proxy forms in the AGM Notice where they can indicate their votes on matters that are taken up during the AGM. Shareholders can download the proxy forms together with details on how to appoint a proxy from the Company's website.

The Company granted all shareholders, including minority shareholders, the right to nominate Directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the Company's website on January 25, 2016 for submission of proposed agenda and nomination of qualified candidates on or before March 11, 2016. The agenda and nominees were approved by the Board during its meeting on March 28, 2016.

### Voting Procedures

A three-hour registration period was allotted before the start of the AGM.

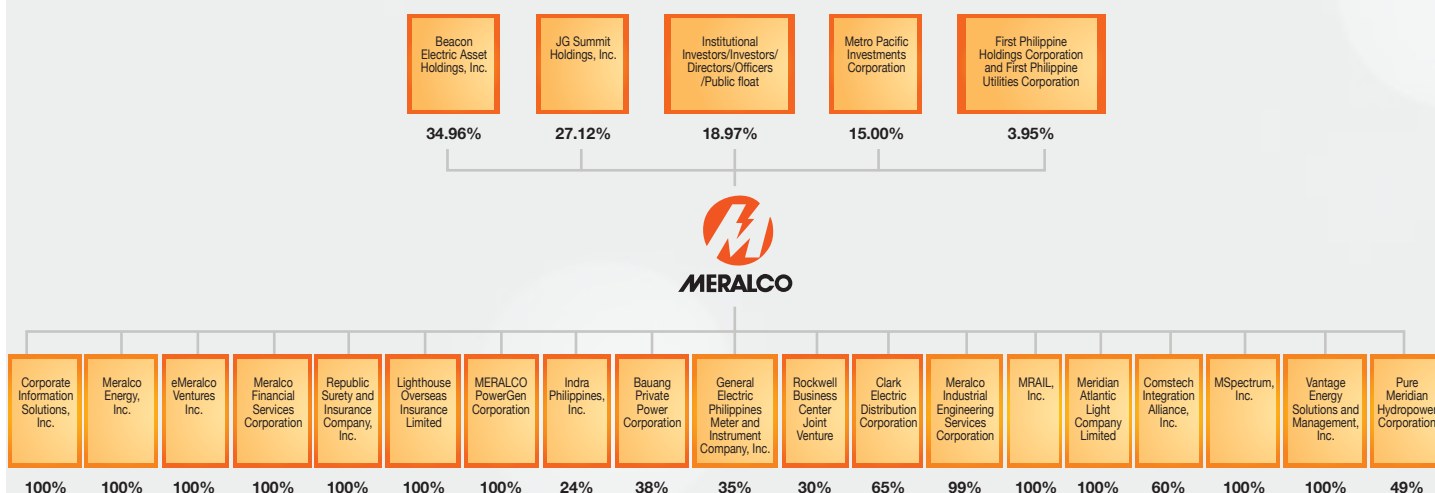
The Corporate Secretary reported a quorum with the attendance of shareholders who own or hold a total of 940,373,351 shares or approximately 83.43% of the total issued and outstanding shares of the Company.

An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to cast one vote for one (1) share. Votes were tallied and tabulated by the Office of the Corporate Secretary. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item.

The Company allowed shareholders to freely express their views and raise their questions during the AGM.

The Chairman of the Board, Chairman of the Audit Committee, Chairman of the Remuneration and Leadership Development Committee, Chairman of the Nomination and Governance Committee, Chairman of the Finance Committee, Board of Directors, President and CEO, CFO, Corporate Secretary,



The complete list of the Public Ownership Report of Meralco as at December 31, 2016 was disclosed to the SEC, PSE, and PDEx on January 10, 2017, where approximately 81.03% of the Company shares are held by principal and strategic shareholders, and the remaining 18.97% which constitutes the public float, are held by private and public institutional investors, employees, and other individuals.

Assistant Corporate Secretary, other officers of the Company and its external auditors attended the AGM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the AGM.

The Company posted the resolutions at the AGM on its website on the following day so that non-attending shareholders may be immediately informed.

#### B.4 Right to Approve Mergers and Acquisitions

In the event of mergers and acquisitions requiring shareholders' approval, the Company appoints an independent party to evaluate the merits of the transaction as well as the fairness of the transaction price.

#### B.5 Institutional Investors

The Company recognizes the exercise of ownership rights by all shareholders, including institutional investors. The Company does not have any shareholder owning more than 50% of its total outstanding shares.

