



# OUR GOVERNANCE

GRI 2-9 | GRI 2-10 | GRI 2-11 | GRI 2-12 | GRI 2-13 | GRI 2-14 | GRI 2-15 | GRI 2-16 |  
GRI 2-18 | GRI 2-19 | GRI 2-20 | GRI 2-25 | GRI 2-26 | GRI 2-27 | GRI 205-1 |  
GRI 205-2 | GRI 205-3 | GRI 406-1

*At the heart of every thriving organization lies the unwavering pillars of purposeful leadership and robust organizational management. For Meralco, these are driven by its Board of Directors, which shapes the company's vision, core values, structure, and functions. It also guides Meralco's environmental and social endeavors, enabling the Company to drive its commitment to sustainability and amplify its positive impact on the world.*

# Corporate Governance: Operationalizing Ethical Business Principles

Corporate governance remains a vital key to Meralco's growth and success, permeating all facets of the Company's organizations, business operations, and stakeholder touchpoints and driving the Company forward towards its long-term strategic objectives.

Through good corporate governance, Meralco ensures that it strictly conforms to relevant laws, regulations, contracts, strategies, and policies governing its operations. As such, in 2022, the Company is fully compliant with the corporate governance code, rules, and regulations promulgated and enforced by the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), the Philippine Dealing & Exchange Corporation (PDEx), and other relevant regulatory bodies.

## ONE MERALCO STRATEGIC THRUSTS




However, the Company recognizes that corporate governance is more than sheer compliance; it exists to create a strong and sustainable corporate culture, anchored on the fundamental principles of fairness, accountability, integrity, transparency, and honesty, that enables the Company to create and sustain value, gain competitive advantage, and embrace environment, social, and governance objectives.

Accordingly, guided by its vision, mission, and core values, Meralco continues to strengthen its governance structure, policies, controls, and practices, in accordance with the SEC Memorandum Circular No. 19, Series of 2016, otherwise known as the Code of Corporate Governance for Publicly Listed Companies (“SEC CG Code”) and the ASEAN Corporate Governance Scorecard (“ACGS”).


**ASEAN Asset Class Awardee**

*ASEAN Corporate Governance Scorecard Regional Assessment*




**Philippines’ Top 2 Strongest Adherence to Corporate Governance**

*12th Institutional Investor Corporate Awards 2022*



**Three Golden Arrow Awardee**

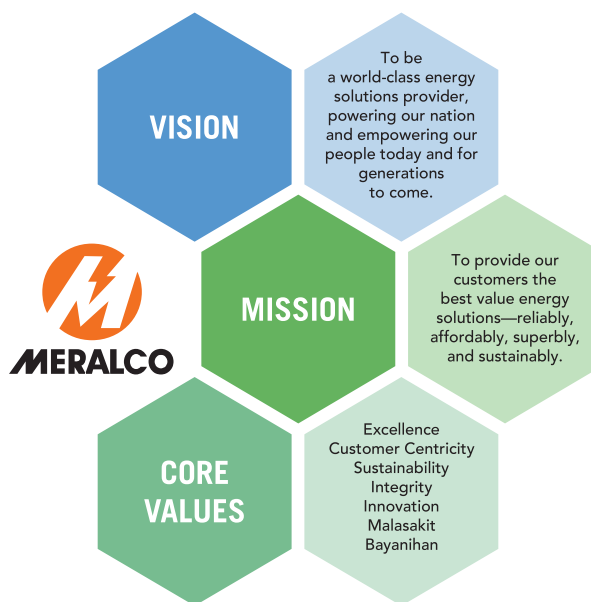
*ASEAN Corporate Governance Scorecard Domestic Assessment*



As a testament to Meralco’s strong brand of corporate governance and ethical culture, the Company has been recognized in the Philippines and in ASEAN region as one of the top publicly-listed companies with strong commitment to the principles of good governance.

## BOARD GOVERNANCE RESPONSIBILITIES

The Company is led and guided by a competent and committed Board of Directors (“Board”) that fosters the long-term success of the corporation, and ensures that it sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.





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 development and implementation of the Company's business objectives and strategy and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

Pursuant to the SEC CG Code, the Board adopted in 2017 a Manual of Corporate Governance ("CG Manual") which provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and

adhere to in dealing with various stakeholders. Management in turn, ensures that the operations of the Company are aligned with the CG Manual.

The CG Manual 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. The CG Manual was amended by the Board on July 25, 2022.

In accordance with the CG Manual, the Board formulates and annually reviews the Company's vision and mission statement, strategic objectives, key policies and the mechanism

for performance assessment of the Board and Management, principally the President and Chief Executive Officer (CEO).

