Amended Policy on Solicitation and Acceptance of Gifts

(July 2014)

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I. Background

Pursuant to MERALCO's adherence to the corporate governance principles of fairness, accountability, integrity, and transparency, this policy is issued to define the Company's standing policy on Gifts, as aligned with MERALCO's Revised Manual of Corporate Governance and Revised Code of Ethics.

MERALCO's Revised Code of Ethics restricts the solicitation or acceptance of gifts in any form from a third person or entity, directly or indirectly in consideration of any act, omission, or transaction of our Company favorable to such third person or entity with existing or intended business dealings with our Company.

II. Rationale

Gift-giving is part of the Filipino culture of doing business to enhance good business relationships. However, Directors, Officers, and Employees must be aware that other parties may use this custom of gift-giving as means to gain favors or influence the objectivity of said Directors, Officers, and Employees. Thus, there is a need to properly regulate the receiving of gifts consistent with the abovementioned policies without prejudice to maintaining efficient, friendly, and cordial relations with Third Party entities. This serves as a guide for handling gifts offered and given by third parties.

III. General Statement of the Policy

Directors, Officers, and Employees shall refrain from putting themselves in situations or acting in a manner that could significantly affect the fair, objective, independent, and/or effective performance of their duties and responsibilities in the Company while transacting with third parties. As such, we do not solicit and accept gifts from Third Party entities.

In cases when solicitation and acceptance of gifts cannot be avoided, handling of such cases should conform to the rules and procedures prescribed in this document, which is also in accordance with the corporate governance principles of fairness, accountability, integrity, and transparency.

IV. Scope and Applicability

This Policy applies to and shall be implemented by, all members of the Board of Directors (each a "Director" and collectively, the "Directors"), Officers (each, an "Officer" and collectively, the "Officers"), and Employees (each, an

"Employee" and collectively, the "Employees") of Manila Electric Company ("MERALCO" or the "Company").

The scope of this policy covers only solicitation or acceptance of gifts from Third Party. Personal gifts are not covered by this policy.

V. Definitions – For purposes of this policy

1) **Bribe** – includes any money, fee, commission, credit, gift, gratuity, thing of value, compensation, personal business and the like, benefits or advantage of any kind that is, directly or indirectly, provided to or received by anyone in his personal capacity for the purpose of obtaining favorable treatment in connection with a business transaction.

2) **Consultants** – includes professional consultants, advisors, firms, partnerships, counsels, or such other professional entities or individuals rendering professional or specialized expert services to MERALCO as well as advisors of the Company who may be appointed by the Board of Directors or management.

3) **Customers** – individuals or entities with existing contracts (active, disconnected, or terminated) with and avail or intending to avail of services from MERALCO.

4) **Employee** – all persons other than Officers, under the employ and in active payroll of MERALCO, including temporary, consultants and probationary employees.

5) **Gifts** – may be a right or thing of value, like cash or cash equivalent, loan, fee, reward, commission, allowance, employment, travel and benefits.

   Following are examples of gifts referred to on this document:

   a) **Entertainment** – refers to any form of hospitality such as meals for Directors, Officers, and Employees given by Third Parties. It also covers spectator and participative activities (i.e., parties, shows, concert, golf, fishing, and other similar activities).

b) **Expensive Gifts** – gifts with equivalent money value or market price above the nominal value.

c) **Perishable Gift** – refers to items such as food, flowers or other similar items subject to decay, spoilage and expiration within a month.

d) **Non-perishable Gift** – this includes non-food or non-beverage item, as well as any food or beverage that does not fall under the scope of perishable gifts, such as, but not limited to, gift baskets with bottled/preserved food, packed biscuits/cookies, canned goods or liquor.

e) **Personal Gift** – refers to gifts solicited or received from friends, relatives, co-employees and entities with no existing or expected transactions with the receiver.

f) **Sponsored Travel** – any travel, accommodation and/or attendance/ participation in conferences/ conventions/ seminars/ trainings, international or domestic, whether for personal or business purposes, the costs of which are fully or partially paid for by Third Parties.

g) **Token Gifts** – gifts of nominal value (regardless of whether it is perishable or non-perishable).

