

Thriving with Integrity in the New Normal

Guided by our new vision, mission, core values and strategic objectives, Meralco (“the Company”) kept the lights on for its customers while creating shared value for its shareholders, employees, and other stakeholders through a conscientious integration of best corporate governance practices, corporate social responsibility, and sustainability into its ethical business framework.

VISION

To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come

MISSION

To provide our customers the best value energy solutions – reliably, affordably, superbly, and sustainably

CORE VALUES

- Excellence
- Customer Centricity
- Sustainability
- Integrity
- Innovation
- Malasakit
- Bayanihan

The Company fully complied with the corporate governance code, rules, and regulations promulgated and enforced by the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE), Philippine Dealing & Exchange Corp. (PDEx), and other relevant regulatory bodies.

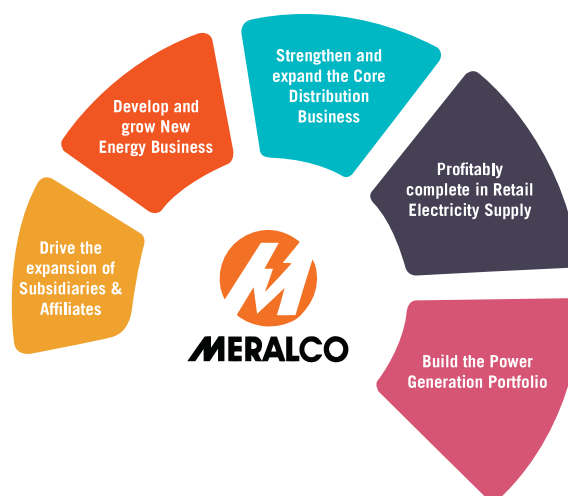
As a testament to the Company’s excellent corporate governance framework and programs, Meralco was awarded in 2021 with Three Golden Arrows based on the ASEAN Corporate Governance Scorecard assessment for its performance year 2019.

A. RESPONSIBILITIES OF THE BOARD

The Board is responsible for defining and reviewing the Company’s vision, mission, overall strategic directions, corporate objectives, long-term goals and core values annually. It oversees and monitors the implementation of the Company’s business objectives and strategy and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

The Board promulgated the Company’s Revised Manual of Corporate Governance (MCG) which mandates it to formulate and to annually review the Company’s vision and mission statement, strategic objectives, key policies and the mechanism for performance assessment of the Board and Management, principally the President and Chief Executive Officer (CEO).

MERALCO STRATEGIES AND GROWTH PLATFORMS



- 1 Revenue Enhancement and Expansion
- 2 Customer Centricity
- 3 Digital Transformation
- 4 Sustainability

The Board, in its regular meeting held on January 25, 2021 as part of the Board's assessment of the Company's performance in the past year, reviewed and confirmed the corporate strategic objectives of the Company. In the same meeting, the Board also reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance. On April 26, 2021, the Board assessed and revised the vision, mission, and values statements of the Company.

Notably, the MCG provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and adhere to in dealing with various stakeholders. Management in turn, ensures that the operations of the Company are aligned with the MCG.

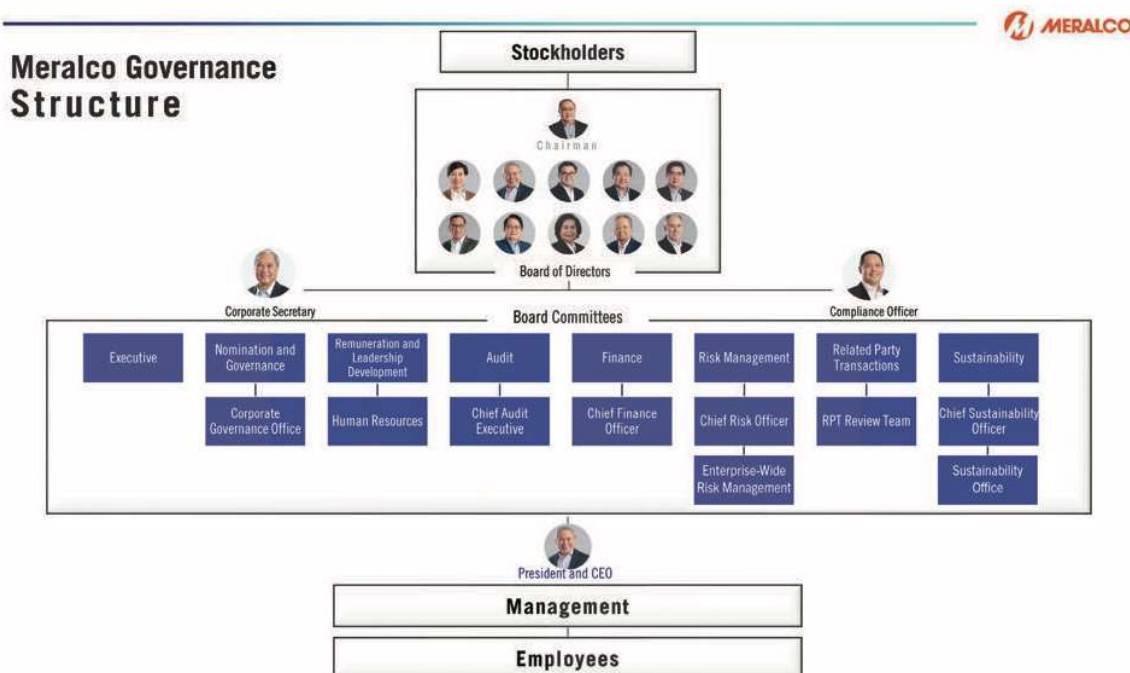
The MCG conforms to regulations set forth by the SEC, the PSE, PDEX, and other relevant regulatory bodies and is reviewed annually to ensure that it is up to date with local and international best practices, and in keeping with the Company's strategic direction. Pursuant to the SEC Memorandum Circular No. 19, Series of 2016, otherwise known as the "Code of Corporate Governance for Publicly-Listed Companies," the Board approved a Revised Manual of Corporate Governance on April 24, 2017.

A.1 COMPOSITION

In accordance with the Revised Corporation Code, the Company has a diverse Board consisting of eleven (11) directors, majority of whom are non-executive directors while three (3) are Independent Directors (ID).

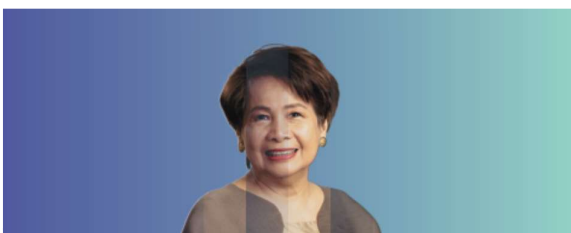
The Nomination and Governance Committee (Nom&Gov) reviews the nomination, selection, and composition of the Board pursuant to the Nomination and Election Policy. Additionally, it affirms that its members have a proper mix of qualifications, background, experience, independence, and skills needed to effectively perform its responsibilities in accordance with the Board Diversity Policy. The Policy promotes diversity to encourage critical discussion and foster balanced decision-making in the attainment of the Company's strategic objectives and sustainable development. The Policy likewise provides for measurable objectives for implementing its board diversity policy and for reporting on progress in achieving its objectives.

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



A.2 INDEPENDENT DIRECTORS

On March 9, 2021, the Nom&Gov assessed the profiles of the directors and found that the independent, non-executive directors are indeed free of relationships with the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they do not hinder in any way the performance of their duties to the Company.



On May 25 2021, Meralco shareholders elected the Company's lady independent director, Dr. Lydia B. Echauz.