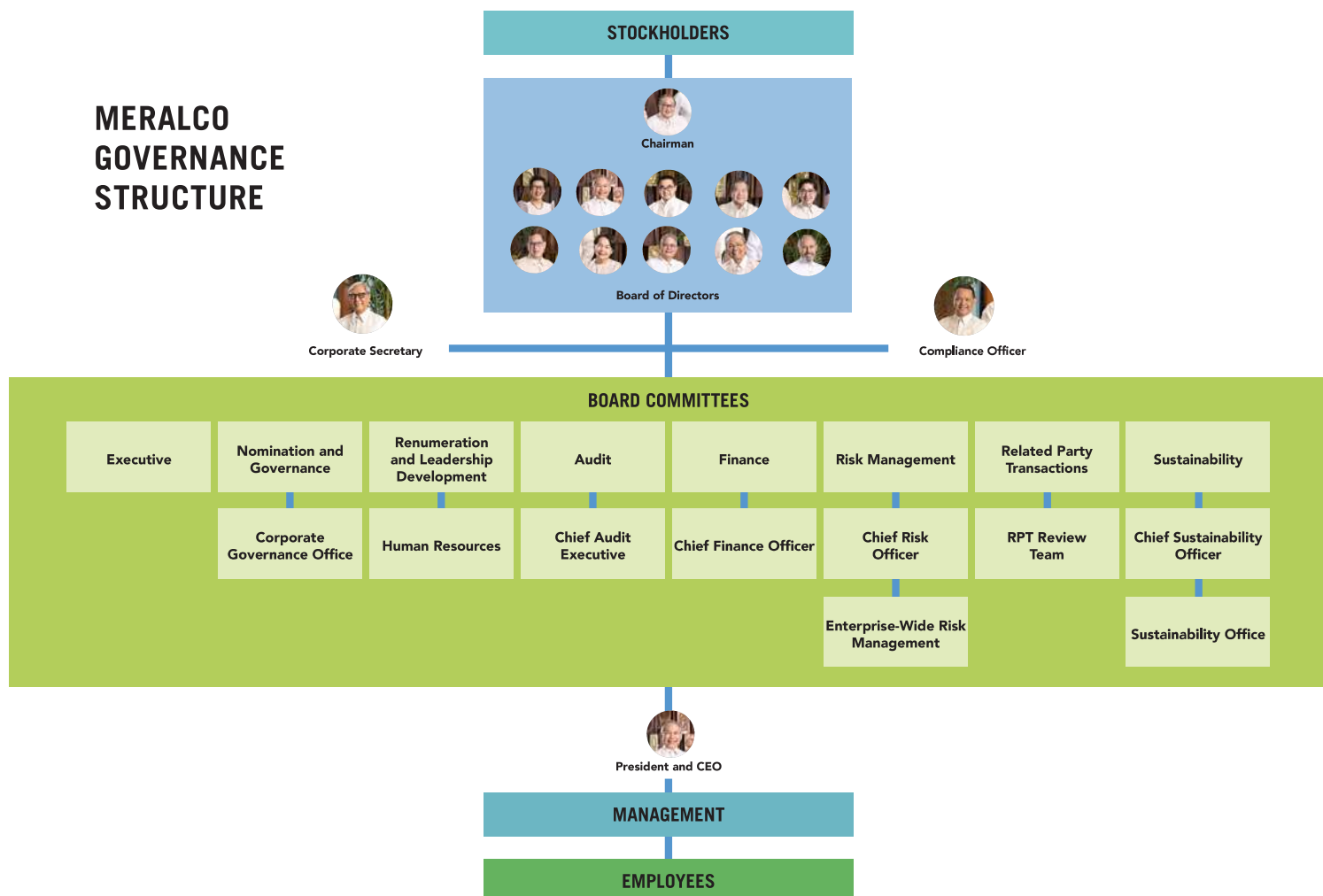
The Board, in its regular meeting held on February 28, 2022 as part of the Board's assessment of the Company's performance in the past year, reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance. In 2021, the Board revised the vision, mission, and values statements as well as the corporate strategic objectives of the Company and the same was reviewed and confirmed by the Board in 2022.



## Composition

The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector. 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), including a female independent director.

## MERALCO GOVERNANCE STRUCTURE



The Nomination and Governance Committee (Nom&Gov) reviews the nomination, selection, and composition of the Board pursuant to the Nomination and Election Policy. Additionally, the Board affirms that its members have a proper mix of qualifications, background, experience, independence, and skills needed to effectively perform its responsibilities and that its members remain qualified for their positions individually and collectively to enable

them to fulfill their roles and responsibilities and respond to the needs of the organization.

The Board adopts a Board Diversity 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 Board 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.

## Independent Directors

On April 13, 2022, 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.

Given the nomination for election to the Board of Directors of independent directors, Retired Chief Justice Artemio V. Panganiban and Mr. Pedro Emilio O. Roxas after the maximum nine-year term, the Board provided for the meritorious justification for their retention in accordance with the CG Manual which was consequently approved by the shareholders during the 2022 Annual Stockholders' Meeting.

The retention of these independent directors was viewed in light of the unprecedented backdrop of the COVID-19 pandemic and the Russo-Ukraine War that have caused massive economic disruptions and challenges. The most recent corporate financial and operational indicators have clearly shown that these two global events have brought about unique and serious operational, legal and regulatory risks, that unfortunately have continued to

loom relentlessly over the company and the 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 immediately address these risks.



## 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 any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the CG Manual accessible at the Company's website.



