Corporate Governance

RELATED PARTY TRANSACTIONS POLICY

Version 3.0
March 24, 2026

SENSITIVITY CLASSIFICATION: [Company Use]

Revision History

Revision Number	Revision Date	Nature of Revision	Approved By
0	2015	RPT Policy	Board of Directors
1	October 15, 2019	RPT Policy and Guidelines	Board of Directors
2	March 24, 2026	RPT Policy	Board of Directors

Approval Sheet

We have reviewed the contents of this document described as **Related Party Transaction (RPT) Policy** and hereby approve its implementation effective March 24, 2026.

Reviewed by **RPT REVIEW TEAM**

Endorsed by **RELATED PARTY TRANSACTIONS (RPT) COMMITTEE**:

[Sgd.] Mr. PEDRO EMILIO O. ROXAS

Chairman

Approved by BOARD OF DIRECTORS:

[Sgd.] Mr. MANUEL V. PANGILINAN

Chairman

Prepared by Corporate Governance Office

1. Policy Statement

It is the policy of Meralco (the "Company") that all related party transactions (RPTs) are done in "fair and at arm's-length" terms and must inure to the benefit and best interest of the Company and its shareholders. In this regard, all RPTs shall be conducted in accordance with the principles of honesty, transparency and fairness, and shall be properly approved and disclosed in accordance with this Policy.

2. Definition of Terms

For the purpose of this Policy and Guidelines, the following definitions of terms shall apply:

2.1 Related Party – a person or entity that is related to the reporting entity. A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel. (In this Policy, the entity that is preparing its financial statements is referred to as the 'reporting entity' or 'the Company').

The Company's Related Party includes its subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the Company's directors; officers; shareholders and related interests (DOSRI), and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company. Refer to Annex A on page 14 for instances of a related party.

2.2 Related Party Transaction (RPT)[1] – a transfer of resources, services or goods between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

2.3 Close members of the family of a person[1] – family members who may be expected to influence, or be influenced by, that person in his dealings with the entity.

2.4 Associate - an entity over which an investor has significant influence.

[1] As defined in International Accounting Standards (IAS) 24 and SEC Rules on Material Party Related Party Transactions for Publicly-Listed Companies

2.5 Control[2] of an investee – an investor controls an investee when the investor is `exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.6 Joint control[2] – the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.7 Significant influence – the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2.8 Parent – an entity that controls one or more entities.

2.9 Subsidiary – an entity that is controlled by another entity.

2.10 Affiliate – an entity linked directly or indirectly to the reporting PLC through any one or a combination of any of the following:

2.10.1 Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of the Company, or vice-versa;
2.10.2 Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
2.10.3 Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity; or
2.10.4 Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice versa.

2.11 Joint Venture[3] – a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2.12 The term “fair and at arm’s-length” refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

[2] As defined in International Financial Reporting Standards (IFRS) 10.
[3] As defined In International Financial Reporting Standards (IFRS) 11.

2.13 Key Management Personnel[1] – persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

2.14 Abusive Material RPTs – RPTs amounting ten percent (10%) of the Company's total assets that are not entered into at arm's length and unduly favor a related party.

3. General Principles

3.1 The Company shall at all times observe and adhere to the provisions of the Corporation Code of the Philippines, its Articles of Incorporation and By-laws, and all other relevant and laws, rules and regulations, as may be applicable, in the review, approval and disclosure of RPTs, always taking into consideration the rights of the Company's shareholders, minority and majority alike.

3.2 All RPTs shall be reviewed and approved by an appropriate RPT Approving Authority to ensure that they are on terms and conditions that are at arm's-length. This RPT review and approval shall encompass potential and existing RPTs entered or to be entered by any group or business responsibility unit of the Company, taking into account its size, structure, risk profile and complexity of operations.

3.3 All material RPTs shall be subject to review and endorsement by all the independent directors who are members of the RPT Committee.

3.4 Directors and key management personnel shall disclose their interest in transactions and any other conflicts of interest, including details of all their other directorships and any shareholdings owned by them. Directors are required to notify the Company's Board before accepting a directorship in another publicly-listed company. Changes in their interest must be promptly disclosed to the Board of Directors through the Company's Corporate Secretary.

3.5 Directors and key management personnel shall abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

3.6 The Company shall ensure that RPTs carried out by its subsidiaries are conducted in accordance with this Policy.

3.7 Subject to the recommendation of the RPT Review Team, any unusual or infrequently occurring transaction constituting RPT may likewise be made subject to review and approval in accordance with this Policy and Guidelines.

4. Related Party Registry

4.1 The RPT Review team shall establish a Related Party Registry identifying all persons and companies considered as the Company's related parties.

4.2 The Registry shall be quarterly reviewed and updated to capture organizational and structural changes in the Company and its related parties.

