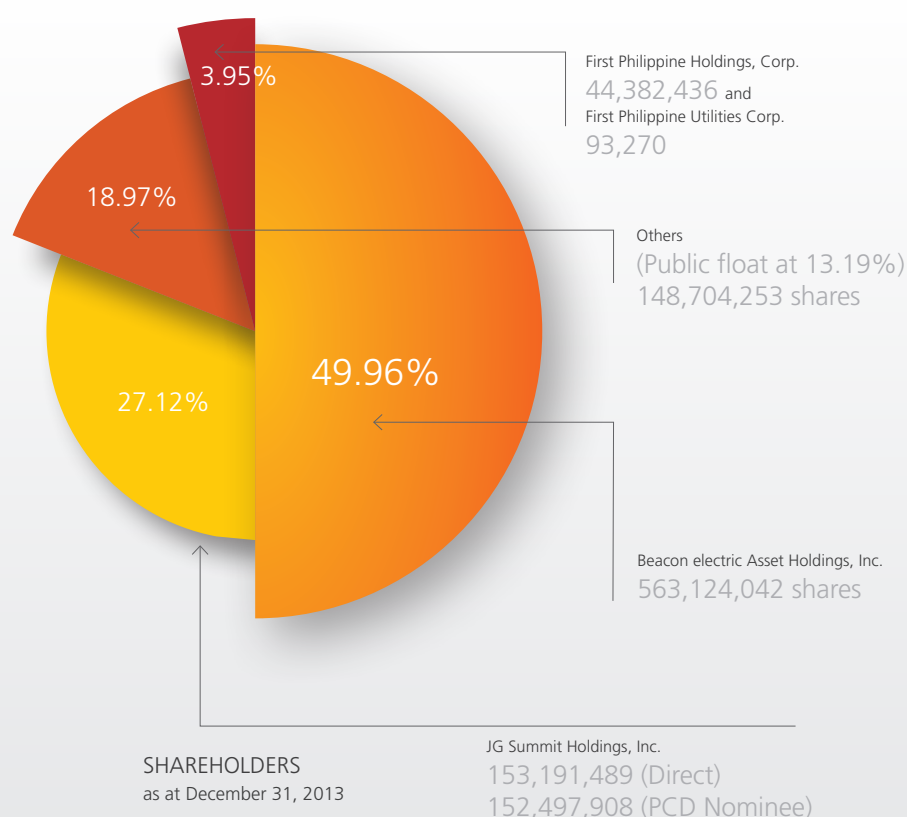


How We Govern

Corporate governance plays a key role in ensuring sustainable relationships and interests among all stakeholders of the Company.



The complete list of the Public Ownership Report of Meralco (the Company) as at December 31, 2013 was disclosed to the SEC and PSE on January 15, 2014, where approximately 14.50% of the Company shares is held by non-controlling institutional investors, and 5.04% is held by government financial institutions at 56,756,176 shares.

The Company's shares are held directly by the foregoing named shareholders. There is no known holding or cross-holding of shares. There is no pyramid shareholding structure within the Group.

2013 AWARDS FOR EXCELLENCE IN GOVERNANCE

Our governance structure is anchored on our strict adherence to the principles of fairness, accountability, integrity and transparency. In recognition of its good governance initiatives and practices, the Company received the following awards and distinctions in 2013:

- The Philippine Stock Exchange (PSE) recognized the Company as one of 5 recipients of the prestigious Bell Award for Publicly Listed Companies;
- The Institute of Corporate Directors (ICD) recognized the Company as a forerunner of the Top 50 Philippine Publicly Listed Companies;
- Corporate Governance Asia distinguished the Company as Asia's Icon on Corporate Governance;
- Integrity Initiative rated the Company as within the Advanced level in terms of integrity practices.

The Company's awards are featured on page 152 of this Annual Report.

I. RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

The Company treats its shareholders in an equitable manner and upholds their statutory rights, including the right to participate and vote in matters concerning:

- Changes in the Company's constitutional documents, such as amendments to its Articles of Incorporation or By-laws;
- Authorization for issuance of new shares or sale or transfer of the Company's substantial or major assets;
- Annual General Meeting (AGM);
- Election of members of the board of directors and board remuneration; and
- Appointment of external auditors.

Dividend Policy

The Company's dividend policy calls for the payment of regular cash dividends equivalent to 50% of core earnings for the year with a "look-back" basis, which allows the Company to pay special dividends of up to 70% of the core earnings for the year, subject to availability of unrestricted retained earnings and cash, in accordance with the guidelines of the Securities and Exchange Commission (SEC).

On June 19, 2013, Meralco was ranked 4th among the top Philippine corporations which received the distinction of being the "Most Committed to a Strong Dividend Policy" in a recent investor poll done by Hong Kong-based publication, FinanceAsia. This manifests the investors' recognition of how the Company upholds its shareholders rights through regular pay-out of dividends.

In 2013, the Company declared dividends amounting to Php 10.55 per common share. Initial dividends amounting to Php 4.10 per share was paid on September 20, 2013 and the final dividends amounting to Php 6.45 per share was paid on May 8, 2014.