## 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.

### 2022 ASM AND BOARD MEETING ATTENDANCE

Director	Designation	Annual Stockholders' Meeting	Board and Organizational Meetings
Manuel V. Pangilinan	Chairman / Non-Executive Director	Present	13/13
Ray C. Espinosa <sup>1</sup>	Executive Director	Present	13/13
Anabelle L. Chua	Non-Executive Director	Present	13/13
James L. Go	Non-Executive Director	Present	13/13
Frederick D. Go	Non-Executive Director	Present	13/13
Lance Y. Gokongwei	Vice Chairman / Non-Executive Director	Present	13/13
Lydia B. Echauz	Independent Director	Present	13/13
Jose Ma. K. Lim	Non-Executive Director	Present	13/13
Artemio V. Panganiban	Non-Executive Director	Present	13/13
Pedro Emilio O. Roxas	Lead Independent Director	Present	13/13
Victorico P. Vargas	Independent Director	Present	13/13

<sup>1</sup> President and CEO



In 2022, 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 2022 ASM
- Approval of 2023 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 Audited Financial Statements
- Evaluation of incumbent external auditor and nomination of external auditor for 2022
- 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 rank conferment, appointment, and extension of officers

- 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 2023 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

## 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, a fellow of the Institute of Corporate Directors, 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.

## Board Committees

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

### 2022 BOARD COMMITTEE MEETING ATTENDANCE

Director	Finance	Audit	RMC	RPT	Nom & Gov	RLDC	Executive	Sustainability
Manuel V. Pangilinan <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	3/3	4/5	-
Ray C. Espinosa	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anabelle L. Chua <sup>2</sup>	12/12	7/7	2/2	2/2	4/4	N/A	N/A	N/A
James L. Go	12/12	6/7	2/2	2/2	4/4	N/A	5/5	N/A
Frederick D. Go	N/A	7/7	2/2	2/2	4/4	N/A	N/A	-
Lance Y. Gokongwei	9/12	N/A	N/A	N/A	N/A	3/3	5/5	-
Lydia B. Echaüz <sup>3</sup>	12/12	7/7	N/A	N/A	4/4	N/A	N/A	N/A
Jose Ma. K. Lim <sup>4</sup>	1/1	7/7	2/2	2/2	4/4	N/A	5/5	-
Artemio V. Panganiban <sup>5</sup>	N/A	7/7	2/2	2/2	N/A	N/A	5/5	N/A
Pedro Emilio O. Roxas <sup>6</sup>	12/12	7/7	2/2	2/2	4/4	3/3	N/A	-
Victorico P. Vargas	12/12	N/A	N/A	N/A	N/A	3/3	N/A	N/A

<sup>1</sup> Chairman, Executive Committee, Remuneration & Leadership Committee, and Sustainability Committee

<sup>2</sup> Chairman, Finance Committee from January to November 2022.

<sup>3</sup> Independent Director

<sup>4</sup> Mr. Jose Ma. K. Lim was appointed as new member and Chairman of the Finance Committee in the November 28, 2022 Board meeting.

Chairman, Risk Management Committee

<sup>5</sup> Chairman, Audit Committee; Lead Independent Director

<sup>6</sup> Chairman, Nomination & Governance Committee, and Related Party Transaction 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.

The ExCom conducted five (5) meetings in 2022 and reviewed the following:

- Interim Power Supply Agreement (IPSA)
- Power Supply Agreement with the Original Proponent Terra Solar Philippines Inc. (TSPI)
- MIESCOR Infrastructure and Development Corp. (MIDC) Submission of Offer bid for the Globe Tower Sale and Lease Back
- 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 2022 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
- Approval of Recommendation for Appointment and Employment Extension

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 2022 BOARD REMUNERATION (IN PHP)

	Remuneration for Board Meetings Attended in 2022	Remuneration for Committee Meetings Attended in 2022	Total
<b>Executive Director</b>			
Ray C. Espinosa	1,680,000	0	1,680,000
<b>Non-Executive Director</b>			
Manuel V. Pangilinan	1,680,000	168,000	1,848,000
Lance Y. Gokongwei	1,680,000	408,000	2,088,000
Anabelle L. Chua	1,680,000	648,000	2,328,000
James L. Go	1,400,000	720,000	2,120,000
Frederick D. Go	1,680,000	360,000	2,040,000
Jose Ma. K. Lim	1,680,000	504,000	2,184,000
Victorico P. Vargas	1,680,000	360,000	2,040,000
<b>Independent Directors</b>			
Pedro Emilio O. Roxas	1,680,000	720,000	2,400,000
Artemio V. Panganiban	1,680,000	384,000	2,064,000
Lydia B. Echauz	1,680,000	552,000	2,232,000
<b>TOTAL INDEPENDENT DIRECTORS</b>	<b>5,040,000</b>	<b>1,656,000</b>	<b>6,696,000</b>
<b>GRAND TOTAL</b>	<b>18,200,000</b>	<b>4,464,000</b>	<b>23,024,000</b>

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until June 27, 2022. 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 238 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 networks of Board members and from professional search firms such as the Institute of Corporate Directors (ICD), or from shareholders. 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 then attends an onboarding program facilitated by the CGO.