Dr. Echauz served as the President of the Far Eastern University and of its three (3) affiliate schools for 10 years. She now serves as an independent director of D&L Industries, Inc. and Pilipinas Shell Petroleum Corporation, among others.

In 2021, retired Chief Justice Panganiban and Mr. Roxas had already served the maximum term limit of nine (9) years set by SEC Code of Governance for Publicly-listed Companies for independent directors. The justification for the extension of term of Retired Chief Justice Panganiban and Mr. Roxas may be viewed in light of the unprecedented backdrop of the COVID-19 Pandemic that brought about unique operational, legal and regulatory risks, that unfortunately have continued to loom relentlessly over the company and nation as a whole. In the midst of such uncertainty, Meralco and its stakeholders will benefit from stability in the Board brought about in part by Retired Chief Justice Panganiban's and Mr. Roxas' deep experience and knowledge of the Company that will enable them to continue to provide steady guidance and meaningful participation towards the crafting of policies and strategies to effectively address these risks.



Retired Chief Justice Panganiban is a legal luminary of unquestionable independence, who has brought to the Board a wealth of expertise and experience and competencies relevant to the power industry. He has, in freely sharing his measured opinions on relevant issues raised during Board meetings, encouraged critical discussion, thus promoting sound resolutions in the attainment of the Company's strategic objectives but always in consideration of the rights of all stakeholders. He is the Company's Lead Independent Director, serving as intermediary between the Chairman and other directors and the Chairman of the Audit Committee, leading the Board in ensuring the adequacy of the Company's material controls and risk management systems. He has also played a significant role in the Risk Management and Related Party Transactions Committees.



Mr. Pedro Emilio O. Roxas' indispensable contribution to the Board in terms of his vast expertise and experience in the areas of business, finance, and operations relevant to the power industry cannot be discounted. As the Chairman of the Nomination and Governance Committee and Related Party Transactions Committee, Mr. Roxas has been at the forefront of promoting good governance regulations, policies and practices within the Company and in its dealings with private and public stakeholders. As a testament to his efforts in ensuring that the corporate governance practices of the Company remain at the highest level of excellence, the Company received the ASEAN Asset Class Award in December 2020 for being one of the top companies in the region with sterling 2019 ASEAN Corporate Governance Scorecard (ACGS) assessment results. In February 2021, the Company also garnered a Three-Golden Arrow Award as a result of the 2019 ACGS assessment.

A.3 CHAIRMAN OF THE BOARD

The Chairman of the Board, Mr. Manuel V. Pangilinan, serves to represent the interests of all shareholders and stakeholders, and oversees the performance of the Board and its directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and espouse.

Together with the President and CEO, Atty. Ray C. Espinosa, the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, independent directors may raise, and ensures that the Board exercises strong oversight over the

Company and its Management, such that the prospect of any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the MCG accessible at the Company's website.

A.4 MEETINGS AND MAJOR ACCOMPLISHMENTS

The Board of Directors reviews and approves major projects, policy decisions, annual budgets, major investment funding, and major restructuring of core businesses on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.

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

2021 ASM and Board Meeting Attendance			
Director	Designation	Annual Stockholders' Meeting	Board and Organizational Meetings
Manuel V. Pangilinan	Chairman	Present	12/13
Ray C. Espinosa ¹	Director	Present	13/13
Anabelle L. Chua	Director	Present	13/13
James L. Go	Director	Present	13/13
Frederick D. Go	Director	Present	13/13
Lance Y. Gokongwei	Director	Present	13/13
Elpidio L. Ibañez ²	Director	Present	5/5
Lydia B. Echauz ²	Independent Director	Present	8/8
Jose Ma. K. Lim	Director	Present	13/13
Artemio V. Panganiban	Lead Independent Director	Present	13/13
Pedro Emilio O. Roxas	Independent Director	Present	13/13
Victorico P. Vargas	Director	Present	13/13
¹ President and CEO			
² Ms. Lydia B. Echauz replaced Mr. Elpidio L. Ibañez during ASM May 25, 2021			

In 2021, the Board's major accomplishments included the following:

Major Projects/Policy Decisions

- Evaluation of compliance to the SEC Revised Code of Corporate Governance
- Approval of the Integrated Annual Corporate Governance Report (I-ACGR)
- Review and approval of the Sustainability Committee Charter
- Review and approval of the Beneficial Ownership Policy
- Screening of nominees to the Board
- Conduct of the 2021 ASM
- Approval of 2022 schedule of Board meetings
- Approval of Recommended Collective Bargaining Agreement (CBA)
- Review and approval of the board committee composition
- Evaluation of compliance to ERC requirements
- Review and approval of business separation and unbundling plan reports
- Review and approval of public-private partnerships
- Approval of construction, development, and commissioning of substation assets
- Review and approval of power generation projects, interim power supply agreements (IPSAs) and power supply agreements (PSAs), technical services agreements, pole relocation projects, and other local and international business initiatives
- Approval of 2021 Audited Consolidated Financial Statements
- Evaluation of incumbent external auditor and nomination of external auditor for 2021
- Approval of report of external auditors covering Meralco's 2021 Audited Consolidated Financial Statements
- Approval of dividend declaration
- Review and approval of material RPTs
- Enterprise performance evaluation and assessment
- Performance assessment of the Board, Board Committee, and President and CEO
- Review and approval of executive promotions, rightsizing policy and succession planning
- Review and approval of employee performance management plan
- Review and approval of various supply contracts in excess of PHP 50 million

Business Plan and Annual Budgets

- Review and approval of the 2022 budget
- Monitoring of investment committee report
- Review and approval of corporate strategic objectives
- Monitoring of the implementation of corporate strategies
- Review of forecast of subsidiaries' projects

Major Investment Fundings

- Infusion of equity to subsidiaries
- Renewal of credit lines, credit facilities, and bonds

In 2021, the Company's non-executive directors met four (4) times without the presence of an executive director. The agenda in these meetings were the Management's reports, corporate governance directions, reports of the internal and external auditors, and the performance assessment of the President and CEO.

A.5 CORPORATE SECRETARY AND COMPLIANCE OFFICER

All Board members have direct and independent access to the Corporate Secretary, the Compliance Officer and Management.

The Corporate Secretary, Atty. Simeon Ken R. Ferrer, under the direction of the Chairman, is responsible for ensuring that good information flows within the Board and Board Committees and between Management and non-executive directors. He also facilitates the orientation and assists with the professional development of directors as required by regulators. He met all the qualifications and skills required for his position.

The Board is likewise assisted by Company's Compliance Officer and Senior Vice President, Atty. William S. Pamintuan, who monitors, reviews, evaluates and ensures the full compliance by the corporation, its directors and officers with relevant laws, rules and regulations and all governance issuances of regulatory agencies and report violations thereof to the Board and recommends the imposition of appropriate disciplinary action.

The qualifications, duties and responsibilities of the Corporate Secretary and Compliance Officer are stated in the MCG and Board Charter. Both of them regularly attend trainings on corporate governance.

