




**MERALCO**  
*Ang liwanag ng bukas*

**AMENDED SUPPLIERS' BUSINESS CONDUCT**


	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 2 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: Copyright</b>		<b>Sensitivity Classification: Company Use</b>	

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**Prepared by:**  
Corporate Governance Office

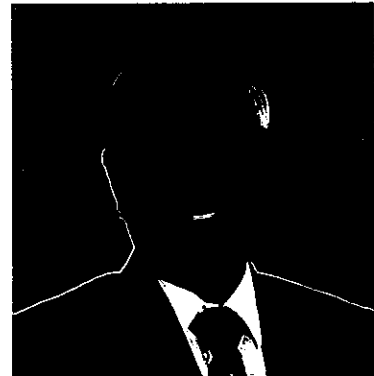
**Approved by:**  
Board of Directors

	<p align="center"><b>POLICY</b> Amended Suppliers Business Conduct</p>	<p>PM-CGO-2016-02 Rev. Code: 1</p>	<p>Page 3 of 20</p>
<p><b>Business Process: Corporate Governance Process</b></p>		<p><b>Effectivity Date: June 15, 2016</b></p>	
<p><b>Section: Letter to Suppliers</b></p>		<p><b>Sensitivity Classification: Company Use</b></p>	

**Our Valued Suppliers:**

MERALCO's (or the Company's) philosophy of "Service Excellence with Integrity" conveys its unwavering commitment to high standards of corporate governance principles and practices. It strives to ensure that every business decision is guided by its commitment to operate with high ethical standards in compliance with all applicable laws, regulations and policies.

Contractors, consultants, vendors and financial institutions (collectively, "Suppliers"), as our business partners, shall also practice high standards of business ethics when they provide goods and services to the Company.




We also believe that the Standards reflected in this document will advance the performance of our companies to our mutual benefit.

We request for your cooperation in complying with Meralco's Suppliers' Business Conduct Guide in order to sustain our partnership with you.

Sincerely,


  
**Oscar S. Reyes**

President and CEO

	<b>POLICY</b> <b>Amended Suppliers Business Conduct</b>	PM-CGO-2016-02 Rev. Code: 1	Page 4 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: Table of Contents</b>		<b>Sensitivity Classification: Company Use</b>	

### Table of Contents

I.	POLICY STATEMENT .....	5
II.	PURPOSE AND SCOPE .....	5
III.	DEFINITION OF TERMS.....	5
IV.	PRINCIPLES AND STANDARDS (SUMMARY TABLE <sup>1</sup> ) .....	8
	A. ENVIRONMENT, SAFETY AND HEALTH .....	9
	1. Safety at the Workplace .....	9
	2. Safety of the Environment.....	9
	3. Emergency Prevention, Preparedness, and Response .....	10
	B. BUSINESS ETHICS .....	10
	1. Anti-bribery and Anti-corruption.....	10
	2. Giving Gifts, Meals and Entertainment .....	11
	3. Conflict of Interest.....	11
	4. Disclosure of Information .....	11
	5. Whistleblower Protection and Anonymous Complaints.....	12
	6. Customer Relations.....	12
	7. Labor and Human Rights .....	12
	8. Legal Compliance .....	12
	C. USE OF THE COMPANY'S ASSETS.....	13
	1. Computer and System Security .....	13
	2. Confidential Information .....	13
	3. Company Records and Disclosures.....	14
	4. Retention of Records .....	14
	5. Endorsements.....	14
	6. News Media Inquiries .....	14
	D. PRODUCT AND SERVICE STANDARDS .....	15
V.	RAISING CONCERNS .....	16
VI.	COMPLIANCE AND ENFORCEMENT .....	16
VII.	EFFECTIVITY.....	18

	<b>POLICY</b> <b>Amended Suppliers Business Conduct</b>	PM-CGO-2016-02 Rev. Code: 1	Page 5 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: I. INTRODUCTION</b>		<b>Sensitivity Classification: Company Use</b>	

## **I. POLICY STATEMENT**

This Policy is to provide Suppliers as well as the general public with a formal statement of the Company's commitment to conduct its business with uncompromising integrity and professionalism and its adherence to the policies and rules prescribed in the Company's Code of Ethics (COE). Accordingly, Suppliers are necessarily expected to adhere to the Company's fundamental principles of fairness, accountability, integrity and transparency and to commit to high standard of business ethics. Aptly, the Company shall only engage the services of Suppliers who meet the Company's high standards of business ethics.