### C. EQUITABLE TREATMENT OF SHAREHOLDERS

#### C.1 Shares and Voting Rights

The Company has only one (1) classification of shares (common shares), with each share entitled to one (1) vote.

#### C.2. Notice of AGM and Definitive Information Statement (DIS)

The Notice of AGM and DIS contain, among others, the resolutions to be passed by the shareholders for each agenda item during the AGM. There is no bundling of several items into one resolution. It also provides the following information:

- a) Profiles of each director seeking for election/re-election – age, academic qualification, date of first appointment, experience, and directorships in other listed companies;
- b) External auditors seeking appointment/re-appointment;
- c) Dividend policy;
- d) Amount of dividends declared and any dividends payable; and
- e) Readily available proxy statements

The Notice of AGM and DIS are available on the Company's website.

#### C.3 Policy on Dealings in Company Shares of Stocks (Insider Trading/Blackout Period)

The Insider Trading Policy prohibits directors, officers, and employees from benefitting from information that is not generally available to the market through observance of a blackout period ten (10) trading days before and two (2) trading days after the release or announcement of the Company's material information or financial and operating results, during which trading of Company shares is prohibited.

The Company strictly enforces and monitors compliance with its policy on insider trading.

Under the revised policy approved for implementation on December 1, 2014, directors and officers are required to disclose to the Compliance Officer, PSE, and PDEX the details of any trading, dealing, acquisition, disposal, or change in their beneficial ownership of the Company (MER) shares, not later than one (1) trading day after the transaction.

#### C.4 Related Party Transactions by Directors and Key Executives

The Related Party Transactions (RPT) Policy requires a committee composed of independent directors to review material/significant RPTs to determine whether they are in the best interest of the Company and its shareholders. All RPTs, including Company transactions with a director, are conducted in fair and at arms' length terms. No RPTs can be classified as financial assistance to entities other than wholly-owned subsidiary companies.

Details of the holding companies, subsidiaries, and other related companies are disclosed in the Map of Meralco Corporate Group Structure (Relationships among the Companies within the Group).

The Company provides all the names of related parties, degree of relationship, nature, and value for each material/significant RPT. Details are found in Note 22 to the Consolidated Financial Statements.

In 2016, there was no case of insider trading or policy violations involving directors and officers of the Company and no RPTs that can be classified as financial assistance to entities other than wholly-owned subsidiary companies. The Company is fully compliant with the code and policies of corporate governance.

#### Conflict of Interest (COI) Policy

The COI Policy requires all directors, officers, and employees to annually disclose their interest in transactions and any other conflicts of interest affecting the Company through the Full Business Interest Disclosure (FBID) Form for directors and officers, and the Annual Conflict of Interest Disclosure Form for employees. The Company requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when a conflict exists or may exist between their interest and that of the Company's.

#### C.5 Protecting Minority Shareholders from Abusive Actions

The Company's policies embody its utmost respect to the right of the minority shareholders while pursuing corporate interest. These provisions include:

- i) Timely, fair, and accurate disclosure of material information;
- ii) Review of existing, and development of new, policies that will prevent the major shareholders from gaining undue advantage over and at the expense of minority shareholders;
- iii) RPTs are disclosed in the Company's Notes to financial statements;
- iv) Disinterested shareholders decide on all RPTs which require shareholders' approval.





## D. ROLE OF STAKEHOLDERS

### D.1 Respecting Rights of Stakeholders

The Company implements policies and activities that protect the rights and promote the interest of these various stakeholders.

#### Customers

It is the Company's policy to provide all customers with excellent service and fair treatment, and complete and accurate information. Towards this end, the Company:

- Provides customized services to home and micro businesses, small and medium-size enterprises and corporate business groups
- Standardizes policies and work processes related to customers in all business centers and providing regular public information on the services and rates affecting the customers, e.g. the monthly Meralco Advisory
- Communicates significant operational plans and holding appreciation events such as the Meralco Luminaries with customers at least once a year
- Undertakes surveys on customers' level of satisfaction to improve the Company's service standards
- Established a Consumer Welfare Desk (CWD) at the business centers and a Customer Assistance Office (CAO) at the ERC, both manned by trained CWD officers, pursuant to ERC Resolution No. 42, series of 2006
- Implemented various programs to delight the customers, including:
  - Information drive on rates and tips on energy conservation
  - Customer journey improvement program study
  - Meralco Business (Biz) customer engagement program
  - Meralco Home and Microbusiness (MicroBiz) customer seminars