Annual General Meeting (AGM)

It is the Company's policy to encourage all shareholders, including institutional shareholders, to attend the AGM. The 2013 AGM was held on Tuesday, May 28, 2013, at 10:00AM at the Meralco Theater, Lopez Building, Ortigas Avenue, Pasig City.

The Company facilitates participation by shareholders who cannot attend the meeting in person, by enclosing proxy forms in the AGM Notice, on which they can indicate their votes. Shareholders may also download from the Company website, www.meralco.com.ph,

2013 AGM Attendance

Director	Designation	Annual General Meeting (AGM) May 28, 2013
Ramon S. Ang	Vice-Chairman and Director	Present
Ray C. Espinosa ¹	Director	Present
Jose Ma. K. Lim	Director	Present
Manuel M. Lopez	Director	Present
Estelito P. Mendoza	Director	Absent
Artemio V. Panganiban ²	Independent Director	Present
Manuel V. Pangilinan ³	Chairman	Present
Vicente L. Panlilio ⁴	Director	Present
Eric O. Recto [*]	Director	Present
Oscar S. Reyes	Director, President & CEO	Present
Pedro E. Roxas ⁴	Independent Director	Present

¹ Chairman, Finance Committee

² Chairman, Audit and Risk Management Committee

³ Chairman, Remuneration and Leadership Development Committee

⁴ Chairman, Nomination and Governance Committee

^{*} Messrs. Eric O. Recto and Vicente L. Panlilio resigned effective December 11, 2013. Messrs. James L. Go and Lance Y. Gokongwei were elected on December 16, 2013.

proxy forms where they can provide detailed instructions to their duly appointed proxy.

The Corporate Secretary validated the existence of a quorum with the attendance of shareholders who owned or held a total of 992,725,792 shares or approximately 88.07% of the total issued and outstanding shares of the Company.

The Company granted all, including minority, shareholders with the right to propose in advance or inquire regarding agenda items and nominate directors, which were approved by the Board on March 22, 2013.

To provide shareholders with enough time to examine the information, the AGM Notice, which is in English, was posted on the Company's Website and distributed to shareholders on April 26, 2013, 32 days ahead of the AGM date of May 28, 2013.

In the AGM Notice, the Company stated essential facts and rationales on all agenda items for shareholders' due consideration.

A two-hour registration period was allotted before the AGM. An electronic system facilitated the registration and vote tabulation to expedite the process and ensure accuracy and reliability of all information.

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

The Company allowed shareholders to freely express their views and their questions were answered by the directors and senior management at the AGM.

The Company posted the resolutions at the AGM on its website the following day so that non-attending shareholders might be immediately informed. Minutes of the AGM were distributed in English through the Company's website after the meeting date.

CORPORATE GOVERNANCE POLICIES

The Company's Manual of Corporate Governance (MCG) embodies the Company's fundamental governance policies and processes, which includes the qualifications, duties and responsibilities of directors and officers as well as the rights of the shareholders.

The Company's Code of Ethics (COE) prescribes ethical values and behavioral standards, required of all directors, officers and employees of the Company as they perform their respective duties and responsibilities.

The COE also includes provisions on the anti-corruption programmes and procedures of the Company. It strictly prohibits the commission of any act that may be construed as direct or indirect bribery and corruption of government officials to facilitate any transaction or gain any perceived or actual favor or advantage. It also mandates full cooperation in any investigation undertaken by government agencies.

The Company's Conflict of Interest Policy (COI) requires all directors, officers and employees to disclose promptly any personal interest in transactions involving the Company or other conflicts of interest situations. The Company requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

The Company monitors strict compliance with the COE, COI and other CG policies online through "HR Express Corporate Governance Facility," which is made accessible to all officers and employees.

Failure to comply with the COE, COI and other CG policies is immediately dealt with under the Company's internal rules and regulations.

The Policy on Blackout Period restricts the trading of shares by Company executives, officers and employees with direct access to unpublished information relating to the Company's financial and operating results through observance of a blackout period (15 calendar days before and 2 trading days after the release or announcement of the Company's quarterly and annual financial and operating results), when trading in Company shares is strictly prohibited.

The Company requires all its directors and officers to disclose to the SEC, PSE and Philippine Dealing & Exchange Corporation (PDEX) the details of any dealings, acquisition, disposal, or change in their beneficial ownership of the Company shares, within two business days after the transaction.

The E-Report Mo (Whistleblowing Policy) is an online facility which encourages the reporting of any violation of the Company's COE, COI or other CG policies, questionable accounting or auditing matters, and other malfeasance, including corrupt practices that may have been committed by the Company's directors, officers and employees. Employees, suppliers, customers, other stakeholders and the general public are allowed to freely communicate with the Company in good faith through the contact information of Corporate Governance Office (CGO) stated herein. The CGO, which functionally reports to the Board's Nominations and Governance Committee, is primarily tasked to investigate and submit its findings on any whistle blower report that it receives.

The Company provides appropriate protection to an employee/stakeholder who reports illegal/unethical/corrupt behaviour from any retaliation. In the

Corporate Governance Office

Manila Electric Company (Meralco)
8th Floor, Lopez Building
Meralco Compound, Ortigas Avenue
Pasig City, Philippines
Tel. (632) 1622 2798
Mobile: 09189483662
Email: cgo.staff@meralco.com.ph

event of retaliation, the reporting person or witness may report the same to the CGO by filling out a Retaliation Protection Report Form for appropriate action by the Company.