This Suppliers' Business Conduct or SBC is a Policy that does not confer rights to any vendor nor does it impose any obligations on the Company.

## **II. PURPOSE AND SCOPE**


The SBC is a general guide to acceptable and appropriate conduct and behavior expected from Suppliers of the Company. The term Suppliers is used in its generic sense and shall include suppliers and vendors providing services and goods to the Company, consultants, advisors, financial institutions, and any person or institution who has business transactions with the Company.

The absence of specific guidelines or instructions covering a particular situation does not relieve a Supplier from exercising the highest ethical standards applicable under the circumstances.

## **III. DEFINITION OF TERMS**


**For the purpose of this Policy, the following definition of terms shall be used:**

1. **AFFILIATED PARTY** – refers to any person, natural or juridical, other than the Company, who has a financial, professional or personal relationship or interest with a director, employee or officer of the Company. These include:
  - a. Relatives of up to the third degree, by consanguinity, affinity or legal adoption, including the legal spouse or a common-law spouse and/or his

	<b>POLICY</b> <b>Amended Suppliers Business Conduct</b>	PM-CGO-2016-02 Rev. Code: 1	Page 6 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: III. DEFINITION OF TERMS</b>		<b>Sensitivity Classification: Company Use</b>	


relatives of up to third degree, by consanguinity, affinity or legal adoption. For purposes hereof, relatives shall include first cousins (Please see illustration in **Exhibit A: Tracing Affinity and Consanguinity Relations** on page 18);

- b. Corporations or firms other than the Company where a director, officer, employee and/or his relative as defined in "a", holds a position as director, officer, executive, employee or consultant; or
  - c. Corporations, other than the Company, owned by the directors, officers, employees of the Company, or their relatives, who hold either singly or collectively, more than ten percent (10%) of the subscribed capital or equity of such corporations;
  - d. Partnerships in which a director, officer, employee or a relative as defined in "a" is a partner;
  - e. Co-ownership wherein a director, officer, employee, or his affiliated party is a part owner of the property sold, assigned or leased to the Company;
  - f. Relationship by reason of wedding, baptismal or sponsorship of the employee or of his spouse or children.
2. **COMPANY PREMISES** – means all landholdings and buildings including power stations and sub-stations and all other properties owned or rented by the Company. It also covers the working area occupied by employees assigned on the field including Company vehicles.
  3. **CONFIDENTIAL INFORMATION** – refers to all nonpublic information that might be useful to competitors or harmful to the Company or its customers if disclosed. This includes but is not limited to business plans, products, technical data, specifications, documentation, rules and procedures, contracts, presentations, know-how, product plans, business methods, product functionality, services, data (including customer and employee data), markets, competitive analysis, databases, formats, methodologies, applications, developments, inventions, processes, payment, delivery and inspection procedures, designs, drawings, algorithms, formulas, or

	<b>POLICY</b> <b>Amended Suppliers Business Conduct</b>	PM-CGO-2016-02 Rev. Code: 1	Page 7 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: III. DEFINITION OF TERMS</b>		<b>Sensitivity Classification: Company Use</b>	

information related to engineering, marketing, or finance and any other information that may be reasonably construed as confidential to the Company.

4. **CONFLICT OF INTEREST** – refers to a situation where financial or business interest, professional, or other personal considerations or interests may influence, jeopardize or compromise, or have the appearance, tendency or propensity of influencing, jeopardizing or compromising, the ability to effectively and impartially or objectively exercise independent judgment in formulating or making decisions and performing duties and responsibilities..
5. **GIFTS OR GRATUITIES** – may be a right or thing of value, like cash or cash equivalent, loan, fee, reward, commission, allowance, employment, travel, accommodation, sponsorship to conferences, seminars or trainings, among others.
6. **MATERIAL INFORMATION** – means information that a reasonable investor would consider important in making an investment decision.
7. **SUPPLIER** – an entity or individual who provides the needed goods or services to the Company, which may be a consultant, vendor, contractor or financial institution. This includes existing and prospective suppliers.
8. **WEAPON** - is a firearm, ammunition, explosive, or any other device or object that can be used to cause physical injuries or death to persons and/or damage to property.


