

Corporate Governance Report

This report highlights Corporate Governance (CG) achievements in 2011, manifesting Meralco's commitment to fulfill governance aspirations and compliance with the Securities and Exchange Commission's (SEC) Revised Code of Corporate Governance for publicly-listed companies in the Philippines.

Policies and initiatives are implemented to guide Board of Directors (Board), officers and employees in the practice of fairness, accountability, integrity and transparency.

I. PERFORMANCE IN GOVERNANCE

Meralco's efforts to pursue good governance initiatives and to comply with relevant regulations were recognized both locally and internationally.

A. Compliance to Regulations

Pursuant to the governance principle of transparency, Meralco fully complied with the SEC and Philippine Stock Exchange's (PSE) reportorial requirements on corporate governance, including:

1. The 2011 Certification by the Compliance Officer of Meralco's compliance with the Revised Manual of Corporate Governance.

2. Certification of Board attendance, reports involving financial statements, disclosure of material information and events, clarifications on specific news articles concerning Meralco, and trainings attended by Board members and key officers on corporate governance.
3. Disclosure requirements on direct and indirect ownership of securities under the Securities Regulation Code (SRC) and the reporting of trading transactions of directors and concerned officers of Meralco by the Compliance Officer not later than the following day after the required event or transaction. There has been no case of insider trading involving directors and management of Meralco.

Meralco participated in the following annual CG Performance Assessments:

1. The CG Scorecard Assessment conducted by the Institute of Corporate Directors (ICD) in cooperation with SEC and PSE. It evaluates the level of CG practices of Publicly Listed Companies (PLCs) relative to local and international standards and best practices. Meralco's corporate governance scorecard shows its performance as higher than the average performance of all other participating PLCs.
2. The PSE's CG Disclosure Guide, which helps publicly listed companies in their operations and informs shareholders of the good governance practices of the companies they invested in.

B. Building Competencies

Corporate governance education in Meralco continues with orientations and trainings for the Board, management and employees. All directors attended seminars on corporate governance as required by the Company's Manual of Corporate Governance and the Energy Regulatory Commission (ERC) Resolution No. 1, entitled "Program to Promote Good Corporate Governance in Distribution Utility." The Board of Meralco also attended a Governance Enhancement course on Regulatory Process and Related Issues on November 28, 2011 to constantly update itself of changes in the power distribution industry.

Senior executives attended the Corporate Governance Forum on December 7, 2011 entitled "Tips and Traps: A Discussion on the Experiences of US and Global Companies in Ethics, Compliance and Corporate Governance". It was facilitated by Mr. Steve Priest of Global Compliance and the Ethical Leadership Group.

Senior Executives – namely Ms. Ivanna G. de la Peña, Ms. Betty C. Siy-Yap and Mr. Ramon B. Segismundo, joined representatives of companies in an orientation course on corporate governance principles, road maps and best practices conducted by the ICD at the Manila Peninsula on December 1, 2011.

In 2011, three officers of Meralco – Mr. Jesus P. Francisco, Atty. Simeon Ken R. Ferrer and Mr. Gerardo F. dela Paz, were conferred the title of "Fellow" by the ICD after going through the Professional Directors Program, which included a Corporate Governance Orientation. They joined other ICD Fellows in Meralco – Mr. Oscar S. Reyes, Ms. Helen T. de Guzman and Mr. Manuel Lorenzo L. Tuason.

C. Governance Advocacies

Corporate Governance Deputy Head, Mr. Gerardo F. dela Paz, spoke before the 2011 National Electrification Administration – Electric Cooperatives (NEA-EC) Conference and Recognition held on April 28, 2011 at the Radisson Blu Hotel, Cebu City. The topic of his discussion was "Corporate Governance and Best Practices in Managing an Electric Utility Business".

Meralco also joined Philippine Long Distance Telephone Company and Smart Communications, Inc. as associate member in the Ethics and Compliance Officer Association (ECO) an association for individuals responsible for their organization's ethics, compliance, and business conduct programs, which has the largest group of ethics and compliance practitioners in the world as its members. ECOA is based in Massachusetts, U.S.A.

Meralco sent its representative to the ICD Annual Working Session held at the Sheridan Beach Resort and Spa in Palawan on November 17, 2011. The annual event enabled regulators, advocates and publicly listed companies to tackle relevant corporate governance issues and strengthen best practices in the country.

Meralco encourages active participation in the activities of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) to discuss best governance practices, regulatory issues and other relevant developments. GGAPP is an association of corporate governance advocates and practitioners from various publicly-listed companies, the public sector and other organizations.

D. Continuing Policy Formulation

With the creation of a Corporate Governance Office in Meralco in 2010, several corporate policies and programs were implemented such as the Revised Manual of Corporate Governance, Revised Code of Ethics, Policy on Blackout Period/Restriction on Trading of Shares, Policy on Solicitation and Acceptance of Gifts, “Be Right” Open Communication (integrated whistle-blowing) Policy, among others.

In 2011, Meralco continued to move forward with its corporate governance practices through the following initiatives:



1. “E-Report Mo” – A program that supports the “Be Right” Open Communication Policy of Meralco, a whistle-blowing channel that receives reports and initiates actions that will address:
 - Violation of the Corporate Governance Rules;
 - Violation of the Code of Ethics and Code on Employee Discipline or other related codes; and
 - Financial malfeasance including those related to financial fraud, questionable accounting and auditing matters.