In 2013, the Company resolved 82% of the reports it received from whistle blowers and investigations are on-going on the remaining cases.

The Suppliers' Business Conduct Policy requires the Company's Suppliers to adopt, practice and comply with the same corporate governance standards and business ethics that the Company has provided as a pre-requisite to their continuing accreditation.

The Company's Related Party Transactions (RPT) Policy ensures that transactions of the Company with its related parties are conducted in fair and at arms'-length terms. It requires the review of material/significant RPTs by the Audit and Risk Management Committee to determine whether these are in the best interest of the Company. This Policy also states that the Company does not grant loans or any special financial assistance to its directors.

The foregoing CG policies are available at the Company's website (www.meralco.com.ph) and the Company's Corporate Governance Intranet Portal.

In 2013, there has been no case of insider trading involving directors or officers of the Company and no RPTs may be classified as financial assistance to any entity other than the Company's wholly-owned subsidiary companies. The Company is fully compliant with the code and policies of corporate governance.

II. ROLE OF STAKEHOLDERS

The Company values its stakeholders and upholds their rights and interest as mandated by relevant laws and regulations, and the Company's internal policies.

Customers

The Company renders a high standard of service and fair treatment to its customers through the provision of reliable and reasonably priced services. It regularly undertakes, among others, customer satisfaction index (CSI) surveys to monitor its performance and continuously improve its services. Comprehensive details of these activities are discussed on page 22 of this Annual Report.

Suppliers

The Company prescribes clear and detailed procurement policies and procedures to ensure mutually beneficial relationship with its suppliers.

Company purchases are listed in a sourcing plan, which specifies the criteria and method for sourcing these purchase requirements. This plan is reviewed and approved through the Procurement organization. Pre-bid conferences are held among the Company's procurement personnel, end-users and prospective bidders. Only accredited suppliers may participate in Company's bidding. Details on the Company's supplier/contractor selection practice of vendor accreditation, bidding, technical and commercial evaluation and awarding procedures may be found in the "Suppliers" tab of the Company website.

Creditors

The Company strictly complies with its credit agreements through timely loan and interest payments, and adherence to loan covenants. It competently operates the business to assure creditors of the Company's financial standing and credit rating. More details are found on the Notes to Consolidated Financial Statements on Financial Assets and Liabilities on page 129 of this Annual Report.

Employees

The Company guarantees fair treatment and equal opportunity to all its employees, in terms of compensation, competency development and career advancement. The Company also provides suitable and safe working conditions to protect its employees from injury and illness in the workplace. In addition, the Company encourages open and honest communication and sharing of information that promote teamwork, productivity and empowerment. More details on employee training and compensation policy appear on page 26 of this Annual Report.

Government

The Company strictly complies with the laws, rules and regulations promulgated and issued by the Government including those of the SEC, PSE, PDEx, Energy Regulatory Commission (ERC), Department of Energy (DOE), Bureau of Internal Revenue (BIR), Bureau of Customs (BOC) and Local Government Units (LGUs), for the common good.

Society, Communities and the Environment

The Company strictly monitors its business activities and operations to ensure sustainable development and safeguard the quality of life of society, communities, and the environment in the areas where it operates. Relevant details appear on page 38 of this Annual Report.

INTERNAL AUDIT

The Company's Internal Audit is a key role and functioning instrument in safeguarding the efficiency, effectiveness, control and risk management of the Company's operations, the accuracy and reliability of its financial reports, and strict compliance to relevant laws and regulations. The tasks of the Internal Audit team in monitoring and reporting on control of the financial reporting process and internal control system; information technology security and control; the auditing process;

enterprise-wide risk management; and compliance are set out in the Corporate Audit Charter and the Manual of Corporate Governance of the Company.

A risk-based internal audit plan is prepared annually and approved by the Audit and Risk Management Committee. The Internal Audit Group issues reports to Senior Management and the Audit and Risk Management Committee as well as the concerned group being audited on the results of reviews and audits covering various units of the Company and its subsidiaries including specific areas of concern identified by Management. The findings are reviewed and resolved as appropriate, by the Audit and Risk Management Committee, which in turn renders the relevant report to the Board. Significant concerns, which have been reported by the Internal Audit team, and the implementation of responsive remedial measures, are monitored by Management and by the Audit and Risk Management Committee. The Audit and Risk Management Committee recommends to the Board the appointment and/or removal of the internal auditor.

The Company's Internal Audit Group is headed by the Chief Audit Executive who reports functionally to the Audit and Risk Management Committee and administratively to the President & CEO in a manner outlined in the Corporate Audit Charter.

EXTERNAL AUDIT

The Company's external auditors, SyCip, Gorres, Velayo & Co. (SGV) were evaluated and nominated by the Audit and Risk Management Committee which endorsed to the Board SGV's re-appointment together with their audit fees. Such recommendation was approved by the Board for endorsement to the shareholders and thereafter was approved by the shareholders in the AGM held on May 28, 2013.