The Nom&Gov Comm held four (4) meetings in 2022 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 2021
- Reviewed and approved the Human Rights Policy, Revised Social Media Policy, Revised Manual of Corporate Governance, Revised Code of Ethics
- Reviewed the Company's Vision, Mission, and Values Statements
- Discussed the updates on the implementation of Project One Meralco Governance
- Facilitated the annual CG enhancement and continuing education programs

## **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 2022 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 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. On December 8, 2022, the Audit Committee held separate executive session

with the engagement partner of the external auditors, SGV, including the private session of the Audit Committee Chair with the Chief Audit Executive. The agenda in these meetings involved matters the Audit Committee and the auditors believe should be discussed without the presence of the executive director or officers from 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 Key Enterprise Risks Report for the Distribution Utility and Subsidiaries
- Review of Risk Confirmation Statements for submission to Metro Pacific Investments Corp. (MPIC)
- 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 seven (7) directors, two (2) of whom are independent directors, 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 twelve (12) meetings in 2022, its major accomplishments were:

- Review and approval of all service and supply contracts in excess of PhP50 million
- Review of Unaudited Quarterly Consolidated Financial Statements and 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 of six (6) directors, two (2) of whom are independent directors. It assists the Board in reviewing De Minimis, Significant, and Material 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 RPTCom in 2022:

- Discussed and improved the RPT Review Process for Purchase Orders (POs) and Non-POs
- Reviewed the RPT Policy Guidelines
- Reviewed and approved De Minimis, Significant, and Material RPTs
- Reviewed RPT Reports together with the RPT Review Team, and evaluated Meralco's purchases of goods and services from related parties to be fair and at arm's length terms
- Endorsed Material RPTs to the Board for approval

## 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.

## Orientation and Continuing Education Programs

The Board of Directors ensures that the Company 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.

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 MVP Group Annual Corporate Governance Enhancement Session (ACGES) on September 22, 2022, entitled "The Metaverse and How it will Transform Business & Human Interaction" by Mr. Matthew Ball and "Proof of Learn: A Philippine Perspective to the Metaverse" by Ms. Sheila Lirio Marcelo. This session covered four (4) hours of governance training and was accredited by the SEC.

## 2022 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 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 Session: "The Metaverse and How it will Transform Business & Human Interaction" and "Proof of Learn: A Philippine Perspective to the Metaverse"	Mr. Matthew Ball Ms. Sheila Lirio Marcelo
Frederick D. Go	MVP Group Annual Corporate Governance Enhancement Session: "The Metaverse and How it will Transform Business & Human Interaction" and "Proof of Learn: A Philippine Perspective to the Metaverse"  Sustainability Masterclass	Mr. Matthew Ball Ms. Sheila Lirio Marcelo  JGS Executive Development Program
Lance Y. Gokongwei	Sustainability Masterclass  Unbox Extra: The Gokongwei Group Innovation Festival	JGS Executive Development Program  JG Summit Digital Transformation
James L. Go	Sustainability Masterclass  SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	JGS Executive Development Program

## 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 10, 2022, 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 Company's operation.

Every three years, the assessments are supported by an external facilitator. In 2023, the Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) in the evaluation of the 2022 performance of the board, board committees, the Chairman, the CEO, and other key officers.

### 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:
  - b. Board structure and qualifications
  - c. Board duties and responsibilities
  - d. 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 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 Loss (SL)</li> <li>• System Average Interruption Frequency Index (SAIFI)</li> <li>• System Average Interruption Duration Index (SAIDI)</li> <li>• Momentary Average Interruption Frequency Index (MAIFI)</li> <li>• Time to Process Applications (TPA)</li> <li>• Time to Connect Premises (TCP)</li> <li>• Call Center Performance (CCP)</li> </ul> </li> <li>• Guaranteed Service Level (GSL) Metrics</li> </ul>

## 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.

### 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 2022:

Declaration Date	Record Date	Payable Date	Rate per Share
February 28, 2022	March 30, 2022	April 26, 2022	PhP 10.226
July 25, 2022	August 23, 2022	September 14, 2022	PhP 5.806

### 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.

## Right to Vote and Participate Effectively Disclosure and Release of Notice to Annual Stockholders' Meeting (ASM)

### ASM

It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2022 ASM was held on Tuesday, May 31, 2022, at 10:00 AM at the Meralco Compound, Ortigas Avenue, Barangay Ugong, Pasig City. In light of the COVID-19 pandemic, the Company conducted its third 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 February 7, 2022, for submission of proposed agenda and nomination of qualified

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on February 7, 2022. The Definitive Information Statement (DIS) was distributed to the shareholders starting May 2, 2022. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

candidates on or before March 4, 2022. The agenda and nominees were approved by the Board during its meeting on February 7, 2022, and March 28, 2022, respectively.

### Voting Procedures

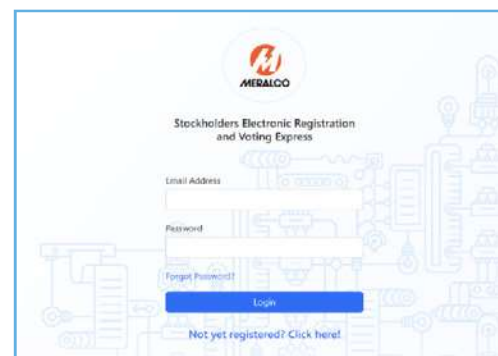
The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 902,548,837 shares or approximately 80.08% of the total issued and outstanding shares of the Company. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability 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, 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.





