COVER SHEET

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S.E.C Registration Number

M	A	N	I	L	A		E	L	E	C	T	R	I	C		C	O	M	P	A	N	Y								

(Company's Full Name)

L	O	P	E	Z		B	U	I	L	D	I	N	G	,	O	R	T	I	G	A	S		A	V	E	N	U	E	,	

B	R	G	Y		U	G	O	N	G	,	P	A	S	I	G		C	I	T	Y											

(Business Address: No. Street City / Town / Province)

ATTY. WILLIAM S. PAMINTUAN

Contact Person

8632-8014

Company Telephone Number

1	2	-	3	1

Month Day

Fiscal Year

	2	0	-	I	S	

FORM TYPE

0	5	2	8

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

MERALCO

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS
Manila Electric Company (Meralco)

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Meralco will be conducted virtually via https://company.meralco.com.ph/corporate-governance/SERVE on Tuesday, May 28, 2024, at 10:00 a.m. with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2023
4. Report of the Chief Executive Officer
5. Approval of the 2023 Audited Consolidated Financial Statements
6. Ratification of Acts of the Board and Management
7. Election of Directors for the ensuing year
8. Appointment of External Auditors
9. Other business that may properly be brought before the meeting
10. Adjournment

Minutes of the 2023 Annual Meeting of Stockholders will be available for examination during office hours at the Office of the Corporate Secretary and at the website of Meralco, www.meralco.com.ph.

The Board has fixed the close of business on **March 8, 2024** as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting. The stock and transfer books of Meralco will not be closed.

In accordance with Article I, Section 3 of the Company's Amended By-Laws, any instrument authorizing a proxy to act shall be submitted to and received at the principal office of Meralco on or before **May 7, 2024, 5:00 p.m.,** addressed to the attention of the Corporate Secretary c/o Corporate Governance and Compliance Office, Ground Floor, Lopez Bldg., Meralco Center, Ortigas Avenue, Brgy. Ugong, Pasig City. Soft copies of the proxies can be emailed in advance to stockholder.affairs@meralco.com.ph. Validation of proxies is set on **May 15, 2024, 10:00 a.m.** at Meralco Compound, Ortigas Avenue, Brgy. Ugong, Pasig City.

The conduct of the annual stockholders' meeting will be streamed live, and stockholders may attend and participate via remote communication and vote in absentia, using the online portal https://company.meralco.com.ph/corporate-governance/SERVE. The guidelines for online voting and participation is set forth in Annex "C" of the Definitive Information Statement downloadable at the company's and Philippine Stock Exchange EDGE's respective websites.

Pasig City, April 1, 2024.

SIMEON KEN R. FERRER
Corporate Secretary

ANNEX "A"

AGENDA DETAILS AND RATIONALE

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Manuel V. Pangilinan, will call the meeting to order.

2. **Certification of Notice and Quorum.** The Corporate Secretary, Atty. Simeon Ken R. Ferrer, will certify that copies of this Notice were sent to Stockholders of record as of March 8, 2024 and will certify the number of attendees, whether in person or by proxy, for the purpose of determining the existence of quorum to validly transact business.

3. **Approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2023**. Copies of the draft Minutes are available for examination during office hours at the Office of the Corporate Secretary and at the website of *MERALCO*, www.meralco.com.ph. Stockholders will be asked to approve the draft Minutes and acknowledge the completeness and accuracy thereof. Below is the text of the proposed resolution:

   "RESOLVED, that the Stockholders of the Corporation hereby approve the Minutes of the Annual Stockholders' Meeting held on May 30, 2023."

4. **Report of the Chief Executive Officer –** The Report summarizes the milestones and key achievements of *MERALCO* and provides a clear picture of how *MERALCO* reached its goals during the past year 2023.

5. **Approval of the 2023 Audited Consolidated Financial Statements** – *MERALCO*'s audited financial statements, highlights of which are explained in the Chief Executive's Report and in the Information Statement, will be presented to the Stockholders for approval. Copies of the 2023 Audited Financial Statements, previously approved by the Board of Directors, were also submitted to the Securities and Exchange Commission and the Bureau of Internal Revenue. Below is the proposed resolution:

   "RESOLVED, that the audited consolidated financial statements for the year ended December 31, 2023 be, as the same are hereby, approved."

6. **Ratification of Acts of the Board and Management** – Ratification of the acts of the Board of Directors and Management crucial to the successful performance of the Company in 2023 will be sought from the Stockholders. Below is the proposed resolution:

   "RESOLVED, that all acts, resolutions, and deeds of the Board of Directors and Management of the Company from the Annual Stockholders' Meeting held on May 30, 2023 up to the date of this meeting be as they hereby are, confirmed, ratified and approved."

7. **Election of Directors for the ensuing year** – Copies of the curriculum vitae and profiles of the candidates to the Board of Directors are provided in the Information Statement for the examination of the Stockholders. For this year, the candidates to the Board are the following:

a) Ms. June Cheryl A. Cabal-Revilla
b) Atty. Ray C. Espinosa
c) Mr. James L. Go
d) Mr. Patrick Henry C. Go
e) Mr. Lance Y. Gokongwei
f) Mr. Jose Ma. K. Lim
g) Ms. Lydia B. Echauz
h) Retired Chief Justice Artemio V. Panganiban
i) Mr. Manuel V. Pangilinan
j) Mr. Pedro Emilio O. Roxas
k) Mr. Victorico P. Vargas

Please refer to pages 6-20 of the Information Statement for the profile of the nominees to the Board.

Stockholders will be given the opportunity to elect the directors who will serve for the term 2024-2025 by way of individual voting administered by a third party.

8. **Appointment of External Auditors** – *MERALCO*'s external auditors for 2024-2025, tasked with the preparation of the annual audited financial statements, will be appointed by the Stockholders. This is upon favorable recommendation by the Audit Committee. Below is the text of the proposed resolution:

"*RESOLVED, that SGV & Company, Certified Public Accountants, be, as they hereby are, re-appointed as external auditors of the Company for the year 2023-2024."*

Please refer to pages 47-48 of the Information Statement for the profile of SGV & Company.

9. Other business that may properly be brought before the meeting – Stockholders may be requested to consider such other issues/matters as may be raised throughout the course of the meeting.

10. Adjournment – After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

WE ARE NOT SOLICITING YOUR PROXY

Stockholders who will not, are unable or do not expect to attend the meeting but would like to be represented thereat may choose to execute and send a proxy form to the Office of the Corporate Secretary on or before 5:00 p.m., May 7, 2024. Soft copies of the proxies can be emailed in advance to stockholder.affairs@meralco.com.ph. A sample proxy form is provided below. Other forms are available at MERALCO's website www.meralco.com.ph

PROXY

The undersigned stockholder of MANILA ELECTRIC COMPANY (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as attorney-in-fact and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on May 28, 2024 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2023

   ☐ Yes ☐ No ☐ Abstain

2. Approval of the 2023 Audited Consolidated Financial Statements

   ☐ Yes ☐ No ☐ Abstain

3. Ratification of Acts of the Board and Management

   ☐ Yes ☐ No ☐ Abstain

4. Election of Directors for the Ensuing Year

4.1	Ms. June Cheryl A. Cabal-Revilla	☐ Yes
4.2	Ms. Lydia B. Echauz	☐ Yes
4.3	Atty. Ray C. Espinosa	☐ Yes
4.4	Mr. James L. Go	☐ Yes
4.5	Mr. Patrick Henry C. Go	☐ Yes
4.6	Mr. Lance Y. Gokongwei	☐ Yes
4.7	Mr. Jose Ma. K. Lim	☐ Yes
4.8	Retired Chief Justice Artemio V. Panganiban	☐ Yes
4.9	Mr. Manuel V. Pangilinan	☐ Yes
4.10	Mr. Pedro Emilio O. Roxas	☐ Yes
4.11	Mr. Victorico P. Vargas	☐ Yes

5. Appointment of External Auditors

   ☐ Yes ☐ No ☐ Abstain

_____
PRINTED NAME OF STOCKHOLDER

_____
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

_____
EMAIL ADDRESS/CELL PHONE NO.

_____
DATE

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
Information Statement Pursuant to Section 20
of the Securities Regulation Code (SRC)

1. Check the appropriate box:
   (✓) Preliminary Information Statement
   ( ) Definitive Information Statement

2. Name of Registrant as specified in its charter: **Manila Electric Company**

3. Country of Incorporation: **Philippines**

4. SEC Identification Number: **PW-102**

5. BIR Tax Identification Number: **000-101-528-000**

6. Address of principal office: **Lopez Building, Ortigas Avenue, Brgy. Ugong, Pasig City 1605**

7. Telephone Numbers: **(632) 8633-4553**

8. Date, time, and place of meeting of security holders:

   Date : May 28, 2024
   Time : 10:00 a.m.
   Place : 14th Floor Lopez Building, MERALCO Compound, Ortigas Avenue, Brgy. Ugong, Pasig City for presiding officers and Board Members and virtually via https://company.meralco.com.ph/corporate-governance/SERVE

9. Approximate Date on which the Information Statement is first to be sent or given to security holders: **April 17, 2024**

10. Securities registered pursuant to Sections 8 and 12 of the SRC:

		Number of Shares Outstanding (Par Value at P10.00 per share)
a. Common Stock	**-**	**1,127,098,705**
		Amount of Debt Outstanding
b. Debt Securities	**-**	**₱2,868 Million Fixed Rate Notes due on 2025**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes ✓ No ____

If so, disclose the name of the Exchange and the class of securities listed therein: **Philippine Stock Exchange/Common Stock**

INFORMATION REQUIRED IN INFORMATION STATEMENT

Date, Time, and Place of Meeting of Security Holders

- Date : Tuesday, May 28, 2024
- Time : 10:00 a.m.

Place : 14th Floor Lopez Building, MERALCO Compound, Ortigas Avenue, Brgy. Ugong, Pasig City (for presiding officers and Board Members)

Virtually via https://company.meralco.com.ph/corporate-governance/SERVE
(For voting in absentia and participation via remote communication)

Principal Office: Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, 1605

The approximate date on which copies of the Information Statement are first to be sent or given to stockholders is on April 17, 2024.

Dissenter's Right of Appraisal

A stockholder may exercise the right of appraisal (i.e. the right to dissent and demand payment of the fair value of his shares) in the instances provided under the Corporation Code of the Philippines, as follows: 1) in case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code; 3) in case of merger or consolidation; and 4) investment of corporate funds for any purpose other than the primary purpose of the corporation (Section 80, Title X, Appraisal Right, Revised Corporation Code). The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. (Section 81, Title X, How Right is Exercised, Revised Corporation Code of the Philippines)

Manila Electric Company ("*MERALCO*") adopts the procedure laid down in Section 81, Title X, of the Revised Corporation Code for a valid exercise of appraisal right.

No corporate actions, however, will be taken up during the meeting involving any of the foregoing instances in which a stockholder may exercise the right of appraisal.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

a) No current director or officer, or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

b) No director has informed the Company that he intends to oppose any action to be taken at the annual stockholders' meeting.

Voting Securities and Principal Holders Thereof

THE COMPANY IS NOT SOLICITING PROXIES FOR THE ANNUAL STOCKHOLDERS' MEETING.

As of March 8, 2024, the total outstanding shares/voting shares is 1,127,098,705 common shares, of which 5.63% or 63,469,311 shares are owned by foreign stockholders. Each share is entitled to one (1) vote. Voting rights are vested exclusively on common shares.

All stockholders of record as of March 8, 2024, are entitled to receive a notice of the meeting.

Cumulative Voting for Directors - At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners

Based on *MERALCO*'s stock and transfer book, the security ownership as of March 8, 2024 of certain record and beneficial owners of more than 5% of any class of its voting securities is as follows:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	**Beacon Electric Asset Holdings, Inc.** Unit 9-2 9/F Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig City Stockholder	Same as the record owner	Filipino	394,059,235	34.96%
Common	**JG Summit Holdings, Inc.** 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center Pasig City Stockholder	Same as the record owner	Filipino	297,189,397	26.37%
Common	**Philippine Central Depository ("PCD") Nominee Corporation** 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226 No relationship with Issuer	PCD Participants	Filipino and Foreign	211,918,542	18.80%
Common	**Metro Pacific Investments Corporation** 9/F Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City Stockholder	Same as the record owner	Filipino	140,906,807	12.50%

Beacon Electric Asset Holdings, Inc. ("*Beacon Electric*") is a special purpose entity wholly owned by Metro Pacific Investments Corporation ("*MPIC"*), organized to hold *MPIC*'s shares in *MERALCO*. Mr. Manuel V. Pangilinan, Mr. Jose Ma. K. Lim, Ms. June Cheryl A. Cabal-Revilla, or the Chairman of the Stockholders' Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to *Beacon Electric.*

JG Summit Holdings, Inc. ("*JG Summit*") was incorporated in November 1990 as the holding company for a group with substantial business interests in branded consumer foods, agro-industrial and commodity food products, property development and hotel management, air transportation, petrochemicals, and international capital and financial services. In addition, *JG Summit* has business interests in other sectors, including power generation and insurance. *JG Summit* conducts its businesses throughout the Philippines, but primarily in and around Metro Manila and in the regions of Visayas and Mindanao. *JG Summit*, through its subsidiaries, also has branded foods businesses in the People's Republic of China and the ASEAN region, including an interest in a property development company in Singapore. Each of Mr. James L. Go and Mr. Lance Y. Gokongwei are duly authorized as proxies to vote its *MERALCO* shares as they may deem proper or beneficial to *JG Summit*.

PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Depository and Trust Corporation ("*PDTC*"). Originally, stock certificates were issued to investors every time they acquired shares of the Company. However, with the Philippine Central Depository's ("*PCD*") computerized Book Entry System that took effect in November 1997, investors of *MERALCO* shares now have an option whether they will be issued certificates or not. Their shares may be lodged at the *PCD* and further trading will be scripless (computerized with no certificates) until they request for the issuance of certificates. The *PCD* Nominee Corporation holds the shares as the registered owner thereof in *MERALCO*'s books on behalf of *PCD* Participants and their clients. The participants of *PCD* are the beneficial owners of such shares and may be nominated as proxy to vote the same. Stockholders with *PCD*-lodged shares have no record of their shareholdings with *MERALCO* or its transfer agent, Rizal Commercial Banking Corporation ("*RCBC*"). Only shares with stockholders' certificates are recorded in *MERALCO*'s books, which may be voted by the registered owners or their proxies.

MPIC was founded in 1986. It is an investment holding company, with interest in water utilities, toll roads, electricity distribution, and healthcare service businesses in the Philippines. It operates six (6) business segments: Water Utilities, Toll Operations, Power Distribution, Power Generation, Healthcare, and Others. The Water Utilities segment provides water and sewerage services through a network of pipelines, pumping stations, and mini boosters. The Toll Operations segment is involved in the operation and maintenance of toll road facilities. The Power Distribution segment distributes and supplies electricity. The Power Generation segment includes operating power plants in the Philippines and Singapore and power projects which are under development through MERALCO PowerGen Corporation. The Healthcare segment operates and manages hospitals, nursing and medical schools, and other related enterprises. The other segment is involved in the operation of real estate properties; and provision of property development, investment holding, and management services. Mr. Manuel V. Pangilinan, Mr. Jose Ma. K. Lim, Ms. June Cheryl A. Cabal-Revilla, or the Chairman of the Stockholders' Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to *MPIC*.

Security Ownership of Management

As of March 8, 2024, the securities owned beneficially, directly or indirectly, by directors and executive officers of *MERALCO* are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership	Citizenship	Percent of Class
1.	Common	Manuel V. Pangilinan	60,000 (Direct)	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	24,313 (Direct)	Filipino	0.00%
3.	Common	Ray C. Espinosa	61,000 (Direct)	Filipino	0.00%
4.	Common	June Cheryl A. Cabal-Revilla	10 (Direct)	Filipino	0.00%
5.	Common	Lydia B. Echauz	11,100 (Direct)	Filipino	0.00%
6.	Common	Patrick Henry C. Go	10 (Direct)	Filipino	0.00%
7.	Common	Victorico P. Vargas	18,917 (Direct)	Filipino	0.00%
8.	Common	Jose Ma. K. Lim	160,010 (Direct)	Filipino	0.01%
9.	Common	James L. Go	204,450 (Direct)	Filipino	0.02%
10.	Common	Pedro Emilio O. Roxas	1,000 (Direct)	Filipino	0.00%
11.	Common	Artemio V. Panganiban	27,001 (Direct)	Filipino	0.00%
12.	Common	Simeon Ken R. Ferrer	767 (Direct)	Filipino	0.00%
13.	Common	Ronnie L. Aperocho	14 (Direct)	Filipino	0.00%
14.	Common	Maria Luisa V. Alvendia	– –	Filipino	0.00%
15.	Common	Edgardo V. Carasig	– –	Filipino	0.00%
16.	Common	Arnel Paciano D. Casanova	– –	Filipino	0.00%
17.	Common	Ferdinand O. Geluz	15,877 (Direct)	Filipino	0.00%
18.	Common	Melanie T. Oteyza	– –	Filipino	0.00%
19.	Common	William S. Pamintuan	– –	Filipino	0.00%
20.	Common	Betty C. Siy-Yap	– –	Filipino	0.00%
21.	Common	Jose Ronald V. Valles	– –	Filipino	0.00%
22.	Common	Roque D. Bacani	– –	Filipino	0.00%
23.	Common	Bennette D. Bachoco	– –	Filipino	0.00%
24.	Common	Redel M. Domingo	– –	Filipino	0.00%
25.	Common	Charina P. Padua	42,609 (Direct)	Filipino	0.00%
26.	Common	Raymond B. Ravelo	– –	Filipino	0.00%
27.	Common	Froilan J. Savet	8,435 (Direct)	Filipino	0.00%
28.	Common	Antonio M. Abuel, Jr.	7,927 (Direct)	Filipino	0.00%
29.	Common	Francis Euston R. Acero	500 (Direct)	Filipino	0.00%
30.	Common	Ireneo B. Acuña	18,355 (Direct)	Filipino	0.00%
31.	Common	Joseph L. Amosco	5,198 (Direct)	Filipino	0.00%
32.	Common	Patrick Dave B. Bacani	– –	Filipino	0.00%
33.	Common	Joseph Allan C. Baltazar	– –	Filipino	0.00%
34.	Common	Rita D. Bantigue	– –	Filipino	0.00%
35.	Common	Sante C. Buella	– –	Filipino	0.00%
36.	Common	Ricardo Carmelo D. Buenafe	6,070 (Direct)	Filipino	0.00%
37.	Common	Alberto N. Castillo	600 (Direct)	Filipino	0.00%
38.	Common	Anthony Matthew N. Co	1,350 (Direct)	Filipino	0.00%
39.	Common	Ricardo L. Concepcion	– –	Filipino	0.00%
40.	Common	Ma. Cecilia M. Domingo	1,495 (Direct)	Filipino	0.00%
41.	Common	Lawrence S. Fernandez	4,500 (Direct)	Filipino	0.00%
42.	Common	Marvin G. Gonsalves	11,780 (Direct)	Filipino	0.00%
43.	Common	Danilo R. Ignacio	7,871 (Direct)	Filipino	0.00%
44.	Common	Jerry B. Lao	– –	Filipino	0.00%
45.	Common	Ariel G. Lucas	– –	Filipino	0.00%

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership	Citizenship	Percent of Class
46.	Common	Erville D. Magtubo	– –	Filipino	0.00%
47.	Common	Ralph M. Menchavez	– –	Filipino	0.00%
48.	Common	Roderick Dennison N. Nacu	31 (Direct)	Filipino	0.00%
49.	Common	Noel S. Porciuncula	144 (Direct)	Filipino	0.00%
50.	Common	Jose S. Reyes, Jr.	8,827 (Direct)	Filipino	0.00%
51.	Common	Glen N. San Pedro	– –	Filipino	0.00%
52.	Common	Andrew Jason B. Tan	2,000 (Direct)	Filipino	0.00%
53.	Common	Jeffrey O. Tarayao	– –	Filipino	0.00%
54.	Common	Marilene P. Tayag	– –	Filipino	0.00%
55.	Common	Paola Marguerite A. Verayo	– –	Filipino	0.00%
56.	Common	Maria Zarah R. Villanueva-Castro	– –	Filipino	0.00%
57.	Common	Jocelyn C. Villar-Altamira	– –	Filipino	0.00%
58.	Common	Agapito R. Zaldarriaga	10,369 (Direct)	Filipino	0.00%
59.	Common	Ma. Cynthia C. Soluren	11,575 (Direct)	Filipino	0.00%

As of March 8, 2024, the securities owned beneficially by the nominees for election to the Board of Directors ("*BOD")* are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership	Citizenship	Percent of Class
1.	Common	Manuel V. Pangilinan	60,000 (Direct)	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	24,313 (Direct)	Filipino	0.00%
3.	Common	Ray C. Espinosa	61,000 (Direct)	Filipino	0.00%
4.	Common	June Cheryl A. Cabal-Revilla	10 (Direct)	Filipino	0.00%
5.	Common	Lydia B. Echauz	11,100 (Direct)	Filipino	0.00%
6.	Common	Patrick Henry C. Go	10 (Direct)	Filipino	0.00%
7.	Common	Victorico P. Vargas	18,917 (Direct)	Filipino	0.00%
8.	Common	Jose Ma. K. Lim	160,010 (Direct)	Filipino	0.01%
9.	Common	James L. Go	204,450 (Direct)	Filipino	0.02%
10.	Common	Pedro Emilio O. Roxas	1,000 (Direct)	Filipino	0.00%
11.	Common	Artemio V. Panganiban	27,001 (Direct)	Filipino	0.00%

The aggregate number of shares owned on record by the Chief Executive Officer, Executive Officers, Directors, and Nominees as of March 8, 2024 is 734,105 shares or 0.07% of *MERALCO*'s total outstanding shares.

Voting Trust Holders

MERALCO is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

Based on *MERALCO*'s stock and transfer book, there is no change in the control of *MERALCO* since the beginning of the last fiscal year.

Directors and Executive Officers

As of March 8, 2024, the names of the incumbent Directors, nominees for election as directors and Executive Officers of *MERALCO* and their respective ages, citizenship, current positions, periods of service and business experiences during the past five (5) years are as follows:

Directors

MANUEL V. PANGILINAN
Filipino, 77 years old
Chairman, Board of Directors
Chairman, Executive Committee
Chairman, Remuneration and Leadership Development Committee
Chairman, Sustainability Committee
Chief Executive Officer
Director of Manila Electric Company since May 26, 2009

Education and Training:
- BA Economics Degree, Ateneo De Manila University
- Master's in Business Administration, Wharton School of Finance and Commerce University of Pennsylvania

Membership in the Board of Listed Companies:
- PLDT Inc.
- Philex Mining Corporation
- PXP Energy Corporation
- Roxas Holdings, Inc.

Membership in the Board of Non-Listed Companies:
- Associated Broadcasting Corporation (TV5)
- Beacon Electric Asset Holdings, Inc.
- Colinas Verdes Corporation (Cardinal Santos Medical Center)
- First Pacific Company Limited
- Global Business Power Corporation
- Landco Pacific Corporation
- Maynilad Water Services, Inc.
- Mediaquest Holdings, Inc.
- Medical Doctors, Inc. (Makati Medical Center)
- Meralco PowerGen Corporation
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- NLEX Corporation
- PLDT Communications and Energy Ventures, Inc.

- PT Indofood Sukses Makmur Tbk (Indonesia)
- Smart Communications, Inc.
- SP New Energy Corporation

Membership in Socio-Civic Organizations:
- Philippine Business for Social Progress (PBSP)
- PLDT-Smart Foundation, Inc.
- One Meralco Foundation, Inc.
- Philippine Disaster Resilience Foundation (PDRF)
- Philippine Business for Education (PBED)
- San Beda College
- Stratbase Albert del Rosario Institute
- MVP Sports Foundation, Inc.
- Samahang Basketbol ng Pilipinas
- US-Philippines Society

Position and Membership in Other Organizations and Corporations:
- Chairman of Philex Mining Corporation, PXP Energy Corporation, Associated Broadcasting Corporation (TV5), Beacon Electric Asset Holdings, Inc., Colinas Verdes Corporation (Cardinal Santos Medical Center), Global Business Power Corporation, Landco Pacific Corporation, Maynilad Water Services, Inc., Mediaquest Holdings, Inc., Medical Doctors, Inc. (Makati Medical Center), Meralco PowerGen Corporation, Metro Pacific Tollways Corporation, NLEX Corporation, PLDT Communications and Energy Ventures, Inc., Smart Communications, Inc., SP New Energy Corporation, Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation, Inc., One Meralco Foundation, Inc., San Beda College and MVP Sports Foundation, Inc.
- Chairman, President and Chief Executive Officer of PLDT, Inc. and Metro Pacific Investments Corporation
- Vice-Chairman of Roxas Holdings, Inc.
- Chief Executive Officer and Managing Director of First Pacific Company Limited
- President Commissioner of PT Indofood Sukses Makmur Tbk (Indonesia)
- Co-Chairman of Philippine Disaster Resilience Foundation (PDRF) and US-Philippines Society
- Co-Chairperson of the Board of Trustees of Stratbase Albert del Rosario Institute
- Chairman Emeritus of Samahang Basketbol ng Pilipinas

In recognition of Mr. Pangilinan's contributions to the country, the Philippine Air Force awarded him the rank of Lieutenant Colonel (Res) in a promotion list approved by the Philippine President in July 2021. In 2010, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula with the rank of Bayani.

Mr. Pangilinan was awarded the First Honorary Doctorate Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorate in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

LANCE Y. GOKONGWEI
Filipino, 57 years old
Vice-Chairman, Board of Directors
Vice-Chairman, Executive Committee
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Director of Manila Electric Company since December 16, 2013

Education and Training:
- BS Finance, Wharton School of Finance and Commerce University of Pennsylvania
- BS Applied Science, Penn Engineering School University of Pennsylvania

Membership in the Board of Listed Companies:
- Altus Property Ventures, Inc.
- Cebu Air, Inc.
- Endeavor Acquisition Corporation
- JG Summit Holdings, Inc.
- Oriental Petroleum and Minerals Corporation
- RL Commercial REIT, Inc.
- Robinsons Land Corporation
- Robinsons Retail Holdings, Inc.
- Shakey's Asia Pizza Ventures, Inc.
- Singapore Land Group Limited
- Universal Robina Corporation

Membership in the Board of Non-listed Companies:
- AB Capital and Investment Corporation
- Data Analytics Ventures, Inc.
- Gokongwei Brothers Foundation, Inc.
- JE Holdings, Inc.
- JG Digital Equity Ventures, Inc.
- JG Summit Olefins Corporation

Position and Membership in Other Organizations and Corporations:
- Chairman of Universal Robina Corporation, Robinsons Land Corporation, Robinsons Retail Holdings, Inc., Cebu Air, Inc., and JG Summit Olefins Corporation
- President and Chief Executive Officer of JG Summit Holdings, Inc., and Robinsons Land Corporation
- Chairman and Trustee of Gokongwei Brothers Foundation, Inc.

JUNE CHERYL A. CABAL-REVILLA
Filipino, 50 years old
Member, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Sustainability Committee
Director of Manila Electric Company since May 30, 2023

Education and Training:

- Bachelor of Science Degree in Accountancy, De La Salle University
- Master's Degree in Business Management, Major in Finance, Asian Institute of Management

Membership in the Board of Non-Listed Companies:

- AF Payments, Inc.
- Beacon Electric Asset Holdings, Inc.
- Costa de Madera Corporation
- Fragrant Cedar Holdings, Inc.
- Global Business Power Corporation
- Hyperion Storage Holdings Corporation
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Maynilad Water Services, Inc.
- MERALCO Powergen Corporation
- Metro Pacific Agro Ventures, Inc.
- Metro Pacific Dairy Farms, Inc.
- Metro Pacific Fresh Farms, Inc.
- Metro Pacific Health Corporation
- Metro Pacific Health Tech Corporation
- Metro Pacific Hospitals Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Investments Foundation, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Nova Agro Tech, Inc.
- Metro Pacific Tollways Corporation
- MetroPac Movers, Inc.
- MetroPac Water Investments Corporation
- Philippine Coastal Storage & Pipeline Corporation
- Philippine Tank Storage International (Holdings), Inc.
- Razor Crest Storage Infrastructure Holdings Corporation
- Surallah Biogas Ventures Corp.
- The Laguna Creamery, Inc.

