



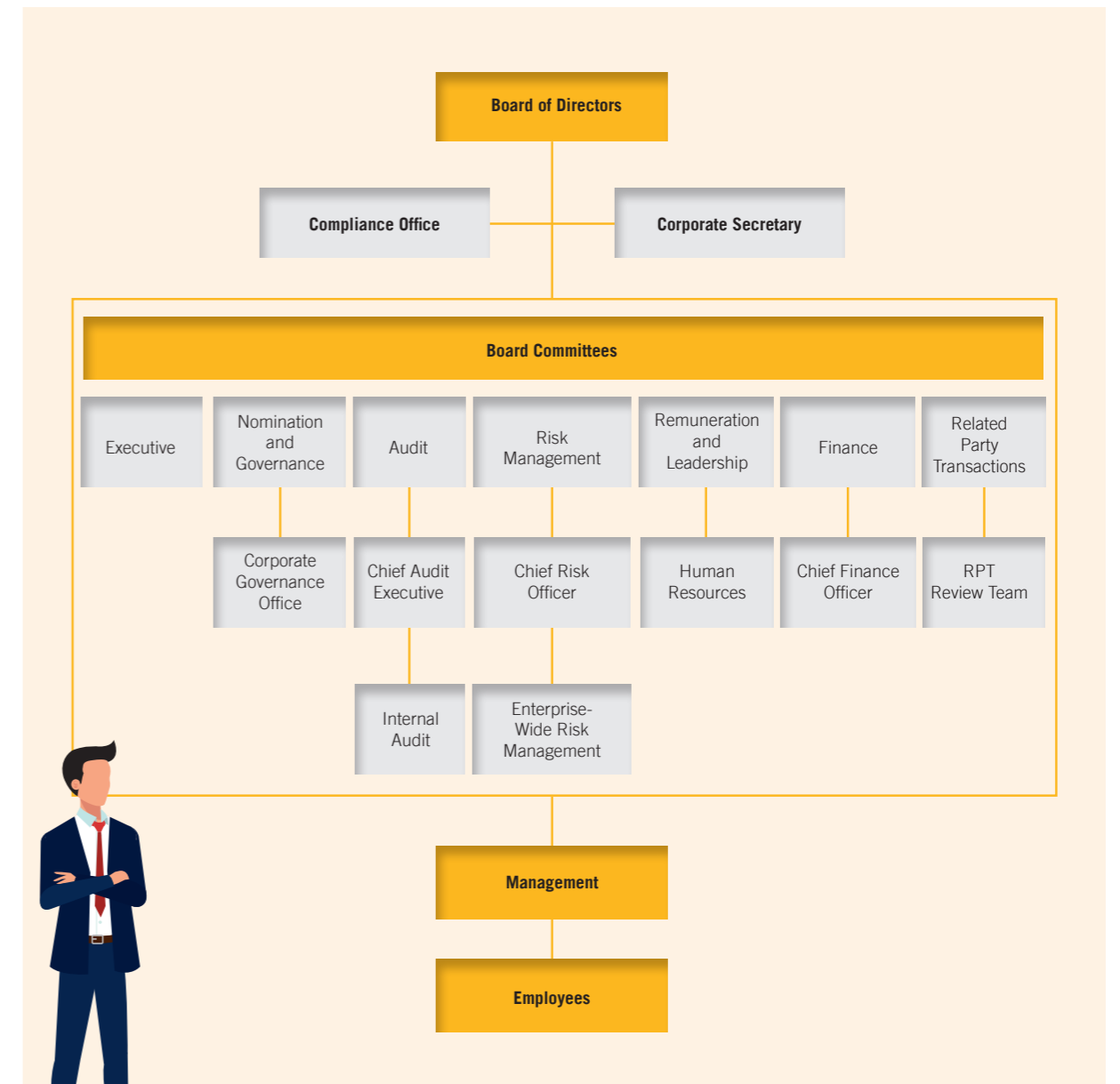
### Governance in “The Better Normal”

The global pandemic brought about by COVID-19 has ushered an unprecedented new reality that challenged the foundation of every company’s business operations. Health protocols and concomitant governmental restrictions imposed to combat the spread of the virus disrupted every business organization’s ability to timely deliver products and services to its customers and perform deliverables to its various stakeholders.

Despite this, Meralco (the “Company”) remained steadfast in its mission to keep the lights on for all

its stakeholders. Through clear strategic guidance and oversight by the Board of Directors and effective management framework and interdependence between and among line organizations, Meralco was able to respond, recover, and thrive in this crisis.

Truly, Meralco’s effective business continuity and resiliency plans and strategies, coupled with remarkable digital and technological infrastructure, have been the key drivers in the Company’s successful crisis response and management. However, it is the Company’s strong governance framework that significantly contributed to the Company’s quick recovery and ability to thrive in the new normal.