## Right to Approve Mergers and Acquisition

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.

## Institutional Investors

Meralco 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, 2022, was disclosed to the SEC, PSE, and PDEx on January 11, 2023, where approximately 73.83% of the Company shares are held by principal and strategic shareholders, and the remaining 26.11%

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 the Group. (Please refer to Schedule I of Meralco's SEC Form 17-A for the complete conglomerate map.)

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## EQUITABLE TREATMENT OF SHAREHOLDERS

### Shares and Voting Rights

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

### 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.

## **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.

## **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 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 2022, all the RPTs were conducted in fair and at arm's length terms and there was no case of insider trading or policy violations involving directors and officers of the Company. Also, 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.

## 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

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## ROLE OF STAKEHOLDERS

### 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.

#### 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.

## Performance-enhancing Mechanisms for Employees

### Employee Development Programs

Training programs and other developmental interventions including job-specific development training programs and managerial/ leadership development training are implemented to enable employees and officers 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 2022, the average training man-hours is at 42.91 hours per person.

TALENT MANAGEMENT AND DEVELOPMENT	PROGRAM DESCRIPTION
<b>Analyst Curriculum</b>	<p>In Meralco, analysts are the second largest employee group. Their role in the company is vital in the day-to-day operations and there is a need for them 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 &amp; Records Management, and (8) Risk Management. Meralco has already conducted training programs for 6 out of the 8 competencies in the curriculum, with the last 2 competencies (Policy and Documents &amp; Records Management) for curriculum design.</p>
<b>New Frontiers</b>	<p>New Frontiers is a 20-day/40-half-day program in partnership with the Asian Institute of Management. This program is composed of modules that are linked with Meralco's 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 for any future nominations for promotion to EC/SC ranks.</p>
<b>Breakthroughs</b>	<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 expected from 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>

<b>LEAP</b>	This is a five-half-day leadership program designed for incumbent team leaders or supervisors in the organization, aimed at aiding 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.
<b>Meralco Linecrew Training Curriculum I</b>	The Meralco Linecrew Training Curriculum 1, which is intended for apprentice/linecrew-trainees, is a six-month program which aims to equip linecrew trainees with the necessary knowledge, skills, and attitude to perform duties and responsibilities of a linecrew 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.
<b>Meter Technician Curriculum</b>	The Meter Technician Curriculum is divided into three parts: Basic, Specialize, and Supplemental Courses. Each part is anchored on the approved technical competency framework, which serves as the guide for the development of 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.
<b>Meralco Cadet Engineering Program</b>	Meralco Cadet Engineering Program (MCEP) is a five- to seven-month onboarding program of Meralco Learning & Development for cadet engineers (newly hired registered electrical engineers) that aims to expose them to the business of Meralco. This program is designed to help cadets gain basic knowledge about Meralco, specializing in the assigned organization. Over the course of this program, cadets will learn theoretical knowledge through classroom sessions and experience them in practical setting to help prepare cadets upon their deployment by immersing them in different offices. During the immersion, cadets will be able to meet and interact with the employees which would also enable understanding of the Meralco culture. Programs were also integrated to develop in the cadets the necessary life skills to be able to upgrade themselves not just professionally but also personally.

Company-wide training programs on corporate governance including those pertaining to anti-bribery and corruption were also implemented in 2022 and participated by 749 senior managers, 754 middle managers, 4,639 rank and file employees, and 707 employees of Company vendors.

### **Compensation Philosophy/Principles**

The Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest. 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 600 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 17 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 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. On July 25, 2022, the Code of Ethics



was amended and remade into “Code of Business Conduct and Ethics.”

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 Business Conduct and 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](http://www.meralco.com.ph)).

## 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 2022, the Company received certain reports of alleged violations and illegal/unethical behavior.

### Corporate Governance Office

Manila Electric Company (Meralco)

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

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

These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

## NUMBER OF REPORTED CORRUPTION INCIDENTS IN MERALCO

	2020	2021	2022
Under ongoing investigation	0	0	0
Closed with corresponding corrective action	0	0	0
Closed without corresponding corrective action	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

## COMMUNICATION OF ANTI-CORRUPTION POLICIES AND PROCEDURES IN MERALCO

	2020	2021	2022
Board of directors	11	11	11
Senior management	690	750	749
Middle management	696	761	754
Rank-and-file	4,429	4,394	4,639
Project-based/Fixed-term hires	0	0	323
Third-party workers	0	0	0
Business partners	2,762	2,861	707

## TRAINING ON ANTI-CORRUPTION IN MERALCO

	2020	2021	2022
Board of directors	11	11	11
Senior management	690	750	749
Middle management	696	761	754
Rank-and-file	4,429	4,394	4,639
Project-based/Fixed-term hires	0	0	323
Third-party workers	0	0	0
Business partners	0	0	707

## NUMBER OF REPORTED DISCRIMINATION INCIDENTS IN MERALCO

	2020	2021	2022
Under ongoing investigation	0	0	0
Closed with corresponding corrective action	0	0	0
Closed without corresponding corrective action	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>

## DISCLOSURE AND TRANSPARENCY

### Transparent Ownership Structure

The following stockholders directly own more than 5% of the Company's (MER) shares as at December 31, 2022.