The Company promotes safety as a way of life by providing a safe and healthy environment to prevent accidents or injuries to its customers. As such, the Company's activities include:

- Undertaking safety and health orientation programs to enhance safety consciousness and safe practice for all customers and stakeholders
- Complying with all applicable safety, and environmental regulations and closely monitoring the state of well-being and safety of all customers and the public at-large
- Conduct of the Kuryenteng Ligas Awards, the first award-giving body that honors organizations, businesses, individuals that uphold excellence in their practice of electrical safety and promotion of safety in the workplace

#### Suppliers and Contractors

The Company observes a clearly defined and transparent procurement and supplier selection process through its Suppliers' Business Conduct Policy and Vendor Accreditation Program. It ensures faithful compliance to all the terms and conditions of its procurement contracts. Under these programs,

- Only accredited suppliers are qualified to participate in bids and awards
- Purchases are made on the basis of competitive bidding – where the commercial and technical requirements are jointly evaluated
- Suppliers are responsible and accountable for providing the required information in the Suppliers' Business Conduct Commitment Form. They are likewise expected to adhere to certain corporate governance standards and undertaking to apply these standards to their officers and employees

More details on the Company's bidding, technical and commercial evaluation and awarding procedures are available in [www.meralco.com.ph/for-suppliers/vPhPendor-accreditation](http://www.meralco.com.ph/for-suppliers/vPhPendor-accreditation).

#### Creditors

The Company faithfully complies with all loan agreements with creditors. It ensures timely payment of its loans and efficiently operates its business to assure creditors of the Company's sound financial standing and loan payment capabilities.

The rights of creditors are protected by public disclosures of material information such as results of operations, systems of internal controls and regular assessment of risks to compliance with loan covenants and bonds. Periodic reports are made by the Company of its financial position through the submission of its quarterly and latest audited financial statements. The Company also conducts regular financial and operating results briefings.

#### Environment and Community

As an advocate of sustainable development, the Company is committed to operate profitably within the bounds of its social and environmental responsibility. Its commitment is expressed in the One Meralco Foundation, Inc. (OMF or the Foundation) website (<http://www.onemeralcofoundation.org/>).

A comprehensive report on the Company's CSR efforts is found in a separate publication, the OMF's 2016 Annual Report.

#### Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics (Code of Ethics) prescribes the ethical values and behavioral standards, which all directors, officers, and employees of the Company are required to observe in the performance of their respective duties and responsibilities. Copies of the Code of Ethics are disseminated to all officers and employees.

The Company, through the CGO, monitors the implementation of, and compliance to, the Code of Ethics. All directors, senior Management and employees are required to submit duly accomplished FBID Forms and COI Forms annually. They are also required to disclose gifts they received from third parties. An online HR Express Corporate Governance Facility is made available to all employees for the CG disclosures and commitment required of them. Failure to comply with CG disclosures is sanctioned accordingly.

The Management Control Policy prescribes Management's responsibility to ensure a system of checks and balances and emphasizes the importance of internal control processes as an integral part of the Company's governance system and risk management. Effective management control is necessary to ensure that behavior and decisions of people in the organization are consistent with the Company's objectives and strategies.

#### Anti-corruption Programs and Procedures

The Company adheres to the ideals of integrity and fairness in its business and does not tolerate corrupt practices.

The Policy on Solicitation and Acceptance of Gifts prohibits the acceptance of gifts offered and given by suppliers, contractors, and other third parties to prevent all directors, officers, and employees from putting themselves in situations that could affect the fair, objective and effective performance of their duties and responsibilities.

The Company's Internal Audit Office audits the compliance of directors, officers, and employees to the Code of Ethics and other corporate governance related policies, including required Company disclosures. The result of the Internal Audit review is reported to the Audit Committee.

The foregoing policies are available to all stakeholders through the Company's website ([www.meralco.com.ph](http://www.meralco.com.ph)).

#### **D.2. Effective Redress for Violation of Stakeholders' Rights and Means of Communication of Illegal or Unethical Practices by Employees**

The e-Report Mo (Whistleblowing Policy/Anti-Corruption Programs and Procedures) encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by the Company's Directors, officers, and employees. Employees, suppliers, customers, and other stakeholders can download, through the company website, a whistleblower report form and submit the same via email or regular mail to the CGO through the contact information provided herein.

The Company provides appropriate protection against retaliation to an employee/stakeholder who reports illegal/unethical behaviour. In the event of retaliation, the reporting person or witness may file a report by filling out a Retaliation Protection Report Form.