Amidst the operational and regulatory challenges of the pandemic, the Company has always ensured its full compliance 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.

The Company has also continued to adopt or strengthen its policies and programs that are aligned with the best corporate governance practices under the SEC's 2017 Code of Corporate Governance for Publicly-Listed Companies, the Integrated Annual Corporate Governance Scorecard (I-ACGR) and the ASEAN Corporate Governance Scorecard (ACGS):

Governance Policies and Practices	Details
Policy against Bribery and Corruption	The Company's Anti-Bribery and Corruption Policy formalizes its stand against corrupt practices and emphasizes the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption.
Lead Independent Director	To reinforce board independence, the Board of Directors (Board) appointed Independent Director, Ret. Chief Justice Artemio V. Panganiban, as Lead Independent Director.
Alternative Dispute Resolution Mechanism	In resolving intra-corporate disputes between the Company and its stockholders, the Company may resort to alternative modes of dispute resolution as may be agreed upon with the adverse party, such as but not limited to arbitration, mediation, conciliation, early neutral evaluation and mini-trial.
Board Charter	The Board Charter sets its purposes, authority, duties, responsibilities, structure, and procedures.
Guidelines on Board Meetings through Teleconferencing and Videoconferencing	The Board Charter includes the provision for guidelines on Board meetings through teleconferencing and videoconferencing.
Related Party Transactions Policy	The Related Party Transactions Policy was amended to include thresholds of Related Party Transactions (RPT) for disclosure and approval of the RPT committee, the treatment of <i>de minimis</i> transactions and those that are recurring or infrequently occurring and the required approval by non-related party shareholders on certain RPTs. The Policy likewise provides guidelines on the review, approval and reporting of material RPTs which amount to ten percent (10%) of the Company's total assets in accordance with SEC
Acceptance of Directorship in another Company	Directors are required to notify the Company's Board before accepting a directorship in another company.
Board Assessment Supported by External Facilitator	Good Governance Advocates and Practitioners of the Philippines (GGAPP) was engaged by Meralco as an external facilitator to assess the effectiveness of board evaluation process. GGAPP is an association of good governance advocates and practitioners from various publicly listed companies, the public sector and other organizations who have come together to promote and assist in the development of good governance in the country.
Acceptance of Nomination to the Board from Minority Shareholders	The Nomination and Governance Committee (Nom&Gov) shall receive all letters nominating candidates for election, as directors/ independent directors from stockholders, including minority stockholders, on or before the record date for the annual stockholders' meeting (ASM).
Periodic Meetings of Non-executive Directors	The non-executive directors shall have separate periodic meetings with the external auditor and respective heads of internal audit, compliance and risk functions, without any executive director(s) present to ensure that the proper checks and balance are in place within the corporation. The meetings should be chaired by the lead independent director or an independent director.
Sustainability Reporting	The Company has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability and adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.

The Company also utilized innovative ways in reaching out to its stakeholders in these challenging times.



To better serve its stockholders, the Company introduced its enhanced Stockholders Electronic Registration and Voting Express (SERVE). SERVE is an online facility that allows the Company's stockholders to register, cast their votes online and participate in the Annual Stockholders' Meeting (ASM) via remote communication. This also allows the stockholders to send their questions and clarifications regarding other agenda items.



The Company also released the Online Ethical Climate Survey to its employees in September 2020. The project aims to assess the effectiveness of ethics-related objectives, programs and activities of the Company, and support the Board of Directors and Management in the formulation and implementation of its future Corporate Governance programs and initiatives.

As a testament to the Company's good corporate governance, the ASEAN Capital Markets Forum recognized Meralco as one of the 135 ASEAN Asset Class Awardees, together with 18 other Philippine Publicly-Listed Companies (PLCs), based on the 2019 ACGS regional assessment.

This award aims to brand ASEAN PLCs with good corporate governance practices as an asset class to attract foreign investments.



Related to this, the Institute of Corporate Directors, acting as the domestic ranking body, awarded Meralco with Three Golden Arrows for its remarkable governance structure, programs and practices in the 2019 regional assessment wherein Meralco attained a score of 106.87.

## A. Role of Stakeholders

### A.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, fair treatment, and complete 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 2020 Sustainability Report and One Meralco Foundation's 2020 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.

**A.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 2020, the average training man-hours is at 19 hours per person.

**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 636 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.

**Corporate Governance Office  
Manila Electric Company (Meralco)**

8th Floor, Lopez Building  
Ortigas Avenue, Barangay Ugong  
Pasig City, Philippines 1605

Tel: (+632) 1622 2798  
Mobile: (+63) 9209484787  
Email: cgo.staff@meralco.com.ph

**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. In 2020, 100% of the Company directors, senior management and employees complied with the Corporate Governance disclosure requirements.