2. “E-Suggest Mo” – The positive reporting program of the “Be Right” Open Communication Policy that harnesses the value of employees’ bright ideas and nurtures their contributions in improving Meralco’s operations through ingenious suggestions.

3. Corporate-wide launching of the New Meralco Corporate Values of Customer Service, Performance, Accountability/ Empowerment, Integrity/ Transparency, Teamwork/ Collegiality, *Malasakit* and *Makabayan*. The goal is to acquire the commitment of the participants in living out these values.

II. SHAREHOLDER RELATIONS

Meralco recognizes its responsibility to protect its shareholders’ rights by creating value and ensuring sustainable growth in business. Meralco upholds their rights to obtain relevant information about Meralco in a timely and regular basis.

Meralco’s financial performance and prospects are regularly reported to the SEC and PSE. These reports are immediately made public through press releases and postings in the Meralco’s website.

Investors’ briefings are held quarterly, where equity and credit analysts of both local and foreign-based institutions are invited. Analysts who are unable to attend in person participate through a teleconferencing facility with playback feature available up to three days after the event. Members of Senior Management make themselves available for meetings with institutional investors through Company visits, teleconferences, briefings and attendance in local and international investor conferences.

Press and media briefings are likewise held regularly to report on Meralco’s operating and financial results to the various representatives of media, particularly from the television, print and wire agencies. Such briefings are venues for Management to answer questions and clarify issues prior to the release of information to the public.



Shareholders and investors are provided with adequate facilities to communicate with Meralco through telephone, mail, electronic mail, and website, www.meralco.com.ph. The Investor Relations Office supervises the investors' briefings and attends to institutional investors' needs. Stockholder Affairs Office attends to the inquiries and other concerns of shareholders, including the distribution of Notice and Agenda of the Annual General Meeting (AGM) at least 30 days before the said meeting. Notices were sent on April 27, 2011, 34 days before the 2011 AGM on May 31, 2011.

Meralco also adheres to its commitment to maintain a fair and competitive return to its investors. Meralco has a dividend policy approved by the Board, which was ratified by the shareholders in 2010. The policy provides for payment of regular dividends equivalent to 50% of core earnings, which may be supplemented by a special dividend

determined on a "look-back" basis. Any declaration and payment of special dividend shall be dependent on the availability of unrestricted retained earnings and availability of free cash. The details of the cash dividend pay-outs are included in Note 18 to the the Consolidated Financial Statements.

Annual General Meeting

The AGM serves as a venue to report to and engage the shareholders, as well as to clarify issues in the presence of the Board, Management and external auditors. Shareholders are encouraged to personally attend the AGM and if unable to do so, are advised of their right to appoint a proxy on their behalf. Notarization of a proxy is not required but has to comply with the requirements of law, in particular, the Corporation Code and SRC, pertinent rules and regulations, By-Laws, and rules and policies adopted by the Board.

The AGM held on May 31, 2011 was attended, in person or proxy, by stockholders who owned or held a total of over 949 million shares or approximately 84% of the 1,127 million total issued and outstanding common shares of Meralco entitled to vote.

The Chairman of the Board, Ambassador Manuel M. Lopez, presided over the meeting. All of the members of the Board elected at the AGM, except for Mr. Ray C. Espinosa and Mr. Napoleon L. Nazareno, were present.

III. BOARD OF DIRECTORS

The Board is primarily responsible for the governance of Meralco. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board also provides an independent oversight on Management. The Board establishes Meralco's vision, mission, strategic objectives, policies and procedures that guide its activities, including the mechanisms for effective monitoring of Management's performance. The Board also ensures that internal control mechanisms for good governance are adequate.

A. Board Composition

The Board consists of 11 directors which are elected by the stockholders during the AGM. The Board represents a mix of disciplines in the area of business, finance, operations and legal competencies, with each director capable of adding value and exercising independent judgment. Of these directors, two are independent directors, seven are non-executive directors, and two are executive directors. The composition of the Board clearly delineates their responsibilities with those of Management.

B. Board Independence

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

C. The Chairman of the Board and the President and CEO

To further strengthen the Board's independence, the position of the Chairman of the Board is separated from the President and CEO. Each position has distinct and separate duties and responsibilities in accordance with Meralco's amended By-Laws and Revised Manual of Corporate Governance. The Chairman of the Board is Ambassador Manuel M. Lopez, while the President and CEO is Mr. Manuel V. Pangilinan.

D. Election of Directors

In accordance with the provisions of the Company's By-Laws and Manual of Corporate Governance, the Corporation Code of the Philippines and the SRC, nominees for board directorship go through a nomination and screening process. The final list of nominees is determined after pre-screening and evaluation. The directors are elected by stockholders who are entitled to vote during the AGM. They serve for a period of one year and until their successors are qualified and elected.

E. Board Remuneration

Meralco's directors do not receive any compensation other than the Board-approved per diem for their attendance in Board and Committee Meetings. In 2011, each director was entitled to a director's fee of Php120,000 for each Board meeting attended. Each member or advisor of the Audit and Risk Management, Remuneration and Leadership Development (formerly Compensation and Benefits), Finance, Nomination and Governance Committees was entitled to a fee of Php20,000 for every committee meeting attended.