In 2016, the Company received certain reports of alleged violations and illegal and/or unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance to the procedures defined in the whistleblowing policy.

#### **Employees**

#### **D.3 Performance-enhancing Mechanisms for Employees**

**Employee Development Programs.** The Company provides its employees with opportunities for learning and development, fair and competitive remuneration, and programs to promote health and safety. The Company devotes conscious effort to build a culture of excellence, knowledge sharing, and personnel integrity, and development.

The Company is committed to the development and welfare of its employees. Training programs and other developmental interventions are implemented to enable employees to acquire the technical and leadership competencies to effectively perform their jobs for their professional growth. We use globally-accepted training and development metrics relevant to value creation for business and society. Learning and development initiatives are delivered using the strategic framework of 70-20-10: 70% on-the-job learning, 20% from coaching and feedback and 10% formal training. In 2016, the average training man-hours is at 45 hours per person.

**Environment, Health and Safety Programs.** Environment, Health and Safety (EHS) Programs have been made in the interest of the safety of employees as well as the public. Employee cooperation in the observance and enforcement of these rules ensure safety of the employees, customers, suppliers and contractors, the Company's equipment and facilities, and the public at-large.

The Safety and Environment Management Office conducts studies, researches, tests, and the like relative to safety and loss control/accident prevention. Employees coordinate the accident prevention/loss control efforts within the scope of their responsibilities in accordance with the Company's Safety Program to prevent accidents.

Earthquake and fire drills are regularly conducted for buildings occupied by Corporate Offices, Business Centers, and Sectors.

Safety Officers are appointed to identify and appraise potential safety hazards and recommend corrective measures. They assist in the administration of safety programs and investigate work-related accidents and public accidents involving company property as deemed necessary.

Every employee is issued a copy of the EHS Code by Safety and Environment Management (SEM) Office upon employment. Employees are expected to carefully study and observe the rules in the performance of their duties. All employees are encouraged to make suggestions regarding the rules or working conditions to promote safety in the Company.

The Company's 2016 Lost Time Injury Rate (LTIR) is at 0.73. Improvements in occupational safety and health management practices continue as the Company works together towards an integrated ISO 18001 & 14001 certification. The Company aims to achieve a better LTI Rate than the global average of International Association of Oil and Gas Producers. The Company has undertaken pro-active safety activities and programs currently in full swing: e.g. enhanced visibility of SEM engineers through field inspections; regular conduct of safety meetings in the business centers; public safety initiatives through pocket sessions conducted in building work sites, among others.

**Corporate Governance Office**  
Manila Electric Company (Meralco)  
G/F, Lopez Building  
Ortigas Avenue, Brgy. Ugong, Pasig City,  
1605 Philippines  
Tel. +632 1622 2798  
Mobile: +63908 8661670  
Email: [cgo.staff@meralco.com.ph](mailto:cgo.staff@meralco.com.ph)

#### Compensation Philosophy/Principles

The Company's performance management process assesses employee performance on the basis of: 1) actual versus desired results; and 2) how results were delivered in light of corporate core values. The achievement of financial and non-financial measures is reflected in performance planning and assessment which drives the Company's merit and incentive pay programs.

The Company implements short-term and long-term incentive programs to attract, retain, and motivate its employees. The Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets. It also provides for short-term incentives through variable pay, such as Annual Performance-Based Bonuses (APB) and Variable Incentive Plan (VIP), to reward individual and team performance that contribute to the achievement of corporate goals and objectives.

Long-term incentives include additional compensation conditioned on Meralco's achievement of a specified level of consolidated core net income approved by the Board and determined on an aggregate basis for a three-year period as well as executives' attainment of a minimum level of performance rating.

#### Succession Planning of CEO and Senior Management

The Company's Board and the RLDC are responsible for overall guidance and direction on succession planning and leadership development of the President and CEO and Senior Management. The President and CEO, working closely with the head of Human Resources (HR), drives the strategy for succession planning, leadership development, and talent management. The HR head develops and implements the processes and the tools to ensure robust pools of succession candidates for the President and CEO, senior management, middle management and first line management.

A key feature of Meralco's succession planning process is the talent review conducted at the Senior Management level and at various levels of the organization. Currently, the Senior Management talent review has resulted in a pool of about 30 candidates who, subject to the realization of their development plans, could become management committee members within the next five (5) years. The talent reviews have been a hallmark of Meralco's process and is a best-in-class talent management practice. The process deliverables are individual development plans designed to bring key talents to higher levels of performance and accountability. It involves authentic and extensive management discussions and deliberations by leaders on the aspirations, strengths, development needs, and challenges of key talents.