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.

Talent Management and Development	Program Description
Me in 21	Training courses that ensure continuous development of individual contributors, first-line, and mid-level managers of the organization
Breakthroughs and New Frontiers	
Meralco Power Innovators	A management trainee program for future leaders and technical experts in the organization
Energy Talent and Competency Program	Program to fast-track competency development of highly-critical talents in the Company
LEVEL-Up Program/ LEAD-Up	Programs to enhance the personal effectiveness of linemen and develop leadership and supervisory capabilities of leadmen and foremen

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](http://www.meralco.com.ph)).

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

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 2020, 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.

**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 in 2020:

Declaration Date	Record Date	Payable Date	Rate per Share
February 24, 2020	March 20, 2020	April 15, 2020	PhP 10.395
July 27, 2020	August 20, 2020	September 15, 2020	PhP 4.697

**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 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 27, 2020. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 15, 2020, 41 days prior to the ASM date of May 26, 2020. 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 2020 ASM was held on Tuesday, May 26, 2020, 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 first virtual ASM via live broadcast of the proceedings through 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 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 27, 2020 for submission of proposed

agenda and nomination of qualified candidates on or before March 6, 2020. The agenda and nominees were approved by the Board during its meeting on January 27, 2020 and March 30, 2020, respectively.

**Voting Procedures**

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 957,350,974 shares or approximately 84.94% 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, Chief Finance Officer (CFO), 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.

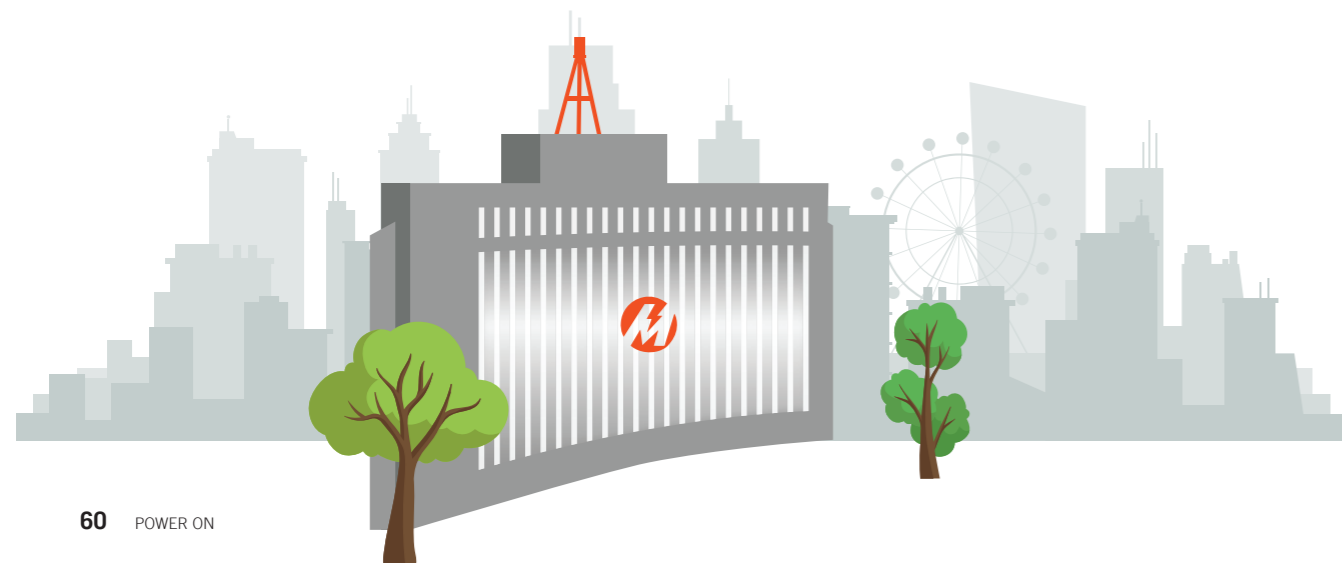
The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