Name of Stakeholder and Beneficial Owner	TOTAL SHARES (as of December 31, 2022)	% of TOTAL OUTSTANDING SHARES
Beacon Electric Asset Holdings, Inc.	394,059,235	34.96
JG Summit Holdings, Inc.	297,189,397	26.37
Metro Pacific Investments Corporation	140,906,807	12.50
<b>TOTAL</b>	<b>832,155,439</b>	<b>73.83</b>

## Enterprise-Wide Risk Management

Meralco's 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.

### ERM Framework

Meralco adopts the ISO 31000:2018 as its main model for ERM Framework. Leadership and Commitment sit at the core of the framework, emphasizing the role of top management in setting the strategic direction of the Company and ensuring integration of risk management discipline and practices within its existing management systems, processes, and culture. The Company's Board, through the Risk Management Committee, provides oversight over the risk management policies and activities 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.

### Meralco Risk Management Process

The Company's risk management process is a continuous cycle that involves risk identification, analysis, evaluation, and treatment across the different levels and functions of the organization, based on an understanding of the external and internal factors that influence the goals, objectives, as well as the risk management activities of the organization. Based on these considerations, the Company has categorized risks under five (5) general risk umbrellas in its Risk Universe: Regulatory and Corporate Laws; Strategic; Financial; Operational; and Environment,

Social, and Governance (ESG), which have been integrated for the first time in 2022 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, Political, Human Resources, Power Supply and Demand, and Fuel Price Risks are the top five (5) Key Enterprise Risks of the Company and its subsidiaries as at December 31, 2022.

1. Regulatory Risks captures the risk that issuances or changes in existing regulations, or decisions on cases and issues, would be unfavorable to the Company. Note that Meralco operates in a heavily regulated industry and is subject to various policies, rules and regulations that govern its operations. The Energy Regulatory Commission (ERC) provides oversight of Meralco's activities and sets and adjusts tariffs, approves power supply agreements, oversees the implementation of energy policies, and decides on various cases related to the energy industry. As such, any changes in regulations, as well as regulatory decisions by relevant authorities that could be disadvantageous for the company can have a significant impact in its operations and financial performance. This risk is mitigated by proactively engaging with regulators to better understand the

regulatory environment and advocate for policies that support its operations, participating in public consultations, providing feedback on proposed regulations, and building relationships with key decision-makers.

2. Political Risk refers to various factors such as changes in government policies and regulations impacting the electricity industry (e.g., adjustments in power rates, changes in the terms of its franchise agreement), shifts in political regimes, economic slowdowns, and the emergence of new competitors in the market that have an impact on the company's financial performance. Meralco engages with key stakeholders, including government officials, community leaders, and customers, to build relationships and better address stakeholder concerns. Meralco, likewise, participates in industry associations, supports research and development efforts, and proactively coalesces and engages with policymakers both at the national and local levels, as well as regulatory bodies that oversee the energy sector to ensure that its operations are in compliance with regulatory standards and aligned with government policies and priorities.
3. Human Resource Risk has recently been identified as one of The Company's Key Enterprise Risks. The scarcity of highly skilled workers in the Philippines has also affected





Meralco, specifically in the fields of information technology, engineering, and cybersecurity. This risk is mitigated by implementing the following strategies: capacity planning and workforce review to anticipate future workforce needs and identify potential skill gaps; succession planning and placement for key leadership positions; and other activities such as knowledge transfer, coaching, training of existing pool to upgrade current skill sets and regular updating of individual development plans to continuously equip employees with the needed knowledge and skills to perform their functions effectively.

4. Power Supply and Demand Risk stems from operational factors such as the shutdown of power plants, transmission lines, and other critical infrastructure for maintenance or unplanned repairs that leads to outages, supply shortages, and the need to procure more expensive fuel sources or alternatives. Additional factors to be taken into account include the growing demand from consumers for renewable energy, as companies become increasingly aware of the environmental impact of their activities, in contrast with the limited availability of renewable energy resources in the country. Supply Side mitigation include securing long-term Power Supply Agreements to ensure steady, affordable, and reliable supply to Meralco's customers. Long-term strategies to address supply and demand risk include new investments that will allow Meralco to diversify its power sources. Through its various subsidiaries, the company is growing its renewable energy investments such as solar, wind, and hydro power, as well as traditional power sources such as coal and natural gas.
5. Fuel Price Risk refer to increases in fuel price that can

significantly affect the cost that Meralco's energy providers incur, such as global events and other macro-economic factors that could trigger volatility in the global oil and gas markets (e.g., global supply cuts, geopolitical tensions, inflation); and is mitigated by using various hedging strategies and financial contracts with counterparties to lock in prices for fuel, to help protect the Company from price volatility in the fuel market.

### **Information, Communications, and Technology Governance**

The Board, through its Risk Management Committee, oversees the governance process around IT issues including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the board.

The Management, through ICT Governance Office and ICT Planning and Program Management Office, uses Control Objectives for Information and Related Technology (COBIT) framework to ensure that IT goals and objectives are in line with the overall business strategy of Meralco. This involves delivering value from IT investments, managing IT risks, optimizing IT resources, measuring performance, and communicating with stakeholders. ICT Governance Office provides a comprehensive approach to aligning IT with business objectives, mitigating risks, and ensuring compliance with policies and standards.