All of these have created a development mindset throughout the organization and have established a strong and robust leadership pipeline that will adequately meet Meralco's senior leadership requirements well into the future.





## E. DISCLOSURE AND TRANSPARENCY

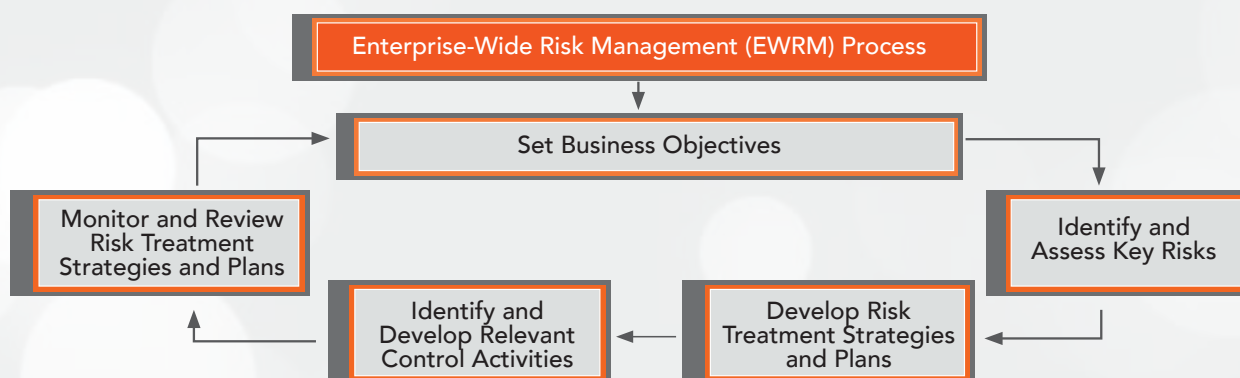
### E.1 Transparent Ownership Structure

The following stockholders directly own more than 5% of the Company's shares (Ticker: MER) as at December 31, 2016.

Name of Shareholder and Beneficial Owner	Total Shares Outstanding <sup>1</sup>	% to Total Share <sup>1</sup>
Beacon Electric Asset Holdings, Inc.	394,059,235	34.96%
JG Summit Holdings, Inc.	305,689,397	27.12%
Metro Pacific Investments Corporation	169,064,807	15.00%
<b>TOTAL</b>	<b>868,813,439</b>	<b>77.08%</b>

<sup>1</sup> Based on the January 10, 2017 SEC/PSE/PdEx Disclosure on Public Ownership Report as at December 31, 2016.

### E.2 Enterprise-Wide Risk Management Framework





### E.3 Directors' and Officers' Dealings in Company Shares

#### SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS as at December 31, 2016

(As disclosed to the SEC/PSE/PDEx on January 10, 2017)

Name	Beginning Balance <sup>1</sup>	Buy	Sell	Ending Balance <sup>2</sup>	Direct Holdings	Indirect Holdings	Total Shares	% of Total Share <sup>2</sup>
<b>A. Directors</b>								
1. Manuel V. Pangilinan – Chairman	25,000	15,000	-	40,000	40,000	-	40,000	0.00%
2. Lance Y. Gokongwei - Vice-Chairman	10	12,300	-	12,310	12,310	-	12,310	0.00%
3. Oscar S. Reyes - President & CEO	268	-	-	268	268	-	268	0.00%
4. Ray C. Espinosa	21,000	10,000	-	31,000	31,000	-	31,000	0.00%
5. James L. Go	10	285,290	-	285,300	285,300	-	285,300	0.03%
6. John L. Gokongwei, Jr.	10	10,800	-	10,810	10,810	-	10,810	0.00%
7. Anabelle L. Chua <sup>3</sup>	-	-	-	60	60	-	60	0.00%
8. Jose Ma. K. Lim	10	15,000	-	15,010	15,010	-	15,010	0.00%
9. Manuel M. Lopez	996,118	15,000	-	1,011,118	1,011,118	-	1,011,118	0.09%
Manuel M. Lopez &/or Ma. Teresa Lopez	1,449,293	-	-	1,449,293	1,449,293	-	1,449,293	0.13%
10. Pedro E. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.00%
11. Artemio V. Panganiban	1	-	-	1	1	-	1	0.00%
12. Napoleon L. Nazareno <sup>4</sup>	1,210	1,000	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,493,930</b>	<b>364,390</b>	<b>-</b>	<b>2,856,170</b>	<b>2,856,170</b>	<b>-</b>	<b>2,856,170</b>	<b>0.25%</b>

<sup>1</sup> Data as at December 31, 2015.