III. DISCLOSURE AND TRANSPARENCY

The Company is committed to transparent, thorough, and timely disclosures of information, whether financial or non-financial, so that regulators, shareholders and all stakeholders may regularly receive reliable and adequate information for their decisions. These disclosures cover material information or current news clarifications such as quarterly reports, public ownership report, trading and shareholdings of major and/or substantial shareholders, directors, officers, strategic stockholders, subsidiaries and affiliates (please refer to page 55 for details of their shareholdings as of Dec. 31, 2013), business acquisition or financing plans, and annual reports which are submitted to the SEC, PSE's Electronic Disclosure Generation Technology (EDGE) disclosure system, PDEX, and posted on the Company website.

Highlights of the Company's 2013 Audited Consolidated Financial

Statement were released on March 17, 2014, 76 days after financial year end. The Statement of Management's Responsibility accompanying the Audited Consolidated Financial Statements was signed by the Chairman of the Board, the President & CEO, and the Chief Finance Officer (CFO), a copy of which is presented on page 73 of this Annual Report.

Through quarterly Analysts' and Media Briefings attended by shareholders, analysts, investors and members of the media, the officers of the Company, including the President & CEO, CFO, Head of Networks, Head of Regulatory, Head of Customer Retail Services and Corporate Communications and Investor Relations Officers, present information on the Company's performance results, business progress, industry trends, impact of external factors and regulations. Presentations used in these meetings are posted on the Company website to ensure that the Company's quarterly performance is comprehensively disseminated to all investors, including those who were not able to attend and participate.

IV. BOARD RESPONSIBILITY

The Board is governed by the SEC's Revised Code of Corporate Governance and the MCG. The duties and responsibilities of the Board include, but are not limited to, the formulation, regular review and update of the Company vision, mission, strategic objectives, policies and procedures including corporate governance that guide its activities; the approval and pro-active oversight and review of the implementation of the corporate strategy including the Company's 5-year Business Plan and the Company's current year operations and capital expenditures and investments; oversight on risk management; setting up an accountability system with the inclusion of rewards, incentives and penalties; and the promotion of an ethical, social and good governance

CONSOLIDATED EXTERNAL AUDITOR'S FEES (in million PhP)

	2013	2012
Audit of Consolidated Financial Statements	7.3	6.3
Review of Interim Consolidated Financial Statements	1.8	—
Total	9.1	6.3

No non-audit services were performed by the external auditors in 2013.

culture within the Company. A complete list of the Board duties and responsibilities is provided in the MCG, which is accessible at the Company's website. Also the types of decisions for approval by the Board such as acquisitions, issuance of new shares, loan agreements, major contracts and the like, are fully disclosed.

The Board plays a crucial role in steering the Company's growth by overseeing Management's implementation of the corporate objectives, which are measured using financial and non-financial indicators and may be found in the Joint Report of the Chairman and the President & CEO on page 6 of this Annual Report.

Board Nomination and Selection Criteria

All members of the Board are elected by the shareholders during the AGM. The Nomination and Governance Committee is responsible for the screening of candidates in accordance with the criteria set under the MCG, which includes the following: a) college education or skills needed to effectively carry out his functions as director; b) integrity/probity; c) strong adherence to legal and moral principles, and; d) practical understanding of business in general and of the Company's business, in particular. The final list of candidates, as screened by the Nomination and Governance Committee, are submitted to the Board for approval and is made known to all shareholders through the Information Statement filed by the Company.

Board Structure

The Board consists of 11 directors: two of which are independent directors (ID), eight are non-executive directors and one executive director. A list of directors' profiles appears on page 58 of this Annual Report.

The separate roles and responsibilities of the Chairman of the Board and the President & CEO is highlighted by the election of a non-executive director, Mr. Manuel V. Pangilinan, as Chairman of the Board and an executive director, Mr. Oscar S. Reyes, as the President & CEO.

A non-executive director, Ambassador Manuel M. Lopez, had prior work experience in the sector or broad industry group to which the Company belongs. He had been the Chairman, President & CEO of the Company since 2001 up to 2010. Please refer to the section Board of Directors of this Annual Report for the complete profile of our directors.

Board Diversity

To encourage diversity, Board members are selected without regard to their gender, race, religion, or age.

Board Independence

The Company complies with Rule 38 of the Implementing Rules of the Securities Regulation Code on the qualifications, nomination and election of independent directors. Each elected independent director has no business or other relationship with the Company that could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as an independent director.

The Company is also governed by SEC Circular No. 9 Series of 2011, which sets the qualifications for independent directors as individuals who: (a) exercise independent judgment and with no close relationship, either by blood (within the third degree of consanguinity) or marriage, with significant stockholders, the CEO or any member of our Company's top management team; and (b) have not served the Company as an officer or significant service provider (including the Company's external auditor), unless two (2) years have elapsed since the termination of that service.

The profiles and certificates of qualifications of the Company's IDs are disclosed to the SEC and posted in the Company website immediately after their election at the AGM. No one among the Company's IDs have served as such for more than nine (9) years.

Please refer to the section on "Board of Directors" for details on the term of appointments of our IDs.