F. Board Performance

The Board holds monthly meetings and special Board meetings, if so required, with agenda that include updates by the Chairman of the Board and the

Board committees, reports on financial performance by the Chief Finance Officer (CFO) and operational performance by the President and CEO, the Senior Executive Vice President and Chief Operating Officer (COO) among other major issues of Meralco.

The Board has separate and independent access to the Corporate Secretary, who oversees the adequate flow of information to the Board prior to meetings and advises directors about their duties. During Board meetings, discussions are open and independent views are given due consideration. Average attendance in the Board's 12 meetings last year was more than 89%.

The following table shows the participation of the Board in the AGM, Organizational Meeting and its regular meetings:

Member	Designation	AGM and Organizational Meeting May 31, 2011	Board Meetings
Ambassador Manuel M. Lopez	Chairman	Present	6/12
Ramon S. Ang	Vice-Chairman and Director	Present	8/12
Manuel V. Pangilinan	Director	Present	10/12
Ray C. Espinosa	Director	Not Present	12/12
Estelito P. Mendoza	Director	Present	12/12
Napoleon L. Nazareno	Director	Not Present	12/12
(Ret.) Chief Justice Artemio V. Panganiban	Independent Director	Present	12/12
Vicente L. Panlilio	Director	Present	11/12
Eric O. Recto	Director	Present	12/12
Oscar S. Reyes	Director	Present	12/12
Pedro E. Roxas	Independent Director	Present	11/12

The Board recognizes the importance of a regular performance assessment, individually and collectively, as part of their accountability. Assessments were done to evaluate their specific and overall performance for the past calendar year. The assessment of their 2011 performance was conducted on February 3, 2012.

On May 20, 2011 the Board also assessed the performance of the different committees. The Board evaluated their individual and collective performances regarding the Board and its committees' structures, processes and responsibilities. The assessment likewise identified the training and skills development program needed by the Board. As a result, an orientation on the regulatory process and related issues was held on November 28, 2011.

The Board reviewed the 2011 performance of the President and CEO during the January 30, 2012 Board meeting. It was based on the attainment of target corporate goals for 2011.

IV. BOARD COMMITTEES

The Board formed five committees to ensure compliance with the principles of good corporate governance. The members of the 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.

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

A. Executive Committee (ExCom) –

composed of five directors, one 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 in the By-Laws or on a majority vote of the Board, subject to the limitations provided by the Corporation Code of the Philippines.

B. Nomination and Governance Committee (Nom & GovCom) –

composed of four directors with an independent director as chairman. It is responsible for screening 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.

In 2011, the Nom & GovCom

a) screened and selected the nominees for election as members of the Board; b) reviewed the rules on nomination of candidates, validation of proxies, and appreciation of ballots; c) reviewed revisions in the Manual of Corporate Governance; d) reviewed the committee charter; e) conducted the Board and Board Committee self-assessment and evaluated its results; and f) facilitated the Board orientation on regulatory processes.

C. Audit and Risk Management Committee (AuditCom) –

composed of five directors with accounting and finance backgrounds and two of whom are independent. The AuditCom provides assistance to the Board in its oversight responsibility in the financial reporting process, system of risk management and internal control, audit process, and monitoring compliance with applicable laws, rules and regulations.

In 2011, the AuditCom was able to accomplish the following: a) review of Meralco's 2010 audited financial statements and 2011 quarterly financial statements; b) review and approval of the 2010 Audit and Risk Management Committee Report to the Board; c) evaluation of the external auditor's performance and endorsement of the nomination of the external auditor and its fees for 2011; d) review of 2010 internal audit performance and status report; e) approval of external quality assessment review for the internal audit activity; f) review and approval of external auditor's 2011 audit plan; g) evaluate Board Committee self-assessment results; h) review the AuditCom charter; and i) evaluate Meralco's risk profile and management structure, systems and processes.

D. Remuneration and Leadership Development Committee (Remuneration & LDCom, formerly Compensation and Benefits Committee) – composed of four directors, one of whom is an independent director. The Remuneration & LDCom assists the Board in the development of Meralco's overall performance management, compensation, retirement and leadership development policies and programs based on the Meralco-approved philosophy and budget.

In 2011, the Remuneration & LDCom a) reviewed and endorsed to the Board new remuneration policy, philosophy, design, and programs of Meralco; b) recommended the implementation of the Long-term Incentive Plan; c) evaluated the 2010 employee performance results and proposals for the 2011 and 2012 performance management system and incentive plans; d) conducted the 2010 performance

evaluation of the President and CEO; e) reviewed and recommended improvements to the Remuneration & LDCom charter, including renaming the committee to Remuneration and Leadership Development Committee to align with its expanded responsibilities; and f) nominated the Board of Trustees of the Meralco Pension Fund.

E. Finance Committee (FinCom) – composed of four directors, one of whom is an independent director, with the CFO as ex-officio member. It reviews the financial operations of Meralco and matters regarding major purchase contracts, and acquisition and/or divestment of investments, businesses or ventures.

In 2011, the FinCom a) reviewed and recommended the approval of the 2012 consolidated corporate budget; b) reviewed and recommended the approval of the medium-term financial plans; c) recommended the approval of cash dividend declarations for common and preferred shares; d) reviewed the quarterly cash projections and finance operations reports; e) recommended the redemption on the callable preferred shares; f) reviewed the proposals for new debts and refinancing of existing obligations; g) reviewed investment plans; h) reviewed and recommended the funding of the Meralco Pension Fund; i) recommended the approval of the divestment from the real estate business; j) reviewed and recommended major purchase contracts; k) approved the disposal of asset no longer needed in the operations; and l) recommended approval of bank accreditation and signing authorities.