<sup>2</sup> Data as at December 31, 2016.

<sup>3</sup> Elected during the 2016 Annual Stockholders' Meeting.

<sup>4</sup> Not re-elected during the 2016 Annual Stockholders' Meeting.

Name	Beginning Balance <sup>1</sup>	Buy	Sell	Ending Balance <sup>2</sup>	Direct Holdings	Indirect Holdings	Total Shares	% to Total Share <sup>2</sup>
<b>B. Executive Officers with Shareholdings in the Company</b>								
1. Simeon Ken Ferrer - Corporate Secretary	767	-	-	767	767	-	767	0.00%
2. Roberto R. Almazora	93,082	-	-	93,082	93,082	-	93,082	0.01%
3. Alfredo S. Panlilio	668	-	-	668	668	-	668	0.00%
4. Angelito D. Bermudo	-	-	-	-	-	-	-	0.00%
5. Ramon B. Segismundo	6,500	2,000	-	8,500	8,500	-	8,500	0.00%
6. Betty C. Siy-Yap	-	-	-	-	-	-	-	0.00%
7. Ferdinand C. Alejandro	8,952	-	-	8,952	8,952	-	8,952	0.00%
8. Ruben B. Benosa	22,992	-	-	22,992	22,992	-	22,992	0.00%
9. Rolando M. Cagampán	-	-	-	-	-	-	-	0.00%
10. Benjamin U. Cusi	24,050	-	-	24,050	24,050	-	24,050	0.00%
11. Helen T. de Guzman	26,093	-	-	26,093	26,093	-	26,093	0.00%
12. Ivanna G. dela Peña	21,000	-	-	21,000	21,000	-	21,000	0.00%
13. William S. Pamintuan	-	-	-	-	-	-	-	0.00%
14. Antonio M. Abuel, Jr.	10,427	-	-	10,427	10,427	-	10,427	0.00%
15. Ireneo B. Acuña	18,355	-	-	18,355	18,355	-	18,355	0.00%
16. Ronnie L. Aperochó	14	-	-	14	14	-	14	0.00%
17. Angelita S. Atanacio	-	4,000	-	4,000	4,000	-	4,000	0.00%
18. Bennette D. Bachoco	-	-	-	-	-	-	-	0.00%
19. Joseph Allan C. Baltazar <sup>3</sup>	-	-	-	2,000	2,000	-	2,000	0.00%
20. Edgardo V. Carasig	-	-	-	-	-	-	-	0.00%
21. Bernard H. Castro <sup>3</sup>	-	-	-	463	463	-	463	0.00%
22. Lawrence S. Fernandez	4,500	-	-	4,500	4,500	-	4,500	0.00%
23. Ferdinand O. Geluz	13,877	2,000	-	15,877	15,877	-	15,877	0.00%
24. Victor Emmanuel S. Genuino	-	-	-	-	-	-	-	0.00%
25. Nixon G. Hao	2,791	-	-	2,791	2,791	-	2,791	0.00%
26. Ernie G. Imperial	460	-	-	460	460	-	460	0.00%
27. Dexter C. Lee	-	-	-	-	-	-	-	0.00%
28. Fortunato C. Leynes	6,000	-	-	6,000	6,000	-	6,000	0.00%
29. Jose Mari P. Melandres <sup>3</sup>	-	-	-	-	-	-	-	0.00%
30. Raymond B. Ravelo	-	-	-	-	-	-	-	0.00%
31. Jose Rainier A. Reyes	-	-	-	-	-	-	-	0.00%
32. Nestor P. Sarmiento	323	-	-	323	323	-	323	0.00%
33. Liza Rose G. Serrano Diangson	34,983	2,000	-	36,983	36,983	-	36,983	0.00%
34. Ma. Cynthia C. Soluren <sup>4</sup>	-	-	-	11,575	11,575	-	11,575	0.00%
35. Manuel Lorenzo L. Tuason	22,180	-	-	22,180	22,180	-	22,180	0.00%
36. Jose Antonio T. Valdez	-	-	-	-	-	-	-	0.00%
37. Jose Ronald V. Valles	-	3,000	-	3,000	3,000	-	3,000	0.00%
<b>TOTAL</b>	<b>318,014</b>	<b>13,000</b>	<b>-</b>	<b>345,052</b>	<b>345,052</b>	<b>-</b>	<b>345,052</b>	<b>0.01%</b>

<sup>1</sup> Data as at December 31, 2015.