6) **Giver –** a person or entity (Third party) giving the gift.

7) **Nominal Value** – it is the equivalent money value or market price of a gift when purchased. It is the price limit set by management for a gift to be considered acceptable.

8) **Officers** – employees with the rank of Vice President and up who are recognized by the Board of Directors of MERALCO.

9) **Receiver** – a MERALCO director, officer or employee who receives the gift.

10) **Relatives** – relatives of up to fourth degree, by consanguinity, affinity or legal adoption, including, the Directors' and Employee's spouse,

parents, children (and their spouses), siblings (and their spouses), nieces and nephews (limited to children of a brother or sister) [and their spouses], grandparents, and aunts and uncles (limited to brothers or sisters of a parent); and a domestic partner and his relatives of up to the third degree, by consanguinity or affinity or legal adoption.

11) **Third Party –** an individual, entity, organization and/or its representatives that has existing and/or expected business dealings with the Company. This includes but shall not be limited to prospective or existing suppliers, contractors, buyers, customers, government agencies, or all other business partners who are or may be similarly situated.

VI. Detailed Policy Statements

Gifts being offered should be politely refused and the Giver should be informed of the company's "No Gift" policy. The "No Gift" policy includes, but is not limited to, the following:

1) Cash, check, gift certificates, other cash equivalents or items that can be easily converted to cash of any amount, regardless of the occasion or situation.

2) Receipt of Gifts as part of any purchases made by the Company.

3) Gifts solicited or received from Third Party.

A. EXCEPTION CASES

Solicitation and acceptance of Gifts from Third Parties shall be avoided unless it falls under the exception cases below (Note: In no case shall cash or cash equivalent gifts be treated as exceptions.):

1. GIFTS FOR PERSONAL USE

a) Gifts received from unknown giver.

b) Gifts offered out of courtesy and when giver is insistent.

c) Token gifts given during seminars, conventions, or on occasions of rejoicing or celebrations like Christmas or birthdays may be accepted and kept by the receiver.

d) Whenever a Director, Officer, or Employee is invited to participate as speaker, facilitator, or reactors in conferences or seminars sponsored or organized by Third Parties, Gifts/tokens of appreciation offered to or received may be kept by the receiver; Provided that the other speakers, facilitators and/or reactors are also given similar gifts/tokens of appreciation by said Third Parties.

e) Courtesy discounts given to Directors, Officers, and Employees by Third Parties due to personal purchases of products and services from Third Parties, are allowed; Provided, that such discounted purchases are made openly and the same terms are made available to all Directors, Officers, and Employees.

f) Raffle tickets (or prizes won from such raffle tickets) and other promotional items given to the Company, its Directors, Officers, and Employees for their attendance to certain events (including but shall not be limited to athletic or social events, or Christmas parties and the like), conferences, seminars, or product presentations of Third Parties may be accepted and kept by the receiver/winner regardless of the value; Provided, however, that the other participants are likewise entitled to such raffle tickets and given equal opportunity to win prizes.

Due regard to the frequency of gifts received, the accumulated value which should not exceed the nominal value, and benefit for the Company shall be considered at all times.

2. GIFTS FOR COMPANY USE

a) It is acceptable for the Company to solicit or accept Gifts or donations for Corporate Social Responsibility (CSR) programs or initiatives, including outreach or charitable works of the Company's officially recognized employee organizations, such as medicines for medical missions, food and supplies for calamities, and materials for community development, provided that the solicitation or acceptance shall be through the Corporate Social Responsibility Office.

b) However, in the event that the Company will only accept or solicit donations from selected Third Parties, the conditions for such selection shall be disclosed to all (including other relevant Third Parties).

c) Solicitations for company use other than CSR programs must be justified and approved by the President or his authorized representative.

B. ENTERTAINMENT

A Director, Officer, or Employee shall use his best judgment in determining the propriety and frequency of accepting various forms of Entertainment offered by Third Parties.