Position and Membership in the Boards of Non-listed Companies:

- President and Chief Executive Officer, Metro Pacific Health Tech Corporation
- Executive Director and Chief Finance, Risk and Sustainability Officer, Metro Pacific Investments Corporation

Other Information:

Prior to joining MPIC, Ms. Cabal-Revilla held various executive leadership positions at the PLDT Group, the Philippines' largest fully integrated telco company. She was the former Senior Vice President and Group Controller, and Chief Sustainability Officer (CSO) of the PLDT Group and the Chief Financial Officer (CFO) of Smart, PLDT-Smart Foundation, Philippine Disaster Resilience Foundation (PDRF) and in a number of subsidiaries and affiliates of PLDT, Smart and ePLDT.

Ms. Cabal-Revilla is an Appointed Member of the Financial Reporting and Sustainability Standards Council (FSRSC) of the Philippines, the accounting and sustainability standards-setters in the country since 2010. She was conferred the Accountancy Centenary Award of Excellence (One of the 100 Notable CPAs) in early 2023 by the Philippine Board of Accountancy. She was also hailed as an Asian Institute Management Triple A Awardee in 2020 – 145 awardees out of 45,000 graduates. She has received several Best CFO, Best CSO and Top CEO awards by reputable institutions from Singapore, Hong Kong, Malaysia, and the Philippines. She was an awardee of the Ten Outstanding Young Men (TOYM) in 2013 and the incumbent President of TOYM Foundation. In 2023, she was conferred the Most Influential Filipina Woman in the World at the Filipina Leadership Global Summit in Prague, Czech Republic.

Ms. Cabal-Revilla is the Founding Chair of Gabay Guro, the Philippines' biggest and longest-running education advocacy program for teachers.

Prior to joining PLDT as Executive Trainee in the Finance Group in 2000, she was a Senior Associate in the Business Audit and Advisory Group of SGV & Co. She received her Bachelor of Science Degree in Accountancy from De La Salle University and master's degree in Business Management Major in Finance from Asian Institute of Management (AIM). She also finished her Executive Program in the Stanford Graduate School of Business in 2018. In 2022, she also took the Swedish Institute Management Program and the Innovative Dynamic Education and Action for Sustainability (IDEAS Asia Pacific), a transformational leadership program of the MIT Management Sloan School.

LYDIA B. ECHAUZ
Filipino, 76 years old
Member, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Independent Director of Manila Electric Company since May 25, 2021

Education and Training:
- Bachelor of Arts, Major in Economics and Mathematics, St. Theresa's College
- Master's in Business Administration, Ateneo de Manila University
- Doctor of Business Administration, De La Salle University

Membership in the Board of Listed Companies:
- D&L Industries, Inc.
- Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation)

Membership in the Board of Non-Listed Companies:
- Akademyang Filipino Association. Inc.
- FERN Realty Corporation
- Mano Amiga Academy
- Museo del Galeon Foundation, Inc.
- NBS Educational Services, Inc.
- Riverside College Inc.
- SM Foundation, Inc.

RAY C. ESPINOSA
Filipino, 67 years old
President and CEO from May 28, 2019 to May 30, 2023
Member, Risk Management Committee
Member, Related Party Transactions Committee
Director of Manila Electric Company since May 26, 2009

Education and Training:
- BS General Studies, University of Santo Tomas
- Bachelor of Laws, Ateneo De Manila University
- Master of Laws, University of Michigan Law School

Membership in the Board of Publicly Listed Companies:
- Lepanto Consolidated Mining Company (Independent Director)
- PLDT Inc.
- Roxas Holdings, Inc.

Membership in the Board of Non-Publicly Listed Companies:
- AGN Philippines, Inc.
- Atimonan Land Ventures Development Corporation
- Atimonan One Energy, Inc.
- Aurora Managed Power Services Inc.
- BTF Holdings, Inc.
- Beacon Electric Asset Holdings, Inc.
- Beacon PowerGen Holdings, Inc.
- Bell Telecommunication Philippines, Inc.
- Bonifacio Communications Corporation
- Bow Arken Holding Company, Inc.
- Brightshare Holdings Corporation
- Calamba Aero Power Corporation
- CIS Bayad Center, Inc.
- Cobaltpoint Telecom, Inc.
- Connectivity Unlimited Resource Enterprise Inc.
- Corporate Information Solutions, Inc.
- Dominer Pointe, Inc.
- Eastern Telecommunications Philippines, Inc.
- Enterprise Investments Holdings, Inc.
- e-Meralco Ventures, Inc.
- ePLDT, Inc.
- e Telco, Inc.
- ESPI Real Estate Ventures Inc.
- Federation of Philippine, Industries, Inc.
- First Agri Holdings Corporation
- First Coconut Manufacturing Inc.
- First Delta Group Security Services, Inc.
- First Pacific Leadership Academy, Inc.

- FPM Power Holdings Inc. (BVI Company)
- Global Business Power Corporation
- Hi Frequency Telecommunications, Inc.
- Laguna Sol Corporation
- Liberty Telecom Holdings, Inc.
- Maybank Philippines, Inc.
- Manila Overseas Press Club
- MGen Renewable Energy, Inc.
- MGreen International Limited (BVI Company)
- MERALCO PowerGen Corporation
- Meridian Power Ventures Limited
- Metro Pacific Assets Holdings, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Resources, Inc.
- Miescor Infrastructure Development Corporation
- MPG Asia Limited (BVI Company)
- MPG Holdings Philippines, Inc.
- MPG Mauban LP Corporation
- MPioneer Insurance, Inc.
- MRail Inc.
- Multi Technology Investments Holdings, Inc.
- MVP Rewards and Loyalty Solutions Inc.
- New Century Telecoms, Inc.
- Nuevo Solar Energy Corp.
- One Meralco Foundation, Inc.
- Pacific Aurora Plantation Corp.
- Pacific Global One Aviation Company, Inc.
- Pacific Light Power PTE LTD (Singapore Company)
- Pacific Light Renewables Pte. Ltd. (Singapore Company)
- Paragon Vertical Corporation
- Perchpoint Holdings, Inc.
- PH Broadband Networks Holdings, Inc.
- PH Communications Holdings Corporation
- Philippine Telecommunications Investment Corp.
- Pilipinas Global Network Limited (TV5 International)
- Pilipinas Natural Resources Holdings, Inc.
- Pilipinas Pacific Enterprise Holdings, Inc.
- Pilipinas Pacific Natural Resources Holdings Inc.
- Pilipinas Pacific Telecom Holdings, Inc.
- PLDT - Beneficial Trust Fund
- PLDT Capital PTE Ltd.
- PLDT Communications and Energy Ventures, Inc.
- PLDT Digital Investments PTE Ltd.
- PLDT Global Investments Corporation

- PLDT Global Investments Holdings, Inc. (formerly SPI Global Holdings, Inc.)
- PLDT Online Investments PTE Ltd.
- PLDT - Smart Foundation
- Power Smart Capital Limited
- Radius Telecoms, Inc.
- Redondo Peninsula Energy, Inc.
- Roxas Power Corporation
- Skyphone Logistics, Inc.
- Somete Logistics & Development Corporation
- Smart Communications, Inc.
- Talas Data Intelligence Inc.
- Telecommunications Service Providers, Inc.
- Telecommunication Technologies Philippines, Inc.
- Tori Spectrum Telecom, Inc.
- Two Cassandra - CCI Conglomerate, Inc.
- Two Rivers Pacific Holdings Corporation
- Vega Telecom, Inc.
- WREIT, Inc.

Position and Membership in Other Organizations and Corporations:

- Chairman of the Board of Atimonan Land Ventures Development Corporation, Atimonan One Energy, Inc., Aurora Managed Power Services Inc., Calamba Aero Power Corporation, CIS Bayad Center, Inc, Corporate Information Solutions, Inc., e-Meralco Ventures, Inc., Laguna Sol Corporation, MGen Renewable Energy, Inc., Miescor Infrastructure Development Corporation, MPG Holdings Philippines, Inc., MPG Mauban LP Corporation, MPioneer Insurance, Inc., MRail Inc., Nuevo Solar Energy Corp., and Radius Telecoms, Inc.
- Co-Chairman of the Board of AGN Philippines, Inc., Bell Telecommunication Philippines, Inc., Bow Arken Holding Company, Inc., Brightshare Holdings Corporation, Cobaltpoint Telecom, Inc., Dominer Pointe, Inc., e Telco, Inc., Hi Frequency Telecommunications, Inc., Liberty Telecom Holdings, Inc., Multi Technology Investments Holdings, Inc., New Century Telecoms, Inc., Perchpoint Holdings, Inc., PH Broadband Networks Holdings, Inc., Skyphone Logistics, Inc., Somete Logistics & Development Corporation, Tori Spectrum Telecom, Inc., Two Cassandra - CCI Conglomerate, Inc., Vega Telecom, Inc.
- Assistant Corporate Secretary of Pilipinas Pacific Telecom Holdings, Inc.
- Audit Committee Chairman of Lepanto Consolidated Mining Company
- Related Party Transaction Committee Chairman of Maybank Philippines, Inc.
- Corporate Governance Committee Vice-Chairman of Maybank Philippines, Inc.
- Audit Committee Member of Maybank Philippines, Inc.
- Nomination, Election and Governance Committee Member of Roxas Holdings. Inc.
- Executive Committee Member of LAWASIA Energy Section
- Member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association
- Independent Director of Maybank Philippines, Inc., and WREIT, Inc.
- President of ESPI Real Estate Ventures Inc., First Agri Holdings Corporation, Pilipinas Natural Resources Holdings, Inc., Pilipinas Pacific Enterprise Holdings, Inc., Pilipinas Pacific Natural Resources Holdings Inc., and PLDT Communications and Energy Ventures, Inc.

- Co-President of Eastern Telecommunications Philippines, Inc.
- Trustee of First Pacific Leadership Academy, Inc., and PLDT - Smart Foundation
- Vice-Chairman of the Board of First Coconut Manufacturing Inc., MERALCO PowerGen Corporation, Pacific Aurora Plantation Corp.
- Vice Chairman and Trustee of One Meralco Foundation, Inc., and PLDT - Beneficial Trust Fund
- Co-President and Co-Chairman of the Board of Telecommunication Technologies Philippines, Inc.
- Corporate Secretary of Philippine Telecommunications Investment Corp.
- Assistant Corporate Secretary of Pilipinas Pacific Telecom Holdings, Inc.

JAMES L. GO
Filipino, 84 years old
Member, Executive Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Director of Manila Electric Company since December 16, 2013

Education and Training:
- BS Chemical Engineering, Massachusetts Institute of Technology
- Master's in Chemical Engineering, Massachusetts Institute of Technology

Membership in the Board of Listed Companies:
- JG Summit Holdings, Inc.
- Oriental Petroleum and Minerals Corporation
- Robinsons Land Corporation
- Universal Robina Corporation
- Robinsons Retail Holdings, Inc.
- PLDT Inc.

Membership in the Board of Non-Listed Companies:
- JG Summit Olefins Corporation

Position and Membership in Other Organizations and Corporations:
- Chairman of JG Summit Holdings, Inc.
- Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation
- Chairman Emeritus of Robinsons Land Corporation, Universal Robina Corporation, and JG Summit Olefins Corporation
- Vice-Chairman of Robinsons Retail Holdings, Inc.
- President and Trustee of Gokongwei Brothers Foundation, Inc.

PATRICK HENRY C. GO
Filipino, 53 years old
Chairman, Risk Management Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Related Party Transactions Committee

Member, Sustainability Committee
Director of Manila Electric Company since January 29, 2024

Education and Training:

- Bachelor of Science Degree in Management – Ateneo De Manila University
- General Management Program – Harvard Business School

Membership in the Board of Listed Companies:

- JG Summit Holdings, Inc.
- Universal Robina Corporation
- Robinsons Land Corporation

Membership in the Board of Non-listed Companies:

- JG Summit Olefins Corporation
- MERALCO PowerGen Corporation
- Merbau Corporation
- Peak Fuel Corporation

Position and Membership in Other Organizations and Corporations:

- Executive Vice President of Universal Robina Corporation
- President and Chief Executive Officer of Merbau Corporation

JOSE MA. K. LIM
Filipino, 71 years old
Chairman, Finance Committee
Member, Executive Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Member, Sustainability Committee (May 31, 2022 to May 30, 2023)
Director of Manila Electric Company since May 29, 2012

Education and Training:

- BA Philosophy Degree, Ateneo De Manila University
- Master's in Business Administration, Asian Institute of Management

Membership in the Board of Non-Listed Companies:

- AF Payments Inc.
- Beacon Electric Asset Holdings, Inc.
- Beacon PowerGen Holdings, Inc.
- Colinas Verdes Hospital Managers Corporation
- Costa de Madera Corporation
- Global Business Power Corporation
- Hyperion Storage Holdings Corporation
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation

- Light Rail Manila Holdings, Inc.
- Manila Medical Services, Inc.
- Maynilad Water Holding Company, Inc.
- Maynilad Water Services, Inc.
- Medical Doctors, Inc.
- MERALCO PowerGen Corporation
- MetPower Venture Partners Holdings, Inc.
- MetroPac Logistics Company, Inc.
- MetroPac Movers, Inc.
- MetroPac Property Holdings, Inc.
- Metro Pacific Health Tech Corporation
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Investments Foundation Inc.
- Metro Pacific Management Services, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Tollways Corporation
- Metro Vantage Properties, Inc.
- NLEX Corporation
- Philippine Coastal Storage and Pipeline Corporation
- Philippine Tank Storage International (Holdings), Inc.
- Philippine Telecommunications Investment Corp.
- Razor Crest Infrastructure Holdings, Inc.
- Surallah Biogas Ventures Corp.

Position and Membership in Other Organizations and Corporations:
- Strategic Adviser and Board of Director of Metro Pacific Investments Corporation
- Trustee of Metro Pacific Investments Foundation Inc.
- Chairman of MetPower Ventures Partners Holdings, Inc.
- Founding Member of the Shareholders Association of the Philippines

ARTEMIO V. PANGANIBAN
Filipino, 87 years old
Lead Independent Director
Chairman, Audit Committee
Member, Executive Committee
Member, Related Party Transactions Committee
Member, Risk Management Committee
Independent Director of Manila Electric Company since May 27, 2008

Education and Training:
- Associate in Arts Degree ("With Highest Honors"), Far Eastern University
- Bachelor of Laws ("Cum Laude"), Far Eastern University
- Doctor of Laws ("Honoris Causa"), University of Iloilo/Far Eastern University/University of Cebu/Angeles University/ Bulacan State University

Membership in the Board of Listed Companies:

- Asian Terminals, Inc.
- GMA Holdings, Inc.
- GMA Network, Inc.
- JG Summit Holdings, Inc.
- Jollibee Foods Corporation
- Petron Corporation
- PLDT Inc.
- RL Commercial REIT, Inc.

Adviser to the Board of the following Listed Companies:

- Bank of the Philippine Islands
- Double Dragon Properties Corp.
- Merry Mart Consumer Corp.
- Metropolitan Bank and Trust Co.

Membership in Board of Non-Listed Companies:

- Asian Hospital Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Tollways Corporation
- TeaM Energy Corporation

Position and Membership in Civic Organizations, Foundations and Corporations:

- Chairman, Board of Advisers of Metrobank Foundation
- President, Manila Metropolitan Cathedral-Basilica Foundation, Inc.
- Chairman, Board of Trustees, Foundation for Liberty and Prosperity and of the Philippine Judges Foundation
- Chairman Emeritus, Philippine National Committee of the Asean Law Association
- Trustee, Tan Yan Kee Foundation
- Trustee, Claudio Teehankee Foundation
- Columnist, Philippine Daily Inquirer
- Senior Legal Advisor, Department of Energy (Law and Energy Advisory Panel)
- Retired Chief Justice of the Supreme Court of the Philippines

PEDRO EMILIO O. ROXAS
Filipino, 68 years old
Chairman, Related Party Transactions Committee
Chairman, Nomination and Governance Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Independent Director of Manila Electric Company since May 25, 2010

Education and Training:

- BS Business Administration, University of Notre Dame Indiana, USA

Membership in the Board of Listed Companies:

- Roxas and Company, Inc.
- Roxas Holdings, Inc.
- Cemex Holdings Inc.
- SP New Energy Corporation (Independent Director)

Membership in Board of Non-Listed Companies:

- Brightnote Assets Corporation
- Fundacion Santiago, Inc.
- Metro Pacific Investment Corporation
- Oona Insular Insurance Corporation
- Punta Fuego, Inc.
- Roxaco Land Corporation Club

Position and Membership in Other Organizations, Foundation and Corporations:

- Chairman of Roxas and Company, Inc., Roxaco Land Corporation, Roxas Holdings, Inc. and Club Punta Fuego, Inc.
- Trustee of Philippine Business for Social Progress
- Trustee of Roxas Foundation, Inc.

VICTORICO P. VARGAS
Filipino, 72 years old
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Director of Manila Electric Company since May 28, 2019

Education and Training:

- BS Psychology, University of Santo Tomas

Membership in Board of Non-Listed Large Companies:

- Cignal TV, Inc.
- Hastings Holdings, Inc. (Chairman)
- Media5 Marketing Corporation
- MQuest Ventures, Inc.
- PhilStar Global, Inc. (Chairman)
- Pilipino Star Ngayon, Inc. (Chairman)
- Pilipino Star Printing (Chairman)
- PLDT Clark Telecom, Inc.
- PLDT Global, Inc.
- PLDT Subic Telecom, Inc.
- Smart Communications, Inc.
- TV5 Network, Inc.

Position and Membership in Other Organizations, Foundation and Corporations:

- Associate Director of First Pacific Company Limited
- Head of Leadership Transition Office of the PLDT Group
- President of the Board of Trustees of First Pacific Leadership Academy

- Vice President & Former Vice Chairman of Samahang Basketbol ng Pilipinas
- Trustee of the MVP Sports Foundation and Ideaspace Foundation
- Trustee of the PLDT-Smart Foundation
- President of PhilPop Music Fest Foundation
- Chairman of Philstar Daily, Inc.
- Chairman of the Association of Boxing Alliances in the Philippines
- Executive Board Member of World Boxing Council
- Chairman of the Philippines Basketball Association for Season 2017-Present
- Immediate Past President of the Philippine Olympic Committee and currently a member of the Board of Directors
- Former President and Chief Executive Officer of Maynilad Water Services, Inc.

Nominees for Election to the Board of Directors

All of the above incumbent directors have been nominated for re-election at the annual stockholders' meeting.

Executive Officers

SIMEON KEN R. FERRER
Filipino, 67 years old
Corporate Secretary (since May 26, 2009)

Atty. Ferrer is an Independent Director of Grand Plaza Hotel Corporation, a company listed on the Philippine Stock Exchange. He is also the Corporate Secretary of another public company, Century Peak Holdings Corporation (formerly Century Peak Metals Holdings Corporation). He continues to serve as Director or Corporate Secretary of various non-public companies. He is Of Counsel at SyCip Salazar Hernandez & Gatmaitan, having recently retired as Senior Partner and head of the Corporate Services Department. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association, and a Fellow of the Institute of Corporate Directors.

Atty. Ferrer is an *SEC*-accredited lecturer on corporate governance and is a member of the faculty of the School of Law of the Ateneo de Manila University. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association.

Atty. Ferrer completed his Bachelor of Science degree in Business Economics and Bachelor of Laws degree at the University of the Philippines and obtained his Master of Laws degree from the University of Michigan as a DeWitt Fellow.

RONNIE L. APEROCHO
Filipino, 55 years old
Executive Vice President and Chief Operating Officer (since July 1, 2023)

Mr. Aperocho also serves as the Chairman of the Board of Directors of Clark Electric Distribution Corporation and Comstech Integration Alliance, Inc. He is also a member of the Board of Directors of Meralco Industrial Engineering Services Corporation, Meralco Energy, Inc., Aclara Meters Philippines, Inc., Radius Telecoms, Inc., and Shin Clark Power Corporation. He sits in the Board of Trustees of the Meralco Power Academy, One Meralco Foundation, and Philippine Disaster Resilience Foundation.

He holds a Bachelor of Science degree in Electrical Engineering from Mindanao State University and topped the October 1991 Electrical Engineering Board Exams. A registered Professional Electrical Engineer and ASEAN Chartered Professional Engineer, he holds a master's degree in Business Administration from J.L. Kellogg School of Management of Northwestern University/The Hong Kong University of Science and Technology.

WILLIAM S. PAMINTUAN
Filipino, 62 years old
Senior Vice President
Chief Legal Counsel and Assistant Corporate Secretary (since January 2012)
Compliance Officer and Head, Legal and Corporate Governance Office

Atty. Pamintuan is the Corporate Secretary of the following companies: ARB Power Ventures Inc., Atimonan One Energy, Inc., CACI Power Corporation, Calamba Aero Power Corporation, First Pacific Leadership Academy, Inc., GBP Power Resources Inc., Global Business Power Corporation, Global Energy Supply Corporation, Global Formosa Power Holdings, Inc., Global Hydro Power Corporation, Global Luzon Energy Development Corporation, Global Renewable Power Holdings Corporation, Global Trade Energy Resources Corp., Greenergy for Global Inc., Greentech Solar Energy, Inc., Kalilayan Power, Inc., LagunaSol Corporation, Lunar Power Core Inc., Meralco Industrial Engineering Services Corporation, Meralco Power Foundation, Inc., MERALCO PowerGen Corporation, MGEN Renewable Energy, Inc., MGREEN International Limited (BVI company), Miescor Infrastructure Development Corporation, Mindanao Energy Development Corporation, MPG Asia Ltd. (a Hong Kong Company), MPG Holdings Phils., Inc., MPG Mauban LP Corporation, MRAIL, Inc., Nortesol III Inc., Panay Energy Development Corporation, Panay Power Corporation, Panay Power Holdings Corporation, PH Renewables Inc., Powersource First Bulacan Solar Inc., Redondo Peninsula Energy, Inc., St. Raphael Power Generation Corporation, and Toledo Holdings Corporation.

He also serves as Director of the following companies: Aclara Meters Philippines, Inc., Atimonan Land Ventures Development Corporation, Atimonan One Energy, Inc., Aurora Managed Power Services, Inc., Calamba Aero Power Corporation, Comstech Integration Alliance, Inc., E-Meralco Ventures, Inc., Indra Philippines, Inc., Lighthouse Overseas Insurance Limited, Meralco Energy, Inc., Meridian Atlantic Light Company Ltd., Meridian Power Ventures, Ltd., MGEN Renewable Energy, Inc., Miescor Infrastructure Development Corporation, MOVEM Electric, Inc., MPG Holdings Phils., Inc., MPG Mauban LP Corporation, MPioneer Insurance, Inc., Paragon Vertical Corporation, and Radius Telecoms, Inc. He is also a trustee of the Meralco Pension Fund.

Atty. Pamintuan serves as the Chairman of the Board of PMHC Lalawinan Inc., PMHC Pulanai Inc., and Pure Meridian Hydropower Corporation. He is also a member of the Board of Governors of the Philippine Basketball Association.

He served as Vice Chair of the MAP Energy Committee. He was a former Trustee of the Shareholders' Association of the Philippines, Inc. He served as Officer-in-Charge and Acting President of Meralco Energy, Inc. He was a former Corporate Secretary and Senior Vice President of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. He was a General Manager of Digitel Crossing, Inc. He was a former Assistant Corporate Secretary of Cebu Pacific Inc.

Atty. Pamintuan is a member of the board of directors of the University of the Philippines Alumni Association (UPAA). He is a member of the Management Association of the Philippines (MAP), Integrated Bar of the Philippines (IBP), Philippine Bar Association (PBA), and UP Vanguard, Inc.

Atty. Pamintuan holds a Bachelor of Arts degree in Political Science and a Bachelor of Laws degree from the University of the Philippines.

BETTY C. SIY-YAP
Filipino, 62 years old
Senior Vice President and Chief Finance Officer (since July 2009)

Ms. Siy-Yap is a Director of Clark Electric Distribution Corporation, CIS Bayad Center, Inc., Meralco Industrial Engineering Services Corporation, Aclara Meters Philippines, Inc., Radius Telecoms, Inc., MPioneer Insurance Inc., Indra Philippines, Inc., Redondo Peninsula Energy, Inc., Atimonan One Energy Inc., MERALCO PowerGen Corporation, and MRAIL, Inc., among others.

She is the President of Lighthouse Overseas Insurance Limited. She is a Trustee of the Meralco Pension Fund, One Meralco Foundation, Inc., Treasurer of First Pacific Leadership Academy, Inc. and MVP Sports Foundation, Inc. She was previously a Director of Rockwell Land Corporation, a member of the Market Governance Board of the Philippine Dealing Exchange Corp., Vice Chairman and member of the Board of Accountancy of the Professional Regulation Commission. She was a Partner of SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global) from 1995 to 2009.

Ms. Siy-Yap holds a Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines and a Master's in Business Administration from J.L. Kellogg School of Management at Northwestern University/The Hong Kong University of Science and Technology.

MARIA LUISA V. ALVENDIA
Filipino, 61 years old
Senior Vice President (since January 1, 2024)
Chief Supply Chain Officer (since July 1, 2023)

Prior to being appointed to her current role, Ms. Alvendia served as the Chief of Staff to the President and Chief Executive Officer, and Supply Chain Advisor of *MERALCO*. Prior to joining the Company, she was the Chief of Staff to the Chief Corporate Services Officer of PLDT, Inc. (PLDT) and Smart Communications, Inc. (SMART), and Group Head of PLDT and SMART Supply Chain Planning and Procurement. With her industry-recognized supply chain expertise, she became a Director of the Philippine Institute of Supply Management. She also led various Supply Chain process improvements and system implementation for different companies and held global procurement roles.

Ms. Alvendia is a certified Purchasing Manager and holds a Bachelor of Science degree in Psychology from the University of the Philippines.

EDGARDO V. CARASIG
Filipino, 58 years old
Senior Vice President (since January 1, 2024)
Chief HR Officer and Head of Corporate Services

Mr. Carasig is the Chairman of Customer Frontline Solutions, Inc. and a Director of Meralco Industrial Engineering Services Corporation, Miescor Builders, Inc., Miescor Logistics, Inc., MRAIL, Inc., and CIS Bayad Center, Inc. He is also a trustee of Meralco Pension Fund and Meralco Power Academy.

He holds a Bachelor of Science degree in Industrial Management Engineering from the De La Salle University.

ARNEL PACIANO D. CASANOVA
Filipino, 54 years old
Senior Vice President and Chief External and Government Affairs Officer (since July 1, 2023)

Atty. Casanova is the visionary founder and builder of Clark Green City (now called New Clark City), the first master-planned smart and green metropolis in the Philippines. He was President and CEO of Ablr Pte. Ltd., a Singapore firm with expertise on PPP, green cities, smart infrastructure and sustainable real estate developments. Prior to that, he led AECOM, the NYSE listed and Fortune 500 engineering consulting business in the Philippines designing the first subway stations of the country, the new Philippine Senate and numerous projects. His almost 30-year career includes rising from the ranks to become the youngest President and CEO of the Bases Conversion and Development Authority (BCDA). He was part of the team that developed the Bonifacio Global City (BGC) from its beginnings and the development of the Clark and Subic special economic zones. He currently serves as the Chairman of Governance and Human Resource Committee, and is a Member of the Board of Trustees of the Center for Agriculture and Rural Development, Inc. He also serves on the Board of ETON Properties, Inc., Alcantron Corporation, and Solar Village Foundation, Inc. He is a Trustee of St. Louise De Marillac College and is a member of the Makati Business Club.