<sup>2</sup> Data as at December 31, 2016.

<sup>3</sup> Appointed Vice Presidents of the Company effective January 1, 2016.

<sup>4</sup> Appointed Interim Treasurer of the Company on May 31, 2016.

## PRINCIPAL, STRATEGIC AND SUBSIDIARIES/AFFILIATES SHAREHOLDINGS as at December 31, 2016

Name	Beginning Balance	Buy	Sell	Ending Balance	Direct	Indirect Holdings	Total Shares	% to Total Share
<b>A. Principal Stockholder</b>								
Beacon Electric Asset Holdings, Inc.	506,769,106	-	112,709,871	394,059,235	394,059,235	-	394,059,235	34.96%
JG Summit Holdings, Inc.	305,689,397	-	-	305,689,397	305,689,397	-	305,689,397	27.12%
Metro Pacific Investments Corporation	56,354,936	112,709,871	-	169,064,807	169,064,807	-	169,064,807	15.00%
<b>TOTAL</b>	<b>868,813,439</b>	<b>112,709,871</b>	<b>112,709,871</b>	<b>868,813,439</b>	<b>868,813,439</b>	<b>-</b>	<b>868,813,439</b>	<b>77.08%</b>
<b>B. Strategic Stockholder</b>								
First Philippine Holdings Corporation	44,382,436	-	-	44,382,436	44,382,436	-	44,382,436	3.94%
First Philippine Utilities Corporation	93,270	-	-	93,270	93,270	-	93,270	0.01%
<b>TOTAL</b>	<b>44,475,706</b>	<b>-</b>	<b>-</b>	<b>44,475,706</b>	<b>44,475,706</b>	<b>-</b>	<b>44,475,706</b>	<b>3.95%</b>
<b>C. Subsidiaries/Affiliates with Shareholdings in the Company</b>								
Corporate Information Solutions, Inc.	12,526	-	-	12,526	12,526	-	12,526	0.00%
<b>TOTAL</b>	<b>12,526</b>	<b>44,475,706</b>	<b>-</b>	<b>12,526</b>	<b>12,526</b>	<b>-</b>	<b>12,526</b>	<b>0.00%</b>

### E.4 Disclosure of Related Party Transactions (RPT)

The Company discloses the names of all related parties, degree of relationship, nature and value for each material/significant RPT. Details are found in Note 22 to the Consolidated Financial Statements.

### E.5 Audit

#### Internal Audit

The MCG and the Corporate Audit Charter mandates the Internal Audit office to monitor the financial reporting process and internal control system; information technology security and control; auditing process; enterprise risk management; and compliance.

An annual assessment using a risk-based audit plan approved by the AuditCom and the RMC on the adequacy of the Company's internal control system is undertaken by Internal Audit, in cooperation with relevant business responsibility units. Internal Audit reports the results of audits covering various units of the Company and its subsidiaries including specific areas of concern identified by Management to the AuditCom. The findings are reviewed by the AuditCom and the RMC – which in turn, report the same to the Board for guidance and/or appropriate action.

Significant concerns, which have been reported by the internal audit group, and the implementation of responsive remedial measures, are monitored by Management and by the AuditCom. The AuditCom Report in this Annual Report discloses that the Board has conducted a review of, and has found adequate, the Company's material controls (including operational, financial and compliance controls) and risk management systems.

The Company's Internal Audit Group is headed by the Chief Audit Executive and First Vice President, Ms. Helen T. de Guzman, who reports functionally to the AuditCom and administratively to the President and CEO as outlined in the Company's Corporate Audit Charter. The appointment and removal of the Chief Audit Executive require the approval of the AuditCom.

#### External Audit

The Company's external auditors, SyCip Gorres Velayo & Co. (SGV), was evaluated, nominated, and recommended for appointment, including the audit fees, by the AuditCom, and such recommendation was approved by the Board. The re-appointment of SGV was thereafter confirmed by the shareholders in the AGM held on May 31, 2016.



## CONSOLIDATED EXTERNAL AUDITORS FEES

CONSOLIDATED EXTERNAL AUDITORS FEES (in million Php)		
	2016	2015
Financial Statements Audit	7.3	7.1
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC	0.3	0.3
<b>TOTAL</b>	<b>7.6</b>	<b>7.4</b>

Note: The fees of non-audit services did not exceed the audit services.