1. Business meetings in locations that do not conform to accepted standards of propriety and are not conducive for business purposes shall be avoided.

2. Directors, Officers, and Employees shall not use property belonging to Third Parties, their employees, agents and/or representatives such as, but not limited to, vehicles, beach houses, resorts, and vacation houses whether for their personal benefit or as Company representative(s) for entertainment purposes.

3. Directors, Officers, and Employees shall refrain from requesting for or soliciting any form of Entertainment from a Third party including sponsorship for Company activities, non-Company supported charitable works, and/or personal events such as birthdays, weddings, baptisms, etc., or from accepting such Entertainment where such acceptance could impair their objectivity in the performance of their duties and obligations to the Company.

Allowed exceptions are the following:

a) Meals during business meetings are acceptable.

b) Acceptance of invitations to theater, concerts or social/sporting events are permissible; Provided, however, that such invitations are generally available to others in the same community, category or industry.

C. SPONSORED TRAVEL

It is the Company that sponsors its Director, Officer, or Employee's attendance in conferences, conventions, and exhibits, which may include travel, accommodation and/or registration expenses.

The Director, Officer, or Employee is obliged to refuse offers of free travel and/or accommodation to conferences, conventions, exhibits, product presentations or other similar events from Third Parties.

The following exceptions are allowed:

a) Travels sponsored by industry/professional organizations not associated with any Third Party are acceptable.

b) Complimentary travel and accommodation for trainings from Third Parties may be permitted if these are part of an approved/existing contract and are deemed to benefit the Company.

c) There are instances when Third Parties provide Sponsored Travel to Directors, Officers, or Employees to local and/or international business/industrial site to demonstrate actual performance of their products/systems. Acceptance of such sponsored invitation should be justified by the following:

i. The purpose of the travel should be business in nature and has a direct benefit to the future performance and business of the Company.

ii. Knowledge of Directors, Officers, and Employees assigned/chosen for the travel would be valuable to the evaluation of the system and directly related to his job function.

d) Other exceptional and justified cases as may be approved by the Chairman of the Board (for Directors) or the President and CEO (for Officers and Employees), allowing Directors, Officers, or Employees to accept Sponsored travel to conferences, conventions, and such events from Third Parties. CGO should be provided with a copy of the approved documents for reference purposes.

VII. Responsibilities

1) **Nomination and Governance Committee** reviews and approves the implementation of this policy.

2) The **Organization Heads and Superiors** are tasked to monitor, ensure, and enforce compliance to this policy within their area of jurisdiction. They are also responsible for classifying or categorizing, and recording the gifts received.

3) **All Directors, Officers, and Employees** of the Company are responsible to have full knowledge of and must agree to abide by the provisions of this policy. They must also report any observed violations of this policy to their respective superior.

4) **Corporate Social Responsibility Office (CSRO)** - shall take custody of all gifts turned-over by the organizations/offices. They shall also handle the receipt and disposition of these gifts in accordance with their charter or the rules approved by Management.

5) **Corporate Audits** shall perform a random/surprise audit on compliance of offices, directors, officers and employees of the company to this policy and recommend appropriate measures to further improve the policy.

6) The **Corporate Governance Office (CGO)** monitors the implementation and compliance of organizations, and recommends appropriate improvements to this policy.

VIII. Implementing Rules and Regulations

A. Classification and Categorization of Gifts

1. It is the duty of a Director, Officer, or Employee who is offered or receives a Gift to **immediately disclose** the offer or receipt thereof to

his BRU or Superior for appropriate direction/instruction and proper handling. (Refer to Disclosure Guide)

2. The nominal amount will be defined and approved by the Nominations and Governance Committee of the Board and will be reviewed whenever appropriate.
3. The BRU head or superior will classify or categorize the gifts received by their office as follows:

   i. Gift Classification (Token, Perishable, Non-Perishable, Entertainment, Sponsored Travel)

   ii. Gift Value – assess the gift value based on prevailing market price and determine if it is nominal or expensive.