5. Review and Approval of RPTs

5.1 Each RPT Approving Authority shall ensure that RPTs are for the best interest of the Company. In evaluating RPTs, all the relevant facts and circumstances available shall be considered, including but not limited to the following:

5.1.1 The related party's relationship to the Company and interest in the transaction;

5.1.2 The material facts of the proposed RPT, including the proposed aggregate value of such transaction;

5.1.3 The purpose and timing of the proposed RPT;

5.1.4 The benefits to the Company of the proposed RPT;

5.1.5 The availability of other sources of comparable products or services; and

5.1.6 An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. An effective price discovery system shall be put in place and exercise due diligence in determining a fair price for RPTs. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

5.2 For individual or aggregate RPTs with the same related party within a twelve (12) month period that breach the materiality threshold of ten percent (10%) of the company's total assets, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the RPT. An external independent party may include, but is not limited to, auditing/accounting firms and third-party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders.

5.3 A RPT shall be considered material if the RPT Review Team determines that it is potentially or actually significant to the Company. The aggregate amount of transactions with the same related party within the preceding twelve (12)-month period shall be among the criteria considered in determining materiality:

Classification	Aggregate Transaction Value (12-month period)
SEC Material Transactions	10% and above of the Company's total assets based on its latest audited financial statement
Material Transactions	PhP50 Million and above
De Minimis transactions	Below PhP50 Million

5.4 Material RPTs shall be evaluated by the RPT Review Team to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

5.5 After review, the RPT Review Team shall report material RPTs to the RPT Committee for its evaluation, approval and/or endorsement to the Board.

5.6 Material RPTs shall require approval by the RPT Committee and, where required by this Policy or by SEC regulations, endorsement to and approval by the Board.

5.7 *De Minimis* RPTs entered in the ordinary course of business shall neither require review by the RPT Committee nor approval by, and reporting to, the Board. These transactions shall, however, be properly documented, monitored for aggregation within the twelve (12)-month period, and included in periodic reporting to ensure compliance.

5.8 All individual RPTs, or aggregate RPTs with the same related party within a twelve (12)-month period, that amount to at least ten percent (10%) of the company's total assets shall be approved by at least two-thirds (2/3) vote of the board of directors, with at least a majority of the independent directors voting to approve the RPT.

5.8.1 In case that a majority of the independent directors' vote is not secured, the said RPT may be ratified by the vote of stockholders representing at least two-thirds of the outstanding capital stock.

5.8.2 For aggregate RPTs with the same related party that exceed the materiality threshold within a twelve (12)-month period, the aforementioned board or RPT Committee approval requirement shall apply to the transaction(s) causing the threshold to be breached.

5.8.3 Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

5.8.4 Transactions amounting to ten percent (10%) of the Company's total assets entered into with an unrelated party that subsequently becomes a related party shall be excluded from the foregoing limit and approval process. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall be subject to the requirements of the Policy.

5.9 Regardless of the amount of the transaction or contract, RPTs entered into by a director or corporate officer in his/her personal capacity must be approved by the Board. These RPTs shall be voidable at the option of the Company, except when all the following conditions are present:

5.9.1 The presence of the Director in the board meeting in which the contract or transaction was approved was not necessary to constitute a quorum for such meeting;

5.9.2 The vote of such Director was not necessary for the approval of the contract;

5.9.3 The transactions are fair, and on terms comparable to those that could be obtained at arm's length dealings with an unrelated third party, or can be justified on a legitimate business case basis; and

5.9.4 In the case of a Corporate Officer, the contract has been previously authorized by the Board of Directors

However, that when conditions 5.8.1 and 5.8.2 are absent in the case of a transaction or contract with a Director, such RPT may be ratified either by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company or by the vote of the stockholders representing majority of the outstanding capital stock of the Company excluding that of the affected Director, whichever is lower.

5.10 All recurring RPT contracts that have a term that exceeds one (1) year must be reviewed and approved on an annual basis to determine whether to continue/renew the same.

6. Exempt RPTs

The following are considered Exempt Related Party Transactions ("Exempt RPTs") which shall not require RPT Committee review and approval, but may require regular reporting to the Board of Directors:

6.1 De minimis transactions which are unusual and non-recurring;

6.2 Compensation of directors and employment of executive officers approved or endorsed by the Remuneration and Leadership Development Committee or the Board;

6.3 Transfer of resources or transactions between the Company and its wholly-owned subsidiaries in connection with the funding of operations of the Company's business units and projects, or other transactions with the objective of providing shared services or for other services for operational efficiency of a common parent company;

6.4 Transactions between two (2) or more wholly owned subsidiaries or affiliates of the Company with the objective of providing shared services or for other services for operational efficiency of the Company;

6.5 Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis;

6.6 Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;

6.7 Transactions with similar terms available to all employees generally.

7. Prohibited RPTs

Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

7.1 Loans and/or financial assistance to a Director;

7.2 Loans and/or financial assistance to the Executive Officers, except when allowed pursuant to an established company benefit or plan.