F. Board Committee Meeting and Attendance

Member	2011 Board Committee Meeting Attendance			
	Nom & GovCom	AuditCom	Remuneration & LDCOM	FinCom
Ambassador Manuel M. Lopez	N/A	N/A	N/A	6/12
Ramon S. Ang	N/A	N/A	N/A	N/A
Manuel V. Pangilinan	N/A	N/A	5/5	N/A
Ray C. Espinosa	5/5	N/A	N/A	11/12
Estelito P. Mendoza	4/5	N/A	N/A	N/A
Napoleon L. Nazareno	5/5	6/7	5/5	N/A
(Ret.) Chief Justice Artemio V. Panganiban ¹	N/A	7/7	N/A	N/A
Vicente L. Panlilio	N/A	7/7	N/A	N/A
Eric O. Recto	N/A	6/7	5/5	11/12
Oscar S. Reyes	N/A	N/A	N/A	N/A
Pedro E. Roxas ¹	5/5	7/7	5/5	11/12
Ferdinand K. Constantino ²	N/A	N/A	N/A	7/12
Anabelle L. Chua ²	N/A	6/7	N/A	11/12

¹ Independent Director; ² Non-Voting Member

V. MANAGEMENT

The Management is represented by a Management Committee (ManCom) composed of corporate officers and executives headed by the President and CEO, or in his absence, the Senior Executive Vice President and COO. All principal policies and directions governing the organization, management and operation of Meralco, as well as its subsidiaries are formulated and implemented by the ManCom, subject to Board approval. Weekly meetings are conducted by the ManCom to ensure implementation of major policies and directions governing Meralco and its subsidiaries. It reports to the Board during regular Board meetings or special meetings through the President and CEO and/or the Senior Executive Vice President and COO.

The annual performance of Management is assessed through the achievement of the established target goals of Meralco.

VI. ENTERPRISE RISK MANAGEMENT

Meralco crafts annual strategies and conducts self-assessments to evaluate risks and their likely impact on its business performance.

Meralco has an existing Risk Management Policy Manual, approved in September 2009, which aims to enhance shareholder value through a risk management framework. This framework includes procedures for identifying and reviewing risks and in ensuring that mitigation and management activities are undertaken. It defines the infrastructure that guides employees, Senior Management and the Board in making appropriate decisions for managing Meralco's risk portfolio to meet its goals and strategies.

In 2011, Meralco intensified its risk management awareness campaign by expanding its Risk Management Office's function and scope to include external

risks involving subsidiaries and associates. Meralco's annual Risk Self-Assessment activity included the identification and verification of critical business risks of both Meralco and its subsidiaries. The top business risks that were identified in the process served as valuable inputs in Meralco's planning and budgeting activities.

VII. ACCOUNTABILITY AND AUDIT

A. External Auditors

SyCip, Gorres, Velayo & Co. (SGV) has been reappointed as external auditors of Meralco in the AGM on May 31, 2011. The engagement partner assigned to Meralco since 2008 is Mr. Gemilo J. San Pedro, who has extensive accounting and auditing experience. The appointment is in accordance with the SEC regulation on the qualification of external auditors.

The AuditCom ensures that the independence of the external auditors is maintained. In line with this, the AuditCom does not allow engagement of SGV in any non-audit work that (i) will conflict with their duties as external auditors or (ii) may impair or pose a threat to their independence. Any non-audit work, if allowed, is disclosed in the Meralco annual report.

During the year, the external auditors provided the following audit and permissible non-audit services to Meralco and its subsidiaries.

Consolidated Audit Fees (in million Php)		
	2011	2010
Financial statements audit	9.2	9.4
Tax services and others	1.0	1.5
TOTAL	10.2	10.9

There has been no disagreement with the external auditors on any matter of accounting principles or practices, auditing scope or procedure, and financial statement disclosure.

B. Internal Auditors

The internal audit activities conform with the concepts and principles enunciated in the definition of internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal audit services are performed in accordance with the International Standards for the Professional Practice of Internal Auditing.

The internal audit group is led by a chief audit executive and includes 23 other staff with professional qualifications, which include Certified Internal Auditors, Certified Information Systems Auditors and Certified Public Accountants. The tasks of the internal audit group are set out in the Corporate Audit Charter and the Code of Corporate Governance of Meralco. To provide for independence of the internal audit group, the chief audit executive reports functionally to the AuditCom and administratively to the President and CEO in a manner outlined in the Corporate Audit Charter.

Annually, a risk-based internal audit plan is prepared and approved by the AuditCom.

In 2011, the internal audit group issued reports to Senior Management and the Audit and Risk Management Committee to communicate the results of reviews and audits covering various operational units of the Company and its subsidiaries including specific areas of concern identified by Management. 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.

C. Internal Control

The control environment of Meralco consists of:

- The Board, which ensures that Meralco is properly managed and effectively supervised;
- A Management that handles day-to-day operations and ensures that sound and prudent decisions and actions are made;
- The organizational and procedural controls supported by effective management information and risk management reporting systems; and
- An independent audit mechanism to monitor the adequacy and effectiveness of Meralco's financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, confidential information, and compliance with laws, rules and regulations and contracts.