A.6 BOARD COMMITTEES

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

2021 Board Committee Meeting Attendance								
	FinCom	AuditCom	RMC	RPTCom	Nom & Gov	RLDC	ExCom	SusCom
Manuel V. Pangilinan ¹	N/A	N/A	N/A	N/A	N/A	3/3	4/4	1/1
Ray C. Espinosa	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anabelle L. Chua ²	12/12	6/6	2/2	2/2	4/4	N/A	N/A	N/A
James L. Go	12/12	6/6	2/2	2/2	4/4	N/A	3/4	N/A
Frederick D. Go	N/A	6/6	2/2	2/2	4/4	N/A	N/A	1/1
Lance Y. Gokongwei	9/12	N/A	N/A	N/A	N/A	3/3	3/4	0/1
Elpidio L. Ibañez ³	5/5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lydia B. Echauz ³	7/7	3/3	N/A	N/A	2/2	N/A	N/A	N/A
Jose Ma. K. Lim ⁴	N/A	6/6	2/2	2/2	4/4	N/A	4/4	1/1
Artemio V. Panganiban ⁵	N/A	6/6	2/2	2/2	N/A	N/A	4/4	N/A
Pedro Emilio O. Roxas ⁶	12/12	5/6	1/2	2/2	4/4	3/3	N/A	1/1
Victorico P. Vargas	12/12	N/A	N/A	N/A	N/A	3/3	N/A	N/A

¹ Chairman, ExCom, RLDC, and SusCom

² Chairman, FinCom

³ Ms. Lydia B. Echauz replaced Mr. Elpidio L. Ibañez during ASM May 25, 2021

⁴ Chairman, RMC

⁵ Chairman, AuditCom; Lead Independent Director

⁶ Chairman, Nom&Gov, and RPTCom; Independent Director

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

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

The ExCom conducted four (4) meetings in 2021 and reviewed the following:

- Interim Power Supply Agreement (IPSA) and Contract for the Supply of Electric Energy (CSEE)
- MERALCO Industrial Engineering Services Corporation (MIESCOR) bid for the PLDT/SMART Towers
- Third Party Bids and Awards Committee's (TPBAC) Completeness Review and Report-Recommendation on the Detailed Evaluation of Unsolicited Proposals.

B. REMUNERATION AND LEADERSHIP DEVELOPMENT COMMITTEE (RLDC)

is composed of four (4) directors, one (1) of whom is an independent director. The duties and responsibilities of RLDC as defined in its charter include assistance to the Board in the development of the Company's overall performance management, compensation, retirement and leadership development policies and programs based on the Company-approved philosophy and budget.

The RLDC held three (3) meetings in 2021 and accomplished the following:

- Approval of candidates for rank conferment.
- Review of performance evaluation plan results
- Review of the budget for Collective Bargaining Agreement
- Review of merit increase programs
- Review of annual incentive plan
- Presentation and review of proposed amendments to the retirement plan



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

Details of 2021 Board Remuneration (in PhP)			
	Remuneration for Board Meetings Attended in 2021	Remuneration for Committee Meetings Attended in 2021	TOTAL
EXECUTIVE DIRECTOR			
Ray C. Espinosa	₱1,680,000	₱0	₱1,680,000
NON-EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱1,540,000	₱192,000	₱1,732,000
Lance Y. Gokongwei	₱1,680,000	₱360,000	₱2,040,000
Anabelle L. Chua	₱1,680,000	₱624,000	₱2,304,000
James L. Go	₱1,680,000	₱696,000	₱2,376,000
Frederick D. Go	₱1,680,000	₱360,000	₱2,040,000
Elpidio L. Ibañez	₱700,000	₱120,000	₱820,000
Jose Ma. K. Lim	₱1,680,000	₱456,000	₱2,136,000
Victorico P. Vargas	₱1,680,000	₱360,000	₱2,040,000
INDEPENDENT DIRECTORS			
Pedro Emilio O. Roxas	₱1,680,000	₱672,000	₱2,352,000
Artemio V. Panganiban	₱1,680,000	₱336,000	₱2,016,000
Lydia B. Echauz	₱980,000	₱288,000	₱1,268,000
TOTAL INDEPENDENT DIRECTORS	₱4,340,000	₱1,296,000	₱5,636,000
GRAND TOTAL	₱18,340,000	₱4,464,000	₱22,804,000

The Directors and Officers are covered by a Casualty Line Insurance Policy effective June 27, 2021. The policy covers Company Securities, Company Employment Practices Breach, Regulatory Crisis Event Costs, Investigation Costs, Public Relations Expenses, Investigation Costs for Derivative Demands, Tax Liability and other additional limits such as Bodily Injury & Property Damage Defense Costs, Health & Safety Costs, Gross Negligence Manslaughter Defense Costs and Environmental Violation (Defense Costs Including Civil and admin Fines).

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

The Company's directors receive per diem fees for their attendance to Board and Board Committee meetings. Each director is entitled to a per diem allowance of PhP 140,000 for every board meeting attended and PhP 24,000 for every committee meeting.

Remuneration of Key Management and Employees

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

The top five (5) key officers of the Company have received an aggregate remuneration of PhP 223 million. For more information on the aggregate total remuneration paid to all key officers, please refer to the discussion entitled Compensation of Key Management Personnel in the Notes to Consolidated Financial Statements.

Advisers/Consultants to Remuneration and Leadership Development Committee

Meralco engaged a human resources consultancy firm to assist in the areas of employee engagement, and compensation and benefits management.

C. Nomination and Governance Committee (Nom&Gov)

The Nom&Gov is composed of six (6) directors with an independent director as chair. The duties and responsibilities of Nom&Gov as reflected in its charter include 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.

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

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

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

The shareholders elect the directors during the Annual Stockholders' Meeting ASM held every last Tuesday of May.

The Company sends out a formal letter setting the responsibilities of the duly elected director. The new director will then attend an onboarding program facilitated by the CGO.

The Nom&Gov Comm held four (4) meetings in 2021 and performed the following:

- Reviewed the results of Board, Board Committees, and President and CEO performance assessment
- Assessed Meralco's public ownership report
- Screened the nominees to the Board
- Reviewed the Board committee composition
- Assessed Meralco's compliance to the Revised ASEAN Corporate Governance Scorecard (ACGS)
- Reviewed and endorsed Meralco's Integrated Annual Corporate Governance Report (I-ACGR) for 2020
- Reviewed and approved the Sustainability Committee Charter
- Reviewed the Company's updated Vision, Mission, and Values Statements
- Discussed the updates on the implementation of Project One Meralco Governance
- Reviewed and approved the Beneficial Ownership Policy
- Facilitated the annual CG enhancement and continuing education programs
- Conducted the onboarding orientation for the new independent director Ms. Lydia B. Echaz

D. Audit Committee (AuditCom)

The AuditCom consists of three (3) independent directors, and four (4) non-executive directors, one of whom, Ms. Annabelle Chua has over twenty (20) years of experience in the areas of accounting, corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. for ten (10) years. The AuditCom is chaired by the lead independent director.

The AuditCom had six (6) meetings in 2021 with the following accomplishments:

Internal Control

- Obtained management's assurance on the adequacy and effectiveness of the Company's internal control system and noted Management's Control Policy
- Evaluated the effectiveness of the internal control system of the Company
- Reviewed and discussed updates on fraud investigations, recoveries from losses and appropriate actions of the Management.

Financial Reporting

- Reviewed the unaudited consolidated quarterly financial statements and the 2021 Annual Audited Consolidated Financial Statements of the Company

- Endorsed for Board approval the 2021 Annual Audited Consolidated Financial Statements of the Company

Audit Process

- Assessed the independence, performance, and effectiveness of the External Auditors, SGV & Co. CPAs (SGV) taking into consideration their credibility, competence, ability to understand complex transactions, and the adequacy of their quality control procedures. Based on this assessment, SGV was re-nominated by the Committee to the Board as the External Auditors of the Company with the assurance that the lead audit partner complies with Rule 68 of the Securities Regulation Code on rotation of External Auditors.
- Held executive sessions with the External Auditors and Internal Audit without the presence of Management.
- Reviewed and approved the audit plan, scope of work and proposed fees of SGV for audit and non-audit services.
- Reviewed and approved the annual Internal Audit Plan, the related key performance indicators, and all subsequent changes to the Internal Audit Plan, as needed.
- Discussed and dissected the results of audits reported by the Chief Audit Executive in her quarterly and year-end status reports to the Committee.
- Monitored Management's timely implementation of appropriate corrective actions to address the audit issues and recommendations of Internal Audit and the External Auditor.
- Assessed Internal Audit's performance for the preceding year.
- Assessed the performance of the Subsidiaries' Audit committees
- Reviewed the Internal Audit and Audit Committee Charters on an annual basis for any updates or changes.