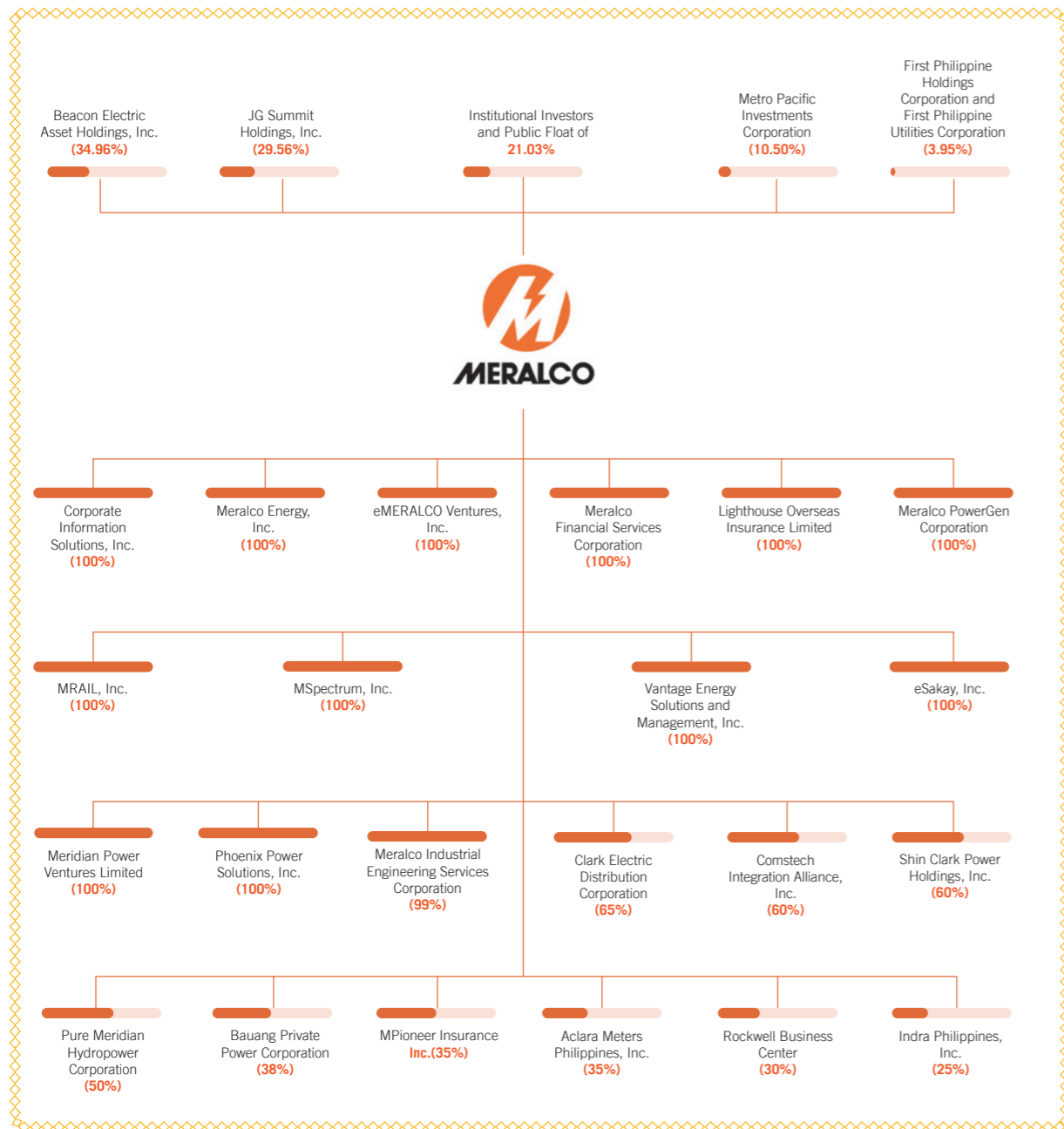
**B.4 RIGHT TO APPROVE MERGERS AND ACQUISITIONS**

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

**B.5 INSTITUTIONAL INVESTORS**

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





The complete list of the Public Ownership Report of Meralco as at December 31, 2020 was disclosed to the SEC, PSE, and PDEX on January 11, 2021, where approximately 79.03% of the Company shares are held by principal and strategic shareholders, and the remaining 20.97% shareholdings are held by directors, officers, employees, the government, other corporations, and other individuals. The Company 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 Meralco.

### 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

##### Related Party Transactions (RPT) Policy

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 at least 10% of the Company's assets based on the latest audited financial statement.

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

In 2020, 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 embody an utmost respect to the right of the minority stockholders while pursuing corporate interest. Salient provisions are:

- 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 22 of the consolidated financial statements
- Disinterested stockholders decide on all RPTs which require stockholders' approval

### D. 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 is mandated to enhance stockholder value by fostering the long-term success of the Company and sustaining its competitiveness and profitability in a manner consistent with the Company's vision, mission, and corporate objectives.

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

The Board, in its regular meeting held on January 27, 2020 as part of the Board's assessment of the Company's performance in the past year, reviewed and confirmed the vision, mission, and corporate strategic objectives of the Company. In the same meeting, the Board also reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance.

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.

**D.1 COMPOSITION**

The Company has a diverse Board consisting of eleven (11) directors, majority of whom are non-executive directors while two (2) are Independent Directors (ID), namely, Ret. Chief Justice Artemio V. Panganiban and Mr. Pedro E. Roxas.

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 effectually perform its responsibilities in accordance with the Board Diversity Policy. The Policy promotes diversity to encourage critical discussion and foster a balanced decision in the attainment of the Company's strategic objectives and sustainable development. The Policy likewise provides for measurable objectives for implementing its board diversity 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.