He is a recipient of two prestigious awards given by two Philippine Presidents – the Philippine Legion of Honor Medal for his work as peace negotiator in the peace talks with RAM military rebels and with the MILF rebel groups during the Ramos presidency and the Presidential Merit Medal for his exemplary service in BCDA during the Aquino presidency. He is active in development work as well as a volunteer serving Filipino migrant workers and social entrepreneurs across the globe. Aside from serving former Philippine Presidents, he advised governments and international leaders in development including enchanting places such as Bhutan and Armenia to challenging places such as Afghanistan and North Korea.

Aside from the wealth of his experience, Atty. Casanova is an expert in the fields of property law, PPP and infrastructure, urban planning and real estate and public finance. He teaches in the University of the Philippines College of Law and earned his Master of Public Administration in Harvard University's Kennedy School of Government as a Mason Fellow. He was chosen as The Most Outstanding Alumni of the Decade by the School of Urban and Regional Planning of the University of the Philippines.

FERDINAND O. GELUZ
Filipino, 59 years old
Senior Vice President and Chief Revenue Officer, OIC Subsidiary Businesses (since June 1, 2023)

Mr. Geluz was First Vice President and served as Chief Commercial Officer, Customer Retail Services from August 2020 until his appointment to his current role.

He is the Chairman of MSpectrum, Inc., Shin Clark Power Holdings, Inc., Movem Electric, Inc., Meralco Energy Inc., Miescor Logistics Inc., Miescor Builders Inc., and Meralco Industrial Engineering Services Corporation, He is also a director of Corporate Information Solutions, Inc., Customer Frontline Solutions, Inc., Aurora Managed Power Services, Inc., Paragon Vertical Corporation, Radius Telecoms Inc., Pure Meridian Hydropower Corporation, PMHC Lalawinan Inc., PMHC Pulanai Inc., Aclara Meters Philippines, Inc., One Meralco Foundation, Meralco Power Academy, and Clark Electric Distribution Corporation. He is also the President of Shin Clark Power Corporation.

He previously occupied the position of First Vice President and Head of *MERALCO*'s Supply Chain and Logistics Management from July 2018 to July 2020, managing the supply chain (strategic

sourcing, vendor management, procurement, and materials management) and facilities engineering and security services.

Mr. Geluz holds a Bachelor of Science in Electrical Engineering from the University of the Philippines. He was the sixth placer in the Board Examination for a Registered Electrical Engineer in 1998 and was the recipient of the 2019 Professional Degree Award in Electrical Engineering from the UP Alumni Engineers/UP College of Engineering.

MELANIE T. OTEYZA
Filipino, 53 years old
Senior Vice President (since January 1, 2024)
Chief Audit Executive

Ms. Oteyza, appointed as Senior Vice President and Chief Audit Executive, brings a wealth of experience in Corporate Governance and Internal Audit to her role. Formerly a Director at Rajawali Corpora in Indonesia, she managed Corporate Governance and Internal Audit functions. Ms. Oteyza held key positions, serving as the Ethics Committee Chairman, Audit and Risk Committee Deputy Chairman, and a Member of the HR and IT Board Committees for RC Holding.

In Singapore, Ms. Oteyza assumed the role of Audit Director at Singapore Telecommunications Limited Inc. (SingTel), overseeing international investments, joint ventures, and regional mobile associates in Africa and the Asia Pacific for the SingTel group. She has held executive positions such as Assistant Vice President for Internal Audit at San Miguel Corporation and Country Audit Head for National Foods Limited, managing internal audit activities across Australia and other international entities in the Asia Pacific region. Her extensive career also includes roles as Audit Center Head at PLDT Inc. and Internal Audit Executive at Digital Telecommunications Philippines Inc. She has contributed her expertise to renowned assurance and consulting firms such as Protiviti Singapore and SyCip, Gorres, and Velayo (a Member Firm of Ernst & Young Global).

Ms. Oteyza served as a distinguished member of the Board of Governors for the Singapore Institute of Internal Auditors (IIA) and as a Board and Director for the Philippine Institute of Internal Auditors. Additionally, she played a pivotal role as a Certified Internal Auditor (CIA) Reviewer and Trainer at the Institute of Internal Auditors – Philippines (IIAP).

Educationally accomplished, Ms. Oteyza holds a Bachelor of Science Degree in Commerce, Major in Accounting, with Magna Cum Laude honors, and was recognized as a PICPA Awardee for Academic Excellence. She was granted a full scholarship by SGV in acknowledgment of her outstanding academic achievements. Ms. Oteyza pursued further studies and earned her master's degree in Business Administration from the University of Santo Tomas, graduating Summa Cum Laude, the highest academic distinction. She also completed the Executive Management Leadership Program at the Asian Institute of Management, earning the Superior Performance Award.

A Certified Public Accountant, Ms. Oteyza also holds international certifications from IIA USA, including the Certified Internal Auditor (CIA) and William S. Smith Awardee, Certification in Risk Management Assurance (CRMA), Certification in Self-Control Assessment (CCSA), and Qualified Validator in Quality Assurance for Internal Audit. In December 2023, she attained the Certification in Information Systems Auditor (CISA) issued by the Information Systems Audit and Control Association (ISACA). Notably, Ms. Oteyza achieved the Qualification in Internal Audit Leadership (QIAL) from IIA USA in December 2022, making her the only Filipino recipient to join the global circle of Chief Audit Executives with this premier designation. She also successfully passed the Professional Directors Program (PDP) examination and completed the PDP Program of the Institute of Corporate Directors

(ICD) in September 2019, where she is currently a Graduate Member and a Teaching Faculty. Actively engaged, Ms. Oteyza contributes to the Corporate Governance Standards and Thought Leadership Committees of ICD.

JOSE RONALD V. VALLES
Filipino, 53 years old
Senior Vice President (since January 1, 2024)
Head, Regulatory Management Office (since July 2018)

Atty. Valles is a member of the Board of Directors of Clark Electric Distribution Corporation and Philippine Electricity Market Corporation.

He holds a Bachelor of Science degree in Commerce Major in Management of Financial Institutions from the De La Salle University, a Juris Doctor's degree from San Beda University – College of Law, and a Master's Degree in Business Economics from the University of Asia and the Pacific. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida and the Global Strategic Leadership Program by Wharton University of Pennsylvania and First Pacific Leadership Academy.

ROQUE D. BACANI
Filipino, 48 years old
First Vice President
Head, Information Communications, Technology and Transformation (since October 2019)

Mr. Bacani is the First Vice President and Head of *MERALCO*'s Technology and Transformation since October 2019. He also serves as the Chief Information Officer of CIS Bayad Center, Inc., Chief Technology Advisor of Radius Telecoms, Inc., member of the MGEN-GBP ICT Steering Committee and One Meralco Purchasing Committee. He is also an Advisory Board member of the ASEAN Innovation Business Platform (AIBP).

Prior to joining *MERALCO*, he took on concurrent roles as Vice President and Head of Group IT Corporate Technology and Head of Data Management Office of Smart Communications, Inc. and PLDT, Inc. He was also a former Chief Technology Officer of Talas Data Intelligence Inc. (a wholly owned subsidiary of PLDT).

Mr. Bacani holds a Bachelor of Science degree in Industrial Engineering from Polytechnic University of the Philippines.

BENNETE D. BACHOCO
Filipino, 55 years old
First Vice President (since January 1, 2024)
Head, DU Finance and Financial Planning and Reporting

Ms. Bachoco is a Director of Miescor Builders Inc., Customer Frontline Solutions, Inc., Inc., and Meralco Financial Services Corporation. She is also an agent of the Meralco Pension Fund.

Prior to joining *MERALCO*, she was a Partner of SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global) and was a former Senior Vice President for Finance of Trans-Asia Oil and Energy Development Corporation.

Ms. Bachoco holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's in Business Management from the Asian Institute of Management.

REDEL M. DOMINGO
Filipino, 55 years old
First Vice President and Head, MPower (since July 1, 2023)

Outside of the *MERALCO* Group, Mr. Domingo is an Executive Director of Lifestream Ministries, Inc. - CCFC. He is also the Executive Vice President of the Society of Philippine Electrotechnical Constructors and Suppliers, Inc. since 2022.

Mr. Domingo graduated from the Nueva Ecija University of Science and Technology (NEUST) with a Bachelor of Science degree in Electrical Engineering. He completed his master's degree in Electrical Engineering from the University of the Philippines-Diliman.

Mr. Domingo was named an Outstanding *MERALCO* Supervisory Employee in 2003. He was also named an Outstanding NEUST Alumnus for Science and Technology in 2023. He received the Distinguished Alumni Award from NEUST in the same year.

CHARINA P. PADUA
Filipino, 55 years old
First Vice President (since July 1, 2023)
Head, Customer Retail Services

Ms. Padua served as Head of Commercial Operations from October 2012 until January 31, 2019 and resumed this position from August 18, 2020 until May 31, 2023. She was also the Head of Home and Micro Business for the North Business Area from February 1, 2019 until August 17, 2020. She served as a Trustee in the Board of Meralco Savings and Loans Association from May 2013 to April 2016 and from May 2021 to April 2023. She is currently a Director of MOVEM Electric, Inc.

She holds a Bachelor of Science degree in Business Economics from the University of the Philippines and an Executive Master's in Business Administration from the Asian Institute of Management.

ROSS RAYMOND B. RAVELO
Filipino, 46 years old
First Vice President (since January 1, 2022)
Chief Sustainability Officer

Mr. Ravelo is concurrently the President and CEO of Movem Electric, Inc. He also serves as a Director of MSpectrum, MGEN Renewable Energy, Inc. (MGreen), and Powersource First Bulacan Solar, Inc.

He previously served as the President and CEO and Board Director of eSakay, Inc. from 2018 to 2023. He was the President and CEO, and a member of the Board of Directors of Radius Telecoms, Inc. from 2011 to 2016. Prior to joining *MERALCO*, he was part of McKinsey and Company's Washington DC Office where he led the strategy development efforts and operations performance transformations for top companies in North America, Latin America, Europe, Southeast Asia, and across a wide range of industries.

Mr. Ravelo holds a Bachelor of Science degree, Magna cum Laude, in Management Engineering from the Ateneo de Manila University. He earned his Master's in Business Administration at The Wharton School of the University of Pennsylvania where he was a Joseph Wharton Fellow and an Omnicom Communication Fellow. Mr. Ravelo is also a former Trustee of the Wharton-Penn Alumni Association, Inc.

FROILAN J. SAVET
Filipino, 55 years old
First Vice President and Head, Networks (since July 1, 2023)

Mr. Savet is a member of the Board of Directors of MIESCOR Builders, Inc., MIESCOR Logistics, Inc., Comstech Integration Alliance, Inc., MSpectrum, Inc., and Clark Electric Development Corporation. He was also a Director of the Distribution Management Committee, Inc. from 2014 to 2019. Furthermore, he was the Vice Chairman and Committee Member of the Third-Party Bids and Awards Committee (TPBAC), overseeing *MERALCO*'s Competitive Selection Process for its Power Supply Agreements, until 2023. He also served as an Independent Trustee in the Board of Meralco Savings and Loans Association until May 2023.

Currently, he serves as the principal representative of the Private Distribution Utility Sector to the Philippine Electricity Market Corporation (PEMC) Technical Committee as part of the WESM Governance Committees, and as a member representative of the Consortium of PEPOA, *MERALCO*, and PHILRECA for the Energy Virtual One-Stop Shop (EVOSS) Steering Committee.

He graduated from Mapua University in 1990 as a silver medalist with a Bachelor of Science degree in Electrical Engineering and ranked second in the April 1992 Electrical Engineering Licensure Examinations. He then completed his Master of Science degree in Electrical Engineering with Major in Power Systems from the University of the Philippines in October 2003. Mr. Savet has been a registered ASEAN Chartered Professional Engineer since November 2018 and a Professional Electrical Engineer since March 2015.

ANTONIO M. ABUEL, JR.
Filipino, 55 years old
General Manager, Shin Clark Power Holdings, Inc., and Shin Clark Power Corporation
Special Operations Adviser, Terra Solar Project

Mr. Abuel has been employed by *MERALCO* for 33 years. Prior to his new assignments, he served as the Head of Facilities, Safety & Security Management from December 1, 2022 until November 15, 2023. Prior to this, he led the Company's Environment, Health and Safety, and Business Continuity Programs for six years. His 26 years of experience in Networks included headships of Network Planning and Project Management, North and Central Distribution Services and Subtransmission Services.

He is one of the *MERALCO* representatives to the Department of Energy (DOE) Task Force on Energy Resiliency and was an active contributor to the recently released DOE National Energy Contingency Plan. He serves as the Chairman of the *MERALCO* Fund for Charity, Inc. He is a Trustee and President of the *MERALCO* Savings and Loan Association since May 1, 2021.

Some of his external affiliations are Chairman of the Institute of Integrated Electrical Engineers Electrical Safety Committee, member of the IIEE Specialty Committee on Electrical Safety, a Director of the Safety Organization of the Philippines, Trustee and President of the DOE supported Safety and Health Association for the Philippine Energy Sector.

Mr. Abuel is a Professional Electrical Engineer, ASEAN Certified Professional Engineer, an Accredited Occupational Safety and Health Consultant of the Department of Labor and Employment, DOE Certified Energy Manager and Auditor, Bureau of Fire Accredited Fire Safety Practitioner and Fire Brigade Member Practitioner, and a DENR & LLDA Accredited Pollution Control Officer. He received his Certified Security Professional accreditation on January 28, 2023. He passed "with Merit" his Business Continuity Institute Examination in 2016.

Mr. Abuel holds a Bachelor of Science Degree in Electrical Engineering from the University of Santo Tomas where he also completed 36 units of the MBA Program in 2007. He completed his academic requirements for an Executive Master's in Business Administration at the Asian Institute of Management in 2009.

FRANCIS EUSTON R. ACERO
Filipino, 46 years old
Vice President (since January 1, 2022)
Data Privacy Officer (since December 13, 2021)

Atty. Acero joined *MERALCO* in November 2019. He is the Data Privacy Officer for the *MERALCO* Distribution Utility and all *MERALCO*'s subsidiaries. Prior to joining *MERALCO*, he was the Division Chief of the Data Security and Technical Standards Division of the National Privacy Commission from March to October 2019, and the Complaints and Investigation Division of the National Privacy Commission from August 2016, where he was an active contributor to the Implementing Rules and Regulations of the Data Privacy Act and for other issuances of the National Privacy Commission.

As the Data Protection Officer of *MERALCO* and its subsidiaries, Atty. Acero also serves as the Vice President of the National Privacy Commission's DPO Council, an advisory body to the Office of the Privacy Commissioner. He is also a Certified Master Data Protection Trainer from the National Association of Data Protection Officers of the Philippines. He completed his Bachelor of Arts degree in Journalism at the University of the Philippines and his Juris Doctor from the Ateneo de Manila University.

IRENEO B. ACUÑA
Filipino, 57 years old
Vice President (since January 1, 2013)
Head, Utility Partnerships

Mr. Acuña heads the Utility Partnerships, which is responsible for the development of business opportunities in electricity distribution.

He is a Director of Comstech Integration Alliance Inc., Customer Frontline Solutions, Inc., Meridian Power Ventures (HK), and Power Distribution Services (Ghana).

He graduated with a Bachelor of Science degree in Electrical Engineering from Far Eastern University-Institute of Engineering. He completed his Executive Master's in Business Administration from the Asian Institute of Management (with Distinction).

JOSEPH L. AMOSCO
Filipino, 55 years old
Vice President (since January 1, 2022)
Head, Energy Management

Mr. Amosco heads the Energy Management organization of the Retail Electricity Supply unit of *MERALCO*. He previously held headship positions in the Energy Sourcing Office of *MERALCO* and was part of the Management Team who established Meralco Energy, Inc.

He holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University, a Bachelor of Science degree in Electrical Engineering and ranked 6th in the 1991 Mechanical Engineering Board Examinations. He completed his Master's in Management at the Asian Institute of Management.

PATRICK DAVE B. BACANI
Filipino, 53 years old
Vice President (since January 1, 2017)
Head, Sustainability Programs and Communications

Mr. Bacani has been with *MERALCO* since August 2012. He joined the Corporate Sustainability Office in September 2021. Prior to his current role, he performed various roles under Human Resources & Corporate Services. As an HR practitioner for over 25 years, Mr. Bacani served companies across various industries: 24/7, Convergys, Chevron, Change Management International, and SyCip Gorres Velayo & Co.

He holds a degree in Management major in Human Resources Management from De La Salle University - College of St. Benilde and Master's in Business Administration from De La Salle University.

JOSEPH ALLAN C. BALTAZAR
Filipino, 57 years old
Vice President (since January 1, 2016)
Head, Network Planning and Design

Mr. Baltazar was a former Trustee of Meralco Employees Fund for Charity, Inc. and former Director and Corporate Secretary of the Grid Management Committee. He was a member of the Wholesale Electricity Spot Market (WESM) Technical Committee under the Independent Electricity Market Operator of the Philippines.

Mr. Baltazar is a Professional Electrical Engineer and a graduate of Bachelor of Science in Electrical Engineering at Mapua Institute of Technology.

RITA D. BANTIGUE
Filipino, 60 years old
Vice President (since January 1, 2020)
Head, Subsidiaries HR

Ms. Bantigue has 32 years of experience as a Human Resource Practitioner. She served as the Head of the Corporate Human Resource and Transformation Office of Meralco Industrial Engineering Services Corporation since July 2019.

She holds a Bachelor of Arts degree major in Psychology, Guidance and Counselling from St. Scholastica's College. She received her Master of Arts major in Guidance and Counseling and Doctor of Philosophy major in Counseling Psychology from the De La Salle University.

SANTE C. BUELLA
Filipino, 57 years old
Vice President (since January 1, 2022)
Head, Energy Management

Mr. Buella has been with *MERALCO* since September 1990. He has been the Head of Energy Management since July 1, 2023. Prior to his current assignment, he held various key positions under the Networks organization, such as Head of Central Distribution Services, and Head of Revenue Assurance and Metering Services.

Mr. Buella holds a Bachelor of Science in Electrical Engineering degree from the Technological Institute of the Philippines - Manila.

RICARDO CARMELO D. BUENAFE
Filipino, 55 years old
Vice President (since January 1, 2022)
Head, Regulatory Compliance

Mr. Buenafe has been the Head of Regulatory Compliance Office of *MERALCO* since 2008. He has been with *MERALCO* for 33 years. Prior to his appointment in his current role, he was part of the Executive Staff of the President and Chief Operating Officer, a member of the Interruption Frequency Rate/Cumulative Interruption Time Task Force Secretariat, and Power Quality Office and Technical Quality Assurance Staff.

Mr. Buenafe holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Master of Business Administration degree from the University of the Philippines.

ALBERTO N. CASTILLO
Filipino, 57 years old
Vice President (since January 1, 2022)
Head, Sub-Transmission Services

Mr. Castillo has been employed by *MERALCO* for 35 years. Prior to his assignment as Head of Sub- transmission Services, he led the Substation Department for five (5) years with his expertise in substation construction, operation, and maintenance works.

Mr. Castillo holds a Bachelor Science degree in Electrical Engineering from the Mapua Institute of Technology. He is also a licensed Professional Electrical Engineer.

ANTHONY MATTHEW N. CO
Filipino, 34 years old
Vice President (since July 16, 2023)
Business Development Officer

Mr. Co also serves as the Assistant Treasurer of Solar Philippines New Energy Corporation (SPNEC). SPNEC is a newly acquired subsidiary of MGen Renewable Energy, Inc. and will develop a 3.5 GW Solar Energy Farm and a 4.5-gigawatt hour battery project.

Prior to joining *MERALCO*, he was the Vice President of Finance and Investments of Aboitiz Renewables, Inc. He also served as Assistant Vice President for Portfolio Management of Aboitiz Power Corporation before being promoted as a Vice President. From October 2016 to March 2019, he held various posts in Citicore Holdings Investment, Inc. Group, including the post of Assistant Vice President for Finance. He served as a Corporate Planning Manager of Megawide Construction Corp. prior to joining Citicore Holdings. He was a financial analyst at Fortman Cline Capital Markets for over two years and was an Associate before joining Megawide Construction Corp. He started his career with L'Oreal Philippines as a Management Trainee. He was later on promoted as a Jr. Division Controller for its Luxe Division.

Mr. Co graduated from Ateneo de Manila University with Bachelor of Science degree in Management Engineering. He is a Chartered Financial Analyst.

RICARDO L. CONCEPCION
Filipino, 59 years old
Vice President (since January 1, 2022)
Head, Employee and Labor Relations

Mr. Concepcion has been an HR practitioner for 38 years. He joined *MERALCO* in 1989. He has headed the Company's Employee and Labor Relations Office since 2001. In 2017, he was appointed as the General Manager of Miescor Builders, Inc., a subsidiary of Meralco Industrial Engineering Services Corporation (MIESCOR). In 2019, he was tasked to head the Corporate Labor Relations and Security Office of the MIESCOR Group. Prior to these assignments, he was the head of the MIESCOR Group's Human Resources Office from 2015 to 2019. He is currently a member of the People Management Association of the Philippines – Labor and Industrial Relations Committee. He is also the Company's representative to the Employers' Confederation of the Philippines.

Mr. Concepcion graduated from the University of Santo Tomas with a degree in AB-Behavioral Science. He completed his Certificate Course in Human Resources Management at the Ateneo de Manila University. He also holds a Bachelor of Laws degree from Jose Rizal University.

MA. CECILIA M. DOMINGO
Filipino, 55 years old
Vice President (since January 1, 2019)
Head, Enterprise and National Government

Ms. Domingo is the head of *MERALCO* Enterprise and National Government since July 2019, the segment that caters to the needs of *MERALCO*'s top 2000 Enterprises, conglomerates, multinationals and national government accounts. She was also recently appointed as President and CEO of MSpectrum, Inc., a 100% owned subsidiary of *MERALCO* providing solar solutions to all customers of *MERALCO* and even in the whole Philippines. She started in *MERALCO* as a cadet engineer in 1990 and has been assigned in different offices and positions within the Company.

Ms. Domingo is a registered electrical engineer who graduated Magna Cum Laude from Nueva Ecija University of Science and Technology in Cabanatuan City. She holds an Executive Master's in Business Administration from the Asian Institute of Management. She serves as Council Leader of

Capitol City Foursquare Church, a Born-Again Christian church where she and her family actively worship and serve.

LAWRENCE S. FERNANDEZ
Filipino, 55 years old
Vice President (since January 1, 2015)
Head, Utility Economics

Mr. Fernandez served as a Director of the Philippine Economics Society and was also a Director of the Energy Efficiency Practitioners of the Philippines (formerly Energy Management Association of the Philippines). He is a member of the Renewable Energy Market Governance Committee and represents private distribution utilities. Mr. Fernandez currently chairs *MERALCO*'s Bids and Awards Committee for Power Supply Agreements (BAC-PSA).

Mr. Fernandez received his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines and is a licensed mechanical engineer.

MARVIN G. GONSALVES
Filipino, 56 years old
Vice President (since January 1, 2023)
Head, Revenue Assurance and Metering Services

Mr. Gonsalves has been with *MERALCO* for 34 years. He is the Company's subject matter expert in electrical metering having taken various positions in Networks Metering group for the last 27 years. Prior to his current role, he headed the Networks Technology Asset Management from August 2020 to February 2021 and Networks Project Portfolio Management from February 2021 to February 2023, respectively.

He is *MERALCO*'s official representative to the Economic and Environment Development Sector and Infrastructure Committee of the Regional Development Council – National Capital Region under the Metro Manila Council. Has authored technical book references such as the kWH Meter Measurement Uncertainty and Timely Identification and Prediction of the Potential Impact of Increasing VRES to the Distribution System of a DU Using AMI Technology that is used by the Company's Network Group for metering. Currently, he is also the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc.

Mr. Gonsalves completed his Master of Science in Electrical Engineering (MSEE) in UP Diliman in 2006 and a Professional Electrical Engineer (PEE) by profession.

DANILO R. IGNACIO
Filipino, 58 years old
Vice President (since January 1, 2024)
Head, Network Contract and Outsourcing Management

Mr. Ignacio has been employed by *MERALCO* for 35 years and has held various positions in the Company. He earned his Bachelor of Science degree in Electrical Engineering in 1987 from the University of Santo Tomas. He is a registered Electrical Engineer.

JERRY B. LAO
Filipino, 52 years old
Vice President (since January 1, 2022)
Head, Facilities, Safety and Security Management

Mr. Lao has been employed by *MERALCO* for 30 years and was the former Head of Networks Project Portfolio Management from February 16, 2023 until November 15, 2023. Prior to this assignment, he led the Central Distribution Services Team until February 15, 2023. He served as the Company's Head of the San Pablo, Balintawak, Manila, and Pasig Sectors for 9 years. He served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2018 to 2019. He is a member of the *MERALCO* Kuryenteng Ligtas (KLigtas) Awards Program since 2017.

Mr. Lao obtained his Bachelor of Science Degree in Electrical Engineering from Holy Angel University and is a Professional Electrical Engineer.

ARIEL G. LUCAS
Filipino, 55 years old
Vice President (since January 1, 2024)
Head, Central Distribution Services

Mr. Lucas also served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2019 until 2021, and was its Vice-Chairman the year prior.

Mr. Lucas graduated from Mapua Institute of Technology with a bachelor's degree in Electrical Engineering. He is a certified Electrical Engineer.

ERVILLE D. MAGTUBO
Filipino, 49 years old
Vice President (since January 1, 2022)
Head, Customer Care Group

Mr. Magtubo is an expert in IT services and outsourcing services with 28 years of experience in these areas. As the head of the Customer Care Group of *MERALCO*, he plays a crucial role in planning, leading, and steering the organization towards digital transformation with focus on delivering Customer Experience.

Prior to joining *MERALCO* in August 2020, he was part of the ePLDT Group for 12 years. He was an Assistant Vice-President and Head of the Systems Integration Group that provided various IT integration services for the customers of ePLDT. He was later appointed as Vice President and General Manager of iPlus Intelligent Networks, Inc., a subsidiary of ePLDT that provides managed IT services and outsourcing services. Concurrent to this assignment, he served as the Sales Director of Infocom Technologies, Inc., another subsidiary of ePLDT that provided connectivity services and contact center services. Before joining ePLDT, he was the Channels Manager for Southeast Asia and India of Internet Security Systems, a U.S. based data security company.

Mr. Magtubo graduated with a Bachelor's Degree in Computer Science from the University of the Philippines.

RALPH M. MENCHAVEZ
Filipino, 38 years old
Vice President (since January 1, 2024)
Head, Commercial Strategy and Business Performance

Mr. Menchavez has 18 years of experience in strategy, analytics, business performance improvement, business planning and execution, both in the Philippines and in the United States. Before joining *MERALCO* in 2013, he was a Senior Engagement Manager at Mitchell Madison Group, a global management consulting firm based in the US. His experience as strategy consultant spans various industries such as airlines, telecommunications, insurance, media and entertainment, and publishing.

Mr. Menchavez graduated from Ateneo de Manila University in 2006 with a degree in Economics, minor in Global Politics.

RODERICK DENNISON N. NACU
Filipino, 52 years old
Vice President (since January 1, 2023)
Head, Tariff Management

Mr. Nacu is the Head of Tariff Management since 2018. He joined *MERALCO* in 1994 and was part of the *MERALCO* Mechanical Engineering Program, Non-Technical System Loss Reduction Program and Utility Economics.

Mr. Nacu holds Bachelor of Science in Mechanical Engineering and Master of Business Administration degrees from the University of the Philippines. He is a licensed mechanical engineer.

NOEL S. PORCIUNCULA
Filipino, 55 years old
Vice President (since January 1, 2024)
Head, Customer Process and Revenue Assurance

Prior to his appointment as Head of Customer Process and Revenue Assurance, Mr. Porciuncula was an Assistant Vice President and Head of *MERALCO*'s South Business Area where he managed ten Business Centers, four Auxiliary Business Centers and six Extension Offices. Prior to this, he held various positions in the Company from 2003 until 2020.