Compliance

- Reviewed and assessed Management's processes of monitoring compliance with laws and regulations through Internal Audit.
- Reviewed and assessed subsidiaries' and associate companies' processes of monitoring compliance with laws and regulations.

E. Risk Management Committee (RMC)

The RMC consists of two (2) independent directors and four (4) non-executive directors. It assists the Board in its oversight role on the risk

management process. The following activities were accomplished by RMC:

- Reviewed One Meralco's Enterprise Risk Management Policies
- Reviewed and discussed with the Chief Risk Officer and external auditors One Meralco's key business risks as well as its ongoing and proposed risk mitigation measures.
- Reviewed the integration of Environment, Social, and Governance matters into the Company's Risk Assessment process.
- Evaluated the effectiveness and certified the adequacy of One Meralco's risk management process such that material risks are periodically identified, evaluated, managed, and reported appropriately by management.

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

F. Finance Committee (FinCom)

The FinCom is composed of six (6) directors, two (2) of whom are independent directors, with the Chief Finance Officer (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 its twelve (12) meetings in 2021, its major accomplishments were:

- Review and approval of all service and supply contracts in excess of PhP 50 million
- Review of Unaudited Quarterly Consolidated Financial Statements and 2021 Audited Annual Consolidated Financial Statements
- Treasury updates
- Declaration of cash dividend
- Renewal of credit lines and bonds
- Review and approval of cash optimization strategy
- Review and approval of PSAs and any changes or issues regarding their execution
- Review and approval of annual budget and medium-term business plan and forecast
- Review of Meralco directors' and officers' insurance policy
- Review additional capital call, surety bonds, capital infusions for subsidiaries
- Review of equity call
- Review of investments
- Review and endorsement of the renewal of Wholesale Electricity Spot Market surety bond for the retail electricity supply transactions

G. Related Party Transactions Committee (RPTCom)

The RPTCom consists six (6) directors, two (2) of whom are independent directors. It assists the Board in reviewing material/significant RPTs to determine whether they are in the best interest of Meralco's and shareholders, and ensure that all of Meralco's RPTs are conducted in fair and at arms' length terms. The following activities were accomplished by the RPTCom in 2021:

- Discussed and improved the RPT Review Process
- Reviewed and endorsed material and significant RPTs for the Board's approval.

- Discussion of Sustainability Committee Charter
- Approval of Meralco Long-Term Sustainability Strategy (LTSS)

H. Sustainability Committee (SusCom)

In 2021, the SusCom was established to institutionalize MERALCO's sustainability commitment and corporate ESG imperatives. Composed of seven (7) members, including the President and CEO and Chief Sustainability Officer who are both acting as non-voting members, SusCom is responsible for overseeing the Company's sustainability strategy, policies, and programs. The Committee also accounts for and monitors the economic, environmental, social, and governance (EESG) performance of the Company in alignment with the UN SDGs, with the aim of delivering long-term value to all the stakeholders. The following are the accomplishments of SusCom in 2021:

A.7 ORIENTATION AND CONTINUING EDUCATION PROGRAMS

The Board ensures that Meralco's complies with all relevant laws, regulations, and endeavors to adopt best business practices. Towards this end, the Board keeps abreast with the latest developments in the corporate governance regulatory landscape and implements a policy on orientation and continuing training for all directors and key officers, including an annual CG training with SEC-Accredited providers, in accordance with the Board Charter and the MCG.

Meralco has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of Meralco's MCG, the ERC Resolution No. 1, Series of 2004, and the SEC Memo Circular No. 20, Series of 2013, the Directors, together with the Senior Management, attended via online platform the MVP Group Annual Corporate Governance Enhancement Sessions (ACGES) on September 17 and November 12, 2021, entitled "Becoming Obsessed with the Customer" and "Agile Leadership: A Conversation with Ms. Anna Wintour" respectively. These two sessions covered four (4) hours of governance training and was accredited by the SEC.

2021 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS

Director	Program	Resource Person/ Name of Training Institution
Manuel V. Pangilinan Anabelle L. Chua Ray C. Espinosa Frederick D. Go Jose Ma. K. Lim Victorico P. Vargas Ret. Chief Justice Artemio V. Panganiban Lydia B. Echauz Pedro Emilio O. Roxas	MVP Group Annual Corporate Governance Enhancement Sessions: Becoming Obsessed with the Customer and Agile Leadership: A Conversation with Ms. Anna Wintour	Mr. John Rossman Ms. Anna Wintour
Lance Y. Gokongwei	First Gokongwei Group Innovation Festival: Thrive in the New Normal	Gokongwei Group In-House Corporate Governance Training Program
James L. Go	SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	



A.8 BOARD, COMMITTEE AND CEO PERFORMANCE ASSESSMENT

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

The Board conducted the performance assessment on March 9, 2021 wherein directors were given opportunity to give their opinions and suggestions or identify special issues of interest about their performance or different aspects of the Meralco's operation.

BOARD, COMMITTEE AND CEO PERFORMANCE ASSESSMENT FORMS

1. **Board Self-Assessment** - each director assessed the board performance individually and as a whole based on the following categories:
 - a) Board structure and qualifications
 - b) Board duties and responsibilities
 - c) 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.
4. **President and CEO Performance Assessment** – each director assessed the President & CEO's leadership, working relations with the Board, communication and working relations with Management.

PERFORMANCE INDICATORS	
Financial	Non-Financial
Measures reflecting the financial results and financial position of Meralco to the shareholders, such as revenues, consolidated core net income, reported net income, EBITDA, cash and cash equivalents, debt and stockholders' equity, dividend payouts, etc.	<ul style="list-style-type: none"> • S-Factor Indicators <ul style="list-style-type: none"> ■ System Average Interruption Frequency Index (SAIFI) ■ System Average Interruption Duration Index (SAIDI) ■ Customer Average Interruption Duration Index (CAIDI) ■ Probability of Voltage Level (PV) ■ Time to Process Applications (TPA) ■ Time to Connect Premises (TCP) ■ Call Center Performance (CCP) ■ System Loss (SL) • Guaranteed Service Level (GSL) Metrics

B. RESPECTING THE RIGHTS OF SHAREHOLDERS

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

B.1 RIGHT TO DIVIDENDS

DIVIDEND POLICY

The Company's dividend policy, as approved by the Board on February 22, 2010, and ratified by the shareholders during the May 25, 2010 ASM, calls for the payment of regular cash dividends equivalent to 50% of the audited CCNI for the year with a "look-back" basis, which allows the Company to

pay special dividends beyond 50% of the CCNI for the year, subject to the availability of unrestricted retained earnings in accordance with the guidelines of the SEC.