	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 8 of 20
Business Process: Corporate Governance Process		Effectivity Date: June 15, 2016	
Section: IV. PRINCIPLES AND STANDARDS		Sensitivity Classification: Company Use	

**IV. PRINCIPLES AND STANDARDS (SUMMARY TABLE<sup>1</sup>)**

<p><b>A. ENVIRONMENT, SAFETY AND HEALTH</b></p> <ol style="list-style-type: none"> <li>1. Safety at the Workplace through:             <ol style="list-style-type: none"> <li>a. Compliance with Safety and Health Procedures</li> <li>b. Reporting of unsafe conditions in the delivery of service</li> <li>c. Prohibition on illegal drugs, alcohol and weapons</li> </ol> </li> <li>2. Ensure Safety of the Environment by following environmental laws and regulations.</li> <li>3. Emergency Prevention, Preparedness, and Response plans are in place.</li> </ol>	<p><b>B. BUSINESS ETHICS</b></p> <ol style="list-style-type: none"> <li>1. Strict observance of Anti-bribery and Anti-corruption practices.</li> <li>2. Prohibition of giving Gifts to Company directors, officers or employees.</li> <li>3. Avoidance of Conflict of Interest through disclosure of close personal relationships with Company directors, officers or employees.</li> <li>4. Full compliance to information disclosure on business, financial position and operational performance.</li> <li>5. Whistleblower Protection and Anonymous Complaints mechanisms are in place.</li> <li>6. Practice good Customer Relations through Suppliers' professional grooming and conduct.</li> <li>7. Uphold labor laws and protection of human rights.</li> <li>8. Compliance to all applicable laws and rules and regulations.</li> </ol>	<p><b>C. USE OF THE COMPANY'S ASSETS</b></p> <ol style="list-style-type: none"> <li>1. Comply with Company's Information Security Policy.</li> <li>2. Protect the confidential information of the Company.</li> <li>3. Ensure full, fair, accurate, and timely records, disclosures, and communications to the Company.</li> <li>4. Adhere to records retention policy of the Company.</li> <li>5. Shall not use Company logo or trademarks for personal gain.</li> <li>6. Unauthorized representation of the Company to media or press.</li> </ol>
<p><b>D. PRODUCT AND SERVICE STANDARDS</b></p> <ol style="list-style-type: none"> <li>1. Comply with products and services rules, regulations and statutory requirements;</li> <li>2. No to collusion or connivance with other suppliers or agents when participating in a bid;</li> <li>3. Shall not act as an agent or representative of a third party provider of the same products or services;</li> <li>4. Supply products that are certified of good quality;</li> <li>5. Possess the necessary capabilities, equipment and suitable place of business;</li> <li>6. No subcontracting or outsourcing unless with prior written consent from the Company;</li> <li>7. Maintain the highest standards of integrity and quality of work at all times.</li> </ol>		

<sup>1</sup> Details are in the succeeding pages.



	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 9 of 20
Business Process: Corporate Governance Process		Effectivity Date: June 15, 2016	
Section: IV. PRINCIPLES AND STANDARDS		Sensitivity Classification: Company Use	

## A. ENVIRONMENT, SAFETY AND HEALTH

### 1. Safety at the Workplace

The Company strives to provide each employee, officer and other stakeholders with a safe and healthy environment. As such, the Suppliers are expected to perform their company related-work in a safe manner, free from the influence of alcohol, illegal drugs or controlled substance and to help and encourage others to work safely, and always put safety first.

Towards this end, all Suppliers shall at all times ensure:


Compliance with the all applicable environmental and workplace safety and health rules and regulations, by:

- a. Immediately reporting to the Company business contact all accidents, occupational injuries and illnesses, and any unsafe equipment, practices or conditions that it cannot immediately correct.
- b. Being mentally and physically fit to perform the services expected of them; and
- c. Non-toleration of any kind of violence including threatening behavior and prohibiting the bringing in, possessing, storing or using of any type of weapon or prohibited drugs or controlled substances within the Company premises or Company assigned work areas.