Chairman of the Board

The Chairman of the Board sets the agenda for and presides at the AGM and the Board meetings; ensures that the meetings of the Board are held in accordance with the Company's By-Laws; maintains qualitative and timely lines of communication and information between the Board and Management; and ensures that the Board exercises strong oversight over the Company and its Management. His roles and responsibilities are specified in the Company's By-laws and the MCG.

Board Meetings

The Board jointly plans meeting dates at the start of the calendar year, with at least twelve regular monthly meetings for the year. In 2013, there were thirteen Board meetings held and each director had attended at least 77% of all the meetings.

All directors may propose agenda items for consideration by the Chairman for inclusion in the meeting.

The Corporate Secretary distributes the Board meeting materials and papers to all directors at least five days prior to the date of the meeting.

In 2013, the non-executive directors met 13 times without the presence of the executive director.

Board Remuneration

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 One Hundred Twenty Thousand Pesos (Php 120,000.00) for each board meeting attended. Each member of the different committees is entitled to a per diem allowance of Twenty Thousand Pesos (Php 20,000.00) for each committee meeting attended.

In 2013, to recognize and reward the invaluable services rendered by the Company's directors and their guidance and oversight in profitably steering the Company to consistent outstanding sales, operations and financial performance in the last four (4) years, the shareholders approved an additional remuneration for the Board of Directors. The additional remuneration is in the form of a stock grant (Grant) of 5,000 common shares of stock of the Company per year for each director for a total Grant of 15,000 shares over a three (3) year period payable at the end of the third year. A director may opt to receive the cash equivalent of the shares fixed

at PHP 1.5 million for each year. A director who resigns or is nominated and appointed through the remaining term of a resigned director shall be entitled to a proportionate amount of the Grant. The total value of such additional compensation, in whatever form so given, shall not exceed one percent (1%) of the net income before income tax of the Company during the preceding year.

Accomplishments of the Board

In accordance with the provisions of the MCG, the Board is primarily responsible for the governance of the Company. It establishes the Company's vision and mission statements, strategic objectives, policies and procedures that shall guide

its corporate activities, including the mechanisms for effective monitoring of the Management's performance.

In 2013, the Board's major accomplishments include:

- Review of the mission and vision of the Company;
- Review of the annual corporate strategy;
- Review of the performance of the President & CEO vis-à-vis the attainment of the Company's corporate objectives and goals;
- Approval of major acquisitions by the Company;
- Approval of the Company's performance incentive plans;
- Approval of nominees to the Board;
- Approval of the Annual Corporate

2013 Board Meeting Attendance

Director	Designation	May 28, 2013		Board Meetings
		Annual General Meeting	Organizational Meeting	
Ramon S. Ang*	Vice-Chairman and Director	Present	Present	10/13
Ray C. Espinosa ¹	Director	Present	Present	13/13
Jose Ma. K. Lim	Director	Present	Present	12/13
Manuel M. Lopez	Director	Present	Present	13/13
Estelito P. Mendoza*	Director	Absent	Absent	11/13
Artemio V. Panganiban ²	Independent Director	Present	Present	13/13
Manuel V. Pangilinan ³	Chairman	Present	Present	13/13
Vicente L. Panlilio**	Director	Present	Present	10/13
Eric O. Recto**	Director	Present	Present	12/13
Oscar S. Reyes	Director	Present	Present	13/13
Pedro E. Roxas ⁴	Independent Director	Present	Present	12/13
James L. Go**	Director	N/A	N/A	1/1
Lance Y. Gokongwei**	Director	N/A	N/A	1/1

¹ Chairman, Finance Committee

² Chairman, Audit and Risk Management Committee

³ Chairman, Remuneration and Leadership Development Committee

⁴ Chairman, Nomination and Governance Committee

* Mr. Ramon S. Ang and Atty. Estelito P. Mendoza resigned and were replaced by Messrs. John L. Gokongwei, Jr. and Napoleon L. Nazareno effective March 31, 2014.

** Messrs. Eric O. Recto and Vicente L. Panlilio resigned effective December 11, 2013. Messrs. James L. Go and Lance Y. Gokongwei were elected on December 16, 2013.

2013 Executive Sessions

Date	Meeting
February 25	Finance Committee
March 15	Audit and Risk Management Committee
March 18	Nomination and Governance Committee
March 22	Finance Committee
April 22	Finance Committee
May 27	Nomination and Governance Committee Finance Committee
July 29	Finance Committee
August 23	Finance Committee
September 23	Finance Committee
October 25	Finance Committee
December 16	Nomination and Governance Committee

- Governance Report (ACGR) and Related Party Transactions Policy;
- Approval of the Company's long-term peso bond offering;
- Approval of cash dividends;
- Review of reports on the Company's material controls (including

- operational, financial and compliance controls) and risk management systems; and
- Approval of the schedule of regular Board meetings, AGM, and organizational meetings.

The Board is primarily responsible for the governance of the Company. It establishes the Company's vision and mission statements, strategic objectives, policies and procedures that shall guide its corporate activities.

MISSION - To provide our customers the best value in energy, products and services.

VISION - To be a world-class company and the service provider of choice.

Conduct of Board and Committee Performance Assessment

The Board annually conducts a self-assessment of their 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 discharging their duties.