Following are the cash dividends declared by the Board on common shares for 2021:

Declaration Date	Record Date	Payment Date	Rate per Share
March 1, 2021	March 30, 2021	April 26, 2021	PhP 7.824
July 26, 2021	August 23, 2021	September 15, 2021	PhP 5.057

B.2 RIGHT TO PARTICIPATE IN DECISIONS

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

- changes or amendments to the Company's Articles of Incorporation or By-laws
- authorization for issuance of additional shares
- authorization of extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Company
- approval of remuneration or increase in remuneration of directors
- voting by proxy and attendance in stockholders' meeting in absentia or through remote communication.

B.3 RIGHT TO VOTE AND PARTICIPATE EFFECTIVELY DISCLOSURE AND RELEASE OF NOTICE TO ANNUAL STOCKHOLDERS' MEETING (ASM)

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on January 25, 2021. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 27, 2021, 28 days prior to the ASM date of May 25, 2021. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

ASM

It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2021 ASM was held on Tuesday, May 25, 2021, at 10:00 AM at the Meralco Theater, Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. In light of the COVID-19 pandemic, the Company conducted its second virtual ASM via live

broadcast of the proceedings through the Stockholders Electronic Registration and Voting Express (SERVE). Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

As in the previous years, the Company facilitated participation of stockholders who cannot attend the virtually by enclosing proxy forms in the ASM Notice where they can indicate their votes on matters that are taken up during the ASM. Shareholders can download the proxy forms together with details on how to appoint a proxy from the Company's website.

The Company granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the Company's website on January 25, 2021 for submission of proposed agenda and nomination of qualified candidates on or before March 5, 2021. The agenda and nominees were approved by the Board during its meeting on January 25, 2021 and March 29, 2021, respectively.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 903,195,366 shares or approximately 80.13% of the total issued and outstanding shares of the Company. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman of the Board, Chairman of the AuditCom, Chairman of the RLDC, Chairman of the Nom&Gov, Chairman of the Finance Committee, the Board, President and CEO, CFO, Corporate Secretary, Assistant Corporate Secretary other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

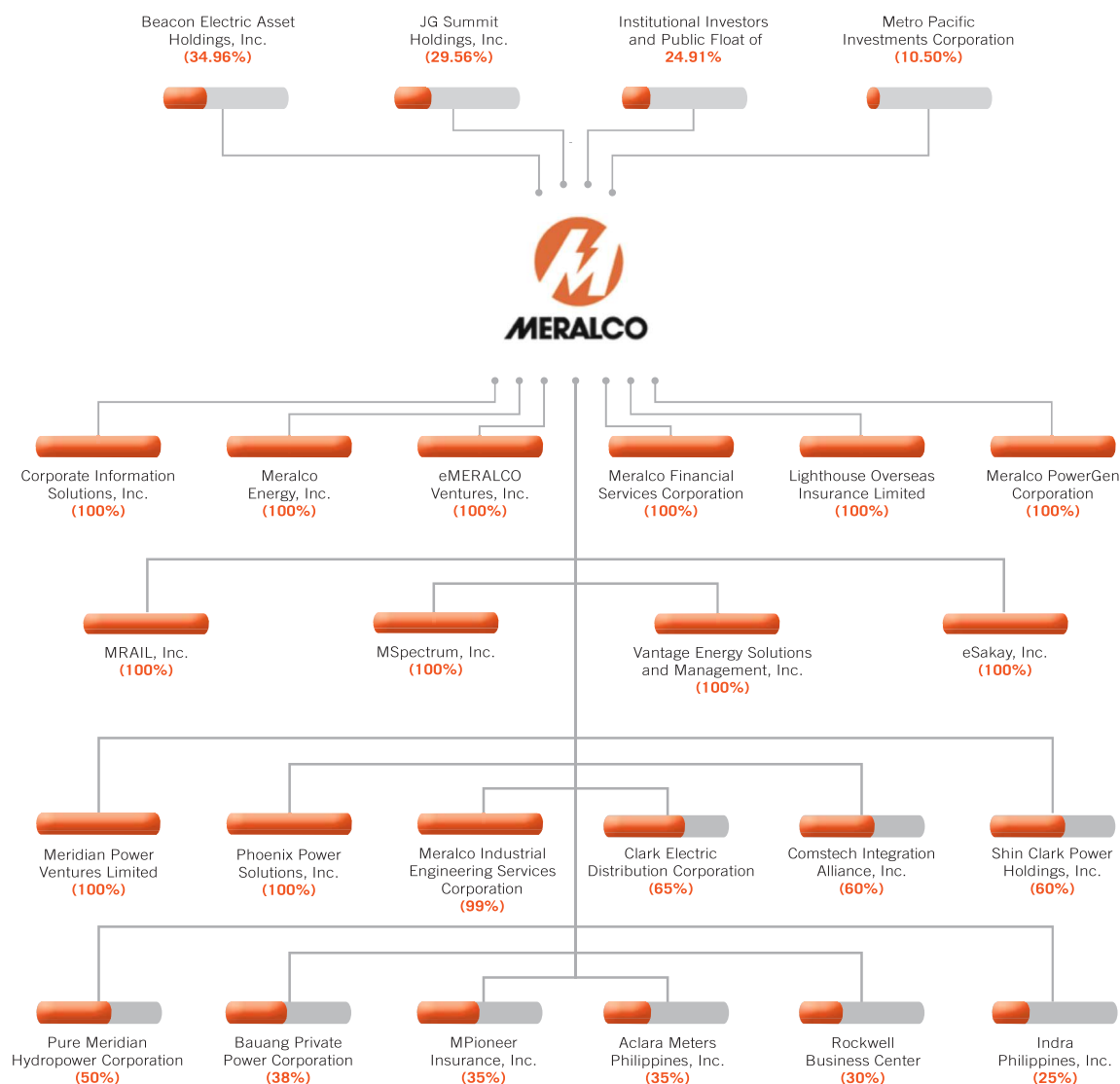
The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

B.4 RIGHT TO APPROVE MERGERS AND ACQUISITION

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

B.5 INSTITUTIONAL INVESTORS

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



The complete list of the Public Ownership Report of Meralco as at December 31, 2021 was disclosed to the SEC, PSE, and PDEx on January 13, 2022, where approximately 75.09% of Meralco's shares are held by principal and strategic shareholders, and the remaining 24.91% shareholdings are held by directors, officers, employees, the government, other corporations, and other individuals. Meralco has a straightforward structure of alliance among its affiliates, and joint ventures. There is no pyramid shareholding structure within the group. Details of holding companies, subsidiaries, and other related companies are disclosed in the map showing relationships among the companies within the group.

C. EQUITABLE TREATMENT OF SHAREHOLDERS

C.1 SHARES AND VOTING RIGHTS

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

C.2 NOTICE OF ANNUAL STOCKHOLDERS' MEETING (ASM) AND DEFINITIVE INFORMATION STATEMENT (DIS)

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

- Profiles of each director seeking election/ re-election—age, academic qualification, date of first appointment, experience, and directorships in other listed companies
- External auditor seeking appointment/ re-appointment
- Dividend policy
- Amount of dividends declared and any dividends payable
- Readily available proxy statements

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

C.3 POLICY ON DEALINGS IN COMPANY SHARES OF STOCKS (INSIDER TRADING/BLACKOUT PERIOD)

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

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

C.4 RELATED PARTY TRANSACTIONS (RPTS) BY DIRECTORS AND KEY EXECUTIVES

The RPT Policy requires the review of material/significant RPTs, to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at



arm's length terms. The Policy provides for materiality thresholds, i.e., de minimis, significant, material RPTs including SEC material RPTs which constitute ten percent (10%) of the Company's assets.

The Company provides all the names of related parties, degree of relationship, nature, and value for each material/significant RPT. Details are found in Note 23 to the Consolidated Financial Statements.