The Company retains the right to review the Supplier's safety procedures and specify additional requirements in its contract with them, if necessary.

### 2. Safety of the Environment

Suppliers are committed to conduct its business in an environmentally responsible manner and comply fully with all the applicable environmental laws and regulations.

	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 10 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: IV. PRINCIPLES AND STANDARDS</b>		<b>Sensitivity Classification: Company Use</b>	

### 3. Emergency Prevention, Preparedness, and Response

Whenever applicable, Suppliers shall anticipate, identify, and assess emergency situations and events and minimize their impact by implementing emergency plans and response procedures, including emergency reporting, worker notification and evacuation procedures, worker training and drills, appropriate first-aid supplies, appropriate fire detection and suppression equipment, adequate exit facilities, and recovery plans.


Suppliers that support the Company's real-time operation and financial functions shall have its Business Continuity plans in place and regularly tested to sustain the supply and/or delivery of its services despite the occurrence of an emergency, crisis situation, natural disaster or security related event. Suppliers may be asked to provide the Company with copies of their plans, exercise and training records.

## B. BUSINESS ETHICS

### 1. Anti-bribery and Anti-corruption

Corruption, extortion, and embezzlement, in any form or manner, are strictly prohibited. Suppliers shall comply at all times with all applicable anti-bribery and anti-corruption laws. Suppliers shall not offer, accept, promise, pay, permit or authorize bribes and kickbacks, which include giving gifts to the Company's Directors, Officers or Employees or other means to obtain an undue or improper advantage.

Suppliers shall ensure that their business records including all requests for payments, fully and accurately reflect transactions, expenditures and/or services performed.

	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 11 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: IV. PRINCIPLES AND STANDARDS</b>		<b>Sensitivity Classification: Company Use</b>	

## 2. Giving Gifts

Suppliers are prohibited from giving gifts to Directors, Officers, and Employees of the Company.

Tokens like corporate giveaways as customary business courtesies may be allowed on exception cases but should be governed by the Company's Policy on Solicitation and Acceptance of Gifts (Gift Policy). Gifts of cash or cash equivalents, such as gift cards, are never allowed.

Immediate disclosure to Meralco's Corporate Governance Office is required in case the Supplier insists on providing gifts of any value to the Company's directors, officers and employees.


Suppliers shall seek clearance from their business contacts in the Company or the Meralco's Corporate Governance Office, prior to undertaking actions that are covered by or have implications on the provisions of Gift Policy in order to avoid violations.

## 3. Conflict of Interest

It has always been and continues to be the intent of the Company that its Suppliers maintain the highest ethical standards in the conduct of its business. The Company expects its Suppliers to conduct its business with the highest degree of integrity, fairness and transparency, in accordance with all applicable rules and regulations and in a manner that excludes consideration of personal advantage. Suppliers are required to declare any material personal interest which may affect or be seen to affect the work they are contracted to perform. Strict adherence to this Policy will protect the Company and Suppliers from criticism, litigation or embarrassment that might result from alleged or real conflicts of interest or unethical practices

## 4. Disclosure of Information

Suppliers shall accurately record and disclose information regarding their business activities, structure, financial situation, and performance in accordance with applicable laws and regulations and prevailing industry practices.

	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 12 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: IV. PRINCIPLES AND STANDARDS</b>		<b>Sensitivity Classification: Company Use</b>	

**5. Whistleblower Protection and Anonymous Complaints**

Suppliers shall create appropriate program/s that will protect and ensure the confidentiality of whistleblowers and prevent retaliation against those who participate in such programs. Suppliers shall provide an anonymous complaint mechanism to report workplace grievances in accordance with local laws and regulations.

**6. Customer Relations**

The Company values the satisfaction and loyalty of its customers. Suppliers charged with servicing these customers shall ensure that services rendered are delivered timely, adequately and with the highest degree of quality. Proper decorum and good customer relations are to be observed at all times.

**7. Labor and Human Rights**


Suppliers shall provide equal opportunity in all aspects of employment and shall not tolerate any illegal discrimination or harassment based on color, race, religion, nationality, origin, age, gender, marital status, sexual orientation, disability, or political affiliation.