The Board conducted a performance assessment on February 24, 2014, using assessment forms, which covered the following criteria:

- 1. Board Self-Assessment** - each director assessed the board performance as a whole and their individual performance 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 following committees, based on the provisions of the Board Committee 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.

A summary of the responses is prepared by the Corporate Governance Office and submitted to the Nomination and Governance Committee and the Board as an agenda item for acknowledgment.

Conduct of President & CEO Performance Assessment

The Board also reviewed the performance of the President & CEO, based on the attainment of key performance indicators and corporate goals. The President & CEO's 2013 performance review was conducted on April 30, 2014.

Training and Seminars of the Board

The Company encourages its directors and officers to attend continuous professional education programs. It provides information to the Board of upcoming seminars and training courses dedicated to directors. Details of attendance at seminars and participation in directors' training courses may

also be found under the Corporate Governance -Meetings and Seminars Section in the Company's website.

Accomplishments of Board Committees

The Board formed five Board Committees to assist in the exercise of its functions. The members of these committees were appointed by the Board during the organizational meeting held immediately after the AGM. All committees have approved charters defining and specifying the scope of their responsibilities. Copies of the Board Committee charters were disclosed to the SEC and are also available in the Company website.

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

A. The Executive Committee is

composed of five (5) directors, one of whom is an independent director. The Executive Committee may act, by majority vote of 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 of the Philippines.

In 2013, the Executive Committee had four (4) meetings and accomplished, among others, the following:

- Evaluation of major acquisitions of the Company; and
- Review of financing structure for capital expenditure projects;

Corporate Governance Trainings and Seminars of Directors

Director	Program	Trainer/Training Institution
Manuel V. Pangilinan Ray C. Espinosa Jose Ma. K. Lim Oscar S. Reyes Artemio V. Panganiban	Ethics and Governance Failures in the Past (Board Responsibility)	Winthrop Swenson Partner, Compliance System Legal Group
	Navigating the New World of Business (Exclusively for First Pacific Group of Companies)	Thomas Donaldson The Wharton School of Business
	Board Governance Responsibilities: Risks, Culture and Leadership (Sponsored by PLDT Corporate Governance Education Program)	Steven John Priest, Senior Advisor, Global Compliance Services, Inc. USA.
Pedro E. Roxas	Ethics and Governance Failures in the Past (Board Responsibility)	Winthrop Swenson – Partner, Compliance System Legal Group
	Navigating the New World of Business (Exclusively for First Pacific Group of Companies)	Thomas Donaldson The Wharton School of Business
	Board of Directors Fiduciary Duties and Role in Relation to ERM: Best Practices in Dealing with the Agency Dilemma and Setting a Company's Risk Appetite	Mr. Marc Ronez, Managing Director, Asia Risk Management Institute (AriMI)
Manuel M. Lopez	Corporate Governance Orientation	Cecile R. Galvez Partner, SGV & Co. and Knowledge Institute, Makati City
James L. Go	Corporate Governance Orientation	Leonardo J. Matignas Jr., Partner, SGV & Co. and Knowledge Institute, Makati City
Lance Y. Gokongwei	Corporate Governance and Risk Management	ATENEO-Bankers Association of the Philippines, Institute of Banking
Ramon S. Ang	Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management	The Hong Kong Institute of Directors
Estelito P. Mendoza	Corporate Governance Orientation	Danilo L. Concepcion, Associate Dean and Supervisor (U.P. Law Center)

B. The Remuneration and Leadership Development Committee is composed of four (4) directors, one of whom is an independent director. The duties and responsibilities of the Remuneration and Leadership Development Committee 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.

The Remuneration and Leadership Development Committee had five (5) meetings in 2013 and accomplished the following:

- Reviewed the results of and corresponding merit increase for employee performance;
- Reviewed and endorsed for approval the annual incentive plans for employees;
- Reviewed and endorsed the first cycle of employees' Long-Term Incentive Plan;
- Presented the study on Board remuneration;
- Conducted performance evaluation of the President & CEO;
- Presented the talent management and succession planning program and activities; and
- Reviewed and endorsed to the Board confirmation of officers' appointment.

Advisers/Consultants to the Remuneration and Leadership Development Committee

Towers Watson, a human resources consulting firm, provided professional consultancy services to the Company in the areas of employee engagement and compensation and benefits management.

C. The Nomination and Governance Committee – is composed of five (5) directors with an independent director as chairman. The duties and responsibilities of the Nomination and Governance Committee as reflected in its charter includes 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 Nomination and Governance Committee had four (4) meetings in 2013 and completed the following:

- Screening and selection of the nominees for election as members of the Board as provided by the rules on nomination of candidates;
- Review and approval of the Company's Annual Corporate Governance Report (ACGR);
- Validation of proxies for 2013 AGM;
- Review of the charter of the different board committees;
- Conduct of the Board and Board Committee Performance Self-assessment and evaluation of its results;
- Facilitation of annual corporate governance enhancement and continuing education programs for the Board and Senior Management; and
- Facilitation of directors' resignation, nomination and election.

D. Audit and Risk Management Committee

The composition, meetings and functions of the Committee are found in the Audit and Risk Management Committee Report on page 72 of this Annual Report. The Audit and Risk Management Committee charter is reviewed and assessed annually. Proposed changes are submitted to the Board for approval and appropriate disclosure as may be required by law or regulation is ensured. The terms of reference as set out in the MCG and the Audit and Risk Management Charter are available in the Company's website.