In 2021, there was no case of insider trading or policy violations involving directors and officers of the Company, and no RPT that can be classified as financial assistance to entities other than wholly-owned subsidiary companies. The Company is fully-compliant with the Code and policies on corporate governance.

Conflict of Interest (COI) Policy

The COI Policy requires all directors, officers and employees to annually disclose their interest in transactions and any other conflicts of interest affecting the Company through the FBID Form for directors and officers, and the COI Form for employees. The Company requires directors and key Management personnel to abstain from and/or inhibit themselves from participating in discussions on a particular agenda when a conflict exists or may exist between their personal interest and that of the Company.

C.5 PROTECTING MINORITY SHAREHOLDERS FROM ABUSIVE ACTIONS

The Company's policies recognize and protect the rights of the minority stockholders while pursuing corporate interest. Some salient provisions include:

- Timely, fair, and accurate disclosure of material information
- Review of existing and development of new policies that will prevent the major stockholders from gaining undue advantage over and at the expense of minority stockholders
- RPTs are disclosed in Note 23 of the consolidated financial statements
- Disinterested stockholders decide on all RPTs which require stockholders' approval

D. ROLE OF STAKEHOLDERS

D.1 RESPECTING THE RIGHTS OF STAKEHOLDERS

The Company strictly observes the principles of fairness, accountability, integrity, transparency and honesty (FAITH) in its obligations to, and dealings with, its various stakeholders. The Company values its stakeholders and protects their rights, as mandated by relevant laws and internal policies. Sanctions and penalties based on the provisions of the Company's Code on Right Employee Conduct (COREC) and other related policies are imposed upon violators.

Customers

The Company renders excellent service, ensures fair treatment, and provides complete and accurate information, to its customers.

Suppliers/Contractors

To ensure a mutually beneficial relationship with its suppliers and contractors, the Company prescribes clearly defined and transparent procurement and supplier selection process through the Suppliers' Business Conduct Policy and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts.

Creditors

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

Environment and Community

As an advocate of sustainable development, the Company is committed to operate profitably within the bounds of its social and environmental responsibility.

More comprehensive reports on the Company's Sustainability and CSR efforts are found in separate publications; specifically, Meralco's Sustainability Report and One Meralco Foundation's 2021 Annual Report.

Employees

Meralco is committed to the development and welfare of its employees. The Company provides its employees with opportunities for learning and development, fair and competitive remuneration, and programs to promote health and safety. The Company devotes conscious effort to build a culture of excellence, knowledge sharing, personnel integrity, and development.

D.2 PERFORMANCE-ENHANCING MECHANISMS FOR EMPLOYEES

Employee Development Programs

Training programs and other developmental interventions are implemented to enable employees to acquire the technical and leadership competencies to effectively perform their jobs for their professional growth. The Company uses globally-accepted training and development metrics relevant to value creation for business and society. Learning and development initiatives are delivered using the strategic framework of 70-20-10: 70% on-the-job learning, 20% from coaching and feedback, and 10% formal training. In 2021, the average training man-hours is at 37 hours per person.

Talent Management and Development	Program Description
Analyst Curriculum	<p>In Meralco, analysts are the second largest employee group. Their role in the company is vital in the day-to-day operations. There is a need for our analysts to be fully equipped in performing their roles — hence the Analyst Curriculum was developed. The Analyst Curriculum is composed of eight common competencies that an analyst should possess, namely: (1) Problem Analysis and Solution Formulation, (2) Process Management, (3) Policy Management, (4) Data Management, (5) Project Management, (6) Stakeholder Management, (7) Documents & Records Management, and (8) Risk Management. Meralco has already conducted training programs for 5 out of the 8 competencies in the curriculum, with last 3 (Policy, Process, and Documents & Records Management) scheduled to be rolled out in 2022.</p>
New Frontiers	<p>New Frontiers is a 20-day/ 40- half day program which is in partnership with the Asian Institute of Management. This program is composed of modules that are linked with Meralco's 10 Leadership Competencies and identified Job Focus Areas for middle managers. The curriculum includes modules like Thinking Suite, Strategy Series, Finance and Accounting, Functional Drivers and Enablers, and Leadership and Mastery. It uses a blended learning approach consisting of action learning projects, case studies, gamification, and business simulations. Completion of the course is a minimum requirement for consideration of any future nominations for promotion to EC/SC Ranks.</p>
Breakthroughs	<p>Breakthroughs is a twice a week, 3-month classroom / virtual instructor-led training program which aims to equip high potential individual contributors to be ready to take on a first-line leadership position. This program focuses on the important roles and functions one must have as a Team Leader and highlights skills like Data Analytics, Developing a Business Mindset, Execution Excellence, and Enhancing Team Performance. E-learning, Case Study, Lecturette, Structured Learning Experiences, Simulation, and Action Learning Projects are utilized as delivery methods. Completion of the course is a minimum requirement for consideration of any future nominations for promotion to TC 1-4 ranks.</p>
LEAP	<p>This is a 5 half-day leadership program designed for incumbent team leaders or supervisors in the organization. This is to aid them (1) in carrying out the responsibilities expected from supervisor-leaders; and (2) in managing and leading teams and its resources in support of their organization's business goals.</p>
Meralco Lineman Training Curriculum	<p>The Meralco Lineman Training Curriculum 1, which is intended for apprentice/ linemen- trainees, is a six- month program which aims to equip lineman trainees with the necessary knowledge, skills, and attitude to perform duties and responsibilities of a lineman trainee as an individual and working as part of a crew. At the end of the program, the participants are expected to observe industrial safety practices, apply electrical formula in simple circuits, install and retire line materials and equipment of de-energized overhead line, and assist upper class lineman by acting as the groundman and performing good housekeeping. Through this, we are able to ensure that the Business is supported by a steady supply of skilled workforce to support business requirements.</p>
Meter Technician Curriculum	<p>The Meter Technician Curriculum is divided into three parts – Basic, Specialized and Supplemental Courses. Each part is anchored on the approved technical competency framework which serves as guide for the development of our Meter Field Technicians. The training programs and learning interventions were mapped based on the competency descriptors identified. This curriculum aims to provide the participants necessary knowledge and skills to perform their job responsibilities efficiently and safely</p>



Compensation Philosophy/Principles

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

The Company implements short-term and long-term incentive programs to attract, retain, and motivate its employees. The Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets. The Company evaluates performance beyond short-term financial measures. It also provides for short-term incentives through variable pay, such as annual performance-based bonuses and variable incentive plan, to reward individual and team performance that contribute to the achievement of corporate goals and objectives.

Long-term incentives include additional compensation conditioned on Meralco's achievement of a specified level of Consolidated Core Net Income (CCNI) approved by the Board and determined on an aggregate basis for a three (3)-year period as well as executives' attainment of a specified performance rating.

Succession Planning of President and CEO and Senior Management

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

Presently, the succession plan covers the top 658 leaders of the Company. The succession planning process involves the assessment of the Company's leaders' career aspirations, strengths, and development needs. A key feature of the Company's succession planning process is the talent review conducted at the senior management level and at various levels of the organization. The senior management talent review has resulted in a pool of about 20 candidates who, subject to the realization of their development plans, could become management committee members within the next five (5) years.

Code of Business Conduct and Ethics

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

The Company, through the Corporate Governance Office (CGO), monitors the implementation of, and compliance to, the Code of Ethics. An online HR Express Corporate Governance Facility is made available to all employees for the Corporate Governance (CG) disclosures and commitment required from them. All directors, senior management, and employees are required to annually submit duly accomplished Full Business Interest Disclosure (FBID) Forms and/or Conflict of Interest (COI) Forms. They are also required to disclose gifts they received from third-party business partners through the online Gift Registry. Failure to comply with CG disclosures is sanctioned accordingly.