Suppliers shall respect the personal dignity, privacy and rights of each individual by prohibiting behavior including gestures, language and physical contact that is sexual, coercive, threatening, abusive or exploitative and shall ensure equality in the workplace with no discrimination.

Suppliers shall not engage the services of children or employ workers who are under the allowed legal age of employment in the pertinent country or local jurisdiction where they are located.

**8. Legal Compliance**

All Suppliers shall respect and comply with all applicable laws, rules, regulations and local ordinances, including those relating to taxation, employment, human rights, the environment, health and safety where they operate.

	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 13 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: IV. PRINCIPLES AND STANDARDS</b>		<b>Sensitivity Classification: Company Use</b>	

### C. USE OF THE COMPANY'S ASSETS

The Company's assets such as computers, telephones and cell phones, fax machines, copy machines, conference rooms, vehicles, construction equipment, tools, and similar assets, which are within the disposal of the Supplier, shall be used solely and exclusively for the Company's business.


#### 1. Computer and System Security

Suppliers who have access to the Company's information systems are fully responsible and accountable for the security of those systems and shall strictly comply with the Company's information security policies and standards. (Please refer to **Exhibit C for the Information Security Policies for External Parties** on page 20).

#### 2. Confidential Information

Suppliers shall not be given access to proprietary and/or confidential information of the Company unless authorized under a non-disclosure agreement, as such Suppliers are prohibited from copying, sharing, disseminating or using these information to discredit the Company or to gain personal advantage or benefit. For this reason, Suppliers with authorized access shall:

- A. Maintain the confidentiality of information entrusted to them and on the Company's customers, except when disclosure is properly authorized or legally mandated. This includes any information about a specific customer such as but not limited to the customer's name, address, Social Security number, phone numbers, contact names, and billing data.
- B. Not share confidential information with Affiliates, related parties or other entities without appropriate approval from the Company.
- C. Not disclose non-public Material Information acquired while working with the Company that can be used in making investment decisions concerning the Company's securities. The Company's Insider Trading (Black Out) Policy prohibits trading while in possession of material nonpublic information and prohibits sharing this information with others to enable them to trade.

	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 14 of 20
Business Process: Corporate Governance Process		Effectivity Date: June 15, 2016	
Section: IV. PRINCIPLES AND STANDARDS		Sensitivity Classification: Company Use	

D. Be subject to the Company's right to access, monitor and review usage of resources including but not limited to Company-issued devices, e-mail accounts, and other electronic or internet resources.

Supplier's commitment on the treatment of the Company's confidential information shall be binding even after the termination or expiration of Suppliers' engagement with the Company.

### 3. Company Records and Disclosures

Accurate records and disclosures are critical to the Company in meeting its legal, financial, regulatory, and management obligations. Suppliers shall ensure that all records, disclosures, and communications to the Company are full, fair, accurate, timely, and understandable.

Suppliers shall not hide, alter, falsify, or disguise the true nature of any transaction, nor forge endorsements, approvals, or authorizing signatures for any payment. If a record or disclosure is known to be misleading or false, this shall not be submitted, encoded, processed, or approved and shall be reported immediately to its business contact in the Company.

### 4. Retention of Records


Suppliers shall implement document retention periods as may be reasonably prescribed by the Company.

### 5. Endorsements

Suppliers shall not use the Company's name or trademarks in advertising, publicity, articles, catalogs, testimonials or product endorsements unless duly authorized in writing by the Company.

### 6. News Media Inquiries

Suppliers shall not make any representation or statement to the media or to anyone on behalf of the Company unless they are expressly authorized to do so by the Company. All inquiries from media or anybody shall be referred to Corporate Communication or Corporate Marketing Office of the Company.


	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 15 of 20
Business Process: Corporate Governance Process		Effectivity Date: June 15, 2016	
Section: IV. PRINCIPLES AND STANDARDS		Sensitivity Classification: Company Use	

#### **D. PRODUCT AND SERVICE STANDARDS**

Suppliers that seek to do business with the Company shall demonstrate the ability to add value, and provide high-quality goods and services that are competitively priced, reliable, and aligned with its superior level of service.