### E.6 Medium of Communication

#### Quarterly Reports

The Company reports its quarterly and full-year financial results through the SEC, PSE and PDEX to provide the shareholders, the investors, and the public a balanced and informed assessment of the Company's performance, position, and prospects.

Quarterly Reports: <http://www.meralco.com.ph/investor-relations/quarterly-reports>

Financial Results: <http://www.meralco.com.ph/investor-relations/financial-results>

Annual Reports: <http://www.meralco.com.ph/investor-relations/annual-reports>

#### Analyst Briefings/Media Briefings

The officers of the Company, led by the President and CEO, with the CFO and Investor Relations and other officers, present information on performance results, business progress, industry trends, impact of external factors, and regulations to shareholders, analysts, investors, and media every quarter during the Investors Briefing and Teleconference, as well as during the Media Briefing. Presentation materials used in these meetings are posted on the Company's website to ensure comprehensive information dissemination to all stakeholders and investors, including those who were not able to participate in the briefings.

Schedule of Events: <http://www.meralco.com.ph/investor-relations/calendar-of-events>

Press Releases: <http://www.meralco.com.ph/investor-relations/press-releases>

### Company Website

The Company website provides information on our products and services as well as the following corporate governance information:

Section	Link
Business Operations	<a href="http://biz.meralco.com.ph/">http://biz.meralco.com.ph/</a>
	<a href="http://corporatepartners.meralco.com.ph/">http://corporatepartners.meralco.com.ph/</a>
	<a href="http://www.meralco.com.ph/news">http://www.meralco.com.ph/news</a>
Financial Statements/Reports	<a href="http://www.meralco.com.ph/investor-relations/financial-results">http://www.meralco.com.ph/investor-relations/financial-results</a>
	<a href="http://www.meralco.com.ph/investor-relations/quarterly-reports">http://www.meralco.com.ph/investor-relations/quarterly-reports</a>
Materials provided in briefings to analysts and media	<a href="http://www.meralco.com.ph/investor-relations/press-releases">http://www.meralco.com.ph/investor-relations/press-releases</a>
Shareholding structure	<a href="http://www.meralco.com.ph/about-us/meralco-shareholding-structure">http://www.meralco.com.ph/about-us/meralco-shareholding-structure</a>
Group corporate structure	<a href="http://www.meralco.com.ph/about-us/organizational-structure">http://www.meralco.com.ph/about-us/organizational-structure</a>
	<a href="http://www.meralco.com.ph/about-us/meralco-shareholding-structure">http://www.meralco.com.ph/about-us/meralco-shareholding-structure</a>
Downloadable Annual Report	<a href="http://www.meralco.com.ph/investor-relations/annual-reports">http://www.meralco.com.ph/investor-relations/annual-reports</a>
Notice of AGM	<a href="http://www.meralco.com.ph/company-disclosures/notice-of-annual-or-special-stockholders-meetings">http://www.meralco.com.ph/company-disclosures/notice-of-annual-or-special-stockholders-meetings</a>
Minutes of AGM	<a href="http://www.meralco.com.ph/company-disclosures/minutes-of-all-general-or-special-stockholders-meetings">http://www.meralco.com.ph/company-disclosures/minutes-of-all-general-or-special-stockholders-meetings</a>
Company's By-Laws and Articles of Incorporation	<a href="http://www.meralco.com.ph/about-us/articles-of-incorporation-and-by-laws">http://www.meralco.com.ph/about-us/articles-of-incorporation-and-by-laws</a>



### E.7 Timely Filing/Release of Annual/Quarterly Financial Reports

The Company's 2016 audited financial statements were released on March 1, 2017, 60 days after financial year-end. The true and fair representation of the annual financial reports are affirmed by the Board through the Chairman, President and CEO and CFO of the Company on the Statement of Management's Responsibility section of this Annual Report. This can be accessed at: [http://www.meralco.com.ph/files/view/03022017\\_SEC17C\\_2016\\_Consolidated\\_Financial\\_Results\\_March\\_1\\_%202017.pdf](http://www.meralco.com.ph/files/view/03022017_SEC17C_2016_Consolidated_Financial_Results_March_1_%202017.pdf)

### E.8 Investor Relations

Investors may get in touch with the Company's Investor Relations Office located at the 5/F of Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, 1605 Philippines with the e-mail address: [investor.relations@meralco.com.ph](mailto:investor.relations@meralco.com.ph).