E. The Finance Committee

– is composed of four (4) directors, one of whom is an independent director, with the Chief Finance Officer (CFO) as ex-officio member. It reviews the Company's financial operations and other matters such as acquisition and/or divestment

of investments, businesses or ventures, and major procurement contracts. In its 12 meetings in 2013, the following were covered:

- Review and recommendation of approval of the medium-term financial plans;
- Endorsement of cash dividend declarations;
- Review of quarterly cash projections and finance operations reports;
- Review of proposals for new debts and refinancing of existing obligations;
- Review of joint ventures, investment and acquisition plans;
- Review and recommendation of equity infusion or capital restructuring of subsidiaries;
- Review of major purchase contracts and special purpose vehicles;
- Endorsement of the disposal of a Company property no longer necessary to operations;
- Resolutions for tax credit claims; and
- Review and recommendation of approval of bond offering, bank accreditation and signing authorities.

Corporate Secretary

The Corporate Secretary is tasked to provide adequate and reasonable support and assistance to the Board.

Among his duties are the following:

- Facilitate the scheduling and conduct of AGM, Organizational and Board meetings;
- Prepare the necessary Board papers for each of the items in the meeting agenda and circulates such materials at least five business days prior to the date of the Board meetings;
- Provide ready and easy access to information that directors may need for their deliberation on issues listed on the agenda of the Board;
- Attend all board meetings and maintain records of the same ensuring proper safekeeping of all records;
- Ensure that all board procedures, rules and regulations are faithfully followed;

- Submit required reports and disclosures to SEC, PSE, PDEx and other regulatory agencies; and
- Conduct orientation program for new members of the Board regarding the Company's organizational structures and business operations. Such Orientation Program for New Directors was held January 13, 2014 for Messrs. James L. Go and Lance Y. Gokongwei.

The outline of the orientation program is available in the Company's website.

The Company's Corporate Secretary, Atty. Simeon Ken R. Ferrer possessed all the qualifications and skills required of his position including adequate legal, administrative, basic accountancy, company secretarial and interpersonal skills.

The attendance of the Board Committee members are provided as follows:

Succession Planning of CEO and Senior Management

The Board and its Remuneration and Leadership Development Committee are responsible for overall guidance and direction on succession planning and leadership development of the President/CEO and Senior Management. The President/CEO, working closely with the Head of Human Resources, drives the strategy for succession planning, leadership development and talent management. The Head of Human Resources develops and implements the processes and the tools to ensure robust pools of succession candidates for the President/CEO, Senior Management, middle management and first line management.

A key feature of Meralco's succession planning process are the talent reviews that are conducted at the Senior Management level and at various levels of the organization. Currently,

this 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 5 years. The talent reviews have been a hallmark of the Company's succession planning 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 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.

Board Committee Meetings

Member	2013 Board Committee Meeting Attendance				
	Executive	Nomination and Governance	Audit and Risk Management	Remuneration and Leadership Development	Finance
Ramon S. Ang	1/4	N/A	N/A	N/A	N/A
Anabelle L. Chua ¹	N/A	N/A	8/9	N/A	9/12
Ferdinand K. Constantino ¹	N/A	N/A	N/A	N/A	11/12
Ray C. Espinosa	N/A	4/4	N/A	N/A	12/12
Jose Ma. K. Lim	N/A	3/4	8/9	3/5	N/A
Manuel M. Lopez	2/4	N/A	N/A	N/A	10/12
Estelito P. Mendoza	N/A	3/4	N/A	N/A	N/A
Artemio V. Panganiban ²	4/4	N/A	9/9	N/A	N/A
Manuel V. Pangilinan	4/4	N/A	N/A	5/5	N/A
Vicente L. Panlilio	N/A	N/A	8/9	N/A	N/A
Eric O. Recto	4/4	N/A	8/9	4/5	11/12
Oscar S. Reyes	N/A	N/A	N/A	N/A	N/A
Pedro E. Roxas ²	N/A	4/4	8/9	5/5	9/12

¹ Non-Director Member

² Independent Director

Shareholdings of Directors and Key Officers as at December 31, 2013
(As disclosed to the PSE/SEC in 2013)