**D.2 INDEPENDENT DIRECTORS**

On March 20, 2020, the Nom&Gov assessed the profiles of the directors and found that the independent, non-executive directors are indeed independent of the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business

judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they are reasonable and do not hinder in any way the performance of their duties to the Company.

The Board designated Ret. Chief Justice Panganiban as a lead independent director to perform the following functions:

- a. To serve as intermediary between the Chairman and the other directors when necessary;
- b. To convene and chair meetings of the non-executive directors; and
- c. To contribute to the performance evaluation of the Chairman, as required.

**D.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 to oversee the performance of the Board and its directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and likewise espouse.

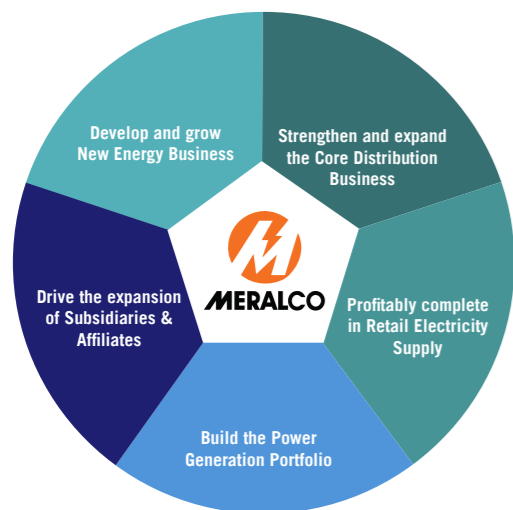
Together with President and CEO, Atty. Ray C. Espinosa, the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses 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, which is accessible at the Company's website.

**D.4 MEETINGS AND MAJOR ACCOMPLISHMENTS**

The Board 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.

**MERALCO STRATEGIES AND GROWTH PLATFORMS**



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

2020 ASM and Board Meeting Attendance			
Director	Designation	Annual Stockholders' Meeting	Board and Organizational Meetings
Manuel V. Pangilinan	Chairman	Present	15/15
Lance Y. Gokongwei	Director	Present	15/15
Ray C. Espinosa <sup>1</sup>	Director	Present	15/15
James L. Go	Director	Present	15/15
Jose Ma. K. Lim	Director	Present	13/15
Elpidio L. Ibañez	Director	Present	15/15
Anabelle L. Chua	Director	Present	15/15
Artemio V. Panganiban <sup>2</sup>	Independent Director	Present	13/15
Pedro E. Roxas	Independent Director	Present	15/15
Victorico P. Vargas	Director	Present	15/15
Frederick D. Go	Director	Present	14/15

<sup>1</sup> President and CEO  
<sup>2</sup> Lead Independent Director

In 2020, 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 Revised Finance Committee Charter
- Conduct of the 2020 ASM
- Screening of nominees to the Board
- Approval of 2021 schedule of Board meetings
- Review and approval of the appointment of the Chief Commercial Officer, Head of Supply Chain Management, and Head of Corporate Communications
- 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 Audited Financial Statements
- Evaluation of incumbent external auditor and nomination of external auditor for 2020

- Approval of report of external auditors covering the Company's Audited 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 supply contracts in excess of Php50 million

**Business Plan and Annual Budgets**

- Review and approval of the 2021 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 2020, the Company's non-executive directors met seven (7) 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 who regularly attend trainings on corporate governance.

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 the Company's Compliance Officer and Senior Vice President, Atty. William S. Pamintuan, who has the duties to monitor, review, evaluate and ensure the compliance by the corporation, its officers and directors with the relevant

laws, rules and regulations and all governance issuances of regulatory agencies and report violations thereof to the Board and recommend 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.

**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), and Related Party Transactions Committee (RPTCom). The Board has delegated specific responsibilities to each of these Committees. These Committees had been formed and are guided by their respective committee charters.

2020 Board Committee Meeting Attendance							
	FINANCE	AUDIT	RMC	RPT COMM	NOM& GOV	RLDC	ExCom
Manuel V. Pangilinan <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	5/5	1/1
Lance Y. Gokongwei	10/13	N/A	N/A	N/A	N/A	5/5	1/1
Ray C. Espinosa	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James L. Go	13/13	6/6	2/2	3/3	5/5	N/A	1/1
Frederick D. Go	N/A	6/6	2/2	3/3	5/5	N/A	N/A
Jose Ma. K. Lim <sup>2</sup>	N/A	6/6	2/2	2/3	4/5	N/A	1/1
Elpidio L. Ibañez	13/13	N/A	N/A	N/A	N/A	N/A	N/A
Anabelle L. Chua <sup>3</sup>	13/13	6/6	2/2	3/3	5/5	N/A	N/A
Artemio V. Panganiban <sup>4</sup>	N/A	6/6	2/2	3/3	N/A	N/A	1/1
Pedro E. Roxas <sup>5</sup>	13/13	6/6	2/2	3/3	5/5	5/5	N/A
Victorico P. Vargas	13/13	N/A	N/A	N/A	N/A	5/5	N/A