VIII. FINANCIAL REPORTING

The consolidated financial statements were prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards, including interpretations issued by the Philippine Financial Reporting Standards Council. The consolidated financial statements are reviewed by the AuditCom to ensure that they present fairly, in all material aspects, the financial position of Meralco and subsidiaries and are recommended for approval by the Board. In 2011, the audit of the consolidated financial statements was conducted by the external auditors, the results of which were discussed with the AuditCom. The consolidated financial statements were presented to the Board for approval before these were filed with the SEC and released to the public.

IX. DISCLOSURES ON OWNERSHIP STRUCTURE

Meralco ensures that it consistently complies with the required disclosures on shareholdings of its securities. In compliance with the PSE requirements, a quarterly report of Meralco's top 100 shareholders is disclosed to the PSE and posted in the Meralco website.

Based on Meralco's stock and transfer book, the security ownership as at December 31, 2011 of beneficial owners of more than 5% of any class of its voting securities is as follows:

Name	No. of Shares	Percentage
Beacon Electric Asset Holdings, Inc.	480,033,776	42.6%
San Miguel Corporation	241,872,280	21.5%
PCD Nominee Corporation (Filipino)	64,135,540	5.7%
Social Security System	62,990,689	5.6%
San Miguel Purefoods Company, Inc.	59,090,909	5.2%
Complete list is found in the "List of Top 100 Stockholders as at December 31, 2011" as filed with the PSE on January 12, 2012.		

Meralco's public ownership level as at December 31, 2011 as submitted to the PSE on January 24, 2012 is at 19.08%.

X. RELATED PARTY TRANSACTIONS

Meralco transacts with related parties to whom it supplies and delivers electricity and/or those who provide services to support its operations. Any dealing with a related party is set on an arm's-length basis in a manner similar to the transactions with third parties. Meralco fully discloses its related party transactions in accordance with revised PFRS. The nature, extent and other material information of these transactions are disclosed to the SEC and PSE through the consolidated financial statements and annual report within prescribed schedules. These disclosures are likewise posted on the Meralco website for easy access by all its stakeholders and the public. No disputes in connection with such related party transactions were reported in the past.

XI. EMPLOYEE RELATIONS

Meralco is committed to the development and welfare of its employees. As the Company sustain its efforts in building a high performance culture to fully respond to the requirements of the new business environment, employees are continuously trained and developed to enable them to achieve excellent performance founded on our corporate values. Career development programs are implemented to ensure professional growth through skills and job enrichment opportunities, learning and development programs, performance management and promotions systems. Employees are compensated based on performance and over-all qualifications and market competitiveness. Adequate provisions for medical, health and other essential benefits; and workplace safety are provided to promote employee welfare and well-being. Uprightness and impartiality are observed in conflict resolution. HR Programs for our employees are continuously reviewed and enhanced to ensure their overall effectiveness and responsiveness.

The Company is further committed in sustaining and/or further enhancing the high level of engagement of employees. Guided by the results of an employee engagement survey conducted, focused and deliberate initiatives are undertaken to help ensure employees job satisfaction and motivation. Employee communication is strengthened to keep employees well-informed on significant developments. Employees are likewise encouraged to give feedback and suggestions to Management to further improve corporate and operational performance, thereby, promoting employee accountability and empowerment.

XII. OBLIGATIONS TO OTHER STAKEHOLDERS

Meralco fully considers the impact of business decisions on the interests of its shareholders and other stakeholders. The Declaration of Corporate Principle of the Revised Manual of Corporate Governance specifically mentions: "The Company... uphold(s) an ethical culture that will

protect and promote the best interest of the Company for the common benefit of the Company's stockholders and other stakeholders."

Meralco also protects and maintains professional relationships with its suppliers and creditors based on mutual respect and benefit. Meralco commits to foster long-term stability, direct and open relation, and continuous development with suppliers to attain quality, competitiveness, process efficiency and performance reliability; foster governance principles in all of its business dealings; and seek, encourage and prefer suppliers whose business practices adhere to the principles of good corporate governance and social responsibility.

XIII. GOVERNANCE OF SUBSIDIARIES

As one of Meralco's five strategic business pillars, the subsidiaries contribute significantly in boosting shareholder value.

The Subsidiary Management Policy continues to serve as the guidebook in creating and managing subsidiaries based on the criteria and principles embodied in the Revised Manual of Corporate Governance, Code of Ethics, and existing laws, rules and regulations.

In 2011, Meralco continued to strengthen the good governance practice of its subsidiaries by strongly advocating the need for each subsidiary to adopt its own Manual of Corporate Governance. Specifically, the subsidiaries were provided with a template based on the requirements stipulated in the SEC Revised Code of Corporate Governance and the Revised Manual of Corporate Governance to assist each subsidiary in developing and adopting its own manual.

(Meralco provides a detailed report on all the foregoing facts, programs and initiatives in the corporate governance section in its website, www.meralco.com.ph. The same section also features Meralco's corporate governance structures and key players, principles, responsibilities, policies, processes and practices.)