Suppliers shall abide with the following:

1. Comply with all rules, regulations and statutory requirements relating to the provision of the products/services to the Company;
2. Not act in collusion or connivance with other suppliers or agents when participating in a bid;
3. Supply only the products that are certified to be of good quality;
4. Possess the necessary capabilities, equipment and suitable place of business to perform its obligations;
5. Not contract out, subcontract or outsource any portion of the products or services except with prior written consent of the Company;
6. Maintain the highest standards of integrity and quality of work at all times.
7. Supports fair competition based on quality, service and price.

	<b>POLICY</b> <b>Amended Suppliers Business Conduct</b>	PM-CGO-2016-02 Rev. Code: 1	Page 16 of 20
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: V. RAISING CONCERNS</b>		<b>Sensitivity Classification: Company Use</b>	


## V. RAISING CONCERNS

The standards of conduct described in this Policy are critical for the success of the Company's business relationship with its Suppliers. Suppliers are encouraged to report to the Company through its Corporate Governance Office any violations, breach or questionable activities that may prejudice the Company.

## VI. COMPLIANCE AND ENFORCEMENT

- A. **Suppliers** shall be responsible and accountable for providing accurate, complete and updated information required in the SBCC Form (Please see **Exhibit B**, page 20) and shall comply with the relevant disclosure requirements prescribed by the Company.
- B. The **Nomination and Governance Committee (Nom & Gov)** shall oversee compliance of this Policy through the **Corporate Governance Office (CGO)**. CGO shall oversee compliance of the different organizations, review and recommend amendment to this Policy whenever necessary.
- C. **Procurement Office, Finance (for Financial Institutions) and Human Resources (for Consultants)** shall be responsible for:
  - a. Informing Suppliers of the Company of the SBC and ensure their commitment by facilitating the signing of the appropriate commitment form;
  - b. Administration of the Suppliers' Conflict of Interest Disclosure Form;
  - c. Reviewing and validating the accuracy of the disclosed information by the Supplier;
  - d. Random checking of Suppliers' compliance to SBC.
  - e. Recommendation of appropriate disciplinary action, without prejudice to any civil or criminal action which the Company may pursue, against the responsible parties who violate the SBC Policy; and
  - f. Adoption of measures to prevent recurrence of such violation.



	<b>POLICY</b> <b>Amended Suppliers Business Conduct</b>	<b>PM-CGO-2016-02</b> <b>Rev. Code: 1</b>	<b>Page 17 of 20</b>
<b>Business Process: Corporate Governance Process</b>		<b>Effectivity Date: June 15, 2016</b>	
<b>Section: VII. EFFECTIVITY</b>		<b>Sensitivity Classification: Company Use</b>	


- E. **Materials Process Management** shall develop the implementing rules and regulations of this Policy to properly guide the compliance of Suppliers and concerned offices of the Company.
- F. **Corporate Audits** shall conduct random review of the compliance of concerned organizations to this Policy; recommend appropriate sanctions to those found violating it. It also recommends improvements in risk mitigation and internal control procedures to this Policy.


**VII. EFFECTIVITY**


This Amended SBC Policy was approved by the Board of Directors on May 31, 2016. It shall be published in the Website of the Company and shall take effect on June 15, 2016. It supersedes the previous SBC Policy that was approved by the Board on September 24, 2012 and took effect on October 1, 2012. In the event of inconsistencies of this Policy with other existing Company policies, this Policy shall prevail.

All existing Suppliers will be given a copy of the policy and will take effect upon renewal of existing contract.