Mr. Porciuncula graduated from Mapua Institute of Technology with a bachelor's degree in Electrical Engineering. He completed the Management Development Program of the Asian Institute of Management in 2007, and the Middle Manager's Development Program of the Harvard Business School in 2014.

JOSE S. REYES, JR., PEE, MSEE
Filipino, 54 years old
Vice President (since January 1, 2018)
Head, Network Technology and Asset Management

Mr. Reyes is a Professional Electrical Engineer. His areas of expertise include electric distribution construction, operation, repair and maintenance, power system analysis, electric power

quality, electric distribution process, technical standards, maintenance planning, asset performance management and smart grid. He plays a critical role in the smart grid and digitalization program of *MERALCO*. He is currently the chairman of the technical working group on smart grid and asset management of AESIEAP (Association of the Electricity Supply Industry of East Asia and the Western Pacific).

He has been with *MERALCO* since 1991, joining as a Cadet Engineer where he completed the course with Academic Excellence and Exemplary Leadership awards. He has since served in various capacities in electric power distribution, power quality and grid digitalization of the Company. He was the head of North Distribution Services in January 2016, head of Network Technology and Asset Management in July 2021, until his appointment to his current role in February 2024. He was also recognized as one of *MERALCO*'s outstanding employees for Supervisory Category in 2008 and 2009, and his office was awarded with the *MERALCO* Presidential Awards for Technical Services Category in 2005 and 2008. He served as the President and is a current Trustee of the Meralco Employees Fund for Charity, Inc. (MEFCI).

Mr. Reyes holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology, and a Master of Science degree in Electrical Engineering from the University of the Philippines. He also completed his Management Development Program from the Asian Institute of Management with Academic Excellence award and the New Frontiers Middle Management Program with Outstanding Action Learning Project award. He is a Life Member of the Institute of Integrated Electrical Engineers of the Philippines, Inc.

GLEN N. SAN PEDRO
Filipino, 59 years old
Vice President (since January 1, 2020)
Head, Supply Chain Management

Mr. San Pedro was the Head of Procurement of PLDT, Inc. and then as Group Head of Procurement and Logistics for eight years at ePLDT, Inc. After he migrated to Canada, he became the purchaser for the food processing specialist of Newly Weds Foods Inc. where honed his knowledge and experience in international standards and best practices in Supply Chain Management.

Mr. San Pedro holds a Bachelor of Science degree in Management Engineering from Manuel L. Quezon University. He completed "Supply Management Training in Procurement" as well as "Principles of Buying" from the Purchasing Management Association of Canada (in Edmonton, Alberta, Canada).

ANDREW JASON B. TAN
Filipino, 34 years old
Vice President (since July 16, 2023)
Head, DU Business Development Office

Mr. Tan joined *MERALCO* as the Head of Business Development last July 2023. Concurrently, he serves as a Director of On-Us Solutions Inc. ("BYAHE"). Prior to joining MERALCO, Mr. Tan served as the Assistant Vice President for Business Development at Aboitiz Power Corporation and was a former Manager with Citibank N.A.

Mr. Tan earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed his Master of Business Administration degree from Singapore Management University in 2014 where he graduated as Valedictorian.

JEFFREY O. TARAYAO
Filipino, 44 years old
Vice President (since January 1, 2022)
Chief Corporate Social Responsibility Officer
President, One Meralco Foundation (since June 2011)

Mr. Tarayao has led and managed corporate social responsibility (CSR), community relations, sustainability, and communications programs in the last 20 years. He is a Global Reporting Initiative-certified sustainability reporting specialist. When he joined *MERALCO* in 2011, he led the transformation of its CSR and community relations initiatives into a more strategic and business-aligned program. He is currently a Trustee of the Archdiocese of Manila's Caritas Margins program and is a member of the Management Association of the Philippines. He also served in the inaugural board of trustees of the Humanitarian Leadership Academy based in London, United Kingdom from 2016 to 2019 and previously Chaired the League of Corporate Foundations, President of the Coalition for Better Education and Trustee of the International Association of Business Communicators Philippines. In 2011, he was chosen as one of the Asia 21 Fellows of Asia Society, a group of emerging leaders of Asia below 40 and in 2012, one of the 40 under 40 International Development Leaders by the Washington DC-based Development Exchange. In 2023, Mr. Tarayao was recognized with a Gold Award for Thought Leadership in the Non-Profit and Government Sectors by the International Business Awards held in Rome, Italy. Prior to joining *MERALCO*, he served as Head of Community Relations and CSR of Globe Telecom.

Mr. Tarayao obtained his Master of Sustainable Development degree from Macquarie University in Sydney, Australia in 2018 as an Australia Awards Scholar and completed his undergraduate studies from the University of Santo Tomas, Manila, Philippines where he also served as a lecturer on Corporate Social Responsibility and Good Governance in the College of Commerce and Business Administration.

MARILENE P. TAYAG
Filipino, 51 years old
Vice President (since January 1, 2024)
Chief Information Security Officer

Ms. Tayag has more than 28 years of experience in the field of Information and Communications Technology. She has held various Technology leadership positions in her career, having managed diverse teams – both offshore and onshore. She has 17 years of telecommunications industry experience, 10 years of information security, and more than 14 years of consulting and service delivery experience. She managed large portfolio projects across various sectors, such as distribution, manufacturing, retail, food, banking, communications, and transportation industries.

Prior to her joining *MERALCO*, she was the Global Cybersecurity Managed Services Delivery Excellence Leader and the Technology Consulting Executive Director for Ernst and Young (EY) Global Delivery Services Philippines. Before EY, she held the position of VP/Deputy CISO for the PLDT Group, having primary responsibility of formulating and executing the company's cyber strategy and program

roadmap, as well as the operationalization of various cybersecurity processes. She was also then the concurrent Group CISO of ePLDT, the ICT arm of PLDT Group, having responsibility over for the company's cybersecurity business portfolio, which includes ownership of the P&L, go-to-market activities, client service delivery, and operations management – serving customers, the parent company, its subsidiaries, and affiliate firms.

Preceding her role as a cybersecurity leader, she was the Head for Smart's Technology Program Management Office (PMO) responsible for the delivery of key technology programs – Telco Core Network, Compliance, Security, Governance, and Customer Service Platforms.

In 2012, Ms. Tayag worked as a Consulting Manager for Amdocs Philippines, a global telecommunications consulting firm where she led the implementation of both the Data warehousing and the MVNO strategic initiatives for one of the major telecommunications service providers in the country.

Ms. Tayag worked for HP as a Customer Program Manager based in Manila. She reported to the ASEAN Delivery Manager in Singapore and worked closely with the regional Professional Services Organization (PSO) in delivering projects for key accounts in the Philippines.

In 2004, she was a Senior Principal Consultant in Oracle Consulting Services, delivering technology projects and ERP solutions to various client organizations in the Philippines and the Asia Pacific. She assumed a concurrent Bid Management role in Oracle, where she teamed up with Sales Managers during the pre-sales cycle, providing her delivery expertise to manage and respond to bids – establishing project plans, estimating implementation efforts, writing proposals, and facilitating client oral presentations.

Prior to her Consulting career, she served as the IT Systems Implementation and Support Director for Nextel Communications, where she held both delivery and support responsibilities for the organization's Customer Care and Billing system and Operational Support systems (in-house developed as well as packaged applications).

Her other business and functional exposures include Financials, Distribution, Order Management, Manufacturing, CRM, Data Warehousing, Telco Billing, and IT Performance Management.

She started her career as a cybersecurity professional performing analysis and debugging of malwares and providing technical support to local Trend Micro clients.

Ms. Tayag is a BS Computer Engineering graduate and has acquired various post-graduate technology and cybersecurity trainings and certifications throughout her career. She is an adjunct faculty of the Asian Institute of Management (AIM), having delivered Cybersecurity Executive Courses (CECs) for the institute.

PAOLA MARGUERITE A. VERAYO
Filipino, 40 years old
Vice President (since January 1, 2024)
Head, Revenue HR and Corporate Talent Management

Ms. Verayo is currently the Head of Revenue HR of *MERALCO*. She has over 17 years of experience in Human Resources, having led the Learning & Development, Talent Management and

Organization Development functions in the company before taking on her recent role in Corporate Talent Management and HR Business Partnering.

She is a cum laude graduate of the Ateneo De Manila University with a degree in Interdisciplinary Studies, minoring in Communications and Sociology. She completed her Master's in Business Administration degree from De La Salle University as well as the Executive Human Resource Management Program of the University of Michigan - Michigan Ross School of Business.

MARIA ZARAH R. VILLANUEVA-CASTRO
Filipino, 53 years old
Vice President (since January 1, 2019)
Head, Corporate Legal Services

Atty. Villanueva-Castro also serves as director of Meralco Financial Services, Inc. and Corporate Secretary of One Meralco Foundation, Comstech Integration Alliance, Inc., Meralco Pension Fund, Meralco Employees Fund for Charity, Inc., Pure Meridian Hydropower Corporation, Inc., and Meralco Employee Savings and Loan Association. She is also a part-time professor of law and a bar review lecturer for Mercantile Laws.

Atty. Villanueva-Castro holds a Bachelor of Arts degree major in Political Science from the University of the Philippines and a Bachelor of Laws degree from San Beda University.

JOCELYN C. VILLAR-ALTAMIRA
Filipino, 52 years old
Vice President (since January 1, 2024)
Head of the Corporate Governance and Compliance Group (since March 1, 2014)

Atty. Altamira is a Corporate Governance and Compliance expert with almost two decades of experience in both fields.

Prior to joining *MERALCO*, she worked with the following government agencies: Securities and Exchange Commission as an Assistant Director, the Civil Aeronautics Board as a Chief Hearing Officer, and at the Senate of the Philippines as a Supervising Legislative Officer. She was briefly part of Citadel Holdings as a Legal Officer after her stint as an Associate at Ponce Enrile, Reyes & Manalastas (Pecabar) Law Office. She also taught Business Law at Entrepreneurs School Asia (formerly Thames Business School) from 2000 to 2002.

Outside of the *MERALCO* Group, she is a Trustee and Vice-Chairman of the Good Governance Advocates and Practitioners (GGAP) of the Philippines. GGAP is an association whose aim is to empower and enhance the capacity of ethics, compliance and governance officers through consensus building, research and by engaging regulators and non-government actors in the fields of business ethics and corporate governance particularly in policy reform and capability-building. She is a graduate member of the Institute of Corporate Directors, an organization dedicated to the professionalization of Philippine corporate directorship as well as raising the level of the country's corporate governance policy and practice to world class standards. It is also the Domestic Ranking Body for the Philippines in the ASEAN CG Scorecard Experts Group. She is also the Chairperson of the Corporate Governance Committee of the Philippine Chamber of Commerce and Industry (PCCI).

She graduated with Second Honors from Ateneo Law School where she obtained her Juris Doctor degree. She earned her Leadership Professional in Ethics and Compliance Certificate from the

Ethics and Compliance Initiative (ECI), the oldest international (established in 1922) non-profit organization in the ethics and compliance industry. As an association, ECI identifies the practices that improve ethics & compliance program effectiveness and build institutional culture strength. ECI is based Virginia, U.S.A. and Frankfurt, Germany.

AGAPITO R. ZALDARRIAGA
Filipino, 60 years old
Vice President (since December 1, 2020)
Head, Corporate Communications

Mr. Zaldarriaga serves as the Head of Corporate Communications since December 1, 2020. He was the Head of the Public Information Office under the Corporate Communications group of *MERALCO* from 2016 to 2020. He is currently the Chairman of the International Association of Business and Communications of the Philippines since 2018 and served as its President from 2016 to 2018.

Mr. Zaldarriaga earned his bachelor's degree in Asian Studies in 1985 from the De La Salle University.

MA. CYNTHIA C. SOLUREN
Filipino, 59 years old
Senior Assistant Vice President (since January 1, 2018)
Interim Treasurer and Head of Treasury-Distribution Utility

Ms. Soluren is the Treasurer of Meralco Financial Services Corporation and Comstech Integration Alliance, Inc.

Ms. Soluren holds a Bachelor of Science degree in Statistics and a master's degree in Business Administration from the University of the Philippines.

Term of Office

The Directors are elected at the annual meeting of stockholders for a term of one (1) year, until their successors are duly elected and qualified.

Nominees

The members of the *BOD* of *MERALCO* are elected from a Final List of Candidates qualified by its Nomination and Governance Committee. The Final List of Candidates is determined after pre-screening and evaluation of qualifications of the nominees nominated by stockholders of record. The Nomination and Governance Committee is composed of Pedro Emilio O. Roxas, as Chairman, and Lydia B. Echauz, Patrick Henry C. Go, Jose Ma. K. Lim and James L. Go as members. The candidates for directors for the ensuing calendar year are:

1. June Cheryl A. Cabal-Revilla
2. Lydia B. Echauz
3. Ray C. Espinosa
4. James L. Go
5. Frederick D. Go
6. Lance Y. Gokongwei
7. Jose Ma. K. Lim

8. Artemio V. Panganiban
9. Manuel V. Pangilinan
10. Pedro Emilio O. Roxas
11. Victorico P. Vargas

Below is a summary of relevant information regarding the nominees for independent directors:

Name of Nominee	Nominated By	Relationship	Date of First Appointment
Artemio V. Panganiban	Lilian P. Umipig	None	May 27, 2008
Pedro Emilio O. Roxas	Lilian P. Umipig	None	May 25, 2010
Lydia B. Echauz	Lilian P. Umipig	None	May 25, 2021

MERALCO has adopted the provisions of Rule 38 of the *SRC* on nominations and election of independent directors ("*IDs*") (Article II, Section 2 of the Amended By-Laws, as approved by the Securities and Exchange Commission on June 14, 2005) and Revised Corporation Code Section 22.

At present, *MERALCO*'s two (2) *ID*s have served as such more than the term limit provided in the Corporate Governance Manual, *SEC* Code of Governance and *SEC* Memorandum Circular No. 9 Series of 2011.

Retired Chief Justice Artemio V. Panganiban has been the Company's *ID* since May 27, 2008 while Mr. Pedro Emilio O. Roxas served as an *ID* since May 25, 2010; thus, exceeding the term limit provided in the rules.

Meritorious Justification

The proposed retention of Retired Chief Justice Artemio Panganiban and Mr. Pedro Emilio O. Roxas as independent directors of the Company is necessitated by the franchise renewal application of the Company now pending before the Congress, where their expertise and institutional knowledge are deemed indispensable for ensuring stability and sustained growth of the Company.

The Company recognizes the paramount importance of regulatory compliance, effective governance, and strategic foresight in navigating into the complexities of franchise renewal process. Retired Chief Justice Panganiban and Mr. Roxas possess an in-depth understanding of market dynamics, regulatory intricacies, and strategic imperatives. Their insights have proven invaluable in formulating prudent business strategies and navigating regulatory frameworks with utmost compliance. Their astute grasp of regulatory nuances and unwavering commitment to compliance ensure that the Company operates within the bounds of legal and ethical parameters, thus mitigating compliance and regulatory risks.

Furthermore, effective stakeholder management is likewise imperative for successful franchise renewal process. Their established relationships with key stakeholders, including regulators, investors, and community representatives, foster constructive dialogue and engender trust, thereby facilitating mutually beneficial outcomes.

Moreover, both also have a visionary perspective aligned with the long-term interests of our company. Their strategic acumen, forward-thinking approach, and ability to anticipate market trends enable us to proactively address challenges, identify growth opportunities, and position ourselves

competitively in the market landscape. This is especially crucial in this period where the Company is diversifying its investment portfolio in the renewable energy industry. In this regard, as Retired Chief Justice Panganiban and Mr. Roxas consistently demonstrate unparalleled proficiency, an extension of their respective tenure is thereby warranted.

Finally, retaining Retired Chief Justice Panganiban and Mr. Roxas reinforces our steadfast commitment to robust corporate governance principles. Their independent oversight, ethical leadership, and unwavering dedication to upholding the highest standards of integrity and transparency build stakeholder confidence and enhance our corporate reputation.

In light of the foregoing, the Company is proposing the extension of Retired Chief Justice Panganiban and Mr. Roxas to ensure the continuation of their invaluable contributions to the Company's governance and strategic direction during the crucial franchise renewal period.

Retired Chief Justice Artemio V. Panganiban

Ret. Chief Justice Panganiban has been a beacon of integrity[1] and independence in the MERALCO Board. He distinguished himself as a legal luminary whose wealth of expertise and experience[2] in the energy industry critically contributed to the Company's continuing success *especially* despite the challenges and risks brought about by the COVID-19 global pandemic. As the shareholders' representative to the Board, he freely shared his measured opinions on relevant issues raised during meetings, encouraged critical discussion, and fostered sound resolutions toward the attainment of the Company's strategic objectives while promoting the best interest of all stakeholders.

Ret. CJ Panganiban effectively served as the Board's Lead Independent Director. He acted as an intermediary between the Chairman and the other directors, contributed to the performance evaluation of the Chairman and convened and chaired the meetings among the non-executive directors (NEDs) and the external auditor and heads of the internal audit, compliance, and risk functions, in the absence of the executive director.

Ret. CJ Panganiban chaired the Company's Audit Committee and led the Board in ensuring the adequacy of the Company's material controls (including operational, financial and compliance controls) and risk management systems. He has also spearheaded the review of the effectiveness of the Company's internal control system to ensure the integrity, effectiveness, and adequacy of its accounting and financial reporting systems.

Ret. CJ Panganiban also played a significant role in the Risk Management and Related Party Transactions Committees, ensuring that all related party transactions (RPTs) of the Company are done in fair and at arm's-length terms, to the benefit and best interest of the Company and its shareholders. Said committees of the Board are also tasked with overseeing the Enterprise-Wide Risk Management framework, through the assessment of top risks and review of the effectiveness of risk mitigation strategies and treatment plans developed by management.

Mr. Pedro Emilio O. Roxas

Mr. Pedro Emilio Roxas has been the Board's governance champion. Being at the forefront in promoting best governance practices[3] in the Board, he provided indispensable support to the Company towards achieving its long-term strategic goals and objectives while ensuring that it fully commits to its environmental, social, and civic responsibilities. His wealth of expertise and experience[4] enabled him to provide significant contributions to the Board in the areas of business, finance, governance, and operations.

As a testament to his efforts in ensuring a strong governance culture in the Company, Meralco once again received a Four-Golden Arrow Award in the ICD's Golden Arrow Awards based on the 2022 ACGS assessment.

The foregoing constitutes meritorious justification to allow the nominations of both Retired CJ Panganiban and Mr. Roxas as IDs for 2024-2025 to be submitted to the stockholders for consideration on May 28, 2024.

[1] In recognition of Ret. CJ Panganiban's various roles and outstanding contributions as a jurist, lawyer, civic leader, business entrepreneur, catholic lay worker, and youth leader, he received the following major awards from various governments, civic clubs, consumer associations, bar groups, religious movements, and other non-government organizations, both local and international:

- JOURNALIST OF THE YEAR – LAW, given by the Manila Overseas Press Club on October 25, 2023, the first award given by the MOPC in its 78-year history.
- THE RENAISSANCE JURIST OF THE 21st CENTURY given by the Supreme Court of the Philippines during his retirement ceremonies on December 6, 2006
- SILVER JUBILEE AWARDEE, Legal Management Council of the Philippines, 1990
- OUTSTANDING MANILAN FOR 1991 given by the City of Manila
- MOST OUTSTANDING LAW ALUMNUS FOR 1988 (sole awardee) given by the Far Eastern University Law Alumni Association on December 16, 1988
- MOST OUTSTANDING PRACTISING LAWYER given by the Consumers' Union of the Philippines on March 16, 1994
- MOST DISTINGUISHED ALUMNUS in the field of LAW given by the FEU ADVOCATE, official student newspaper of Far Eastern University, 1990
- MOST OUTSTANDING SILVER JUBILARIAN, Mapa High School, 1979
- BLUE FALCON Awardee, Mapa High School Alumni Association, 1993
- GOLDEN HELM AWARD from the Senate of West Berlin and the Int'l. Association of Helmsmen, Berlin (1984)
- MOST OUTSTANDING TOURISM PERSONALITY AWARD given by the Skal Club of Makati (1986); FOUNDER'S AWARD, Philippine Travel Agencies Association (1990)
- PRESIDENTIAL GAWAD AWARD given by the Pamantasan ng Lungsod ng Maynila (City University of Manila), 1995
- DR.NICANOR REYES, SR. MEDAL OF MERIT given by Far Eastern University, May 1, 1998
- MEDAL OF HONOR, Angeles University Foundation, 1999
- EMINENT AND DISTINGUISHED JURIST AWARD given by the Consumers' Union of the Philippines, 2002
- DISTINGUISHED SERVICE CROSS, Far Eastern University, 1998
- DIAMOND JUBILEE AWARD, Far Eastern University, 2003
- ORDER OF THE EASTERN STAR, Far Eastern University, 2006
- LIFETIME ACHIEVEMENT AWARD, FEU Law Alumni Association, 2006
- NOBLESSE OBLIGE AWARD, Pasig Catholic College, 2007
- AWARD OF HONOR, Philippine Bar Association, 2007
- MOST OUTSTANDING KAPAMPANGAN given by the Province of Pampanga, 2010
- RULE OF LAW AWARD given by the Chief Justice Claudio Teehankee Foundation on April 18, 2013
- CERTIFICATE OF APPRECIATION, Supreme Court of the Phil and Society for Judicial Excellence, October 20, 2016
- DIAMOND JUBILEE AWARD, as the most outstanding alumnus during the last 60 years given by the Far Eastern University Law Alumni Association, at Conrad Hotel, Pasay City, November 24, 2018
- ROTARY CLUB OF MANILA (RCM) LEADERSHIP AWARD, for being the only RCM President to become Chief Justice, given at Philippine International Convention Center, Pasay City, June 21, 2019

[2] Membership in Boards of Listed and Non-Listed Companies involved in Energy:

- Petron Corporation
- Metro Pacific Investments Corporation

- TeaM Energy Corporation

[3] The Company's Nomination and Governance Committee accomplished the following through the leadership of Mr. Pedro Emilio Roxas as its Chairman:

- Conducted Annual 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 Revised ASEAN Corporate Governance Scorecard (ACGS)
- Reviewed and endorsed Meralco's Integrated Annual Corporate Governance Report (I-ACGR)
- Approved the implementation of electronic voting in absentia for the company's Annual Stockholders' Meeting
- Reviewed the engagement of an external facilitator to assess Board effectiveness
- Facilitated the annual CG enhancement and continuing education programs
- Conducted the onboarding orientation for the new directors
- Approved the conduct and evaluated the results of the Ethical Climate Survey
- Reviewed and approved the following:
    - Amended Gifts Policy Disclosure Procedures
    - Revised Insider Trading Policy
    - Revised Social Media Policy
    - Amended Suppliers Business Conduct Policy
    - Amended Whistleblowing Internal Rules and Regulations
    - Guidelines on Board and Board Committee Memberships
    - Revised Manual of Corporate Governance
    - Nomination and Election Policy
    - Board Diversity Policy
    - Related Party Transactions Committee Charter
    - Anti-Bribery and Corruption Policy
    - Board Charter
    - Policy on Alternative Dispute Resolution
    - Revised Related Party Transactions Policy
    - Revised Nomination and Governance Committee Charter
    - Revised Finance Committee Charter
    - Adoption of guidelines on Board meetings through teleconferencing and videoconferencing
    - Human Rights Policy
    - Revised Code of Ethics
    - *Related Party Transactions Policy Guidelines*
    - *Speak Out Policy*
    - *Code of Business Conduct and Ethics for Vendors (formerly Suppliers Business Conduct Policy)*
    - *Revised Remuneration and Leadership Development Committee Charter*

[4] Membership in Boards of Listed and Non-Listed Companies:

- Roxas and Company, Inc.
- Roxas Holdings, Inc.
- Cemex Holdings Inc.
- Metro Pacific Investments Corporation
- Roxaco Land Corporation
- Punta Fuego, Inc.
- Brightnote Assets Corporation
- Fundacion Santiago, Inc.
- Oona Insular Insurance Corporation
- SP New Energy Corporation

Attendance of Directors in Board and Committee Meetings

Below is the record of attendance of the directors in 2023:

2023 ASM AND BOARD MEETING ATTENDANCE			
Name	Designation	Annual Stockholders' Meeting	Board Meetings[1]
Manuel V. Pangilinan[2]	Chairman	Present	14/15
Lance Y. Gokongwei	Director	Present	15/15
Ray C. Espinosa[3]	Director	Present	15/15
Anabelle L. Chua[4]	Director	Present	6/6
June Cheryl A. Cabal-Revilla[5]	Director	Attended as Stockholder	9/9
Frederick D. Go	Director	Present	15/15
James L. Go	Director	Present	15/15
Jose Ma. K. Lim	Director	Present	11/15
Victorico P. Vargas	Director	Present	15/15
Lydia B. Echauz	Independent Director	Present	15/15
Artemio V. Panganiban	Independent Director	Present	15/15
Pedro Emilio O. Roxas	Independent Director	Present	15/15

2023 BOARD COMMITTEE MEETING ATTENDANCE								
Name	Finance	Audit	Risk Manage-ment	Related Party Transactions	Nomination and Governance	Remuneration and Leadership Development	Execu-tive	Sustaina-bility
Manuel V. Pangilinan[6]	N/A	N/A	N/A	N/A	N/A	5/6	4/4	1/1
Lance Y. Gokongwei	12/12	N/A	N/A	N/A	N/A	6/6	4/4	1/1
Ray C. Espinosa[7]	N/A	N/A	0/1	0/1	N/A	N/A	N/A	N/A
Anabelle L. Chua[8]	5/5	3/3	1/1	1/1	2/2	N/A	N/A	N/A
June Cheryl A. Cabal-Revilla[9]	6/7	2/3	N/A	N/A	1/2	N/A	N/A	N/A[10]
Frederick D. Go[11]	N/A	6/6	2/2	2/2	4/4	N/A	N/A	1/1
James L. Go	11/12	4/6	1/2	1/2	4/4	N/A	2/4	N/A
Jose Ma. K. Lim[12]	9/12	4/6	1/2	1/2	3/4	N/A	4/4	1/1
Victorico P. Vargas	12/12	N/A	N/A	N/A	N/A	6/6	N/A	N/A
Lydia B. Echauz[13]	12/12	6/6	N/A	N/A	4/4	N/A	N/A	N/A
Artemio V. Panganiban[14]	N/A	6/6	2/2	2/2	N/A	N/A	4/4	N/A
Pedro Emilio O. Roxas[15]	12/12	6/6	2/2	2/2	4/4	6/6	N/A	1/1

[1] Regular, Special, and Organizational Board Meetings
[2] Elected as President and Chief Executive Officer effective May 30, 2023. He became Chairman and Chief Executive Officer effective July 1, 2023
[3] Served as President and Chief Executive Officer until May 30, 2023
[4] Ms. Chua served as a Director until May 30, 2023.
[5] Ms. Cabal-Revilla attended as a stockholder during the Annual Stockholders' Meeting and was elected as a director during this meeting on May 30, 2023.
[6] Chairman of the Remuneration and Leadership Development Committee, Executive Committee, and Sustainability Committee
[7] Served as President and Chief Executive Officer until May 30, 2023. He was elected as a member of the Risk Management Committee, and Related Party Transactions Committee effective May 30, 2023
[8] Served as a member of the Finance Committee, Audit Committee, Risk Management Committee, Related Party Transactions Committee, and Nomination and Governance Committee, until May 30, 2023
[9] Elected as member of the Finance Committee, Audit Committee, Nomination and Governance Committee, and Sustainability Committee effective May 30, 2023
[10] Ms. Cabal-Revilla was elected as a Director on May 30, 2023. The Sustainability Committee held its meeting on May 23, 2023.
[11] Chairman of the Risk Management Committee
[12] Chairman of the Finance Committee. He served as a member of the Sustainability Committee until May 30, 2023
[13] Independent Director
[14] Chairman of the Audit Committee, Independent Director
[15] Chairman of the Related Party Transactions Committee, and Nomination and Governance Committee, Independent Director

The Board recognizes the importance of a regular performance assessment, individually and collectively as part of their accountability. Assessments are conducted annually to evaluate their specific and overall performance for the past calendar year. The Board evaluated their individual and collective performances regarding the Board and its committees' structures, processes, and responsibilities. The assessment likewise identified the training and skills development program needed by the Board. The Board also reviewed the performance of the President and CEO based on his leadership, working relations with the Board, Management, and communication. Four (4) assessment instruments with corresponding evaluation criteria were accomplished by the directors, namely the Board Self-Assessment, General Board Committee Assessment, Board Committee Self-Assessment, and the President and CEO Performance Assessment. The assessment criteria or metrics include board structure and qualification, board duties and responsibilities, duties and responsibilities as an individual director, and board committee functions and over-all performance vis-à-vis the respective charters. The aggregated results are presented to the Board during meeting immediately following the end of the assessment process. 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*") as external facilitator in the evaluation of the 2022 performance of the board, board committees, the Chairman, the CEO, and other key officers.