Board of Directors



MANUEL M. LOPEZ, 69

Director (since April 14, 1986)

Chairman and CEO (from July 1, 2001 to June 30, 2010)

Chairman (since July 1, 2010)

Mr. Lopez is the Philippine Ambassador to Japan. He is concurrently the Chairman and CEO of Lopez Holdings Corporation and is the Chairman of Bayan Telecommunications, Inc., Indra Philippines, Inc., Rockwell Land Corporation and Rockwell Leisure Club. He is the Vice Chairman of First Philippine Holdings Corporation and a member of the Board of Directors of ABS-CBN Corporation, Adtel, Inc., First Philippine Realty Corporation and Griffin Sierra Travel, Inc. He is also the President of Eugenio Lopez Foundation Inc.

MANUEL V. PANGILINAN, 65

Director (since May 26, 2009)

President and CEO (since July 1, 2010)

Mr. Pangilinan is the Chairman of Philippine Long Distance Telephone Company, Smart Communications, Inc. and Digitel, Inc., the country's dominant telecommunications group. He is the Chief Executive Officer and Managing Director of First Pacific Company Limited, a publicly-listed company in Hong Kong. He is currently the Chairman of the Board of Trustees of San Beda College, and was the Chairman of the Board of Trustees of the Ateneo de Manila University.

OSCAR S. REYES, 65

Director, Senior Executive Vice President and Chief Operating Officer (since July 1, 2010)

Mr. Reyes is a member of the Advisory Board of Philippine Long Distance Telephone Company and of the Board of Directors of Bank of the Philippine Islands, Manila Water Company, Inc., Ayala Land, Inc., Smart Communications, Inc., Pepsi Cola Products Philippines, Inc. and Sun Life Financial Phils., Inc., among other firms. He is also the President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation, CIS Bayad Center, Inc., Meralco Energy, Inc., MRL Gold Phils., Inc. and Link Edge, Inc. He is a member of the Board of Trustees of One Meralco Foundation, Inc., Pilipinas Shell Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc. He served as Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.



RAMON S. ANG, 57

Director and Vice Chairman (since February 1, 2009)

Mr. Ang is the Vice Chairman, President and Chief Operating Officer of San Miguel Corporation. He is the Chairman, CEO and Executive Director of Petron Corporation and Chairman and CEO of SMC Global Power Holdings Corporation. He is the Chairman of San Miguel Brewery, Inc., San Miguel Foods, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Eastern Telecommunications Philippines, Inc., Liberty Telecoms Holdings, Inc., Sea Refinery Corporation and Philippine Diamond Hotel & Resort Inc. He is the Vice Chairman of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman and President of San Miguel Properties, Inc., Bell Telecommunication Philippines, Inc., Atea Tierra Corporation, Cyber Bay Corporation and Philippine Oriental Realty Development Inc.. He is a Director of other subsidiaries and affiliates of the San Miguel Group of Companies in the Philippines and Southeast Asia and an Independent Director of Philweb Corporation.

RAY C. ESPINOSA, 55

*Director (since May 26, 2009)
General Counsel*

Atty. Espinosa is the President and Chief Executive Officer of Mediaquest Holdings, Inc., ABC Development Corporation (TV5), Mediascape, Inc. (Signal TV), Nation Broadcasting Corporation, and other subsidiaries of Mediaquest Holdings Inc. He is a member of the Board of Trustees of the PLDT Beneficial Trust Fund, a member of the Board of Directors of Philippine Long Distance Telephone Company, Meralco PowerGen Corporation and Metro Pacific Investments Corporation and Lepanto Consolidated Mining Corporation; and Vice Chairman of Philweb Corporation. He also serves as Head of Regulatory Affairs and Policy of Philippine Long Distance Telephone Company.

ESTELITO P. MENDOZA, 81

Director (since February 1, 2009)

Atty. Mendoza is the Managing Partner of Estelito P. Mendoza and Associates. He is a member of the Board of Directors of San Miguel Corporation, Petron Corporation, Philippine National Bank and Philippine Airlines, Inc. He has also been a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was also the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.



NAPOLEON L. NAZARENO, 62

Director (since May 26, 2009)

Mr. Nazareno is the President and Chief Executive Officer of Philippine Long Distance Telephone Company, Smart Communications, Inc. and Connectivity Unlimited Resources Enterprise, Inc. He also serves as Chairman of PLDT Communications and Energy Ventures, Inc.; member of the Board of Directors of Smart Broadband, Inc., Wolfpac Mobile, Inc., and i-Contacts Corporation. He is a member of the Board of Directors of PLDT Global Corporation, ePLDT, Inc. and GSM Association Worldwide and Wireless Applications Community (WAC), an international alliance of telecommunications companies; and a non-executive Director of First Pacific Company Limited. He is also the Chairman of the Board of Trustees and Governors of the Asian Institute of Management, Governor of the Management Association of the Philippines and member of the Council of Advisors of the De La Salle University Graduate School of Business and Philippine-Thailand Business Council.

ARTEMIO V. PANGANIBAN, 75

Independent Director (since May 27, 2009)

Justice Panganiban was a former Chief Justice of the Supreme Court of the Philippines. He was a Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy. He is an Independent Director of Petron Corporation, Bank of the Philippine Islands, First Philippine Holdings Corporation, Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Robinsons Land Corporation, GMA Network, Inc., GMA Holdings, Inc. and Asian Terminals, Inc. He is a Senior Adviser of Metropolitan Bank and Trust Company, Chairman of the Board of Advisers of Metrobank Foundation and a columnist for the Philippine Daily Inquirer.