Name	Starting Balance ¹	Buy ²	Sell ²	Ending Balance	Direct	Indirect Holdings ³	Total Shares ³	% to Total Share ³
A. Directors								
1. Manuel V. Pangilinan - Chairman	25,000	-	-	25,000	1,000	24,000	25,000	0.00%
2. Ramon S. Ang – Vice Chairman	1	-	-	1	1	-	1	0.00%
3. Oscar S. Reyes – President/CEO	268	-	-	268	268	-	268	0.00%
4. Ray C. Espinosa	1,000	20,000	-	21,000	1,000	20,000	21,000	0.00%
5. James L. Go	-	10	-	10	10	-	10	0.00%
6. Lance Y. Gokongwei	-	10	-	10	10	-	10	0.00%
7. Jose Ma. K. Lim	10	-	-	10	10	-	10	0.00%
8. Manuel M. Lopez	796,625	-	-	796,625	796,625	-	796,625	0.07%
Manuel M. Lopez &/or Ma. Teresa Lopez	1,449,293	-	-	1,449,293	1,449,293	-	1,449,293	0.13%
9. Estelito P. Mendoza	1	-	-	1	1	-	1	0.00%
10. Artemio V. Panganiban	1	-	-	1	1	-	1	0.00%
11. Pedro E. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.00%
TOTAL	2,273,199	20,020	-	2,293,219	2,249,219	44,000	2,293,219	0.20%
B. Executive Officers with shareholdings in the Company								
1. Simeon Ken R. Ferrer – Corporate Secretary	767	-	-	767	668	99	767	0.00%
2. Ricardo V. Buencamino	20,000	-	-	20,000	-	20,000	20,000	0.00%
3. Roberto R. Almazora	56,674	-	-	56,674	50,935	5,739	56,674	0.00%
4. Alfredo S. Panlilio	-	668	-	668	-	668	668	0.00%
5. Ramon B. Segismundo	-	6,500	-	6,500	-	6,500	6,500	0.00%
6. Rafael L. Andrada	44,681	-	24,681	20,000	-	20,000	20,000	0.00%
7. Ruben B. Benosa	11,731	-	-	11,731	232	11,499	11,731	0.00%
8. Helen T. De Guzman	3,580	511	-	4,091	1,091	3,000	4,091	0.00%
9. Ivanna G. Dela Peña	3,500	25,731 ⁴	2,500	26,731	26,231	500	26,731	0.00%
10. Marthyn S. Cuan	2,150	-	-	2,150	-	2,150	2,150	0.00%
11. Rustico C. De Borja, Jr.	31,194	-	-	31,194	16,069	15,125	31,194	0.00%
12. Gerardo F. Dela Paz	14,074	-	5,000	9,074	874	8,200	9,074	0.00%
13. Manolo C. Fernando	14,456	-	-	14,456	14,456	-	14,456	0.00%
14. Ferdinand O. Geluz	-	1,000	-	1,000	1,000	-	1,000	0.00%
15. Nixon G. Hao	22,263	-	19,472	2,791	601	2,190	2,791	0.00%
16. Nestor P. Sarmiento	323	18,653 ⁴	-	18,976	18,976	-	18,976	0.00%
17. Liza Rose G. Serrano-Diangson	18,294	-	2,000	16,294	11,338	4,956	16,294	0.00%
18. Manuel Lorenzo L. Tuason	22,180	-	-	22,180	-	-	22,180	0.00%
TOTAL	265,867	53,063	53,653	265,277	164,651	100,626	265,277	0.02%

Note:

¹Based on the January 14, 2013 PSE/SEC Disclosure on Public Ownership Report as at December 31, 2012.

²Based on the PSE/SEC Disclosures on Statement of Beneficial Ownerships for the year ended December 31, 2013.

³Based on the January 14, 2014 PSE/SEC Disclosure on Public Ownership Report as at December 31, 2013.

⁴ Paid up Employee Stock Purchase Plan (ESPP)

Principal, Strategic and Subsidiaries/Affiliates Shareholdings as at December 31, 2013
(As disclosed to the PSE/SEC in 2013)

	Name	Beginning Shareholdings ¹	Buy ²	Sell ²	Ending Shareholdings	Direct Holdings ³	Indirect Holdings ³	Total Shares ³	% to Total Share ³
A.	Principal Stockholder								
	Beacon Electric Asset Holdings, Inc.	544,442,898	18,861,144		563,124,042	563,124,042	-	563,124,042	49.96%
	JG Summit Holdings, Inc.		153,191,489		153,191,489	153,191,489	-	153,191,489	13.59%
	JG Summit Holdings, Inc. (thru PCD)		152,497,908		152,497,908	152,497,908	-	152,497,908	13.53%
	San Miguel Corporation	241,872,280		241,872,280	-	-	-	-	0.00%
	SMC Global Power Holdings Corporation	69,059,538		69,059,538	-	-	-	-	0.00%
	San Miguel Pure Foods	59,090,909		59,090,909	-	-	-	-	0.00%
	TOTAL	914,465,625	324,370,541	370,022,727	868,813,439	868,813,439	-	868,813,439	77.08%
Note: PCD Nominee Corp. owns over 10%, however other than what is reflected herein, any participant owning 10% or more is unknown to the issuer.									
B.	Strategic Stockholder								
	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%
	TOTAL	44,475,706	-	-	44,475,706	44,475,706	-	44,475,706	3.95%
C.	Subsidiaries/Affiliates with Shareholdings in the Company								
	Corporate Information Solutions, Inc.	12,526,00			12,526,00	12,526		12,526,00	0.00%
	TOTAL	12,526,00	-	-	12,526,00	12,526	-	12,526,00	0.00%

Note:

¹Based on the January 14, 2013 PSE/SEC Disclosure on Public Ownership Report as at December 31, 2012.

²Based on the PSE/SEC Disclosures on Statement of Beneficial Ownership for the year ended December 31, 2013.

³Based on the January 14, 2014 PSE/SEC Disclosure on Public Ownership Report as at December 31, 2013.

MANILA ELECTRIC COMPANY

As at December 31, 2013