Significant Employees

The Company considers its whole manpower complement working as a team as imperative in the attainment of its goals. The Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei and Mr. Patrick Henry C. Go, all of whom are Directors of *MERALCO*.

Ms. Maria Luisa V. Alvendia, the Chief Supply Chain Officer of the Company is the first cousin of Mr. Jose Ma. K. Lim, and Mr. Victorico P. Vargas, who are both directors of *MERALCO*.

Other than the above, there are no family relationships up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees.

Involvement in Certain Legal Proceedings

No director, nominee for election as director, or executive officer of the Company has been involved in or the subject of, during the past five (5) years up to the latest date, any of the following events that is material to an evaluation of his ability or integrity to serve *MERALCO*: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding; (c) order, judgment, or decree barring, suspending, or limiting involvement in any type of business, securities, commodities, or banking activities; (d) judgment for violation of a securities or commodities law or regulation.

Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 23 to the consolidated financial statements as at December 31, 2023 and 2022 and for each of the three (3) years in the period ended December 31, 2023, there was no transaction during the last three (3) years involving *MERALCO* in which any of its directors or executive officers, any nominee for election as

director, or security holder owning 10% or more of *MERALCO's* total outstanding shares and members of their immediate family had a material interest.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies, and practices.

Compensation of Directors and Officers

Compensation of Officers

The aggregate annual compensation for the last two fiscal years and projected compensation for the ensuing year of *MERALCO*'s Chief Executive Officer ("CEO") and four most highly compensated executive officers, as a group, and all other key officers, other officers, and directors, as a group, are as follows:

NAME	YEAR	SALARIES[1]	BONUS[2]	OTHER ANNUAL COMPENSATION[3]
		Amounts in Millions (in PhP)		
Chief Executive Officer (CEO) and four (4) most highly compensated executive officers[4]	Projected 2024	118	90	12
	2023	104	308	13
	2022	135	84	19
All other key officers, other officers, and directors as a group (excluding the CEO and four most highly compensated executive officers)	Projected 2024	355	178	43
	2023	278	584	36
	2022	247	130	35

[1] Basic salaries and allowances.
[2] Includes government-mandated payout and variable pay
[3] Commutation of unused leave benefits.
[4] Comprised of the following: Manuel V. Pangilinan, Chairman and Chief Executive Officer, Betty C. Siy-Yap, Senior Vice President and Chief Finance Officer; William S. Pamintuan, Senior Vice President, Chief Legal Counsel, Assistant Corporate Secretary, Compliance Officer and Head, Legal and Corporate Governance Office; Edgardo V. Carasig, First Vice President and Chief Human Resources Officer and Head, Corporate Services; Ronnie L. Aperocho, Executive Vice President and Chief Operating Officer.

Compensation of Directors

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding year.

Each of the Directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Governance, Related Party Transactions, Sustainability and Nomination Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each Director which was implemented beginning May 2013 as approved by the Stockholders. The Directors have the option to receive the number of shares granted of the equivalent cash value.

MERALCO does not have standard arrangement on the remuneration of its existing directors and officers aside from the compensation herein stated.

Below are the details of the remuneration paid to the directors in 2023:

	Remuneration for Board Meetings Attended in 2023	Remuneration for Committee Meetings Attended in 2023	TOTAL
EXECUTIVE DIRECTOR			
Manuel V. Pangilinan[16]	₱1,960,000.00	₱240,000.00	₱2,200,000.00
Ray C. Espinosa[17]	₱2,100,000.00	₱0.00	₱2,100,000.00
NON-EXECUTIVE DIRECTOR			
Lance Y. Gokongwei	₱2,100,000.00	₱552,000.00	₱2,652,000.00
Anabelle L. Chua[18]	840,000.00	₱288,000.00	₱1,128,000.00
June Cheryl A. Cabal-Revilla[19]	₱1,260,000.00	₱216,000.00	₱1,476,000.00
James L. Go	₱2,100,000.00	₱552,000.00	₱2,652,000.00
Frederick D. Go	₱2,100,000.00	₱360,000.00	₱2,460,000.00
Jose Ma. K. Lim	₱1,540,000.00	₱552,000.00	₱2,092,000.00
Victorico P. Vargas	₱2,100,000.00	₱432,000.00	₱2,532,000.00
INDEPENDENT DIRECTORS			
Lydia B. Echauz	₱2,100,000.00	₱528,000.00	₱2,628,000.00
Artemio V. Panganiban	₱2,100,000.00	₱336,000.00	₱2,436,000.00
Pedro Emilio O. Roxas	₱2,100,000.00	₱792,000.00	₱2,892,000.00
TOTAL INDEPENDENT DIRECTORS	*₱6,300,000.00*	*₱1,656,000.00*	*₱7,956,000.00*
GRAND TOTAL	**₱22,400,000.00**	**₱4,848,000.00**	**₱27,248,000.00**

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until June 27, 2024. 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 and Property Damage Defense Costs, Health and Safety Costs, Gross Negligence Manslaughter Defense Costs and Environmental Violation (Defense Costs Including Civil and admin Fines).

Independent Public Accountants

The independent public accountants of *MERALCO* is the accounting firm, SyCip Gorres Velayo & Co. ("SGV"). The audit of the consolidated financial statements of *MERALCO* and subsidiaries was led and signed by the engagement partner, Mr. Narciso T. Torres Jr., who issued a statement confirming the independence of SGV with respect to the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines adopted by the Philippine Board of Accountancy.

The terms of engagement, scope of services and fees of the external auditors were reviewed and approved by the Audit Committee. The Audit Committee is composed of seven (7) members and

[16] Served as Chief Executive Officer beginning May 30, 2023.
[17] Served as President and Chief Executive Officer from January 1, 2023 to May 30, 2023.
[18] Served as a Director from January 1, 2023 to May 30, 2023.
[19] Elected as a Director on May 30, 2023.

chaired by lead independent director, Retired Chief Justice Artemio V. Panganiban. The other members of the committee are independent directors Pedro Emilio O. Roxas and Lydia B. Echauz, directors Jose Ma. K. Lim, James L. Go, Patrick Henry C. Go and June Cheryl A. Cabal-Revilla.

The representatives of SGV will be present during the annual meeting and will be given an opportunity to make a statement or respond to questions, if necessary.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV as external auditors, and Mr. Narciso T. Torres Jr. is the partner-in-charge beginning the audit of the 2018 financial statements. In compliance with SRC Rule 68 Part 3(b)(iv)(ix), Mr. Torres shall be rotated after seven (7) years of engagement. A five (5)-year cooling off period shall also be observed in the re-engagement of the same signing partner.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with accountants on accounting and financial disclosure.

The External Auditors

The shareholders of *MERALCO* have reappointed *SGV* as its external auditors for the year ended December 31, 2023 during the annual stockholders' meeting on May 30, 2023. The signing partner of *SGV* for MERALCO is Mr. Narciso T. Torres Jr.

a. *Audit and Audit-Related Fees*
SGV was engaged to audit the annual financial statements of *MERALCO* and subsidiaries and perform related reviews. The following consolidated fees, exclusive of value added tax were incurred.

	2023	**2022**
	(Amounts in millions of PhP)	
Financial statements audit	₱21.1	₱19.0
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	₱0.8	₱0.7

b. *Tax Fees*

Not applicable.

c. *The Audit Committee's approval of policies and procedures for the above services*

The Audit Committee approves the terms of engagement and scope of services of the independent auditors as endorsed by Management. For non-audit services, Management is required to obtain pre-approval from the Audit Committee prior to engagement.

d. *Describe disagreements, if there were any, with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have*

caused it to make reference to the subject matter of the disagreement(s) in connection with this report.

Not applicable.

e. *If there were any disagreements as described in subparagraph (2), the registrant shall request the former accountant to furnish the registrant with a letter addressed to the Commission stating whether it agrees with the statements made by the registrant and, if not, stating the respects in which it does not agree. The registrant shall file the former accountant's letter as an exhibit to the report or registration statement containing this disclosure.*

Not applicable.

Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on May 30, 2023
   - Approval of the Minutes of the annual meeting of stockholders held on May 31, 2022
   - Report of the President and Chief Executive Officer
   - Approval of the 2022 Audited Consolidated Financial Statements
   - Ratification of acts of the Board of Directors and Management
   - Approval of Amendment of Article I Section 2, and Article II Section 6 of the Company's By-Laws
   - Election of Directors for the ensuing year
   - Appointment of external auditors

2. Report of the Chief Executive Officer
3. Approval of the 2023 Audited Consolidated Financial statements
4. Ratification of Acts of the Board and Management during the year
   - Refer to attached Annex B on the List of the Acts of the Board and Management for Ratification

5. Election of directors for the ensuing year
6. Appointment of external auditors

Voting Procedures

(a) Each stockholder shall be entitled to one vote for each share.

(b) All items in the agenda for approval/ratification of the stockholders require the affirmative vote of at least a majority of the stockholders entitled to vote.

(c) In the election of directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the Corporation Code of the Philippines.

(d) Voting and counting of votes shall be done through the Company's Stockholders Electronic Registration and Voting Express ("SERVE") platform found at https://company.meralco.com.ph/corporate-governance/SERVE (Please refer to attached Annex C on the Requirements And Procedure For Electronic Voting In Absentia and

Participation Via Remote Communication for more details.) All votes will be counted and tabulated by the *SERVE* and validated by the Corporate Secretary and Auditors. Inspectors from an independent third party appointed by the Board will also be present to validate the votes. The Corporate Secretary shall report the results of voting during the meeting.

MANAGEMENT REPORT

Business and General Information

1. Business Development

The businesses of Manila Electric Company ("*MERALCO*") and its subsidiaries (the "*MERALCO* Group") consist of the unregulated and regulated segments of the energy supply chain; engineering design services; construction and consulting services; payment fulfilment and bills collection services; after-the-meter and energy management services; telecommunication and information technology services; and construction and leasing of communication towers. *MERALCO* was registered on May 7, 1919.

The regulated and unregulated segments of the energy supply chain of the *MERALCO* Group consist of electricity distribution, power generation, retail electricity supply, and management of electric distribution facilities.

As a distribution utility ("DU"), *MERALCO* holds a 25-year congressional franchise under Republic Act ("RA") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("ERC") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("CPCN") for the operation of electric service within its franchise area, which shall be valid within the franchise period.

Clark Electric Distribution Corporation *("Clark Electric"),* a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("CDC") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The Clark Electric franchise is valid through October 2047.

Through a 60% owned subsidiary, **Shin Clark Power Holdings, Inc. *("Shin Clark")***, *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly-owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly-owned subsidiary of the Kansai Electric Power, Inc. ("Kansai")], and Chubu Electric Power Co., Inc. ("Chubu"), hold a 90% interest in **Shin Clark Power Corporation *("Shin Clark Power")***. Shin Clark Power is a company formed with Bases Conversion and Development Authority ("BCDA") through a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("NCC"). NCC consists of a 9,450-hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province. Shin Clark Power was incorporated and registered with the Securities and Exchange Commission ("SEC"). On March 22, 2023, the ERC granted Shin Clark Power a CPCN to operate as a DU.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("PELCO II") through Comstech Integration Alliance, Inc. ("Comstech") under a 25-year Investment

Management Contract ("IMC") and that of the Cavite Economic Zone ("CEZ") under a 25-year concession agreement with Philippine Economic Zone Authority ("PEZA").

MERALCO Group's participation in retail electricity supply ("RES") is directly through the local RES units, MPower and Cogent Energy, and indirectly through affiliate RES entities, Vantage Energy Solutions and Management, Inc. ("Vantage"), MeridianX Inc. ("MeridianX"), Phoenix Power Solutions, Inc. ("Phoenix Power") and Global Energy Supply Corporation ("GESC"). Clarion Energy Management Inc. ("Clarion"), a wholly owned subsidiary of Clark Electric, is awaiting issuance of license by the ERC.

MERALCO PowerGen Corporation ("MGen") is *MERALCO*'s power generation investment vehicle. Global Business Power Corporation ("GBPC"), which has 970 MW of coal and diesel capacities, is a wholly owned subsidiary of MGen. Through MGen Renewable Energy, Inc. ("MGreen"), MGen operates and engages in the development, construction and operation of solar-powered generation facilities. On December 27, 2023, MGreen completed the acquisition of primary common and redeemable voting preferred shares of SPNEC, giving MGreen 50.5% voting interest. Through SPNEC, MGreen is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery energy storage system. MGen also holds a combined 58% interest in PacificLight Power Pte Ltd. ("PacificLight Power"), which owns and operates a 2 x 400 MW liquefied natural gas plant in Jurong Island, Singapore.

MERALCO's related businesses include engineering, design, construction and consulting services, bill collection services, distribution and energy management services, development, leasing and management of communication towers and infrastructure, and communication, information system and technology services.

The following are the subsidiaries of *MERALCO*, all of them incorporated in the Philippines except for Lighthouse Overseas Insurance Company, Limited ("LOIL") and Meridian Power Ventures Limited. *MERALCO* and its subsidiaries are herein referred to as the "*MERALCO* Group".

Meralco Industrial Engineering Services Corporation ("*MIESCOR*") is a wholly owned subsidiary of *MERALCO*. Together with its subsidiaries, MIESCOR Builders Inc. (*MBI*) and MIESCOR Logistics, Inc. (*MLI*), *MIESCOR* provides expertise in Engineering, Procurement and Construction (*EPC*), Distribution Utility and Pole Attachment Services, Telecommunications Infrastructure, Logistics and Facilities Management, and Trading of high-quality electrical supplies and equipment.

MIESCOR, with 8,823 manpower, is one of the leading engineering and construction companies in the country, meeting global standards with its ISO 9001:2015 (*QMS*), ISO 14001:2015 (*EMS*), and ISO 45001:2018 (*OSH*) certifications. *MIESCOR* also holds a PCAB 'AAAA' license, the highest license category issued by the Philippine Contractors Accreditation Board and was awarded numerous safety and health excellence awards for its outstanding safety records.

MIESCOR provides services to companies in the power and telecommunications industries.

MIESCOR Infrastructure Development Corporation (*MIDC*), incorporated in 2021, is engaged in tower construction, site acquisition, site permitting, tower erection and tower management services to telecommunications companies. MIDC is a joint venture owned by MIESCOR at 51% and by Connect Infrastructure (Philippines) PTE. Limited at 49%. *MIDC* is registered as an Independent Tower Company with the Department of Information and Communications Technology

Corporate Information Solutions, Inc. ***("CIS")*** is a wholly owned subsidiary of *MERALCO*. *CIS*, through its subsidiaries, provides a wide range of financial products and services that cater to business and customer needs.

CIS Bayad Center, Inc., ("Bayad"), a pioneer in the outsourced payment collection service industry, has now evolved into a full-service fintech company offering a whole suite of financial products and services, available in its extensive physical and digital payment touchpoints. Powering more than 476,000 over-the-counter payment locations across the country, as well as providing immediate bills payment access to millions of registered digital users through its digital and online partners, Bayad owns and operates all-in-one pera transaction mobile app and online payment facility, Bayad App and Online. Providing a seamless onsite-to-online customer experience that caters to both traditional and next generation of payers, Bayad cements itself as the authority in payments.

Advancing its contribution to financial inclusion in the country, the brand launched Bayad Asenso, a business solution embedded in the Bayad App that allows Filipino entrepreneurs to generate additional source of income by offering Bayad's financial services, i.e., bills payment collection, prepaid loading, electronic wallet top-ups, among others, in their respective neighborhood or community.

To complement its suite of value offerings, Bayad's wholly owned subsidiary, Customer Frontline Solutions, Inc. *("CFS")*, provides outsourced tellering and other administrative services to different industries in the Philippines. Bayad continues to trailblaze the industry as it elevates the Filipinos' payment experience, at the same time providing end-to-end payment solutions to major institutions and government agencies nationwide.

Meralco Energy, Inc. ***("MServ")*** is a wholly owned subsidiary of *MERALCO*. It is a one-stop shop for energy services and solutions that will guarantee total system efficiency for customer facilities. As a DOE-accredited Energy Service Company (ESCO) in the Philippines and as a "AAA" PCAB-licensed company, MServ's scope of activities include Energy Audit of Customer Facilities, Advisory and Consultancy Services for Energy Efficiency, Engineering, Procurement and Construction ("EPC") of Electrical, Mechanical, Plumbing, and Fire Protection (MEPF) Facilities, and Operations and Maintenance (O&M) of customer owned facilities. *MServ* also has the expertise to value-engineer electrical designs and offers energy solutions to help the sustainability goals of its customers by lowering energy consumption. *MServ* also provides Energy Efficiency solutions such as sub-metering and energy management systems, Smart City solutions such as smart streetlighting, and building management systems, Sewage Treatment Plant (STP) solutions, and Hyperscale Data Center Solutions.

e-Meralco Ventures, Inc. ***("e-MVI")*** is a wholly owned subsidiary of *MERALCO*. It was established on June 22, 2000. Through a wholly owned subsidiary, Paragon Vertical Corporation, it owns 100% of the equity in Radius Telecoms, Inc. ("Radius"). Radius holds a congressional telecommunications franchise to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, the business of providing basic and enhanced telecommunications services in the Philippines, and between the Philippines and other countries and territories.

Radius delivers its services on an end-to-end full fiber optic network covering more than 8,000 kms in Metro Manila and nearby provinces, as well as Clark and Cebu, with plans to expand to other major cities in the Visayas and Mindanao regions.

Radius provides world-class data connectivity solutions over its dense fiber optic network, with access nodes strategically located within business districts, industrial and Information Technology ("IT") parks, data centers, and main thoroughfares.

Radius also offers the high demand broadband internet product, Red Fiber, to address the unserved and underserved consumers, as well as micro, small, and medium enterprise segments.

Currently, Radius provides leading edge connectivity solutions, products, and services, not just for the business sector but also for the consuming public. It aims to deliver an enhanced customer experience at every touchpoint.

Meralco Financial Services Corporation *("Finserve")* was incorporated on March 19, 2002, as a wholly owned subsidiary of *MERALCO*. It aims to enhance *MERALCO*'s shareholder value creation and expand customer service through innovative consumer and customer-based products and services that support MERALCO's core business.

In 2007, *Finserve* embarked on investing and managing commercial center operations with The Strip along Ortigas Avenue as its flagship project. At present, this two-storey building with a leasable space of 1,026 square meters houses several retail establishments.

Finserve has a 10% equity interest in AF Payments, Inc. ("AF Payments") since its incorporation in February 2014. AF Payments was incorporated primarily to operate and maintain an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It also supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities. AF Payments operates and maintains the related hardware and software.

Clark Electric Distribution Corporation *("Clark Electric"),* 65% owned by *MERALCO*, is a private stock corporation with an authorized capital stock of ₱1.5 billion. Its paid-up capital is ₱900 million, and it holds the franchise to distribute electric power in the Clark Special Economic Zone ("CSEZ"), including the Clark Freeport Zone ("CFZ") and contiguous subzones. The *Clark Electric* franchise is valid through October 2047. In 2023, *Clark Electric* achieved 685.0 GWh in energy sales, marking a 6.2% increase from 2022.

Serving 2,808 customers, Clark Electric's clientele comprises commercial (47%), industrial (5.4%), and residential/streetlight (47.6%) accounts, with a peak demand of 114.6 MW.

With an aggregate substation capacity of 383 MVA, Clark Electric is well-equipped to meet the power demands of existing and future customers for the next 3 to 5 years. The company has invested in a robust distribution network valued at ₱1.87 billion by the end of 2023.

Clark Electric remains committed to expanding its asset base and upgrading its distribution network to ensure power adequacy, stability, reliability, and quality at reasonable cost. Key components include 2,099 distribution transformers, 51 circuit-km of sub-transmission lines, and 179.38 circuit-km of primary lines.

Despite an increase in planned power interruption durations due to ongoing projects in 2023, the frequency of unscheduled power interruptions was minimized to 1.57 times. Remarkably, the system loss for the year stood at 1.92%, well below the system loss cap, positioning Clark Electric among the country's distribution utilities with the lowest system losses.

To address increasing demand and enhance service quality, Clark Electric plans to install ten (10) Remote-Controlled Line Reclosers (RCLRs) and two (2) Ring Main Units (RMUs) as part of its smart grid initiatives. In addition, the implementation of an Advanced Distribution Management System (ADMS) is on the horizon to improve system reliability and flexibility.

MERALCO PowerGen Corporation ("*MGen*") is a wholly owned subsidiary of *MERALCO* and serves as its power generation unit. *MGen* has a diversified power generation portfolio that utilizes advanced and highly efficient technologies to provide reliable and cost-competitive supply.

MGen's subsidiaries and affiliates are as follows:

A. Conventional:
- San Buenaventura Power Ltd. Co.'s ("SBPL"):
  - SBPL owns and operates a 500 MW (gross) supercritical coal-fired power plant in Mauban, Quezon which started commercial operations on September 26, 2019. SBPL has a Power Supply Agreement ("*PSA*") with MERALCO which was approved by the ERC on May 19, 2015.

  - The power plant, which provides baseload power supply to electricity consumers in Luzon, is a Board of Investments ("BOI") registered pioneer project that utilizes state-of-the-art supercritical technology, which is more fuel efficient compared to coal plants currently in operation in the Philippines.

  - SBPL is a partnership among MPG Mauban LP Corporation ("MPG Mauban"), Kalilayan Power Inc. ("KPI"), and Mauban Holdings Company ("Mauban Holdings") with the following shareholdings breakdown: (i) MPG Mauban – 50.9831%, (ii) KPI 0 0.03312%; and (iii) Mauban Holdings – 48.98377%. MGEN owns 100% of MPG Mauban and 51% of KPI.

- Global Business Power Corporation ("GBP"):
  - GBP with a total gross capacity of 931.5MW, is one of the leading independent power producers in Visayas and Mindanao. On March 31, 2021, MGen completed the acquisition of all shareholdings in GBP.

  - Subsidiaries and affiliates:
    - Cebu Energy Development Corporation ("CEDC") owns and operates a 246MW clean coal-fired power plant located in Toledo City, Cebu. CEDC is 44% owned by Abovant Holdings, Inc. and 56% owned by Global Formosa Power Holdings, Inc.—a corporation that is 93.2% owned by GBP.

    - Toledo Power Co. ("TPC") owns and operates 82MW clean coal-fired power plant in Daanlungsod as well as a 40MW diesel-fired power plant in Carmen – all in Toledo City, Cebu. It is 100% beneficially owned by GBP.

    - Panay Energy Development Corporation ("PEDC") owns and operates 164MW and 150MW clean coal-fired power plants located in Iloilo City, Iloilo. PEDC is 100% owned by Panay Power Holdings Corporation—a corporation that is 89.3% owned by GBP.

    - Panay Power Corporation ("PPC") owns and operates a 7.5MW and a 5MW diesel-fired power plants in Nabas and New Washington, Aklan, respectively. PPC is wholly

owned by Panay Power Holdings Corporation—a corporation that is 89.3% owned by GBP.

- Global Energy Supply Corporation ("GESC") is a Retail Electricity Supplier (RES) licensed by the ERC and serves as GBP's RES arm. It is 100% owned by GBP.

- Global Trade Energy Resources ("GTERC") is primarily engaged in trading thermal coal and consumable commodities for wholesale retail, as well as chartering freight barges and vessels. It is 100% owned by GBP.

- Alsons Thermal Energy Corporation ("ATEC") is a Mindanao-based power generation holding company that has 75% equity interest in Sarangani Energy Corporation ("SEC"). SEC owns and operates a 237MW coal-fired power plant in Maasim, Sarangani. ATEC also has 100% ownership in San Ramon Power, Inc. ("SRPI"). SRPI is developing a 120MW coal-fired power plant in Zamboanga. GBP owns a 50% minus 1 stake in ATEC.

- Redondo Peninsula Energy, Inc. ("RP Energy"):
  - RP Energy is 47% owned by *MGen*, 25% owned by Therma Power, Inc., 25% owned by Taiwan Cogeneration International Corporation (Philippine Branch Office), and 3% owned by Meralco Pension Fund. (25%).

B. Liquefied Natural Gas:
- PacificLight Power Pte. Ltd. ("PLP"):
  - PLP owns a 2 x 400 MW combined cycle turbine power plant mainly fueled by liquefied natural gas ("LNG") in Jurong Island, Singapore and has been operating since February 2014.

  - It is the largest Clean Development Mechanism ("CDM") project in Singapore registered under the United Nations Framework Convention on Climate Change.

  - *MGen* holds an effective 58% equity interest in PLP.
    - PLP is 70% owned by FPM Power Holdings Ltd. ("FPM"). The remaining 30% interest is directly held by MPG Asia Limited, a wholly owned subsidiary of *MGen*. FPM is a 60:40 joint venture between First Pacific Company Ltd. and *MGen*.

- Atimonan One Energy, Inc. ("A1E"):
  - A1E is *MGen*'s wholly owned subsidiary developing a 4 x 600 MW (net) liquefied-natural gas ("*LNG*") power plant in Atimonan, Quezon.

  - The Department of Energy ("DOE") issued A1E a Certificate of Energy Project of National Significance ("CEPNS") for commerciality under Executive Order No. 30 – a key recognition of the project's importance to the country's future energy supply. Transmission right-of-way ("ROW") acquisition continues to progress well and is almost fully secured.

C. Renewables:
- MGEN Renewable Energy, Inc. ("MGreen")
  - *MGen* incorporated MGreen on June 6, 2019 as *MGen*'s vehicle for its investments in renewable power generation projects. MGreen is 100% owned by *MGen*.

- Subsidiaries and affiliates:
  - PowerSource First Bulacan Solar, Inc. ("PFBSI") owns a 55MWac solar power plant in San Miguel, Bulacan. It is a joint venture between MGreen (60%) and PowerSource Energy Holdings Corporation (40%). PFBSI provides clean and renewable power to the Luzon Grid through its 20-year PSA with *MERALCO* approved by the ERC on December 22, 2016. PFBSI started commercial operations in May 2021.

  - PH Renewables, Inc. ("PHRI") owns a 75MWac solar plant in Baras, Rizal. Phase 1 for the 67.5 MWac project has been completed and has started generating power since March 2023 and Phase 2 is expected to commence operations by mid-2024. PHRI is 100% owned by CACI Power Corporation, a corporation that is 60% owned by MGreen and 40% owned by Mit-Renewables Philippine Corp. (Mit-Renewables), a subsidiary of Mitsui & Co. PHRI was incorporated on December 10, 2018.

  - Nuevo Solar Energy Corporation ("NSEC") owns a 68MWac solar plant in Currimao, Ilocos Norte, which reached full capacity by mid-February 2023. NSEC is 50% owned by MGreen and 50% owned by Pasuquin Energy Holdings, Inc. NSEC has a PSA with Mpower until January 25, 2044.