VICENTE L. PANLILIO, 65

Independent Director (from May 27, 2008 to May 25, 2010)

Director (since June 28, 2010)

Mr. Panlilio is a member of the Board of Directors of San Fernando Electric Light and Power Company, Bank of Commerce, and a member of the Board of Trustees and Treasurer of Tulay sa Pag-unlad Foundation, Inc. He was a Director of the Philippine Stock Exchange, the Philippine Dealing Exchange Corporation, Equitable PCIBank and the Philippine National Bank. He was also Chief Operating Officer and member of the Advisory Board of Far East Bank and Trust Company.



PEDRO E. ROXAS, 55

Independent Director (since May 25, 2010)

Mr. Roxas is the Chairman and a member of the Board of Directors of Roxas Holdings, Inc., Roxas and Co., Inc. and Roxaco Land Corporation. He is the Chairman of Roxol Bionergy Corporation, Club Punta Fuego, Inc. and Fuego Land Corporation. He is a member of the Board of Directors of Philippine Long Distance Telephone Company, BDO Private Bank and Brightnote Assets Corporation.

ERIC O. RECTO, 48

Director (since June 28, 2010)

Mr. Recto is the Vice Chairman of Philippine Bank of Communications and is the President of Petron Corporation, Top Frontier Investment Holdings, Inc., Q-Tech Alliance Holdings, Inc. and ISM Communications Corporation. He is also a member of the Board of Directors of San Miguel Corporation, and Vice Chairman of Atok-Big Wedge Co., Inc., Alphaland Corporation and Philweb Corporation. He was a Director of Philex Petroleum Corporation, Maynilad Water Services, Inc., Bulawan Mining Corporation and Philippine National Bank.

Corporate Officers



RAFAEL L. ANDRADA, 52

*First Vice President and Treasurer
Head, Investment Management and Treasury*

Mr. Andrada is a member of the Board of Directors of CIS Bayad Center, Inc., Clark Electric Distribution Corporation, General Electric Philippines Meter & Instrument Co., Inc., Republic Surety and Insurance Company, Inc., Meralco Industrial Engineering Services Corporation, Rockwell Leisure Club, Inc., Rockwell Land Corporation, Bauang Private Power Corporation and Lighthouse Overseas Insurance Ltd., Inc. He is the Treasurer of Clark Electric Distribution Corporation, Lighthouse Overseas Insurance Ltd., Inc., Meralco PowerGen Corporation, Calamba Aero Power Corporation, Redondo Peninsula Energy, Inc. and Atimonan Land Ventures Development Corporation. He holds a Bachelor of Science degree in Management from De La Salle University.

RUBEN B. BENOSA, 55

*First Vice President and Head,
Corporate Logistics Office*

Mr. Benosa is a member of the Board of Directors of Miescorrail, Inc., Meralco Energy, Inc. and e-Meralco Ventures, Inc. and Trustee of the Meralco Management and Leadership Development Center Foundation, Inc. Mr. Benosa holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology and completed his Masters in Management at the Asian Institute of Management.

RICARDO V. BUENCAMINO, 67

*Executive Vice President and Head,
Networks*

Mr. Buencamino is a member of the Board of Directors of Clark Electric Distribution Corporation, General Electric Philippines Meter & Instrument Company, Inc., Meralco Energy, Inc., Calamba Aero Power Corporation, Atimonan Land Ventures Development Corporation, Conference of the Electric Power Supply Industry Philippines, Inc. and Association of Electricity Supply Industry of East Asia and the Pacific. Mr. Buencamino holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology. He completed his Masters in Management at the Asian Institute of Management and attended the General Management of Electric Utilities training program at the International Management Development Center in Texas, U.S.A.



MARTHYN S. CUAN, 32

*Vice President
Chief Information Officer*

Mr. Cuan is a member of the Board of Directors of e-Meralco Ventures, Inc. He was the Operations Head, Information Enterprise Services of Deutsche Bank Group – Manila Shared Service Centre. Mr. Cuan holds a Bachelor of Science degree in Management Information Systems from the Ateneo de Manila University.

IVANNA G. DE LA PEÑA, 57

*First Vice President and Head,
Regulatory Management Office*

Ms. De la Peña is a member of the Board of Directors of Clark Electric Distribution Corporation, e-Meralco Ventures, Inc., Share An Opportunity Philippines Inc. and Medical Ambassadors Phils., Inc. Ms. de la Peña holds a Bachelor of Science degree in Statistics and a Masters in Business Administration from the University of the Philippines. She attended the Public Utility Research Center-World Bank Training Course on Utility Regulation and Strategy at the University of Florida and the General Management of Electric Utilities training program at the International Management Development Center in Texas, U.S.A.

SIMEON KEN R. FERRER, 55

*Corporate Secretary and Compliance Officer
(since May 26, 2009)*

Atty. Ferrer is a member of the Board of Directors and Corporate Secretary of Habibi Cove Realty Corporation, Marbelene Realty Corporation and Park Lane Assets, Inc., among others. Atty. Ferrer is a Senior Partner of SyCip Salazar Hernandez & Gatmaitan. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association and a Fellow of the Institute of Corporate Directors. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association.