Management is likewise accountable to the Board for the Company's information security governance. Through the Cybersecurity Office, the Management provides the strategic direction and adequate resources to manage appropriately the information security risks of the organization. Management reviews and approves the information security policies ensuring that the implementation of information

security management system requirements is coordinated and integrated in the relevant processes across the organization, and adequate resources are in place and establishes clear assignment and designation of authority for the information security roles and responsibilities across line organizations.

The Company adopts an Information Security Policy that adheres with the ISO/IEC 27001 Information Security Management standards. This policy guides the Meralco workforce in supporting the company thrust and in managing and protecting the Company's information assets. This forms the foundation for building strategies and controls for mitigating cybersecurity risk within Meralco. The policy provides mechanisms to help identify areas for improvement, protect from possible cyber threats, detect cyber related attacks, quickly respond, and recover during incidents that may compromise the security of information assets and critical infrastructure.





## Environmental, Social, and Governance (ESG) Information

Meralco 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 discloses its policies and practices on the management of ESG issues, in accordance with the GRI Standards, SASB Standards for Electric Utilities and Power Generators as well as the TCFD Recommendations.

## Directors' and Officers' Dealings in Company Shares

### SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2022

Names	JAN. 1, 2022	Buy	Sell	DEC. 31, 2022	Direct Holdings	Indirect Holdings	Total Shares	% to Total Shares
<b>Directors</b>								
1. Manuel V. Pangilinan	55,000	0	-	55,000	55,000	-	55,000	0.005
2. Lance Y. Gokongwei	10,010	9,303	-	19,313	19,313	-	19,313	0.002
3. Ray C. Espinosa	51,000	5,000	-	56,000	56,000	-	56,000	0.005
4. Anabelle L. Chua	16,060	5,000	-	21,060	21,060	-	21,060	0.002
5. Lydia B. Echauz	1,100	-	-	6,100	6,100	-	6,100	0.001
6. Frederick D. Go	10,030	-	-	10,030	10,030	-	10,030	0.007
7. James L. Go	194,450	5,000	-	199,450	199,450	-	199,450	0.018
8. Jose Ma. K. Lim	55,010	20,000	-	75,010	75,010	-	75,010	0.007
9. Artemio V. Panganiban	14,001	-	-	14,001	14,001	-	14,001	0.001
10. Pedro Emilio O. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.000
11. Victorico P. Vargas	8,917	-	-	13,917	13,917	-	13,917	0.005
<b>Officers</b>								
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	3,000	-	15,877	15,877	-	15,877	0.001
20. Melanie T. Oteyza	-	-	-	-	-	-	-	0.000
21. Jose Ronald V. Valles	-	-	-	-	-	-	-	0.000
22. Antonio M. Abuel, Jr.	10,427	-	2,500	7,927	7,927	-	7,927	0.001
23. Francis Euston R. Acero <sup>1</sup>	500	-	-	500	500	-	500	0.000
24. Ireneo B. Acuna	18,355	-	-	18,355	18,355	-	18,355	0.002
25. Patrick Dave B. Bacani	-	-	-	-	-	-	-	0.000
26. Joseph L. Amosco <sup>1</sup>	5,198	-	-	5,198	5,198	-	5,198	0.000
27. Roque D. Bacani	-	-	-	-	-	-	-	0.000
28. Bennette D. Bachoco	-	-	-	-	-	-	-	0.000
29. Joseph Allan C. Baltazar	-	-	-	-	-	-	-	0.000
30. Rita D. Bantigue	-	-	-	-	-	-	-	0.000
31. Sante C. Buella <sup>1</sup>	-	-	-	-	-	-	-	0.000
32. Ricardo Carmelo D. Buenafe <sup>1</sup>	5,070	-	-	5,070	5,070	-	5,070	0.000
33. Alberto N. Castillo <sup>1</sup>	600	-	-	600	600	-	600	0.000
34. Ricardo L. Concepcion <sup>1</sup>	-	-	-	-	-	-	-	0.000
35. Benjamin U. Cusi <sup>2</sup>	24,050	-	-	24,050	24,050	-	24,050	0.002
36. Jenevi L. Dela Paz <sup>3</sup>	-	-	-	-	-	-	-	0.000
37. Ma. Cecilia M. Domingo	1,495	-	-	1,495	1,495	-	1,495	0.000
38. Lawrence S. Fernandez	4,500	-	-	4,500	4,500	-	4,500	0.000
39. Maria Carmela T. Migrño <sup>4</sup>	-	-	-	-	-	-	-	0.000
40. Richard O. Ochava <sup>3</sup>	-	-	-	-	-	-	-	0.000
41. Charina P. Padua	41,609	1000	-	42,609	42,609	-	42,609	0.004
42. Raymond B. Ravelo	-	-	-	-	-	-	-	0.000
43. Glen N. San Pedro	-	-	-	-	-	-	-	0.000
44. Jerry B. Lao <sup>1</sup>	-	-	-	-	-	-	-	0.000
45. Erville D. Magtubo <sup>1</sup>	-	-	-	-	-	-	-	0.000
46. Jose S. Reyes, Jr.	8,827	-	-	8,827	8,827	-	8,827	0.001
47. Froilan J. Savet	8,435	-	-	8,435	8,435	-	8,435	0.001
48. Jeffrey O. Tarayo <sup>1</sup>	-	-	-	-	-	-	-	0.000
49. Jose Antonio T. Valdez <sup>4</sup>	-	-	-	-	-	-	-	0.000
50. Maria Zarah R. Villanueva-Castro	-	-	-	-	-	-	-	0.000
51. Agapito R. Zaldarriaga	10,369	-	-	10,369	10,369	-	10,369	0.001
52. Ma. Cynthia C. Soluren	11,575	-	-	11,575	11,575	-	11,575	0.001
<b>TOTAL</b>	<b>674,328</b>	<b>55,830</b>	<b>2,500</b>	<b>730,131</b>	<b>730,131</b>	<b>0</b>	<b>730,131</b>	<b>0.075</b>