8. Disclosure and Reporting

8.1 All Material RPTs to be entered into by the Company shall be disclosed to the RPT Review Team prior to execution, except when the transaction is classified as Exempt under this Policy.

RPTs involving directors, officers, or employees shall likewise be disclosed through the Full Business Interest Disclosure or Conflict of Interest Forms and submitted to the Compliance Officer, through the Corporate Governance Office, not later than January 31 of every year.

8.2 The Company's CFO shall ensure that the financial officers or controllers of the group or business responsibility units and employees who are responsible for identification and monitoring of existing and potential RPTs are reporting the RPTs to the CFO.

8.3 The Material RPTs shall be disclosed in the Company's financial statements, and other applicable filings in accordance with the relevant rules and issuances of the Securities and Exchange Commission and other regulatory bodies.

8.4 A summary of all individual RPTs within a twelve (12)-month period that amount to at least ten percent (10%) of the company's total assets shall be disclosed in the Company's Integrated-Annual Corporate Governance Report. Advisement report of such RPT shall be filed within three (3) calendar days from the execution date of the transaction. The advisement report shall be signed by the Corporate Secretary or authorized representative.

The disclosures shall include the following information:

i. Complete name of the related party
ii. Relationship of the parties
iii. Execution date of the RPT
iv. Financial or non-financial interest of the related parties
v. Type and nature of transaction as well as description of the assets involved
vi. Total assets
vii. Amount or contract price
viii. Percentage of the contract price to the total assets of the reporting PLC
ix. Carrying amount of collateral, if any
x. Terms and conditions
xi. Rationale for entering into the transaction
xii. The approval obtained (i.e. names of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained)

9. Mitigation and Sanctions

9.1 In case an RPT should later be declared to be an Abusive Material RPT, the RPT Review Team shall recommend to the RPT Committee measures to cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of, or in connection with such RPT. The RPT Committee shall have the authority to recommend to the Board of Directors the invalidation of the transaction. Any recommendation to address the Abusive Material RPT shall be subject to the approval of the Board.

9.2 Any officer or employee of the Company who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer, through the Corporate Governance Office. The reporting and resolution of the violations of this Policy shall be subject to the provisions of the Be Right Communications Policy and the Reporting Corporate Governance Violation (Whistleblowing) Implementing Rules and Regulations of the Company and the whistleblower shall be provided adequate protection from retaliation.

9.3 The Compliance Officer shall report to the RPT Committee all violations of this Policy and sanctions imposed in accordance with the Code of Ethics, Code on Right Employee Conduct (COREC) and other applicable policies of the Company.

9.4 Pursuant to Section 26 and 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a successful claim of shareholders against the interested director or officer for abusive material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the Securities and Exchange Commission (SEC).

9.5 This Policy shall be without prejudice to the provisions of the Revised Manual of Corporate Governance and all related and relevant policies of the Company which shall be observed and shall apply to the fullest extent possible.

10. Independent Assessment and Periodic Review of the Policy

10.1 The Internal Audit shall conduct a periodic review of the effectiveness of the Company's process and system of internal controls governing RPTs in general and evaluate material RPTs to assess consistency with this Policy. Internal Audit shall liaise with the external assurer that will be nominated to identify deviations and breaches in limits which shall be consolidated and reported to the Audit Committee.
Periodic reports relating to Material RPTs should be provided to Internal Audit on a timely basis to facilitate review and independent assessment.

10.2 This Policy shall be regularly reviewed and updated to conform to the requirements of applicable law, rules and regulations.

11. Effectivity

This Related Party Transactions Policy shall take effect immediately upon approval. All existing policies, systems, practices, and related implementing guidelines concerning the same matters covered by this Policy are deemed revoked and superseded by this Policy insofar as inconsistent with the provisions hereof.

ANNEX A: IAS 24 DEFINITIONS AND EXAMPLES OF RPTs

A **related party** is:

a. A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled or jointly controlled by a person defined in (a).
   vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The following are considered as **RPTs** when performed with a Related Party:

a. Purchases or sales of goods.
b. Purchases or sales of property and other assets
c. Rendering or receiving of services
d. Lease
e. Transfers of research and development
f. Transfers under license agreements
g. Transfers under finance arrangements (including loans and equity contributions in cash or in kind)
h. Provisions of advances, donations, guarantees or collateral
i. Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party

Close members of the family of a person include:

a. that person's children and spouse or domestic partner;
b. children of that person's spouse or domestic partner; and
c. dependents of that person or that person's spouse or domestic partner.