  - Nortesol III, Inc. ("Nortesol") is engaged in the development, construction, and operation of power plant and related facilities using renewable energy system and hybrid energy system with target capacity of 110 MWdc/90 MWac. It is 70% owned by MGreen. Nortesol is awaiting the issuance of the leasing policy by the Laguna Lake Development Authority.

  - Lagunasol Corporation ("LagunaSol") is engaged in the development, construction, and operation of a power plant and related facilities using solar energy. It was incorporated on September 24, 2020 and is 100% owned by MGreen.

  - Greentech Solar Energy, Inc. ("GSEI") is engaged in the development, construction, and operation of an 18.75 MWac solar plant in Bongabon, Nueva Ecija. Target commercial operations is by first quarter of 2025. It was incorporated on July 29, 2015 and is 100% owned by MGreen. GSEI is one of MGreen's solar projects under development which won in DOE's second round of GEAP.

  - Greenergy for Global Inc. ("GGI") is engaged in the development, construction, and operation of power plant and related facilities using solar energy with a capacity of 49 MWac. GGI is set to commence commercial operations by first quarter of 2025. It was incorporated on November 20, 2020, and is majority owned by MGreen. GGI is one of MGreen's solar projects under development which won in DOE's second round of GEAP.

  - SP New Energy Corporation ("SPNEC") formerly Solar Philippines Nueva Ecija Corporation, was incorporated as a renewable energy power generation company. SPNEC is engaged in the construction, assembly, commissioning, operation, and maintenance of power-generating plants, warehouses, terminals, and related facilities for the conversion of renewable energy into a usable form suitable for electricity generation and distribution. The SEC approved the change of its corporate name to its present one on October 24, 2022.

On October 12, 2023, MGreen announced that it has agreed with SPNEC and with its parent, Solar Philippines Power Project Holdings, Inc. (SPPPHI), to invest ₱15.9 billion to subscribe to 15.7 billion common shares and 19.4 billion redeemable preferred voting shares in the Company. Upon closing of the transaction, MGreen will be the controlling shareholder of the SPNEC.

- On December 27, 2023, *MGreen* completed the acquisition of primary and redeemable voting preferred shares of *SPNEC*. *SPNEC* is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery storage system.

MSpectrum Inc. ("M*Spectrum*") is a wholly owned subsidiary of *MERALCO* which provides renewable energy solutions to its customers, mainly roof-top solar projects, microgrids, and utility-scale projects.

Vantage Energy Solutions and Management Inc. *("Vantage")* is the first wholly owned Retail Electricity Supplier ("RES") of *MERALCO*. It was incorporated on November 21, 2016 and was issued a license to operate as RES by the ERC starting on January 10, 2017.

As a RES entity, Vantage provides retail energy services and solutions to the contestable customers in the Competitive Retail Electricity Market. It is also engaged in energy sourcing, trading and solutions, wholesale contracting and aggregating of electricity. As a licensed RES, *Vantage* operates and offers its services to all contestable customers nationwide where the Retail Competition and Open Access (RCOA) is implemented.

Vantage offers competitive energy products and service innovations to help its customers manage their electricity requirements better. It provides stable and reliable power supply based on a blend of *Vantage*'s supply portfolio, customized products offered at competitive prices, value added services and technical collaborations with its expert engineers to maximize efficiency and profitability of its customers' operations.

MOVEM Electric, Inc. *("MOVEM")*, a wholly owned subsidiary of MERALCO, is the green mobility arm of MERALCO that provides tailor-fit, end-to-end electric mobility solutions for commercial and industrial customers. Its focus is to integrate key elements of an electric vehicle ("EV") ecosystem designed for specific usages to ensure a seamless and effective transition toward sustainable transportation.

Shin Clark Power Holdings, Inc. *("SCPHI")* is a 60% owned subsidiary of *MERALCO*. In turn, *SCPHI* owns 90% of Shin Clark Power Corporation which provides electricity services in New Clark City ("NCC"). The 9,450-hectare NCC is within the Clark Special Economic Zone in the towns of Capas and Bamban in Tarlac.

Phoenix Power Solutions, Inc. *("Phoenix Power")* is a Retail Electricity Supplier wholly owned by *MERALCO*. Phoenix Power was established to provide electricity to contestable customers in the Subic Special Economic and Freeport Zone and Luzon through solutions tailored to each client's needs bundled with exceptional customer service.

2. Business of Issuer

The principal business of *MERALCO* is the distribution and sale of electric energy through its distribution network facilities in its franchise area. Its market is categorized into four (4) classes.

Following are the percentage contribution to sales of each customer segment based on kWh-sales:

	2023	2022	2021
Residential	34.83%	35.06%	36.71%
Commercial	37.23%	35.58%	33.07%
Industrial	27.65%	29.07%	29.91%
Streetlights	0.29%	0.29%	0.31%
TOTAL	**100.00%**	**100.00%**	**100.00%**

MERALCO and its subsidiaries operate and generate substantially all of their revenues in the Philippines. There is no single external customer which accounts for more than 10% of the consolidated revenues.

MERALCO sources the electricity it distributes from different power suppliers as follows (percentage are based on kWh purchased/sourced):

	2023	2022	2021
First Gas Power Corporation ("FGPC") – Sta. Rita Power Plant and FGP Corp. ("FGP") – San Lorenzo Power Plant	24.82%	27.28%	24.97%
South Premier Power Corporation ("SPPC") – Ilijan Power Plant	11.64%	13.47%	14.57%
Independent Market Operator ("IEMOP") - Wholesale Electricity Spot Market or WESM	18.47%	10.78%	9.79%
Sual Power Inc. (SPI), formerly San Miguel Energy Corporation – Sual Coal-fired Plant	7.28%	9.67%	10.57%
San Buenaventura Power Limited ("SBPL")	5.45%	6.47%	7.93%
Quezon Power (Philippines) Limited	4.53%	6.48%	6.82%
First NatGas Power Corporation ("FNPC")	6.50%	6.25%	4.82%
Masinloc Power Partners Co., Ltd. ("Masinloc")	5.23%	6.02%	6.59%
AC Energy Philippines, Inc. ("AC Energy")	5.36%	5.45%	5.71%
Southwest Luzon Power Generation Corporation ("SLPGC")	2.02%	2.05%	1.59%
Therma Luzon, Inc. ("TLI") – Pagbilao Coal Plant	5.04%	1.06%	1.18%
Sem-Calaca Power Corporation ("Sem – Calaca")	0.40%	0.41%	2.90%
Others	3.26%	4.61%	2.56%
TOTAL	**100.00%**	**100.00%**	**100.00%**

Franchise and Concession Agreements

MERALCO holds a congressional franchise under Republic Act ("RA") No. 9209 effective June 28, 2003. RA No. 9209 grants *MERALCO* a 25-year franchise valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. On October 20, 2008, the ERC granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity for the operation of electric service within its franchise coverage, effective until the expiration of *MERALCO*'s congressional

franchise. The franchise area of *MERALCO* over specified areas in Luzon is approximately 9,685 square kilometers, covering 38 cities and 73 municipalities.

Clark Electric is a registered private distribution utility with a franchise granted by Clark Development Corporation ("CDC") to own, operate and maintain a power distribution system and to distribute power exclusively within its franchise area, which includes the Clark Freeport Zone and the sub-zones. The franchise of CEDC covers 320 square kilometers in Clark Special Economic Zone.

Shin Clark through a Joint Venture Agreement ("JVA") with BCDA, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare New Clark City located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. In accordance with the JVA, BCDA assigned its franchise to operate the electric distribution system in New Clark City, granted to it by the Congress under Republic Act No. 11420, to Shin Clark Power Corporation ("Shin Clark Power" or "Joint Venture Company").

BCDA's assignment of its franchise to Shin Clark Power, based on a valuation by a third-party independent appraiser, represents BCDA's contribution to Shin Clark in exchange for a 10% equity interest in Shin Clark Power. Shin Clark Power was incorporated and registered with the Securities and Exchange Commission ("SEC"). On March 22, 2023, the ERC granted Shin Clark Power a CPCN to operate as a DU.

Vantage and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a whollyowned subsidiary of *Comstech*; and *GESC,* a wholly owned subsidiary of *GBPC* are affiliate *RES*s. *Clarion*, a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. As at February 26, 2024, the approval of its *RES* licensing is pending with the *ERC.*

MERALCO manages the electric distribution facilities of Pampanga Electric Cooperative II ("PELCO II") through Comstech under an Investment Management Contract ("IMC"). *MERALCO* also manages the electric distribution facilities in the Cavite Economic Zone ("CEZ") under a 25-year concession agreement with Philippine Economic Zone Authority ("PEZA").

Retail Competition and Open Access ("RCOA")

The transition period for RCOA commenced on December 26, 2012 in accordance with the joint statement released by the ERC and the DOE on September 27, 2012 and the Transitory Rules for the Implementation of RCOA (ERC Resolution No. 16, Series of 2012). The implementation of RCOA started on June 26, 2013.

On March 31, 2014, the ERC issued a resolution on the Withdrawal of the Rules on Customer Switching and the Retention of the Code of Conduct for Competitive Retail Market Participants. On the same date, ERC also issued a resolution adopting the Rules on the Establishment of Customer Information by the Central Registration Body ("CRB") and Reportorial Requirements, mandating all DUs to submit to the ERC and CRB information on end-users with (i) monthly average peak demand of at least one (1) MW for the preceding 12 months; and (ii) monthly average peak demand of 750 kW but not greater than 999 kW. The ERC will use these information in issuing the certificates of contestability.

On October 22, 2014, the ERC issued a resolution suspending the issuance of RES licenses. Under the resolution, the ERC resolves to hold in abeyance the evaluation of RES license applications

and suspend the issuance of such licenses until such time that the amendments to the Rules for the issuance of RES licenses have been made by the ERC.

On July 1, 2015, the DOE published Department Circular No. DC2015-06-0010, "Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry". The Circular essentially provided for mandatory contestability.

On March 8, 2016, the ERC promulgated Resolution No. 05 Series of 2016 entitled "A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor". The Resolution removed the term local RES as one of the entities that may engage in the business of supplying electricity to the contestable market without need of obtaining a license therefor from the ERC. Moreover, while an affiliate of a DU is allowed to become a RES, the allowance is "subject to restrictions imposed by the ERC on market share limits and the conduct of business activities".

On May 12, 2016, the ERC issued Resolutions No. 10 and 11, Series of 2016, which:

- Provided for mandatory contestability. Failure of a contestable customer to switch to RES upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) MW and June 26, 2017 for at least 750 MW) shall result in the physical disconnection from the DU system unless it is served by the supplier of last resort ("SOLR"), or, if applicable, procures power from the WESM;
- Prohibits DUs from engaging in the supply of electricity to the contestable market except in its capacity as a SOLR;

- Mandates Local RESs to wind down their supply businesses within a period of three (3) years;

- Imposes upon all RESs, including DU-affiliate RESs, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

- Prohibits RESs from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On May 27, 2016, *MERALCO* filed a Petition before RTC-Pasig, praying that: (a) a TRO and subsequently a Writ of Preliminary Injunction ("WPI") enjoining the DOE and ERC from implementing the assailed rules be issued; and the assailed rules be declared null and void for being contrary to the EPIRA and its IRR. In an Order dated June 13, 2016, RTC-Pasig granted a 20-day TRO, which became effective on June 16, 2016. In an Order dated July 13, 2016, RTC-Pasig granted a WPI, which became effective on July 14, 2016, and shall be effective for the duration of the pendency of the Petition.

Meanwhile, the ERC filed a Petition for Certiorari and Prohibition with prayer for TRO and/or WPI before the SC, which asserted that RTC-Pasig has no jurisdiction to take cognizance of *MERALCO*'s Petition, citing Sec. 78 of the EPIRA. A similar petition was subsequently filed by the DOE before the SC.

On October 10, 2016, the SC, in relation to the Petition filed by the DOE, issued a TRO that restrained, *MERALCO*, the RTC-Pasig, their representatives, agents or other persons acting on their behalf from continuing the proceedings before the RTC-Pasig, and from enforcing all orders,

resolutions and decisions rendered in Special Civil Action No. 4149 until the petition before the SC is finally resolved. In a Resolution dated November 9, 2016, the SC denied *MERALCO*'s MR.

On November 2, 2016, in relation to the Petition filed by the ERC, the SC issued a Resolution dated September 26, 2016, which partially granted the Petition of the ERC. While the SC allowed the RTC-Pasig to proceed with the principal case of declaratory relief, it nonetheless issued a Preliminary Mandatory Injunction ("PMI") against RTC-Pasig to vacate the preliminary injunction it previously issued, and Preliminary Injunction ("PI") ordering the RTC-Pasig to refrain issuing further orders and resolutions tending to enjoin the implementation of EPIRA. On November 14, 2016, *MERALCO* filed a Motion for Partial Reconsideration with Very Urgent Motion to lift PMI/PI.

On November 24, 2016, the ERC promulgated a resolution moving the contestability date of end users with an average monthly peak demand of at least one (1) MW from December 31, 2016 to February 26, 2017. On January 17, 2017, *MERALCO*, through its counsel, received an SC Resolution dated December 5, 2016, which consolidated the SC DOE Petition with the SC ERC Petition. The same resolution also denied the Motion for Partial Reconsideration filed by *MERALCO*.

In relation to the ERC and DOE Petitions, a separate Petition for Certiorari, Prohibition and Injunction was filed by several institutional customers. In said Petition, said customers sought to declare as null and void, as well as to enjoin the DOE and ERC from implementing DOE Circular No. 2015-06-0010 and ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016. Acting on the Petition, the SC en banc through a Resolution dated February 21, 2017, issued a TRO enjoining the DOE and the ERC from implementing DOE Circular No. 2015-06-0010 and ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016. Pursuant to the foregoing, PEMC has taken the position that the TRO enjoined the voluntary contestability of 750 kW to 999 kW customers and has not allowed them to switch to the contestable market. The DOE, in a press release, has advised that it is in the process, together with PEMC and ERC, of drafting a general advisory for the guidance of RCOA stakeholders. The PCCI petition was consolidated with two (2) other separate petitions filed by an educational institution and several DUs. The DOE and ERC have also filed a consolidated comment on these petitions.

On November 29, 2017, the DOE issued two (2) DOE Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of RCOA for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of RCOA for RES in the Philippine Electric Power Industry. The DOE Circulars became effective on December 24, 2017.

Under the DOE Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under RCOA-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 kW to 749 kW for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 kW for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 22, 2017, *MERALCO* wrote ERC and DOE to seek guidance on the impact of the DOE Circulars in the light of the TRO issued by the SC. On January 17, 2018, the DOE responded that there is no legal impediment to the implementation of the DOE Circulars but it defers to the OSG for guidance on the legal aspect of the issuances. The ERC has yet to respond to *MERALCO*'s letter.

In a Notice dated September 23, 2020, the ERC released its draft "Resolution Prescribing the Timeline for the Implementation of RCOA" for comments of interested parties. *MERALCO* submitted

its comments thereto. On December 28, 2020, the ERC released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("RCOA")". In said Resolution, the ERC expanded the coverage of RCOA for end-users with an average monthly peak demand of at least 500 KW in the preceding 12 months, on a voluntary basis.

On September 24, 2021, MERALCO received a copy of the SC Decision wherein, among other matters, the ERC was also directed to promulgate the supporting guidelines to DOE Circular No. DC2017-12-0013 and DC 2017-12-0014.

Government Approval of Principal Products or Services

On June 9, 2003, Republic Act ("RA") No. 9209, otherwise known as the "An Act Granting the Manila Electric Company A Franchise To Construct, Operate and Maintain A Distribution System for the Conveyance of Electric Power to the End-Users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal and Certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga", was signed into law and took effect on June 28, 2003.

MERALCO distributes and supplies electricity to customers within its franchise area. It is subject to the rate-making regulations and regulatory policies of the ERC. *MERALCO*'s billings to customers are itemized or "unbundled" into a number of bill components that reflect the various costs incurred in providing electric service.

The adjustment of each bill component is governed by mechanisms promulgated and enforced by the ERC, mainly: (i) the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities", which govern the recovery of pass-through costs, including over- or under-recoveries in the following bill components: generation charge, transmission charge, system loss charge, inter-class rate and lifeline subsidies, local franchise and business taxes, as modified by ERC Resolution No. 2, Series of 2021 ("Rules on the Recovery of Pass-Through Taxes (Real Property, Local Franchise and Business Taxes) of Distribution Utilities") with respect to the recovery of local franchise and business taxes; and (ii) the "Rules for the Setting of Distribution Wheeling Rates" ("RDWR"), which govern the determination of *MERALCO*'s distribution, supply, and metering charges, as modified by ERC Resolution No. 2, Series of 2021 with respect to the recovery of real property taxes.

Government Approval and Regulation

Energy Regulatory Commission

In accordance with the Electric Power Industry Reform Act of 2001 ("EPIRA"), *MERALCO*, as a Distribution Utility and Electric Power Industry Participant, is subject to regulation by the ERC and recognizes the rate-making policies of the ERC.

Costs and Effects of Compliance with OSH

Organizational Safety

MERALCO remains committed to upholding the rights of its employees and stakeholders to a safe and healthy work environment. As part of this commitment, the Company affirms its unwavering dedication to compliance with all applicable legal and regulatory requirements, particularly the provisions of RA 11058, known as the Occupational Safety and Health Standards Act. In 2023, *MERALCO* achieved full compliance with the said requirements and successfully passed all random Department of Labor and Employment ("DOLE") audits across its various operating facilities. As a

result of strict compliance with all applicable regulatory requirements and concerted efforts to keep employees safe, the Company logged in 14 million safe man-hours, with a notable 55% decrease in the number of disabling injuries compared to the previous year.

The Company prioritizes the safety and well-being of its employees by implementing a range of robust Occupational Safety and Health (OSH) programs. Through its flagship campaign TARGET ZERO, Zero Incident, Zero Harm, and specialized programs such as the First Working Day Safety Campaign and *Araw ng mga Linecrew*, the "safety first" mindset is embedded at every level of the Company. Leveraging technology with the ESH Matters Portal and fostering a proactive reporting culture through the Incident Reporting Management System, the Company actively engages employees in hazard identification and incident prevention while continually improving the Company's OSH performance.

Moreover, *MERALCO*'s commitment to employee safety goes beyond mere compliance and campaigns, as reflected in its comprehensive suite of OSH training programs. The 8-hour Mandatory Occupational Safety and Health Seminars ensure all employees are well-versed in fundamental safety protocols, while the foundational Basic Occupational Safety and Health (BOSH) course serves as a cornerstone, providing line supervision with essential principles and practices in occupational safety. The Hazard Identification and Risk Assessment, as well as the Accident Investigation and Reporting training, contribute to a comprehensive safety culture by capacitating employees to proactively address potential risks and ensure a prompt and thorough response to incidents. Furthermore, the Defensive Driving Course, Safe Motorcycle Riding Seminar, and Heavy Equipment Operation impart crucial knowledge to those operating company vehicles, emphasizing safe driving practices and accident prevention.

Lastly, *MERALCO*'s commitment to OSH is characterized by a proactive integration of innovation and sustainability into its Safety Innovation program. By embracing technological advancements, fostering a culture of innovation, prioritizing sustainability, and promoting collaboration, the Company not only ensures the safety of its workforce but also sets a benchmark for excellence in OSH practices within the industry.

Environment Management

It is mandatory to keep pace with all the requirements of the Department of Environment and Natural Resources - Environmental Management Bureau ("DENR-EMB") and Laguna Lake Development Authority ("LLDA") as failing to understand and comply with changes in their requirements can result in violations and monetary fines. In 2023, *MERALCO* secured a total of 281 permits (64 newly acquired, 158 renewed/amended, and 59 filed and awaiting release), and submitted a total of 1,278 environmental monitoring reports as part of its environmental compliance.

To continuously develop knowledge and skills in environmental management among the Company's Pollution Control Officers and Managing Heads, a total of thirteen (13) environmental training sessions were conducted, wherein six (6) were regulatory compliance related, while seven (7) were environmental programs related.

MERALCO generated a total of 1,538 metric tons ("MT") of hazardous wastes, including electronic wastes, used oil, and used lead acid batteries in the workplace, which were disposed through a DENR-EMB registered transporter and treater, while a total of 2,069 MT of non-hazardous solid wastes was generated to which a 95% diversion rate was achieved. Through MERALCO's participation in the Philippine Business for Social Progress' (PBSP) X-Trash Challenge, a total of

22.48 MT of recyclable plastics, paper and metal were collected and disposed through their partner recycling companies.

Through the Company's Resource Conservation and Efficiency Program (RCEP), *MERALCO* achieved an 8% reduction in electricity and 5% reduction in water consumption versus 2022 levels. The reduction in consumption may be attributed to various energy and water conservation measures implemented across all operating facilities.

Disaster Resiliency

MERALCO continues to enhance its emergency management capability as it aspires to become one of the most resilient organizations in the Philippine Power Industry. As the Company recognizes the importance of emergency preparedness, *MERALCO* remains enthusiastic in building its internal capability to manage disasters and mitigate its adverse impacts through employee awareness, capacity building, and strong collaborations with the government and other external agencies.

As part of the *MERALCO* Rescue program – established in 2021, a fire station was constructed within the Company's headquarters in Pasig City. It was inaugurated in the first quarter of 2023 and now serves as the emergency base of the *MERALCO* Rescue which has expanded into 60 members – 13 for Emergency Medical Services (EMS) unit, 17 for Fire Brigade (FB) unit, and 30 for the Search and Rescue unit (SRU). The said fire station also houses the Company's emergency equipment such as fire truck, rescue tenders, basic life support ambulances, patient transport vehicle, water tankers, and other rescue tools.

In addition to the manpower and equipment, the Company also intensifies employee awareness and responder competence through communication materials, exercises, trainings and webinars by external training organizations, such as Bureau of Fire Protection (BFP), Office of Civil Defense (OCD), and Philippine Institute of Volcanology and Seismology (PHIVOLCS). In 2023, a total of 10 campaign materials were released, 161 participants attended 6 trainings (Fire Brigade Certificate of Competency Training, Contingency Planning, Basic Incident Command System, Rapid Damage Assessment and Needs Analysis, Emergency Operations Center, and Department of Energy's Capacity Enhancement of the Energy Sector of Hazard, Risk Assessment, and Exposure Database Development Through the Use of REDAS Software), 333 participants attended the webinar on fire science and fire forensics, and five (5) drills/exercises were completed.

The Company also offered emergency preparedness training programs for internal and external participants which were conducted by the members of the *MERALCO* Rescue. The team was able to educate a total of 10,979 participants from the 11 programs implemented. These include Emergency Medical Services Training, Fire Safety lectures, Integrated Emergency Preparedness Roadshows, Chemical Spills and Hazardous Material Releases Training, Earthquake Preparedness Orientation, Emergency Preparedness and Response Orientation, Basic Skills for Responders Training, and Kiddie Firefighter Training.

From January to December 2023, the Company (through the *MERALCO* Rescue and partnership with BFP) has executed 346 Emergency Medical Services (EMS) runs which catered to 226 patients, 355 FB runs with an average emergency response time of 6 minutes and 20 seconds, and 15 operational activities for Search and Rescue Unit with 3 incident responses. They have also participated in different externally organized programs such as the Feast of the Black Nazarene, FIBA practices, Pride March, and BFP's initiatives (i.e., fire drills, visibility activities, and flood monitoring).

With the support from the management and commitment from the *MERALCO* Rescue members, the Company received the "Outstanding Partnership for Fire Safety" Award for 2023 from the BFP-NCR on December 13, 2023 and acknowledged for its proactive efforts in improving emergency response and fire safety in the community. The Company also won "Champion in Fire Whiz Category B" during the Safety Organization of the Philippines Inc. 33rd National Industrial/Commercial Fire Brigade Competition and was given a "Certificate of Appreciation" for providing assistance during the Feast of the Black Nazarene. The Company shall continue to enhance its emergency capability to ensure the safety of its employees who are vital in keeping the lights on.

Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE")

On November 26, 2020, the Senate approved on 3rd and final reading Senate Bill No. 1357, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" ("CREATE"), which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performed-based.

General features of the CREATE bill are the following:

- Reduction in current income tax rate effective July 1, 2020
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.
- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%.

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The CREATE bill, with vetoed provisions, was signed into law by the President on March 26, 2021 as Republic Act No. 11534.

Number of Employees

As at December 31, 2023, *MERALCO* has a total of 5,968 regular employees (Managerial/Executive - 1,636, Supervisory – 2,981 and Rank & File – 1,351) covered by two (2) unions, namely, First Line Association of MERALCO Supervisory Employees ("FLAMES") and *MERALCO* Employees and Workers Association ("MEWA"). The Company has existing Collective Bargaining Agreements with these unions expiring on November 30, 2024 (FLAMES) and November 30, 2025 (MEWA). The Company does not expect that there will be significant hiring nor reduction of employees in the next 12 months.

Properties

MERALCO's assets include utility plant assets, which are part of the regulatory asset base ("RAB"). RAB consists of electrical capital assets and non-electric capital assets. In addition, *MERALCO* also holds assets held for future substation or branch sites or retired office or sector sites, which are recognized as "Investment Properties" in the consolidated statement of financial position.

MERALCO's facilities in Pasig City host the networks system, which is the heart of the electric distribution operations, the telecommunications and trunk radio system, logistics process, customer retails services and other support services organizations.

As at December 31, 2023, in addition to the head office, *MERALCO* has 10 networks sector offices, 39 business centers and 16 customer centers or extension offices. Its network facilities consist of 144 substations (total capacity of 21,781 MVA), 977 circuits (sub-transmission and distribution) with linear length of 1,073 circuit-kms. for sub-transmission lines, 19,694 circuit-kms. of primary lines and 22,277 circuit-kms. secondary lines) and 221,578 distribution transformers in service (total capacity of 18,777 MVA).

Separately, Clark Electric facilities consist of sub transmission and distribution assets and buildings and improvements located in CSEZ. CEDC distribution facilities include six (6) substations with a capacity of 100 MVA at 230 kV – 69 kV level and 283 MVA at 69 kV – 13.8 kV level (energize). Its present distribution network consists of 2,099 distribution transformers, 51 circuit-km. linear length of sub-transmission lines, 179.38 circuit-km. linear length of primary lines, and 31.56 circuit-km. linear length (126.26 conductor length) of secondary lines.

MGen, through its subsidiaries, Atimonan Land Ventures Development Corporation ("ALVDC") and Calamba Aero Power Corporation ("CAPC"), owns several parcels of land for the development and construction of power plant projects. The land of ALVDC, located in Atimonan, Quezon, is intended to be used by A1E for its power plant project while the land of CAPC is held for future power plant project in Calamba, Laguna. A1E is a subsidiary of MGen. GBPC and its subsidiaries own coal and diesel power plants, including several parcels of land and buildings, in the Visayas and Mindanao islands.

Radius, *MERALCO*'s telecommunications subsidiary, has 10,333 kilometers of fiber optic cables and telecommunications infrastructure in certain parts of Metro Manila, Bulacan, Rizal, Cavite, Laguna, Batangas, Pampanga and Cebu.

As of December 31, 2023, MIDC completed the acquisition of 1,194 towers from Globe.

For more information on these properties, see Note 7 – Utility Plant and Others to the accompanying audited consolidated financial statements in Item 7.

The properties of the DUs (*MERALCO* and Clark Electric) are located within the franchise area to efficiently serve their customers. These properties are in good condition, except for ordinary wear and tear, and are adequately insured.

The properties of *MERALCO* and its subsidiaries are free from any mortgage, charge, pledge, lien or encumbrance except for the power plant complex of PHRI, the generation plant and equipment of First Bulacan and the communication towers and the acquired intangibles of MIDC which are pledged as securities for the long-term debt.

The *MERALCO* Group also has various lease contracts as lessee for periods ranging from one (1) year to 30 years covering certain office spaces, payment offices and substation sites and towers. The MERALCO Group incurred rent expense of ₱898 million and ₱790 million for the years ended December 31, 2023 and 2022, respectively.