<sup>1</sup> Rank Conferment effective January 1, 2022.

<sup>2</sup> Mr. Benjamin U. Cusi retired effective November 30, 2022.

<sup>3</sup> Redeployed/Reassigned to external role effective May 31, 2022.

<sup>4</sup> Ms. Maria Carmela T. Migrño resigned effective November 1, 2022. 5 Mr. Jose Antonio T. Valdez resigned effective February 15, 2022.



# Audit

## Internal Audit

Meralco's Internal Audit (IA) unit 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. This provides an independent assurance to the Audit Committee on the adequacy and effectiveness of the governance, risk management, internal controls, and compliance systems.

The IA 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. A certification attestation of the Internal Controls is issued biannually as a result of the combined risk and control assessment of the Management and Internal Audit including the scope of audit review for the financial year.

IA is headed by the Group 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 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, Certified Fraud Examiner, Registered

Electrical Engineers and others with Certification in Control Self-Assessment, Certification in Risk Management Assurance, and Qualification in Internal Audit Leadership.

IA recruits and employs suitable and qualified professional staff with the requisite skillsets, competencies, and experience. Relevant trainings and continuing professional development are provided to its staff to ensure that internal audits are performed effectively and that the team possess the technical knowledge needed for the job and to remain relevant and value-adding to the organization. IA also provides a confirmation of their independence to the Audit Committee on an annual basis.

## 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 reappointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 31, 2022.

## CONSOLIDATED EXTERNAL AUDITOR'S FEES\* (in million Php)

Financial Statements Audit*	2021	2022
Financial Statements Audit	18.1	19
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

*Note: The fees for non-audit services did not exceed those for audit services.*

## Medium of Communication

### Quarterly Reports

The Company reports its quarterly and full-year financial results through the SEC, PSE, and PDEx to provide its shareholders, its 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 leaders, 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 Meralco's 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="https://company.meralco.com.ph/investor-relations/quarterly-reports">https://company.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>

## Timely Filing/Release of Annual/Quarterly Financial Reports

The Company's 2022 Audited Financial Statements were released on March 1, 2023, 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.

## Investor Relations

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

### *Stories of Light:* **Meralco celebrates and promotes good governance in CG Week 2022**



In November 2022, Meralco held its first-ever Group-wide Corporate Governance (CG) Week with the theme "Turning Awareness into Action".

Meralco's Corporate Governance Office (CGO), in partnership with the Good Governance Advocates and Practitioners of the Philippines (GGAPP), spearheaded initiatives to raise awareness across One Meralco on the role of corporate governance in the private sector as well as on the Company's governance policies

and programs, highlighting that maintaining good governance in the organization is the responsibility not only of the Company's senior management but also of every employee.

As part of the week-long initiative, Meralco conducted a webinar on social media ethics and etiquette, which covered topics such as principles of ethical social media use, legal responsibility on social media usage, and the Company's Revised Social Media Policy. Meralco also held numerous sessions for eight of its subsidiaries to share best practices on corporate governance. Furthermore, the Company launched a photography contest where entrants submitted photos showcasing Meralco's governance principles of Fairness, Accountability, Integrity, Transparency, and Honesty (FAITH).

Another key highlight of the CG Week was the formation of a One Meralco-wide council of CG Champions. This group of CG advocates from Meralco and its subsidiaries will help align the corporate governance policies across the Group and promote best practices across the organization. Finally, the CGO also launched the Corporate Governance Portal, an online platform where employees can access Meralco's governance

policies, trainings, information materials, and updates as well as report employee violations.

As a testament to the Company's robust and effective corporate governance framework and programs, Meralco was recognized in December 2022 with an ASEAN Asset Class Award—an annual recognition given to companies across Southeast Asia that have demonstrated outstanding corporate governance practices—for attaining a score of 100.9 in the 2021 ASEAN Corporate Governance Scorecard regional assessment. A month later, Meralco was awarded three Golden Arrow Awards by the Institute of Corporate Directors for its outstanding performance in the 2022 domestic assessment.

Moving forward, Meralco will continue being a champion of good governance—aligned with SDG 16: Peace, Justice, and Strong Institutions—by heightening its support for its subsidiaries through efforts such as policy review, implementation, and training.