<sup>1</sup> Chairman, Executive Committee and Remuneration and Leadership Development Committee  
<sup>2</sup> Chairman, Risk Management Committee  
<sup>3</sup> Chairman, Finance Committee  
<sup>4</sup> Chairman, Audit Committee; Independent Director  
<sup>5</sup> Chairman, Nomination and Governance Committee; Chairman Related Party Transactions Committee; 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.
- 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 four (4) meetings in 2020 and accomplished the following:

- Approval of candidates for rank conferment to Chief Commercial Officer and Vice President
- Review of performance evaluation plan results
- Review of merit increase programs
- Review of annual incentive plan
- Presentation and review of proposed succession planning programs

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 2020 Board Remuneration (in PhP)			
	Remuneration for Board Meetings Attended in 2020	Remuneration for Committee Meetings Attended in 2020	TOTAL
<b>EXECUTIVE DIRECTOR</b>			
Ray C. Espinosa	₱1,960,000	-	₱1,960,000
<b>NON-EXECUTIVE DIRECTOR</b>			
Manuel V. Pangilinan	₱1,960,000	₱120,000	₱2,080,000
Lance Y. Gokongwei	₱1,960,000	₱360,000	₱2,320,000
Anabelle L. Chua	₱1,960,000	₱648,000	₱2,608,000
James L. Go	₱1,960,000	₱648,000	₱2,608,000
Frederick D. Go	₱1,820,000	₱360,000	₱2,180,000
Elpidio L. Ibañez	₱1,960,000	₱312,000	₱2,272,000
Jose Ma. K. Lim	₱1,680,000	₱312,000	₱1,992,000
Victorico P. Vargas	₱1,960,000	₱432,000	₱2,392,000
<b>INDEPENDENT DIRECTORS</b>			
Pedro E. Roxas	₱1,960,000	₱768,000	₱2,728,000
Artemio V. Panganiban	₱1,680,000	₱264,000	₱1,944,000
<b>TOTAL INDEPENDENT DIRECTORS</b>	₱3,640,000	₱1,032,000	₱4,672,000
<b>GRAND TOTAL</b>	₱20,860,000	₱4,224,000	₱25,084,000

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until 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 PhP140,000 for every board meeting attended and PhP24,000 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 PhP225M. 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 five (5) 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 the Nom&Gov for discussion and review on or before the deadline set by the Nom&Gov.

These candidates are sourced from the business network of Board members 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 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 held five (5) meetings in 2020 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 2019
- Reviewed and approved the Revised Finance Committee Charter
- Discussed the implementation of electronic voting in absentia for the 2020 ASM, CG Disclosures App, and Project One Meralco Governance
- Reviewed the results of the Ethical Climate Survey



- Reviewed the e-Report Mo Statistics
- Facilitated the annual CG enhancement and continuing education programs
- Conducted the onboarding orientation for the new director, Mr. Frederick D. Go

**D. Audit Committee (AuditCom)**

The AuditCom consists of two (2) 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 2020 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 Audited Consolidated Annual Financial Statements of the Company
- Endorsed for Board approval the 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 related party 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 an executive session with the External Auditor 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 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.
- Obtained updates on the status of compliance as well as the remaining challenges confronting the Company, as they relate to the requirements of the ERC, the SEC and other regulators concerned with environment and safety, labor, and others.

**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 management's top business risks and discussed ongoing risk treatments
- Reviewed the Enterprise-Wide Risk Management (EWRM) Plans
- Considered Management's short-to medium-term plans to EWRM integration in the annual strategic planning activities to institutionalize risk management functions at the subsidiaries and to develop a risk reporting dashboard that will facilitate reporting and monitoring of top risks and mitigation plans

- Reviewed the effectiveness and certified the adequacy of the Company's risk management system

The Board 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, one (1) of whom is an independent director, with the Chief Finance Officer (CFO) as ex-officio member. It reviews the financial operations of the Company and matters regarding major purchase contracts, and acquisition and/or divestment of investments, businesses or ventures.

In its 12 meetings in 2020, its major accomplishments were:

- Review and approval of all service and supply contracts in excess of PhP50M
- Review of Unaudited Quarterly Consolidated Financial Statements and Audited Annual Consolidated Financial Statements
- Treasury updates
- Declaration of final 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 special payment agreements
- 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 (RPTComm)**

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 the Company and shareholders, and ensure that all RPTs of the Company are conducted in fair and at arms' length terms. The following activities were accomplished by the RPTComm in 2020:

- Discussed the implementation of the Revised RPT Policy
- Reviewed and endorsed material and significant RPTs for the Board's approval.