The *MERALCO* Group has a BOD-approved annual capital expenditure budget which mainly represents planned expenditures for the electric capital projects of the power distribution business, power generation projects, expansion of Radius to new areas and segments, and replacement and additional telecommunication towers and equipment of MIESCOR Group to support its growing business, including that of MIDC. Power generation projects consist of A1E's development of its power plant project in Atimonan, Quezon, and solar power plants including 49 MWac in Cordon, Isabela, 75 MWac in Baras, Rizal and 68 MWac in Ilocos Norte. The distribution utility capital expenditure budget shall address the requirements in areas with large concentration of core customers, correct normal deficiencies in the system, stretch loading limits of *MERALCO* facilities and initiate practical and cost-effective projects to correct system deficiencies. These capital expenditures are financed through funds from operating and financing activities of *MERALCO*.

Legal Proceedings

In accordance with the Securities Regulation Code Implementing Rules and Regulations, the following are the material legal proceedings to which the registrant (also referred to as, *MERALCO*,) or its subsidiary, is a party, or to which any of their property is a subject, including pending claims for damages against the registrant exceeding ten percent (10%) of its current assets:

1. **In the matter of the Joint Application for Approval of the Settlement Agreement between Manila Electric Company ("MERALCO") and National Power Corporation ("NPC"), with Prayer for Provisional Authority, National Power Corporation and Manila Electric Company, Applicants**
   ERC Case No. 2004-109
   (Filed by NPC and MERALCO on April 15, 2004)

This is a joint application filed by MERALCO and the NP C for the approval of their Settlement Agreement ("SA") which resolved their dispute concerning their 10-year Contract for Supply of Electricity ("CSE").

Under the SA, NPC acknowledged and accepted the losses incurred by MERALCO due to NPC's act of serving directly-connected customers in violation of MERALCO's franchise rights, and for transmission line delays affecting MERALCO's Independent Power Producers ("IPPs"). On the other hand, MERALCO shall pay NPC the net settlement amount of ₱14,320 million, representing NPC's minimum charges corresponding to the fixed costs it incurred for the period 2002-2004. Variable costs, such as fuel and similar operating expenses that were not incurred by NPC, were not included in the minimum charge computation.

In a Decision dated May 29, 2012, the RTC-Pasig declared the SA valid and binding, independent of the pass-through for the settlement amount which is reserved for the ERC. The OSG has filed a Notice of Appeal with the RTC-Pasig on June 19, 2012. After both parties filed their respective appeal briefs, the CA rendered a Decision dated April 15, 2014 denying the appeal and affirming the RTC Decision, which declared the SA as valid and binding. The OSG filed a Petition for Review with the SC. On November 10, 2014, MERALCO filed its comment to the Petition. PSALM likewise filed its comment to the Petition. In a Resolution dated July 8, 2015, the SC resolved to serve anew its Resolutions requiring NPC to comment on the Petition. In compliance, NPC submitted its Comment dated September 8, 2015. MERALCO submitted its Motion for Leave to File and to Admit Attached Reply on October 12, 2015. Pursuant to the SC Resolution dated November 11, 2015, the

OSG filed a Consolidated Reply to the comments filed by NPC, MERALCO and PSALM. MERALCO then filed a Motion for Leave to File and to Admit the Attached Rejoinder. The parties have filed their respective memoranda. In a Resolution dated September 28, 2022, the SC denied the Petition filed by the OSG and affirmed the validity of the Settlement Agreement. The implementation of the SA is subject to the approval of the ERC.

MERALCO v. NPC, Power Sector Assets and Liabilities Management Corporation ("PSALM"), and the Republic of the Philippines, represented by the Office of the Solicitor General
S.C.A. Case No. 3392, RTC Pasig City, Branch 71
(Filed on November 23, 2009)

In connection with the SA between MERALCO and NPC, MERALCO filed a petition seeking the declaration by the Regional Trial Court ("RTC")- Pasig that said SA, independent of the pass-through provision which is reserved for approval by the ERC, is valid and binding.

The RTC Pasig rendered a Decision dated May 29, 2012 declaring the SA, independent of the pass-through provision which is reserved for ERC approval, valid and binding. The OSG filed a Notice of Appeal and, in an Order dated June 28, 2012, the RTC Pasig forwarded the records to the Court of Appeals ("CA") for appeal proceedings.

MERALCO v. NPC, PSALM, and the Republic of the Philippines, represented by the Office of the Solicitor General
CA-GR CV No. 99110, Court of Appeals

Republic of the Philippines v. MERALCO v. NPC, PSALM
GR No. 212268, Supreme Court

This is an appeal filed by the OSG questioning the RTC Pasig Decision dated May 29, 2012 which declared the SA valid and binding. In a Notice dated October 16, 2012, the CA required the OSG to file its appeal brief. Acting on a motion for extension filed by the OSG, the CA, in a Resolution dated December 20, 2012, granted the OSG the maximum extension of 90 days, or until March 20, 2013, within which to file its appeal brief. Both parties have submitted their respective appeal briefs. In a Decision dated April 15, 2014, the CA affirmed the validity of the RTC Pasig Decision.

The OSG then filed a Petition for Review with the Supreme Court ("SC") to question the CA Decision. MERALCO and NPC filed their respective comments thereon while the OSG filed its Reply. MERALCO filed a Rejoinder. The parties have filed their respective memoranda.

In a Resolution dated September 28, 2022, the SC denied the Petition filed by the OSG and affirmed the validity of the Settlement Agreement. The OSG filed a Motion for Reconsideration which, as at December 31, 2023, is pending before the SC.

2. In the Matter of the Application for the Approval of the Unbundled Rates Pursuant to the Provision of Republic Act No. 9136, MERALCO, Applicant
ERC Case No. 2001-900 RC
(Filed on October 30, 2001)

In connection with the decision of the SC in G.R. Nos. 166769 and 166818, where the ERC was directed to request the Commission of Audit ("COA") to undertake a complete audit of the books,

records and accounts of MERALCO, the COA submitted its Report No. 2009-01 on the rate audit of the unbundled Charges of MERALCO for calendar years 2004 to 2007 to the ERC.

In an Order dated June 21, 2011, the ERC, acting on the COA Audit Report, resolved to maintain and affirm its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 20, 2003 in the original unbundling case.

National Association of Electricity Consumers for Reforms, Inc. ("NASECORE") filed its motion for reconsideration of the Order, which was opposed by MERALCO. In an Order dated February 4, 2013, the ERC denied NASECORE's motion for reconsideration for lack of merit.

NASECORE v. ERC and MERALCO
C.A.-G.R. SP No. 129052
(Petition dated April 2, 2013)

National Association of Electricity Consumers for Reforms, Inc. (NASECORE) v. Energy Regulatory Commission, Manila Electric Company and the Commission on Audit
G.R. No. 226443
(Petition dated September 30, 2016)

NASECORE filed a Petition for Review before the CA questioning the June 21, 2011 and February 4, 2013 Orders of the ERC. In a Decision dated February 29, 2016, the CA denied the petition filed by NASECORE. NASECORE's motion for reconsideration was denied in a Resolution dated August 18, 2016.

NASECORE then filed a Petition for Review on Certiorari with the SC to assail the CA Decision and Resolution. In a Resolution dated October 11, 2016, the SC directed the respondents to file their comment to the Petition. MERALCO, the OSG for the ERC and the COA have all filed their respective comments.

On June 22, 2017, MERALCO received the Motion for Leave to Intervene and Admit Comment-in-Intervention [Re: Petition dated September 2016] filed by other DUs, such as Clark Electric Distribution Corporation, Dagupan Electric Corporation, Angeles Electric Corporation, Cagayan Electric Power and Light Company, Inc., San Fernando Electric Light and Power Company, Inc., Cabanatuan Electric Corporation, Tarlac Electric, Inc., and Olongapo Electric Distribution Company, Inc., that sought to intervene in the case. In a Resolution dated October 3, 2017, the SC granted the Motion for Leave to Intervene and Comment-in-Intervention.

On November 13, 2019, MERALCO received a Decision dated October 8, 2019 partially granting the Petition filed by NASECORE, which among other things, (i) voided the adoption by the ERC of the current or replacement cost in the valuation of MERALCO's Regulatory Asset Base; and (ii) remanded the case to ERC to determine, within 90 days from finality of the Decision. MERALCO, the DU intervenors and the ERC filed their respective motions for reconsideration. As at December 31, 2023, the motions for reconsideration remain pending before the SC.

3. In the Matter of the Application for Refund of Overcharge (sic) Distribution Rates in the Residential Rates of ₱39 Billion in 2004-2007.
ERC Case No. 2008-092 CC
(Filed by the Applicant on July 15, 2008)

This application was filed against MERALCO by a customer, seeking the refund to residential consumers a total of ₱39 billion on the ground that MERALCO allegedly overcharged its distribution costs (distribution, metering, supply and systems loss charges) for the period of 2004-2007. MERALCO received the Joint Memorandum filed by the NASECORE, Federation of Village Association ("FOVA") and Federation of Las Piñas Village Association ("FOLVA") on October 22, 2008. MERALCO filed its Memorandum on October 24, 2008, while it received the customer's Memorandum on October 28, 2008. On September 14, 2010, the ERC issued a Decision dismissing the case. The customer filed a motion for reconsideration which, as at December 31, 2023, is pending resolution by the ERC.

4. In the Matter of the Application for Approval of: a) MAP for RY 2012; and b) Translation of the MAP for RY 2012 into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2011-088 RC
(Filed on June 21, 2011)

In an Order dated October 3, 2011, the ERC provisionally granted MERALCO's proposed MAP of ₱1.6012 and rate structure. MERALCO started implementing the provisionally approved MAP 2012 in the October 2011 billing month. MERALCO has completed the presentation of its evidence and the parties have submitted their respective memoranda. Hearings for the final approval of the application have been completed and all parties have submitted their respective memoranda.

On April 29, 2022, MERALCO received the consolidated Order dated March 8, 2022 for ERC Case Nos. 2010-069 RC, 2011-088 RC, 2012-054 RC, 2013-056 RC and 2014-029 RC. In said Order, the ERC resolved the true-up of the value of MERALCO's regulatory asset base for the 3rd RP. Based thereon, the ERC adjusted the MAPs for 2012, 2013, 2014 and 2015. The ERC then granted interim relief, which among other things, directed the implementation of a refund of ₱7.8 billion or equivalent to ₱0.2583 per kWh starting MERALCO's next billing period and for an approximate 12-month period as a separate line item in the customers' bill. MERALCO implemented the refund in its May 2022 billing. In a Decision dated June 10, 2022, the ERC made the interim approval under the Order dated March 8, 2022 permanent and directed MERALCO to continue implementing the refund. As at December 31, 2023, the amount has been fully refunded.

5. In the Matter of the Application for Approval of: a) MAP for RY 2013; and b) Translation of the MAP for RY 2013 into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2012 - 054 RC
(Filed on March 29, 2012)

On March 29, 2012, MERALCO filed an application for the verification of its MAP for RY 2013 of ₱1.6333 per kWh and its translation into tariffs by customer category. The public hearings started on May 24, 2012. On June 11, 2012, the ERC released an Order provisionally approving a MAP for RY 2013 of ₱1.6303 per kWh which was reflected starting with the July 2012 customer bills.

On April 29, 2022, MERALCO received the consolidated Order dated March 8, 2022 for ERC Case Nos. 2010-069 RC, 2011-088 RC, 2012-054 RC, 2013-056 RC and 2014-029 RC. In said Order, the ERC resolved the true-up of the value of MERALCO's regulatory asset base for the 3rd RP. Based thereon, the ERC adjusted the MAPs for 2012, 2013, 2014 and 2015. The ERC then granted interim

relief, which among other things, directed the implementation of a refund of ₱7.8 billion or equivalent to ₱0.2583 per kWh starting MERALCO's next billing period and for an approximate 12-month period as a separate line item in the customers' bill. MERALCO implemented the refund in its May 2022 billing. In a Decision dated June 10, 2022, the ERC made the interim approval under the Order dated March 8, 2022 permanent and directed MERALCO to continue implementing the refund. As at December 31, 2023, the amount has been fully refunded.

6. In the Matter of the Application for Approval of: a) MAP for RY 2014; and b) Translation of the MAP for RY 2014 into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2013-056 RC
(Filed on April 1, 2013)

On April 1, 2013, MERALCO filed its application for the approval of its MAP for RY 2014 of ₱ 1.6510 per kWh and the translation thereof into rate tariffs by customer category. On June 10, 2013, the ERC provisionally approved the MAP for RY 2014 of ₱1.6474 per kWh and the rate translation per customer class.

On April 29, 2022, MERALCO received the consolidated Order dated March 8, 2022 for ERC Case Nos. 2010-069 RC, 2011-088 RC, 2012-054 RC, 2013-056 RC and 2014-029 RC. In said Order, the ERC resolved the true-up of the value of MERALCO's regulatory asset base for the 3rd RP. Based thereon, the ERC adjusted the MAPs for 2012, 2013, 2014 and 2015. The ERC then granted interim relief, which among other things, directed the implementation of a refund of ₱7.8 billion or equivalent to ₱0.2583 per kWh starting MERALCO's next billing period and for an approximate 12-month period as a separate line item in the customers' bill. MERALCO implemented the refund in its May 2022 billing. In a Decision dated June 10, 2022, the ERC made the interim approval under the Order dated March 8, 2022 permanent and directed MERALCO to continue implementing the refund. As at December 31, 2023, the amount has been fully refunded.

7. In the Matter of the Application for Approval of: a) MAP for RY 2015; and b) Translation of the MAP for RY 2015 into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2014-029 RC
(Filed on March 31, 2014)

On March 31, 2014, MERALCO filed its application for the approval of its MAP for RY 2015 of ₱1.5562 per kWh and the translation thereof into rate tariffs by customer category. On May 5, 2014, the ERC provisionally approved MERALCO's MAP for RY 2015 of ₱1.5562 per kWh and the rate translation per customer class.

On April 29, 2022, MERALCO received the consolidated Order dated March 8, 2022 for ERC Case Nos. 2010-069 RC, 2011-088 RC, 2012-054 RC, 2013-056 RC and 2014-029 RC. In said Order, the ERC resolved the true-up of the value of MERALCO's regulatory asset base for the 3rd RP. Based thereon, the ERC adjusted the MAPs for 2012, 2013, 2014 and 2015. The ERC then granted interim relief, which among other things, directed the implementation of a refund of ₱7.8 billion or equivalent to ₱0.2583 per kWh starting MERALCO's next billing period and for an approximate 12-month period as a separate line item in the customers' bill. MERALCO implemented the refund in its May 2022 billing. In a Decision dated June 10, 2022, the ERC made the interim approval under the Order dated

March 8, 2022 permanent and directed MERALCO to continue implementing the refund. As at December 31, 2023, the amount has been fully refunded.

8. In the Matter of the Application for Approval of: a) an Interim Average Rate; and b) Translation of the Interim Average Rate into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2015-112 RC
(Filed on June 11, 2015)

On June 11, 2015, MERALCO filed its application for the approval of its proposed Interim Average Rate of ₱1.3939 per kWh and translation thereof into rate tariffs by customer category. On July 10, 2015, the ERC provisionally approved an Interim Average Rate of ₱1.3810 per kWh and the rate translation per customer class, which was reflected in the customer bills starting July 2015. Hearings on the case have been completed.

In a letter dated June 14, 2019, MERALCO advised the ERC that it shall continue implementing the existing ERC-approved interim average rate pending the regulatory reset process. In a letter dated July 4, 2019, the ERC authorized the continued implementation of the interim average rate but directed MERALCO, as well as other distribution utilities, to refund any remaining amount pertaining to regulatory reset cost for the previous regulatory periods. While MERALCO complied with the directive to refund the total amount of ₱263.9 million, equivalent to ₱0.0731 per kWh in its July 2019 billing, it wrote a letter seeking clarification or reconsideration on the basis for the refund of the regulatory reset cost, including the imposition of and basis for the interest computed therein. The refund was included as a separate line item in MERALCO's July 2019 billing to its customers and has been completed. The ERC has yet to reply to MERALCO's letter. However, in a letter dated April 29, 2022, the ERC directed all distribution utilities to submit the schedule of its regulatory reset cost collection remaining balance to date. MERALCO has submitted the information requested by the ERC.

In a Decision dated June 16, 2022, which was received by MERALCO on July 13, 2022, the ERC approved a revised and final IAR of ₱1.3522 per kWh which shall be implemented as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The ERC likewise approved the corresponding distribution rate structure based thereon. MERALCO was authorized to continue implementing the ERC-approved IAR of ₱1.3522 per kWh until otherwise directed. MERALCO implemented the Decision starting its August 2022 billing. The Decision is now final and executory.

9. In the Matter of the Application for Approval of: a) Confirmation of the True-Up Calculation of the Actual Weighted Average Tariff ("AWAT") vis-à-vis ERC-Approved Average Rate Implemented for the Lapsed Regulatory Years; and b) Approval of the Final Refund Scheme to Account for the Lapsed Regulatory Years, with Prayer for Provisional Authority, MERALCO, Applicant.
ERC Case No. 2020-043 RC
(Filed on December 23, 2020)

On December 23, 2020, MERALCO filed an Application for (1) confirmation of the true-up calculation of the Actual Weighted Average Tariff ("AWAT") vis-à-vis ERC-approved average rate for the lapsed regulatory years; and (2) approval of the final refund scheme to account for the lapsed regulatory years. The lapsed regulatory years covered the period from June 30, 2015 to November 2020 when MERALCO implemented the Interim Average Rate ("IAR").

MERALCO prayed that a Decision be rendered:

a. Approving MERALCO's proposed mechanism to address the issue of the rates governing the lapsed period from July 2015 to November 2020 through the true-up mechanism between MERALCO's AWAT and IAR;

b. Confirming MERALCO's resulting calculation of the total amount to be refunded from its customers in the total amount of ₱13.886 million;

c. Approving MERALCO's proposed refund scheme and refund period, within 24 months or until fully refunded, to its customers;

d. Declaring all issues relating to MERALCO's lapsed period (and until a new rate has been determined by the ERC for the next regulatory period), as resolved, closed and terminated with prejudice.

The initial hearing was on February 16, 2021. In an Order dated January 27, 2021, the ERC granted MERALCO provisional authority to implement the refund. The refund will be reflected as a separate line item in the billings to customers. The refund was implemented starting March 2021 billing. Hearings on the case are ongoing.

In an Order dated February 23, 2022, which was received on March 7, 2022, the ERC issued an Order where it expanded the period covered by the refund to include December 2020 to December 2021. As such, MERALCO was directed to refund the total amount of Four Billion Eight Hundred Thirty-Seven Million One Hundred Sixty-Three Thousand and Eight Hundred Forty-Two Pesos (PhP4,837,163,842.00), or an average refund rate of PhP0.1064/kWh, covering the period from December 2020 to December 2021 beginning the billing cycle immediately following receipt of the Order. MERALCO implemented the revised refund rate starting its March 2022 billing.

In a Decision dated June 16, 2022, the ERC approved the application subject to certain conditions and modifications. MERALCO was directed to refund the additional amount of ₱21,769 million, or an average refund rate of ₱0.4790 per kWh, covering the period from July 2015 to June 2022. The refund shall be implemented over approximately 12 months, or until fully refunded. MERALCO implemented the Decision starting its July 2022 billing. As at December 31, 2023, the refund has been completed. Several intervenors have filed their respective motions for reconsideration. MERALCO is awaiting the ERC's resolution of these motions.

10. In Re Petition for Dispute Resolution. MERALCO v. PEMC, National Transmission Corporation (TransCo), NPC and PSALM
ERC Case No. 2008-083 MC
(Filed on September 9, 2008)

PSALM vs. ERC, MERALCO and PEMC
CA GR. SP. No. 132446
(Petition received on October 24, 2013)

PSALM vs. ERC, MERALCO and PEMC
G.R. No. 219977
(Petition received on October 27, 2015)

This is a petition filed by MERALCO for dispute resolution against PEMC, TransCo, NPC and PSALM as a result of the congestion in the transmission system of TransCo arising from the outage of the San Jose-Tayabas 500 kV Line 2 on June 22, 2008, followed by the outage of the 500 kV 600 MVA Transformer Bank #2 of TransCo's San Jose, Bulacan substation on July 11, 2008. The petition seeks, among others, to direct NPC and PSALM to refund the transmission line loss components of the line rentals associated with NPC/PSALM bilateral transactions from the start of WESM operation on June 26, 2006.

In a Decision dated March 10, 2010, the ERC granted MERALCO's petition and ruled that there is double charging of the transmission line cost on MERALCO by NPC for the Transition Supply Contract ("TSC") quantities to the extent of 2.98% loss factor, since the start of the TSC in November 2006. Thus, NPC was directed to refund/collect line rental adjustment to/from MERALCO. In the meantime, the ERC issued an Order on May 4, 2011 allowing PEMC to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the WESM. PEMC has filed its compliance submitting its alternative methodology.

In an Order of the ERC dated June 21, 2012, MERALCO was directed to submit the computation of the amount of the double charging of line loss on a per month basis from June 26, 2006 up to June 2012. On July 4, 2012, MERALCO filed its Compliance to the said Order. Thereafter, the ERC issued an Order directing the parties to comment on MERALCO's submissions.

In an Order dated March 4, 2013, the ERC approved the methodology proposed by MERALCO and PEMC in computing the double charged amount on line losses by deducting 2.98% from the NPC-TOU amount. Accordingly, the ERC determined that the computed double charge amount to be collected from NPC is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the NPC-TOU rates imposed on MERALCO. In this regard, NPC was directed by the ERC to refund said amount by remitting to MERALCO the equivalent amount of ₱73.944 million per month until the over-recoveries are fully refunded. In said Order, the ERC likewise determined that the amount to be collected from the Successor Generating Companies ("SGCs") is ₱4.7 billion. Additionally, MERALCO was directed to file a petition against the following SGCs: MPPCL APRI, TLI, SMEC and SCPC, within 30 days from receipt thereof, to recover the line loss collected by them. On April 30, 2013 and May 8, 2013, PSALM and NPC, respectively, filed motions seeking reconsideration of the March 4, 2013 Order. MERALCO filed a motion seeking for an additional 15 days from its receipt of the ERC's Order resolving its Motion for Clarification, within which to file its Petition against the SGCs.

In an Order dated July 1, 2013, the ERC issued the following clarifications/resolutions: 1) SPPC should be included as one of the SGCs against whom a petition for dispute resolution should be filed by MERALCO; 2) Amount to be refunded by NPC is not only ₱5.2 billion but also the subsequent payments it received from MERALCO beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its TOU rates and Petition to be filed by MERALCO against the SGCs should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its TOU rates. ; 3) "SCPC Ilijan" pertains to SPPC instead. Thus, the refundable amount of ₱706 million pertaining to "SPPC Ilijan" should be added to SPPC's refundable amount of ₱1.1 billion; 4) Grant the "Motion for Extension" filed by MERALCO and directed MERALCO to file a petition against the following SGCs: MPPCL, APRI, TLI, SMEC, SCPC and SPPC, otherwise, it shall be the one liable to refund the subject amount to its customers; and 5) deny the respective "Motions for Reconsideration" filed by NPC and PSALM.

On October 24, 2013, MERALCO received PSALM's Petition for Certiorari with the Court of Appeals (With Urgent Temporary Restraining Order and/or Writ of Preliminary Mandatory Injunction Applications) to question the March 4, 2013 and July 1, 2013 Orders of the ERC. In a Resolution dated December 29, 2013, the CA directed MERALCO to submit its Comment on the Petition for Certiorari and to show cause why the prayer for the Application for Temporary Restraining Order and/or Preliminary Injunction should not be granted ("Comment and Opposition").

On February 3, 2014, MERALCO filed a Comment with Opposition to the Application for Temporary Restraining Order or Writ of Preliminary Injunction dated January 30, 2014. PEMC filed a Comment and Opposition Re: Petition for Certiorari with Urgent Temporary Restraining Order and/or Writ of Preliminary Mandatory Injunction dated January 6, 2014.On June 4, 2014, the CA issued a Resolution directing the parties to submit their simultaneous memoranda within 15 days from notice. On December 1, 2014, the CA issued a decision dismissing the Petition for Certiorari filed by PSALM against the ERC, MERALCO and PEMC and affirming ERC's ruling on the refund of the ₱5.2 billion of transmission line losses double charged by PSALM and NPC. On January 30, 2015, PSALM filed its MR of the December 1, 2014 Decision of the CA. MERALCO has filed its Opposition to the MR. In a Resolution dated August 11, 2015, the CA denied PSALM's MR.

On October 27, 2015, MERALCO received PSALM's Petition for Review with the SC. The Petition has been given due course and the parties have filed their respective memoranda. As at December 31, 2023, MERALCO is still awaiting further action of the SC on the Petition.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SMEC and SCPC
ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SMEC and SCPC in compliance with the March 4, 2013 and July 1, 2013 Orders of the ERC. Said Petition sought the following reliefs: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion inclusive of the ₱758 million line loss amount for the period September 2012 to June 25, 2013, from said SGCs; and 2) approval of MERALCO's proposal to correspondingly refund to its customers the aforementioned line loss amounts, and when the same are received from the SGCs, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund to the computed monthly generation rate. On September 20, 2013, MERALCO received the SGCs' Joint Motion to Dismiss. On October 7, 2013, MERALCO filed its Comment on the said Joint Motion. MERALCO is awaiting the ERC's resolution of the SGCs' Joint Motion to Dismiss.

On October 8, 2013, MERALCO received the SGCs Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties' respective pre-trial briefs, until the final resolution of the SGC's Joint Motion to Dismiss. On October 11, 2013, MERALCO filed its pre-trial brief. On October 14, 2013, MERALCO filed its Opposition to the SGC's Manifestation and Motion. On October 24, 2013, MERALCO received the SGC's Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, MERALCO filed its Rejoinder. Thereafter, the SGC's filed their Sur-Rejoinder dated November 4, 2013. As at December 31, 2023, the Joint Motion to Dismiss is pending resolution by the ERC.

11. Bayan Muna Representatives Neri Javier Colmenares and Carlos Isagani v. ERC
NASECORE, et. al. v. MERALCO and ERC
SC G.R. Nos. 210245 and 210255
Filed: December 19, 2013

On December 19, 2013, several party-list representatives in Congress filed a Petition docketed as G.R. 210245 before the SC questioning the ERC's approval of MERALCO's proposed staggered recovery of the increase in generation charge for the November 2013 supply month, allegedly for lack of due process. The increase in the generation charge was from ₱5.6673 per kWh in the November 2013 billing to ₱9.1070 per kWh for the December 2013 billing which MERALCO proposed to recover in three (3) tranches. A similar Petition was filed on December 20, 2013 challenging MERALCO's automatic rate adjustments and increases, also allegedly for lack of due process. This Petition was docketed as G.R. 210255. Both Petitions prayed for the issuance of Temporary Restraining Order ("TRO") and Writ of Preliminary Injunction pending resolution of the case.

On December 23, 2013, the SC issued an Order consolidating the two (2) Petitions and granting the application for TRO effective immediately and, for 60 days, enjoining (1) ERC, its agents, representatives, or persons acting in its place and stead, from implementing its December 9, 2013 Order and acting further on the letter – request of MERALCO dated December 5, 2013; and (2) MERALCO, its agents, representatives, or persons acting in its place and stead, from increasing the rates it charges to its consumers based on the matters it raised in its December 5, 2013 letter. Said Order likewise set the cases for oral arguments on January 21, 2014 and required respondents ERC and MERALCO to file their respective Comments on the cases. On January 8, 2014, MERALCO filed its Consolidated Comment/Opposition with Counter-Petition.

On January 2, 2014, the OSG filed a Manifestation with Motion praying that it be excused from filing a comment on behalf of ERC and DOE. In keeping with the spirit and intent of the SC, MERALCO maintained the pass-through charges at the November 2013 billing level for its January 2014 billing to customers.