ALFREDO S. PANLILIO, 48

*Senior Vice President and Head,
Customer Retail Services and
Corporate Communications*

Mr. Panlilio is a member of the Board of Directors of PLDT Global Corporation, ATH Holdings, Inc. (Malaysia), Mabuhay Satellite Corporation, CIS Bayad Center, Inc., Corporate Information Solutions, Inc., Meralco Energy, Inc. and Customer Frontline Solutions, Inc.; Vice Chairman and Trustee, Meralco Management and Leadership Development Center Foundation, Inc.; and Trustee of One Meralco Foundation, Inc. (formerly Meralco Millennium Foundation, Inc.) and Loyola Meralco Sparks Football Club; President of the MVP Sports Foundation. Mr. Panlilio holds a Bachelor of Science degree in Business Administration (Computer Information Systems) from the California State University – San Francisco State University and obtained his Masters in Business Administration at J. L. Kellogg School of Management of Northwestern University and The Hong Kong University of Science and Technology. He has 25 years of experience with telecommunications and information systems. Prior to joining Meralco, he was the President and CEO of PLDT Global based in Hong Kong.

RAYMOND B. RAVELO, 34

*Vice President and Head,
Strategy and Corporate Development*

Mr. Ravelo is concurrently President and Chief Executive Officer and a member of the Board of Directors of e-Meralco Ventures, Inc. Prior to joining Meralco, he was part of McKinsey and Company's Washington DC office where he led strategy development efforts and operations performance transformations for clients in North America, Latin America, Europe, Southeast Asia, and across a wide range of industries. Mr. Ravelo holds a Bachelor of Science degree, magna cum laude, in Management Engineering from the Ateneo de Manila University. He completed his Masters in Business Administration at the Wharton School of the University of Pennsylvania where he was a Joseph Wharton Fellow and an Omnicom Communication Fellow. He is also presently a member of the Board of Trustees of the Wharton Penn Alumni Association, Inc.

ANTHONY V. ROSETE, 55

*Vice President and Head,
Legal*

Atty. Rosete is the Assistant Corporate Secretary of Meralco. He was Head of Legal until December 31, 2011. He is the Corporate Secretary of Meralco PowerGen Corporation, Calamba Aero Power Corporation, Atimonan Land Ventures Development Corporation and Redondo Peninsula Energy, Inc.; Assistant Corporate Secretary of Clark Electric Distribution Corporation; a member of the Board of Directors of Miescorrail, Inc. and was Corporate Secretary of e-Meralco Ventures, Inc. Atty. Rosete holds a Bachelor of Arts degree in Political Science and Bachelor of Laws degree from the Ateneo de Manila University.



RAMON B. SEGISMUNDO, 54

*Senior Vice President and Head,
Human Resources and Corporate Services*

Mr. Segismundo is a member of the Board of Directors of Meralco Industrial Engineering Services Corporation, Miescorrail, Inc., CIS Bayad Center, Inc. and General Electric Philippines Meter & Instrument Company, Inc.; Chairman of Customer Frontline Solutions, Inc.; Trustee of the One Meralco Foundation, Inc., Meralco Management and Leadership Development Center Foundation, Inc., Meralco Pension Fund and the Loyola Meralco Sparks Football Club. He is a Governor and Board Treasurer of the Philippine Basketball Association. In the course of his career, he has worked in various Asia Pacific and International Human Resource Leadership roles in global multinational companies based in Singapore, United Kingdom and the United States. Mr. Segismundo holds a Bachelor of Science degree in Industrial Engineering and completed his Masters in Business Administration, both from the University of the Philippines.

BETTY C. SIY-YAP, 50

*Senior Vice President
Chief Finance Officer*

Ms. Siy-Yap is a member of the Board of Directors of Republic Surety and Insurance Company, Inc., Meralco Industrial Engineering Services Corporation, Clark Electric Distribution Corporation, General Electric Philippines Meter & Instrument Co. Inc., CIS Bayad Center Inc., Miescorrail Inc., Rockwell Land Corporation, e-Meralco Ventures, Inc., Indra Philippines, Inc., Meralco PowerGen Corporation, Lighthouse Overseas Insurance Limited, Redondo Peninsula Energy, Inc. and other subsidiaries. She is a Trustee of the Meralco Pension Fund, One Meralco Foundation, Inc. and Loyola Meralco Sparks Football Club. She is the Treasurer of the MVP Sports Foundation, Inc. and alternate Governor of the Philippine Basketball Association. She was a Partner at SyCip Gorres Velayo & Co. before joining Meralco. Ms. Siy-Yap holds a Bachelor of Science in Business Administration and Accountancy degrees from the University of the Philippines and a Masters in Business Administration at J.L. Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology. She also attended the Special Executive Program in Corporate Restructuring and Finance at the Arthur D. Little Management Institute in Cambridge, Massachusetts, U.S.A.

WILLIAM S. PAMINTUAN

*First Vice President, Deputy General
Counsel and Head,
Legal*

Mr. Pamintuan is head of Legal Services, effective January 1, 2012. He is the Corporate Secretary of Meralco PowerGen Corporation, Digital Telecommunications Phils., Inc., Digitel Mobile Phils., Inc.; Assistant Corporate Secretary of Cebu Pacific, Inc.; and a member of the Board of Directors of Miescorrail, Inc. Mr. Pamintuan graduated with a Bachelor of Arts degree in Political Science and Bachelor of Laws degree from the University of the Philippines.