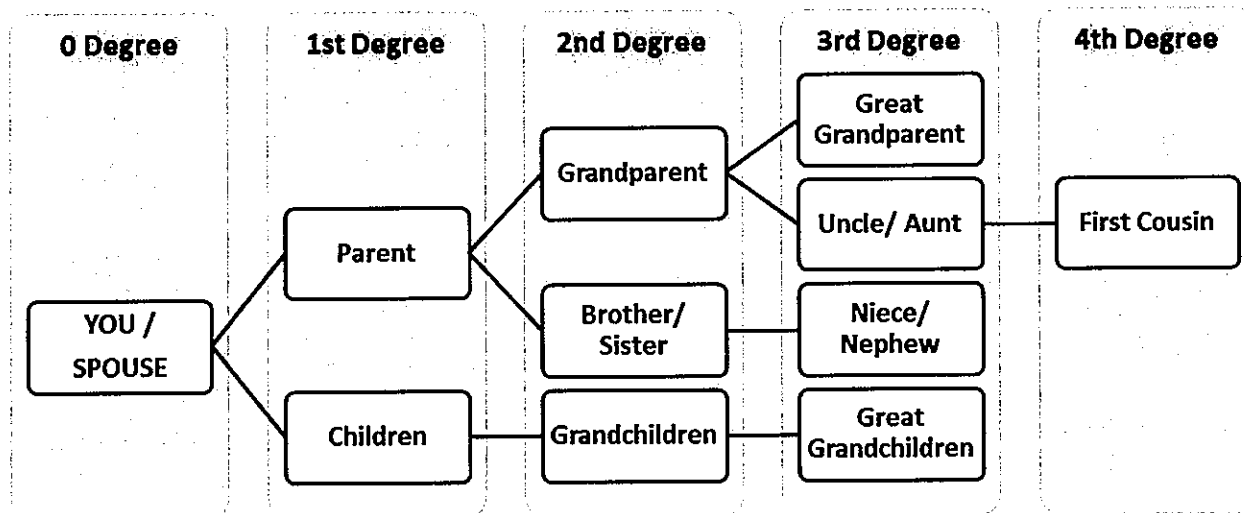
Signed by:

  
**OSCAR S. REYES**  
President and CEO

  
**MANUEL V. PANGILINAN**  
Chairman of the Board


	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 18 of 20
	Business Process: Corporate Governance Process	Effectivity Date: June 15, 2016	
	Section: EXHIBIT A	Sensitivity Classification: Company Use	

**Exhibit A: Tracing Affinity and Consanguinity Relations**



**Notes:**

1. A spouse (legal or common law) is related by marriage (affinity) to his partner's relatives in the same way that he/she is related to them by blood (consanguinity).
2. Half-blood relationship is the same as a full-blood relationship.
3. Step relationship is the same as a blood relationship.
4. For the purpose of this Policy, relationship through adoption shall be considered as part of consanguinity relation.

	<b>POLICY</b> Amended Suppliers Business Conduct	PM-CGO-2016-02 Rev. Code: 1	Page 19 of 20
	Business Process: Corporate Governance Process	Effectivity Date: June 15, 2016	
Section: EXHIBIT B	Sensitivity Classification: Company Use		

**Exhibit B: Suppliers' Business Conduct Commitment (SBCC) Form.**



**Statement of Commitment to  
MERALCO'S SUPPLIERS BUSINESS CONDUCT**


1. I understand that MERALCO (or the Company) is committed to uphold the fundamental corporate governance principles of fairness, accountability, integrity and transparency.
2. I have fully read and understood the provisions of the attached MERALCO'S Suppliers Business Conduct (SBC).
3. I therefore commit to:
  - a. Personally exhibit and promote the highest standards of honest and ethical conduct, including personal compliance with the SBC provisions.
  - b. Ensure that all my employees are fully aware of this code of conduct and are also committed to comply with it.
  - c. Promptly report to my MERALCO business contact or partner or the Corporate Governance Office any non-compliance to the COE, laws, rules, regulations, or Company policies and procedures.
4. I understand that my non-compliance with the SBC shall result in appropriate sanctions and disciplinary actions by the Company.
5. I am authorized by my company to sign and accept this document on its behalf.

Signed on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

Supplier: \_\_\_\_\_  
Address: \_\_\_\_\_

Representative:

Printed Name and Signature \_\_\_\_\_ Date Signed: \_\_\_\_\_  
Position Title: \_\_\_\_\_

	<p align="center"><b>POLICY</b> Amended Suppliers Business Conduct</p>	<p>PM-CGO-2016-02 Rev. Code: 1</p>	<p>Page 20 of 20</p>
<p><b>Business Process: Corporate Governance Process</b></p>		<p><b>Effectivity Date: June 15, 2016</b></p>	
<p><b>Section: EXHIBIT C</b></p>		<p><b>Sensitivity Classification: Company Use</b></p>	

**Exhibit C: Information Security Policies for External Parties**



# INFORMATION SECURITY POLICIES FOR EXTERNAL PARTIES