**A.7 ORIENTATION AND CONTINUING EDUCATION PROGRAMS**

The Board of Directors ensures that the Company complies with all relevant laws, regulations, and endeavor 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.

The Company has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of the Company's MCG, the ERC Resolution No. 1, Series of 2004, and the SEC Memo Circular No. 20, Series of 2013, the directors, together with the Senior Management, attended via online platform the 14th Annual Corporate Governance Enhancement Session (ACGES) on September 25, 2020, entitled "Lessons from a Pandemic: The MPIC Hospital Group COVID-19 Experience and Best Practices; and "How to Lead Courageously During a Crisis." The ACGES covered four (4) hours of governance training and was accredited by the SEC.



2020 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 ELPIDIO L. IBAÑEZ JOSE MA. K. LIM VICTORICO P. VARGAS RET. CHIEF JUSTICE ARTEMIO V. PANGANIBAN PEDRO E. ROXAS	MVP Group 14 <sup>th</sup> Annual Corporate Governance Enhancement Session: Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices; and How to Lead Courageously During a Crisis	Dr. Saturnino P. Javier, M.D. Makati Medical Center  Dr. Nancy F. Koehn, Ph.D. Harvard Business School
LANCE Y. GOKONGWEI	MVP Group 14 <sup>th</sup> Annual Corporate Governance Enhancement Session: Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices	Dr. Saturnino P. Javier, M.D. Makati Medical Center
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 February 24, 2020, through employment of the following assessment forms, with the following processes and criteria:

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.

On the assessment forms, the Board gives its opinions and suggestions or identifies special issues of interest about its performance or different aspects of the Company's operation.

PERFORMANCE INDICATORS	
Financial	Non-Financial
Measures reflecting the financial results and financial position of the Company 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"> <li>• S-Factor Indicators                             <ul style="list-style-type: none"> <li>- System Average Interruption Frequency Index (SAIFI)</li> <li>- System Average Interruption Duration Index (SAIDI)</li> <li>- Customer Average Interruption Duration Index (CAIDI)</li> <li>- Probability of Voltage Level (PV)</li> <li>- Time to Process Applications (TPA)</li> <li>- Time to Connect Premises (TCP)</li> <li>- Call Center Performance (CCP)</li> <li>- System Loss (SL)</li> </ul> </li> <li>• Guaranteed Service Level (GSL) Metrics</li> </ul>

The Corporate Governance Office (CGO) sends these assessment forms to every director, collects the completed forms, prepares a summary report and submits it to the Nom&Gov Committee and the Board as an agenda item for acknowledgment and discussion

**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, 2020.

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%
<b>TOTAL</b>	<b>845,613,439</b>	<b>75.02%</b>

**E.2 ENTERPRISE-WIDE RISK MANAGEMENT**

Enterprise Risk Management (ERM) allows the Company and its subsidiaries to enhance its stakeholder value through the creation of a risk governance structure and adoption of mechanisms that manage existing and emerging risks effectively. It also aims to enhance the ability of the Company and its subsidiaries to take on additional risks accompanying new growth opportunities. The following are the key enterprise risks of the Company: Regulatory and Compliance risks, Strategic and Corporate Risks, Financial Risks, and Operational Risks.