B. Gift Registry

Gifts received must be disclosed in the Online Gift Registry Facility in HR Express to be submitted to and approved by the BRU Head.

The table below shows the required timing of disclosure within the year.

Gifts disclosed to the BRU Head must be recorded in the Gift Registry of the Office immediately upon disclosure. The Gift Registry must be made available for audit at any time. (Please refer to Appendix A for the Gift Registry Form)

Status	Date of Disclosure
With Gifts Received	Within 15 calendar days upon receipt of the gift/s.
No Gifts Received	No disclosure needed. Record of employees with no gifts disclosed will be automatically tagged by the System as "No Gifts Received," by January 15th of succeeding year.

C. Disclosure Guide

RECEIVER:	DISCLOSE TO:
Employee	BRU Head
BRU Head	Next Level Superior

Officer	President/CEO or CGO
Director	Chairman of the Board

D. Gift Disposition

The following rules shall be applied in disposing the received gifts:

Gift	Disposition	Responsible
1. Cash or Cash Equivalent	**From <u>Customer:</u>**	
	a) Disclose b) Turn-over to BRU Head	Receiver of Gift
	c) Turn-over to Business Center Head handling Customer account.	BRU Head of Receiver of Gift
	d) Credit to Customer's Electric Bill e) Write Customer to inform her/him of the policy and the credit to his bill	Business Center Head
	From <u>Unknown Identity or Other Third Party :</u>	
	a) Disclose b) Turn-over to BRU Head	Receiver of Gift
	c) Turn-over to CSR Office.	BRU Head of Receiver of Gift
2. Token	a) Disclose b) Can be kept by Receiver	Employee, Officer or Director
3. Expensive Gifts	**Perishable Item:**	
	a) Disclose b) Turn-over to BRU Head	Receiver of Gift
	c) Share to all employees within the organization	BRU Head of Receiver of Gift
	Non-Perishable Item:	
	a) Disclose b) Turn-over to BRU Head	Receiver of Gift
	c) Turn-over to CSR Office.	BRU Head of Receiver of Gift

4. Gifts turned-over to CSRO will be used as donation to recipients of the company's outreach programs. Receipt and acknowledgement of donations should follow the existing policy and procedures implemented by the CSRO. Solicitation of donations for this purpose should be coursed and approved by the CSRO Head.

IX. Consequences of Violations

Any Director, Officer, or Employee who fails to comply with this policy shall be, upon due process, subjected to applicable penalties and sanctions as stated in the Company Code on Employee Discipline.

In cases where consultants fail to comply with this policy, upon due process, they shall be subjected to applicable penalties and sanctions as stated in their contract with the Company or termination of said contract.

X. Effectivity

This amended Company policy on Solicitation and Acceptance of Gifts was released and took effect on July 10, 2014. It supersedes the previous on Solicitation and Acceptance of Gifts that was approved and adopted by the Company on December 15, 2010.

All existing policies, systems, practices, and related implementing guidelines concerning the same matters covered by this Policy are deemed superseded by this Policy. In the event of any inconsistency between the policy and guidelines contained in this Policy and the terms of other existing policies, systems, practices, and related implementing guidelines, this Policy shall prevail.

Signed:

Manuel V. Pangilinan	**Oscar S. Reyes**
Chairman of the Board	President and CEO

Appendix A: ONLINE GIFT REGISTRY FORM

MERALCO

GIFT REGISTRY

Office: ______________________________ **For the month of :** ____________

Date Received	Received by		Name of Giver	Giver Office & Designation	Relation to MERALCO or the Recipient	Item	Qty.	Est. Value	Gift Disposition
	Name	Empl. No.							

Note:
a) Relation: (1-Customer or representative; 2-Supplier or Contractor or Representative; 3-Government or Regulatory Agency; 4-Subsidiary or Affiliates)
b) Gift Disposition: 1-Kept by Reciepient; 2-Shared to employees; 3-Turned-over to CGRO

This is to certify the accuracy of the above data on gifts recived by our office for the month.

Signed by:

____
Office Head Printed Name and Signature

Date: ______________