The Management Control Policy prescribes Management's responsibility to ensure a system of checks and balances and emphasizes the importance of internal control processes as an integral part of the Company's governance system and risk management.

Effective management control is necessary to ensure that behavior and decisions of people in the organization are consistent with the Company's objectives and strategies.

Anti-corruption Programs and Procedures

The Code of Ethics requires directors, officers, and employees to observe professionalism, integrity, and good faith in transactions with and obligations to the Company's customers, suppliers, business partners, regulators, creditors, competitors, and employees. It enforces practicing ethical standards of behavior and avoiding the commission of any act that may be construed as direct or indirect bribery and corruption, as defined by law, to facilitate any transaction to gain any perceived or actual favor or advantage.

The Anti-Bribery and Corruption Policy of the Company strictly prohibits corporate gift-giving to private and public entities that constitutes bribery or corruption. It cites specific instances of said corrupt practices to better guide directors, officers and employees.

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

The Amended Suppliers Business Conduct, in turn, requires vendors to comply, at all times, with all applicable anti-bribery and corruption laws, and to not offer, accept, promise, pay, permit, or authorize bribes and kickbacks, which include giving of gifts to the Company's directors, officers or employees or other means to obtain an undue or improper advantage.

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

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

D.3 EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS' RIGHTS AND MEANS OF COMMUNICATION OF ILLEGAL OR UNETHICAL PRACTICES BY EMPLOYEES

Corporate Governance Office

Manila Electric Company (Meralco)
8th Floor, Lopez Building
Ortigas Avenue, Barangay Ugong
Pasig City, Philippines 1605

Tel: +632 1622 2788
Mobile: +63 920 948 4787
Email: cgo.staff@meralco.com.ph

The e-Report Mo (Whistleblowing Policy) encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by the Company's directors, officers, and employees.

Employees, suppliers, customers and other stakeholders can download, through the Company website, a Whistleblower Report Form and submit the same via email or regular mail to the CGO through the contact information provided therein.

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

In 2021, the Company received certain reports of alleged violations and illegal/unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

E. DISCLOSURE AND TRANSPARENCY

E.1. TRANSPARENT OWNERSHIP STRUCTURE

The following stockholders directly own more than 5% of the Company's (MER) shares as at December 31, 2021.

Name of Shareholder and Beneficial Owner	Total Shares	% to Total Share
Beacon Electric Asset Holdings, Inc.	394,059,235	34.96%
JG Summit Holdings, Inc.	333,189,397	29.56%
Metro Pacific Investments Corporation	118,364,807	10.50%
TOTAL	845,613,439	75.03%

E.2 ENTERPRISE-WIDE RISK MANAGEMENT

Enterprise Risk Management (ERM) allows the Company and its subsidiaries to protect and enhance stakeholder value through the creation of a risk governance structure and adoption of mechanisms that effectively manage existing and emerging risks, as well as strengthen the ability of the Company and its subsidiaries to take on additional risks accompanying new growth opportunities.

The Company adopts the ISO 31000:2018 as its main model for ERM Framework, integrating risk management discipline and practices within its existing management systems, processes, and culture.

Meralco Risk Management Process

The Company's Risk Management Committee provides oversight over the risk management activities and policies of the Company and its subsidiaries and conducts at least a semi-annual review of the Company's risk management system. The Chief Executive Officer and Chief Risk Officer work together to lead the direction-setting and decision making on risk management strategies, policies, and mitigation measures.

The Company has five (5) general risk umbrellas in its Risk Universe: Regulatory and Corporate Laws; Strategic; Financial; Operational; and Environment, Social, and Governance (ESG), which has been integrated for the first time this year into One Meralco's ERM process to more fully capture the existing and potential impact of its business to the environment and its stakeholders, and therefore ensure that these are addressed and mitigated in line with its ESG objectives.

Regulatory Issuances, Regulatory Decisions, and Investment are the key enterprise risks of the Company and its subsidiaries as at December 31, 2021, with all three categories rated "Very High" in terms of both likelihood and impact.

- Regulatory Issuances Risk refers to new (or proposed changes in existing) rules, laws, resolutions, and policies that may adversely affect the operations of the Company; and is mitigated by monitoring and participating in deliberations and discussion on proposed rules issuances or changes, coalescing with other stakeholders to form a common position, and where necessary, engaging consultants to provide expert advice on the relevant matter.
- Regulatory Decisions Risk refer to decision(s) by a court or regulatory body on matters that involve regulatory issues; and is mitigated by exhausting the Company's legal remedies including conduct of legal research, engagement of external counsel, collation of documentary and testimonial evidence, and where applicable, cooperation with industry stakeholders with similar interests to forge a common position.
- Investment Risk is the risk that the Company faces due to its investments' actions, their projects' or businesses' technical and economic feasibility, competitiveness, and overall business

viability. To mitigate this risk, the Company employs stringent investment criteria, and once invested and where applicable, utilizes its Board seat(s) to oversee and provide guidance to the Senior Management of its subsidiaries and affiliates.

E.3 ECONOMIC, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INFORMATION

The Company is committed to the cause of protecting the environment and mitigating the adverse impact of climate change and 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.

The Company also discloses its policies and practices on the management of economic, environmental, social and governance (EESG) in a separate Sustainability Report, in accordance with the Global reporting Initiative (GRI) Standards: Core Option, SASB Standards for Electric Utilities and Power Generators as well as the TCFD Guidance/Framework.

E.4 DIRECTORS' AND OFFICERS' DEALINGS IN COMPANY SHARES

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2021								
NAME	JANUARY 1, 2021	BUY	SELL	DECEMBER 31, 2021	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
Directors								
1. Manuel V. Pangilinan	55,000	-	-	55,000	55,000	-	55,000	0.005%
2. Lance Y. Gokongwei	5,010	5,000	-	10,010	10,010	-	10,010	0.001%
3. Ray C. Espinosa	46,000	5,000	-	51,000	51,000	-	51,000	0.005%
4. Anabelle L. Chua	16,060	-	-	16,060	16,060	-	16,060	0.001%
5. Elpidio L. Ibañez ¹	20,263	-	-	-	-	-	-	-
6. Lydia B. Echauz ¹	-	-	-	1,100	1,100	-	1,100	0.000%
7. Frederick D. Go	30	10,000	-	10,030	10,030	-	10,030	0.001%
8. James L. Go	189,450	5,000	-	194,450	194,450	-	194,450	0.017%
9. Jose Ma. K. Lim	50,010	5,000	-	55,010	55,010	-	55,010	0.005%
10. Artemio V. Panganiban	1	14,000	-	14,001	14,001	-	14,001	0.001%
11. Pedro Emilio O. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.000%
12. Victorico P. Vargas	3,917	5,000	-	8,917	8,917	-	8,917	0.001%