**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.

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

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2020								
NAME	JANUARY 1, 2020	BUY	SELL	DECEMBER 31, 2020	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
<b>Directors</b>								
1. Manuel V. Pangilinan	40,000	15,000	-	55,000	55,000	-	55,000	0.00%
2. Anabelle L. Chua	11,060	5,000	-	16,060	16,060	-	16,060	0.00%
3. Ray C. Espinosa	46,000	-	-	46,000	46,000	-	46,000	0.00%
4. James L. Go	10,110	179,340	-	189,450	189,450	-	189,450	0.02%
5. Frederick D. Go	30	-	-	30	30	-	30	0.00%
6. Victorico P. Vargas	1,000	2,917	-	3,917	3,917	-	3,917	0.00%
7. Lance Y. Gokongwei	5,010	-	-	5,010	5,010	-	5,010	0.00%
8. Jose Ma. K. Lim	45,010	5,000	-	50,010	50,010	-	50,010	0.00%
9. Elpidio L. Ibañez	15,263	5,000	-	20,263	20,263	-	20,263	0.00%
10. Artemio V. Panganiban	1	-	-	1	1	-	1	0.00%
11. Pedro E. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.00%
<b>Officers</b>								
12. Simeon Ken R. Ferrer	767	-	-	767	767	-	767	0.00%
13. Roberto R. Almazora	93,082	-	-	93,082	93,082	-	93,082	0.01%
14. Ronnie L. Apercho	14	-	-	14	14	-	14	0.00%
15. William S. Pamintuan	-	-	-	-	-	-	-	-
16. Rogelio L. Singson	-	-	-	-	-	-	-	-
17. Betty C. Siy-Yap	-	-	-	-	-	-	-	-
18. Maria Luisa V. Alvendia	-	-	-	-	-	-	-	-
19. Edgardo V. Carasig <sup>1</sup>	-	-	-	-	-	-	-	-
20. Ferdinand O. Geluz <sup>2</sup>	12,877	2,000	2,000	12,877	12,877	-	12,877	0.00%
21. Victor Emmanuel S. Genuino <sup>2</sup>	-	-	-	-	-	-	-	-
22. Melanie T. Oteyza	-	-	-	-	-	-	-	-
23. Jose Ronald V. Valles <sup>1</sup>	-	3,000	3,000	-	-	-	-	-
24. Antonio M. Abuel, Jr.	10,427	-	-	10,427	10,427	-	10,427	0.00%
25. Ireneo B. Acuña	18,355	-	-	18,355	18,355	-	18,355	0.00%
26. Ferdinand C. Alejandro <sup>3</sup>	8,952	-	-	-	-	-	-	-
27. Patrick Dave B. Bacani	-	-	-	-	-	-	-	-
28. Roque D. Bacani	-	-	-	-	-	-	-	-
29. Bennette D. Bachoco	-	-	-	-	-	-	-	-
30. Joseph Allan C. Baltazar	-	-	-	-	-	-	-	-

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2020								
NAME	JANUARY 1, 2020	BUY	SELL	DECEMBER 31, 2020	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
31. Rita D. Bantigue <sup>4</sup>	-	-	-	-	-	-	-	-
32. Benjamin U. Cusi	24,050	-	-	24,050	24,050	-	24,050	0.00%
33. Jenevi L. Dela Paz	-	-	-	-	-	-	-	-
34. Ma. Cecilia M. Domingo	945	300	-	1,245	1,245	-	1,245	0.00%
35. Lawrence S. Fernandez	4,500	-	-	4,500	4,500	-	4,500	0.00%
36. Jose Mari P. Melendres <sup>5</sup>	-	-	-	-	-	-	-	-
37. Maria Carmela T. Migrño	-	-	-	-	-	-	-	-
38. Richard O. Ochava <sup>4</sup>	-	-	-	-	-	-	-	-
39. Charina P. Padua	37,609	-	-	37,609	37,609	-	37,609	0.00%
40. Raymond B. Ravelo	-	-	-	-	-	-	-	-
41. Glen S. San Pedro <sup>6</sup>	-	-	-	-	-	-	-	-
42. Jose S. Reyes, Jr.	8,827	100	-	8,827	8,827	-	8,827	0.00%
43. Froilan J. Savet	8,435	-	-	8,435	8,435	-	8,435	0.00%
44. Jose Antonio T. Valdez	-	-	-	-	-	-	-	-
45. Manuel Lorenzo L. Tuason <sup>7</sup>	22,180	-	-	-	-	-	-	-
46. Maria Zarah R. Villanueva-Castro	-	-	-	-	-	-	-	-
47. Agapito R. Zaldarriaga <sup>6</sup>	-	-	-	10,369	10,369	-	10,369	0.00%
48. Ma. Cynthia C. Soluren	11,575	-	-	11,575	11,575	-	11,575	0.00%
Total	436,979	217,657	5,000	628,873	628,873	-	628,873	0.05%

<sup>1</sup> Appointed First Vice President effective January 1, 2020  
<sup>2</sup> Resigned effective August 31, 2020  
<sup>3</sup> Retired effective August 31, 2020  
<sup>4</sup> Appointed Vice President effective January 1, 2020  
<sup>5</sup> Retired effective December 31, 2020  
<sup>6</sup> Appointed Vice President effective December 1, 2020  
<sup>7</sup> Retired effective June 30, 2020

**E.5 AUDIT**

**Internal Audit**

Meralco Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that align to the key strategies and risks across the Group's business and are 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 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 the 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 the 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, Chartered Management Accountant, 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)		
	2020	2019
Financial Statements Audit	9.8	8.9
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC	0.7	0.6
<i>Note: The fees for non-audit services did not exceed those for audit services.</i>		

**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 26, 2020.

**E.6 MEDIUM OF COMMUNICATION**

**Quarterly Reports**

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

Quarterly Reports: <http://www.meralco.com.ph/investor-relations/quarterly-reports>  
 Financial Results: <http://www.meralco.com.ph/investor-relations/financial-results>  
 Annual Reports: <http://www.meralco.com.ph/investor-relations/annual-reports>

**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**

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

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

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

The Company's 2020 Audited Financial Statements were released on February 28, 2020, 59 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.