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2021								
NAME	JANUARY 1, 2021	BUY	SELL	DECEMBER 31, 2021	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
Officers								
12. Simeon Ken R. Ferrer	767	-	-	767	767	-	767	0.000%
13. Roberto R. Almazora	93,082	-	-	93,082	93,082	-	93,082	0.008%
14. Ronnie L. Aperoch	14	-	-	14	14	-	14	0.000%
15. William S. Pamintuan	-	-	-	-	-	-	-	0.000%
16. Betty C. Siy-Yap	-	-	-	-	-	-	-	0.000%
17. Maria Luisa V. Alvendia	-	-	-	-	-	-	-	0.000%
18. Edgardo V. Carasig	-	-	-	-	-	-	-	0.000%
19. Ferdinand O. Geluz	12,877	-	-	12,877	12,877	-	12,877	0.001%
20. Melanie T. Oteyza	-	-	-	-	-	-	-	0.000%
21. Jose Ronald V. Valles	-	-	-	-	-	-	-	0.000%
22. Antonio M. Abuel, Jr.	10,427	-	-	10,427	10,427	-	10,427	0.001%
23. Irene B. Acuna	18,355	-	-	18,355	18,355	-	18,355	0.002%
24. Patrick Dave B. Bacani	-	-	-	-	-	-	-	0.000%
25. Roque D. Bacani	-	-	-	-	-	-	-	0.000%
26. Bennette D. Bachoco	-	-	-	-	-	-	-	0.000%
27. Joseph Allan C. Baltazar	-	-	-	-	-	-	-	0.000%
28. Rita D. Bantigue	-	-	-	-	-	-	-	0.000%
29. Benjamin U. Cusi	24,050	-	-	24,050	24,050	-	24,050	0.002%
30. Jenevi L. Dela Paz	-	-	-	-	-	-	-	0.000%
31. Ma. Cecilia M. Domingo	1,245	250	-	1,495	1,495	-	1,495	0.000%
32. Lawrence S. Fernandez	4,500	-	-	4,500	4,500	-	4,500	0.000%
33. Maria Carmela T. Migrifo	-	-	-	-	-	-	-	0.000%
34. Richard O. Ochava	-	-	-	-	-	-	-	0.000%
35. Charina P. Padua	37,609	4,000	-	41,609	41,609	-	41,609	0.004%
36. Raymond B. Ravelo	-	-	-	-	-	-	-	0.000%
37. Glen N. San Pedro	-	-	-	-	-	-	-	0.000%
38. Jose S. Reyes, Jr.	8,827	-	-	8,827	8,827	-	8,827	0.001%
39. Froilan J. Savet	8,435	-	-	8,435	8,435	-	8,435	0.001%
40. Jose Antonio T. Valdez	-	-	-	-	-	-	-	0.000%
41. Maria Zarah R. Villanueva-Castro	-	-	-	-	-	-	-	0.000%
42. Agapito R. Zaldrriaga	10,369	-	-	10,369	10,369	-	10,369	0.001%
43. Ma. Cynthia C. Soluren	11,575	-	-	11,575	11,575	-	11,575	0.001%
TOTAL	624,960	53,250	-	662,960	662,960	-	662,960	0.050%

¹ Ms. Lydia B. Echaz replaced Mr. Elpidio L. Ibañez during ASM May 25, 2021

E.5 AUDIT

Internal Audit

Meralco Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that aligns to the key strategies and risks across the Group's business and is reassessed quarterly to consider business changes and emerging risks. This plan is developed in coordination with the relevant business units and subsidiaries and reviewed and approved by the Audit Committee (AuditCom). The assurance and control advisory reviews are aimed at assisting the Board through the AuditCom in promoting sound enterprise risk management, robust internal controls and good corporate governance. Design and operating effectiveness of controls that govern the key business processes, systems and risk areas at the Distribution Utility and subsidiaries are evaluated particularly on financial reporting, operations, information technology systems reviews, cybersecurity, data privacy, sustainability, revenue assurance, legal and regulatory compliance and subsidiary oversight.

Meralco Internal Audit communicates the results of audit engagements covering various units of the Company and its subsidiaries including specific areas of concerns identified by Management to the AuditCom. The findings and any improvement opportunities are reviewed by AuditCom which then are reported to the Board for guidance and oversight. Significant concerns, which have been reported by Internal Audit Group and the implementation of responsive remedial measures by Management, are acted upon by Management and monitored by AuditCom. The AuditCom Report to the Board included the review of Meralco Group's system of internal controls (financial, operational, and compliance controls) and risk management systems which are found to be in place and functioning.

Meralco's Internal Audit (IA) is headed by the Chief Audit Executive and First Vice President, Ms. Melanie T. Oteyza, who reports functionally to the AuditCom and administratively to the President and CEO, as outlined in the Company's Internal Audit Charter. The appointment and removal of the Chief Audit Executive require the approval of the AuditCom.

All internal auditors are members of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework. The internal auditors are comprised of highly certified professionals – Certified Public Accountants,

Certified Internal Auditors, Certified Information Systems Auditors, Certified Quality Assurance Validator, Registered Electrical Engineers and others with Certification in Control Self-Assessment and Certification in Risk Management Assurance.

CONSOLIDATED EXTERNAL AUDITOR'S FEES* (in million PhP)		
	2021	2020
Financial Statements Audit*	18.1	9.8
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM	0.7	0.7
* 2021 includes the audit fees of GBPC and subsidiaries. Note: The fees for non-audit services did not exceed those for audit services.		

External Audit

The Company's external auditor, SGV was evaluated, nominated, and recommended for appointment including its audit fees by the AuditCom, and such recommendation was approved by the Board. The re- appointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 25, 2021.

E.6 MEDIUM OF COMMUNICATION

Quarterly Reports

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

Quarterly Reports: <https://company.meralco.com.ph/investor-relations/quarterly-reports>

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

Annual Reports: <https://company.meralco.com.ph/investor-relations/annual-reports>

Investors' Briefings/Media Briefings

The officers of the Company, led by the Chairman and the President and CEO, with the CFO, Investor Relations Office and other officers, present information on performance results, business progress, industry trends, impact of

external factors, and regulations to shareholders, analysts, investors, and media every quarter during the investors' briefing and teleconference, as well as the media briefing. Presentation materials used in these meetings are posted on the Company's website to ensure comprehensive information dissemination to all stakeholders and investors, including those who were not able to participate in the briefings.

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

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

Company Website

Meralco website provides information on its products and services as well as the following corporate governance information:

Section	Link
Business Operations	https://company.meralco.com.ph/news-and-advisories/latest-news-and-press-releases https://corporatepartners.meralco.com.ph/ https://biz.meralco.com.ph/
Financial Statements/Reports	https://company.meralco.com.ph/investor-relations/quarterly-reports
Materials provided in briefings to analysts and media	https://company.meralco.com.ph/investor-relations/quarterly-reports
Shareholding Structure	https://company.meralco.com.ph/corporate-profile/meralco-shareholding-structure
Group Corporate Structure	https://company.meralco.com.ph/corporate-governance/governance-structure
Downloadable Annual Report	https://company.meralco.com.ph/investor-relations/annual-reports
Notice of ASM	https://company.meralco.com.ph/company-disclosures/notice-of-annual-or-special-stockholders-meetings
Minutes of ASM	https://company.meralco.com.ph/company-disclosures/minutes-of-all-general-or-special-stockholders-meetings
Company's By-Laws and Articles of Incorporation	https://company.meralco.com.ph/corporate-governance/board-matters

E.7 TIMELY FILING/RELEASE OF ANNUAL/ QUARTERLY FINANCIAL REPORTS

The Company's 2021 Audited Consolidated Financial Statements were released on March 1, 2022, 60 days after financial year-end. The true and fair representation of the Annual Financial Reports was affirmed by the Board through the Chairman, President and CEO, and CFO of the Company on the Statement of Management's Responsibility section of this Annual Report. This can be accessed at the Company website.

E.8 INVESTOR RELATIONS

Meralco's Investor Relations Office regularly communicates relevant and timely information about the Company to both current and potential investors, to analysts, fund managers, potential business partners and the general public.