On January 9, 2014, MERALCO received copies of the ERC's Comment and the Philippine Electric Power Operators Association's ("PEPOA") Comment-in-Intervention. On even date, MERALCO received an Order from the SC which directed the Petitioners in said case to implead the PEMC and [some] Suppliers with whom MERALCO has existing Power Supply Agreements ("PSAs"), namely, Sem-Calaca Power Corporation, Masinloc Power Partners Corporation, Therma Luzon Inc., San Miguel Energy Corporation, South Premiere Power Corporation, and Therma Mobile, Inc., as necessary parties to the case. Consequently, these additional respondents were required (i) to file their respective Comments on the Petitions no later than January 20, 2014 and (ii) to attend the preliminary conference set on January 13, 2014, or to file, on or before January 10, 2014, the necessary manifestation should they desire to waive their right to participate in the scheduled oral arguments on January 21, 2014. Incidentally, the SC also denied in said Order the OSG's motion to be excused from filing Comment/s in behalf of the ERC and DOE. Accordingly, it was directed to file the necessary Comment/s and attend the preliminary conference.

On January 10, 2014, MERALCO received a related Petition for Certiorari, Prohibition and Mandamus filed before the SC by Rep. Hicap (Anak Pawis), et. al, docketed as G.R. No. 210334.

On January 15, 2014, the SC issued an Advisory, which identified the issues, and outlined the procedure, for the oral arguments in G.R. Nos. 201245 and 210255 on January 21, 2014. The SC likewise acknowledged therein that the issues may involve technical matters, thus, it directed the DOE Secretary, the Chairman of ERC and the President of PEMC to serve as resource persons for technical questions.

On January 20, 2014, MERALCO received GN Power Mariveles Coal Plant Ltd. Co.'s ("GMCP"), National Grid Corporation of the Philippines' ("NGCP"), and PEMC's Comments in the SC cases.

On January 21, 2014, MERALCO received Manifestations and Urgent Motions from Anak Pawis, et. al. On even date, MERALCO received another related Petition, dated January 16, 2014, which was filed before the SC by Mr. Augusto L. Syjuco, Jr. in his capacity as taxpayer and MERALCO customer. During the January 21, 2014 hearing, the SC, among other things, set the cases for additional hearings on February 4 and 11, 2014.

On January 24, 2014, a copy of Therma Mobile, Inc. ("TMO") and Therma Luzon, Inc.'s ("TLI") Consolidated Comment has been posted on the SC's website. On January 29, 2014, MERALCO received a copy of the PSALM"s Consolidated Comment on the Petitions (docketed as G.R. Nos. 210245 and 210255) and MERALCO's Counter-Petition. Thereafter, or on January 30, 2014, MERALCO received Panasia Energy, Inc.'s Comment that prays for the dismissal of the Petitions and Counter-Petition in the SC cases.

Oral arguments on the cases were continued on February 4 and 11, 2014. MERALCO presented its position and was interpellated thereon by the SC. Therein, the SC clarified that the TRO only covered the December 2013 billing of MERALCO. During the February 11, 2014 hearing, the other respondents, including Department of Energy ("DOE"), ERC, PEMC, TMO, NGCP, and PSALM, presented their respective positions before the SC. The parties have filed their respective memoranda.

In the meantime, on January 30, 2014, MERALCO filed an Urgent Motion with Manifestation with the ERC. MERALCO manifested that certain statements were made that there have been gross violations of WESM rules and regulations as well as protocols on generation offers and plant dispatch by certain WESM participants which affected the market clearing prices. MERALCO prayed for the issuance of an Order: (a) directing PEMC to conduct market re-runs or re-calculations of WESM transactions and dispatches, or determine substituted prices or undertake any other appropriate measures to determine and recalculate the true cost of electricity in the WESM, during the November to December 2013 supply months (MERALCO's December 2013 to January 2014 billing months) under such rules or guidelines as the ERC may deem appropriate and (b) directing MERALCO to subsequently recalculate its pass-through generation charges for the November to December 2013 supply months (MERALCO's December 2013 to January 2014 billing months) based on the proper applicable prices for transactions in the WESM during the aforementioned months as so determined by the ERC based on the results of the market re-runs and/or re-calculations. This re-run is without prejudice to such action or decision the ERC may take following compliance of its investigation on whether or not there were acts committed by electric industry participants during the subject period which constitute anti-competitive practices, market power abuse, violation of any law or rules and regulations, or any failure of market competition. MERALCO then filed an Urgent Ex-Parte Motion (to Set for Hearing and/or Resolve the Omnibus Motion) on February 5, 2014 praying that its Urgent Motion with Manifestation be immediately set for hearing and resolved. Both pleadings were noted by the ERC in its Order dated February 12, 2014.

On February 18, 2014, the SC extended the TRO for another 60 days, or until April 22, 2014, and expanded the coverage to include the generation companies, PEMC and NGCP to enjoin them from collecting from MERALCO. In its Resolution dated April 22, 2014, the SC extended the TRO indefinitely.

In a Decision promulgated on August 3, 2022, the SC affirmed the December 9, 2013 ERC letter approving MERALCO's proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the ERC March 3, 2014 Order which voided the Luzon WESM prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The ERC and the petitioners filed motions for reconsideration which

were denied with finality in the SC Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, MERALCO filed a letter with the ERC on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. In a letter dated December 11, 2023, the ERC invited MERALCO and IEMOP to a meeting on January 4, 2024 to discuss its proposed implementation of the Decision. In a letter dated 12 March 2024, as directed by the ERC, MERALCO and IEMOP informed the ERC that it has jointly determined the amounts to be collected by IEMOP from MERALCO with respect to the November and December 2013 supply periods.

ATTY. ISABELO JOSEPH P. TOMAS II, in his capacity as the Investigating Officer of the Investigatory Unit Constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 v. Manila Electric Company (MERALCO) and Therma Mobile, Inc. (TMO)
ERC Case No. 2015-025 MC
Complaint dated May 9, 2015

Manila Electric Company v. Energy Regulatory Commission and Director Alfredo R. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulatory Commission
CA-G.R. SP No. 152612
(consolidated with the Petitions filed by TMO and APRI docketed as CA-GR SP Nos. 152588 and 152613)
Petition filed on September 19, 2017

Energy Regulatory Commission v. Therma Mobile, Inc., Manila Electric Company, and AP Renewables, Inc.
G.R. Nos. 244449 and 244455-56

On December 26, 2013, the ERC constituted the Investigating Unit ("IU") under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the WESM during the supply months of November 2013 and December 2013. MERALCO participated in the proceedings and submitted a Memorandum.

An investigating officer of the IU filed a Complaint dated May 9, 2015 against MERALCO and TMO for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the EPIRA and Rule 11, Section 1 and 8(e) of the EPIRA IRR. In an Order dated June 15, 2015 the ERC directed MERALCO to file its comment on the Complaint. MERALCO and TMO have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the ERC directed the investigating officer to file his reply to MERALCO. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the ERC promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the

commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the ERC set the pre-trial conference on August 18, 2016 and required MERALCO and TMO to submit their respective pre-trial briefs. However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs.

In the meantime, MERALCO likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by TMO in its Manifestation and Motion filed on July 28, 2016. MERALCO maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission ("PCC") which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, MERALCO filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the ERC denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. MERALCO filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the ERC denied the motion to dismiss and asserted jurisdiction over the Complaint. MERALCO filed its MR to the Order on February 23, 2017. In an Order dated June 20, 2017, the ERC denied the MR. On September 19, 2017, MERALCO filed a Petition for Certiorari with the CA. In a Resolution dated October 2, 2017, the CA required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. MERALCO was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the ERC stated that it is a nominal party in the case as the quasi-judicial tribune that issued the assailed ordinances. The IU filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the OSG informed the CA that it will no longer represent the IU and will instead participate as "tribune of the people". In the meantime, TMO also filed a separate Petition for Review on Certiorari with the CA. In a Resolution dated January 10, 2018, the CA ordered the consolidation of the petitions of TMO and MERALCO. In a Decision dated May 23, 2018, the CA denied the consolidated Petitions filed by MERALCO, TMO, and APRI, and ruled that the jurisdiction to resolve the IU cases remains with the ERC because the Philippine Competition Act ("PCA") does not apply retroactively.

On June 20, 2018, MERALCO filed an MR with the CA. The ERC likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the PCC over cases involving alleged anti-competitive conduct supposedly because the PCA did not repeal Section 45 of the EPIRA.

In a January 28, 2019 Resolution, the CA denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the PCC now holds original, exclusive, and primary jurisdiction over all competition-related cases, the CA reiterated its view that the PCA has no retroactive effect. The ERC elevated the CA Decision to the SC. MERALCO, TMO and APRI have all filed their respective manifestations before the SC. In a Resolution dated September 29, 2021, the SC affirmed the CA in that the ERC had jurisdiction over these cases as they were filed before the

enactment of the PCA. However, the SC did not rule on whether the PCC and the ERC now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the ERC called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, MERALCO filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the SC. The ERC then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. MERALCO filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (A) Resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (B) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the ERC stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the ERC will first resolve MERALCO's motions. The ERC also issued an open court order denying the motion of the ERC IU that the case be resolved through the submission of the position papers and other supporting documents. The ERC IU filed a Motion for Reconsideration to which MERALCO filed an opposition. MERALCO is awaiting further action by the ERC on the matter.

12. Recovery of the Differential Generation Charge for the December 2013 supply month
ERC Case No. 2014-013 RC
(Filed on February 17, 2014)

In the light of the clarification of the SC that the TRO in G.R. Nos. 210245 and 210255 only covered the December 2013 billing, MERALCO filed an Application, with a prayer for provisional authority, on February 17, 2014 with the ERC to recover the incremental generation charge for the December 2013 supply month (January 2014 billing), docketed as ERC Case No. 2014-013RC. This represented the difference between the actual and billed generation charge for the January 2014 billing. The Application prayed that MERALCO be allowed: (a) to impose an incremental generation charge of ₱0.8440 per kWh on its customers in their March 2014 billing, until the total incremental fuel costs amounting to ₱2.0 billion is fully recovered, and (b) to recover the remaining balance of the deferred generation costs equivalent to ₱0.7433 per kWh every month, for an additional period of five (5) months starting April 2014 billing until the balance of ₱9.0 billion is fully recovered, without prejudice to the resolution of G.R. Nos. 210245 and 210255 by the SC or MERALCO's pending Omnibus Motion with Manifestation in ERC Case No. 2013-092 MC, or the findings of the ERC's Investigation Unit in ERC Case No. 2014-001 MC.

Subsequently, on March 11, 2014, MERALCO received the ERC's Order dated March 3, 2014 in ERC Case No. 2014-021 MC, declaring the Luzon WESM prices as void during the November and December 2013 supply months and imposing regulated prices in lieu thereof.

The regulated prices shall be calculated based on the load weighted average of the ex-post nodal energy prices and meter quantity of the same trading interval that have not been administered covering the period December 26, 2012 to September 25, 2013, subject to the payment to the oil-based plants of additional compensation to cover their full fuel and variable operating and maintenance costs, if warranted, following the manner and procedure for computing additional compensation under the Administered Price Determination Methodology.

PEMC was directed to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained, unless otherwise ordered by the Commission, in compliance to the TRO issued by the SC in G.R. No. 21024 and G.R. No. 210255.

PEMC made recalculations based on the afore-quoted Order and on March 18, 2014, MERALCO received a copy of WESM billing adjustments to adjust the WESM bill for the regulated prices for the December 2013 supply month.

On March 19, 2014, Representatives Walden F. Bello and Ibarra M. Gutierrez III filed a Motion to Dismiss praying that MERALCO's Application be dismissed, or at the very least, the proceedings be suspended pending submission by PEMC of the revised WESM Bills for the December 2013 supply month.

On March 25, 2014, MERALCO filed an Amended Application pursuant to the ERC Order and the recalculation made by PEMC of the December 2013 supply month bills.

On April 1, 2014, the ERC released an Order directing MERALCO to file its Comment on the Motion to Dismiss. On April 7, 2014, MERALCO filed its Comment on said Motion. On April 10, 2014, Congressmen Neri Colmenares, Carlos Isagani Zarate, former Congressman Teodoro Casino, Renato Reyes, Dr. Giovanni Tapang, Elmer Labog and Francisco Mariazeta III filed a Supplemental Opposition to MERALCO's Amended Application.

On April 23, 2014, the ERC released an Order setting the case for hearing on May 26, 2014 and directing MERALCO to comply with the jurisdictional requirements. On the same date, the ERC likewise released an Order directing MERALCO to file its Comment on the Petitions for Intervention and Supplemental Opposition to its amended application filed by the Intervenors. On May 14, 2014, MERALCO filed its Consolidated Comment. On May 20 and 21, 2014, Mr. Robert F. Mallillin and PEMC, filed their Petitions for Intervention, respectively. On May 21, 2014, MERALCO filed its Pre-trial Brief. On May 26, 2014, MERALCO submitted its Compliance with the jurisdictional requirements to the ERC. On June 5, 2014, Mr. Uriel G. Borja filed his Petition for Intervention.

During the hearing on May 26, 2014, the ERC resolved to suspend further hearings on the case in view of the following: (i) filings of the parties in the case, i.e., Motion to Dismiss, Supplemental Opposition to Amended Application etc; (2) indefinite extension of the TRO by the SC; and (3) pendency of the ERC case on the regulated WESM prices for the November and December 2013 supply months. According to the ERC, it will just issue an Order after the pending issues in the case have been resolved.

13. SMEC, SPPC, SPDC, SMC Powergen and Petron v. ERC and PEMC,
SNAP-Magat and SNAP-Benguet v. ERC and PEMC
1590 v. ERC and PEMC
APRI v. ERC, Team Energy v. ERC and PEMC
Sem Calaca v. ERC and PEMC
MPPCL v. ERC
TLI v. ERC
TMO v. ERC
Northwind v. ERC
CA-GR SP No. 133506, 138056, 138105, 138120, 138121, 138151, 138188, 138223, 138272, 138470
Court of Appeals

ERC v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind
S.C. GR No. 246621-30
Supreme Court

MERALCO v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind
S.C. GR No. 247352-61
Supreme Court

After the ERC issued its Order dated March 3, 2014 in ERC Case No. 2014-021 MC, declaring the Luzon WESM prices as void during the November and December 2013 supply months and imposing regulated prices in lieu thereof, and the subsequent Order dated October 15, 2014 denying their motions for reconsideration, generating companies appealed the Orders to the CA.

In a Decision dated November 7, 2017, the CA granted the consolidated petition and set aside the ERC orders which were declared null and void. The Decision reinstated and declared valid WESM Prices for the November and December 2013 supply months.

The ERC and MERALCO filed their respective motions for reconsideration. Several consumers likewise filed their own motions to intervene and motions for reconsideration. In a Resolution dated March 29, 2019, the CA denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

On June 14, 2019, MERALCO filed a Petition for Review on Certiorari with the SC assailing the CA Decision and Resolution. MERALCO is awaiting further action of the SC on the Petition.

The ERC filed a separate Petition with the SC assailing the CA Decision and Resolution. In a Resolution dated September 11, 2019, the SC required the respondents to file their comment to the Petition. The respondents have filed their respective comments.

In a Resolution dated November 4, 2020, the SC consolidated ERC's and MERALCO's petitions and transferred MERALCO's petition to the member-in-charge of ERC's petition which was the lower-numbered case. The case remains pending with the SC.

14. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2016, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2015-016 RC
(Filed on February 9, 2015)

Since the ERC has yet to issue the rules governing the reset for the Fourth Regulatory Period, MERALCO needed to secure approval of its CAPEX program before the end of the 3rd Regulatory Period on June 30, 2015. In view thereof, and pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act, MERALCO, on February 9, 2015, filed an application for approval of authority to implement its CAPEX program for RY 2016 (July 1, 2015 to June 30, 2016).

On April 10, 2015, MERALCO filed an Urgent Motion for Issuance of a Provisional Authority ("Urgent Motion") dated April 8, 2015 requesting that it be allowed to immediately implement its

priority projects, the list of which was attached to said Urgent Motion. In said Urgent Motion, MERALCO begged the kind indulgence of the ERC to consider the issuance of a provisional authority for certain urgent projects that must be implemented by the start of the first half of RY 2016, or from July 1, 2015 to December 31, 2015, in order to upgrade the capacity and maintain the robustness of its distribution infrastructure and ensure the continuous provision of safe and reliable service to its customers.

On April 15, 2015, MERALCO filed a Motion of even date attaching a detailed list showing a further breakdown of the projects into business segments especially those that are shared by different business segments. Such list allows for a better appreciation and functional cross-checking, especially with the total costs per major or residual project.

In an Order dated April 20, 2015, the ERC set the instant Application for initial hearing on May 26, 2015. After said hearing, subsequent hearings were held on June 25, 2015, July 16, 2015, August 5, 2015 and September 30, 2015. On September 30, 2015, the parties completed the presentation of their evidence, and the ERC required MERALCO to submit certain documents. With MERALCO's compliance to said directive and the submission by the parties of their respective Formal Offer of Evidence ("FOE"), the case is submitted for resolution.

In the meantime, the 4th regulatory period started on July 1, 2015. Prior thereto, or on June 11, 2015, MERALCO filed a Very Urgent Motion for Authority to Commence Implementation of RY 2016 priority projects with an attached list of the RY 2016 priority projects ("Very Urgent Motion"). These projects consist of 12 major projects amounting to ₱2.2 billion, and residual projects amounting to ₱6.1 billion, for a total of ₱8.3 billion. In an Order dated June 19, 2015, the ERC set the Very Urgent Motion for hearing on June 25, 2015 and the intervenors were given the opportunity to state their various positions on the Very Urgent Motion.

On August 3, 2015, MERALCO also wrote the ERC a letter stating its dire need for guidance on how to move forward in relation to its Application.

On September 2, 2015, MERALCO again filed a Very Urgent Motion to Resolve emphasizing on the urgency to implement its CAPEX projects to ensure reliability and quality of service and avoid further delays. On October 5, 2015, MERALCO filed its FOE.

In a Manifestation dated February 2, 2016, MERALCO informed the ERC that it was constrained to implement four (4) of its proposed major CAPEX projects subject of this Application. On June 15, 2016, MERALCO received a copy of the ERC Decision dated April 12, 2016 which partially approved MERALCO's CAPEX program for RY 2016 amounting to ₱15.4 billion, subject to certain conditions. An intervenor has filed a Motion for Reconsideration of the Decision which is pending before the ERC. On July 25, 2016, MERALCO has filed its opposition to the Motion for Reconsideration. As at December 31, 2023, the ERC has yet to rule on the Motion for Reconsideration.

15. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2017, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2016-017 RC
(Filed on March 8, 2016)

On March 8, 2016, MERALCO filed an application for approval of authority to implement its CAPEX program for RY 2017 (July 1, 2016 to June 30, 2017) pursuant to Section 20(b) of

Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. On July 26, 2016, MERALCO received the Order dated May 5, 2016, granting MERALCO provisional authority to implement the nine (9) major projects and 37 residual projects, subject to certain conditions. On August 16, 2016, MERALCO filed a Motion for Partial Reconsideration on the requirement to submit an accounting of the depreciation fund. Hearings on the application have been completed. On September 14, 2016, MERALCO filed a Motion for Resolution. Subsequently, on April 25, 2017, MERALCO filed a Very Urgent Motion for Resolution of the application. Thereafter, on October 18, 2017, MERALCO filed a Manifestation and Urgent Motion for Resolution. On November 9, 2017, MERALCO filed a Manifestation with Third Urgent Motion to Resolve the Application. MERALCO is awaiting the final decision of the ERC.

In the meantime, MERALCO filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC.

In compliance with the directive of the ERC to provide additional data to assist in the evaluation of the Application, MERALCO filed its Compliance on February 17, 2020.

16. In the Matter of the Application for Approval of Emergency and/or Urgent Major Capital Expenditure (CAPEX) Projects, Manila Electric Company, Applicant
ERC Case No. 2016-161 RC
(Filed on August 15, 2016)

On August 15, 2016, MERALCO refiled several projects that were deferred in the RY 2016 CAPEX Application. On August 16, 2017, MERALCO filed its FOE. In an Order dated June 18,2019, the ERC required additional data from MERALCO. MERALCO filed its Compliance on August 5, 2019. In a Decision dated January 28, 2020, the ERC approved the application. With respect to MERALCO's motion to withdraw one (1) of the projects (for the acquisition of 115 kV line and 115 kV switchyard at the Navotas Fish Port Complex), the ERC likewise granted the withdrawal.

17. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2018, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2017-027 RC
(Filed on April 3, 2017)

On April 3, 2017, MERALCO filed an application for approval of authority to implement its CAPEX program for RY 2018 (July 1, 2017 to June 30, 2018) pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. Hearings have been completed and MERALCO is awaiting the final decision of the ERC. In the meantime, MERALCO filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC. In compliance with the directive of the ERC to provide additional data to assist in the evaluation of the Application, MERALCO filed its Compliance on February 17, 2020. In an Order dated June 5, 2020, MERALCO was directed to submit additional information regarding certain projects. On September 1 , 2020, MERALCO filed its Partial Compliance and Manifestation with Motion for Extension. On November 3, 2020, MERALCO filed its Manifestation and Urgent Motion for Resolution and is awaiting final ERC decision.

18. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2019, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2018-032 RC
(Filed on April 30, 2018)

On April 30, 2018, MERALCO filed an application for approval of authority to implement its ₱ 21.0 billion CAPEX program for RY 2019 (July 1, 2018 to June 30, 2019) pursuant to the Public Service Act. Hearings on the case are ongoing. In the meantime, MERALCO filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC. In an Order dated June 5, 2020, MERALCO was directed to submit additional information regarding certain projects. On September 1, 2020, MERALCO filed its Partial Compliance and Manifestation with Motion for Extension. On November 3, 2020, MERALCO filed its Manifestation and Urgent Motion for Resolution and is awaiting final decision.

19. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2020, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2019-050 RC
(Filed on July 1, 2019)

On July 1, 2019, MERALCO filed an application for approval of authority to implement its ₱15.5 billion CAPEX program for RY 2020 (July 1, 2019 to June 30, 2020) pursuant to the Public Service Act. Hearings on the case are ongoing. In the meantime, MERALCO filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC.

20. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2021, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2020-028 RC
(Filed on September 28, 2020)

On September 28, 2020, MERALCO filed an application for approval of authority to implement its ₱20.7 billion CAPEX program for RY 2021 (July 1, 2020 to June 30, 2021) pursuant to the Public Service Act. Hearings have been completed. MERALCO has filed its Formal Offer of Evidence and is awaiting final resolution of the ERC.

21. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2022, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2021-060 RC
(Filed on July 27, 2021)

On July 27, 2021, MERALCO filed an application for approval of authority to implement its ₱24.6 billion CAPEX program for RY 2022 (July 1, 2021 to June 30, 2022) pursuant to the Public Service

Act. Hearings have been completed. MERALCO has filed its Formal Offer of Evidence and is awaiting final resolution of the ERC.

22. Bayan Muna Chairman Neri Colmenares and Bayan Muna Representative Carlos Zarate v. Department of Energy, et al.,
G.R. No. 248887
Supreme Court En Banc
Petition dated September 5, 2019

Bayan Muna Chairman Neri Colmenares and Representative Carlos Zarate filed a Petition for Certiorari and Prohibition with Application for the Issuance of a Writ of Preliminary Injunction and/or TRO dated September 5, 2019 before the SC against the DOE, MERALCO, and other DUs with published competitive selection process ("CSP") bids in the DOE website.

Petitioners seek to: (a) nullify the DOE Department Circular No. 2018-02-003 ("2018 DOE Circular") or, in the alternative, nullify Section 16.1 and the provisions related thereto or resulting therefrom; (b) prohibit DUs from implementing the CSP under the 2018 DOE Circular; (c) restrain the implementation of the 2018 DOE Circular pending the resolution of the Petition. Petitioners claim that the 2018 DOE Circular, which repealed DOE Department Circular 2015-06-0008 ("2015 DOE Circular"), is void for violating various policies and provisions intended to protect consumers under the EPIRA and under the Constitution. On December 17, 2019, MERALCO filed its Comment to the Bayan Muna Petition. MERALCO is awaiting further action of the SC on this matter.

23. MERALCO v. DOE and ERC
Special Civil Action No. 4149-PSG
For: Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction
(Filed on May 27, 2016)

On May 27, 2016, MERALCO filed a Petition before RTC Pasig, praying that: (a) a TRO and subsequently a Writ of Preliminary Injunction ("WPI") enjoining the DOE and ERC from implementing the Assailed Rules be issued; and the Assailed Rules be declared null and void for being contrary to the EPIRA and its IRR. In an Order dated June 13, 2016, RTC Pasig granted a 20-day TRO, which became effective on June 16, 2016 In an Order dated July 13, 2016, RTC Pasig granted a WPI, which became effective on July 14, 2016, and shall be effective for the duration of the pendency of the Petition.

DOE v. RTC Pasig and MERALCO
G.R. No. 226800

In relation to the WPI issued by the RTC-Pasig, the DOE filed a Petition before the SC. On October 10, 2016, the SC, issued a TRO that restrained, MERALCO, the RTC-Pasig, their representatives, agents or other persons acting on their behalf from continuing the proceedings before the RTC-Pasig, and from enforcing all orders, resolutions and decisions rendered in Special Civil Action No. 4149 until the petition before the SC is finally resolved. In a Resolution dated November 9, 2016, the SC denied MERALCO's motion for reconsideration of the October 10, 2016 resolution. The case remains pending before the SC.

ERC v. RTC Pasig and MERALCO
G.R. No. 225141

In relation to the WPI issued by the RTC Pasig, the ERC filed a Petition before the SC. On November 2, 2016, the SC issued a Resolution dated September 26, 2016, which partially granted the ERC Petition. While the SC allowed the RTC Pasig to proceed with the principal case of declaratory relief, it nonetheless issued a Preliminary Mandatory Injunction ("PMI") against RTC Pasig to vacate the preliminary injunction it previously issued, and Preliminary Injunction ("PI") ordering the RTC Pasig to refrain issuing further orders and resolutions tending to enjoin the implementation of EPIRA. On November 14, 2016, MERALCO filed a Motion for Partial Reconsideration with Very Urgent Motion to lift PMI/PI.

On November 24, 2016, the ERC promulgated a resolution moving the contestability date of end users with an average monthly peak demand of at least one (1) MW from December 31, 2016 to February 26, 2017.

On January 17, 2017, MERALCO, through counsel, received a SC Resolution dated December 5, 2016, which consolidated the SC DOE Petition with the SC ERC Petition. The same resolution also denied the Motion for Partial Reconsideration filed by MERALCO.

PCCI, et. al. v. DOE and ERC
G.R. No. 228588

In relation to the ERC and DOE Petitions, a separate Petition for Certiorari, Prohibition and Injunction was filed by several institutional customers. In said Petition, said customers sought to declare as null and void, as well as to enjoin the DOE and ERC from implementing DOE Circular No. 2015-06- 0010, Series of 2015, ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016. Acting on the Petition, the SC en banc through a Resolution dated February 21, 2017, issued a TRO enjoining the DOE and the ERC from implementing DOE Circular No. 2015-06- 0010, Series of 2015, ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016. Pursuant to the foregoing, PEMC has taken the position that the TRO enjoined the voluntary contestability of 750 kW to 999 kW customers and has not allowed them to switch to the contestable market. The DOE, in a press release, has advised that it is in the process, together with PEMC and ERC, of drafting a general advisory for the guidance of RCOA stakeholders. The PCCI petition was consolidated with two (2) other separate petitions filed by an educational institution and several distribution utilities. The DOE and ERC have also filed a consolidated comment on these petitions.

On November 29, 2017, the DOE issued two (2) DOE Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of Retail Competition and Open Access ("RCOA") for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of Retail Competition and Open Access (RCOA) for Retail Electricity Suppliers (RES) in the Philippine Electric Power Industry. The DOE Circulars became effective on December 24, 2017.

Under the Department Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under RCOA-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 kW to 749 kW for the preceding 12 months and demand aggregation for electricity end-users within a contiguous area with an aggregate average peak demand of not less than 500 kW for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 3, 2020, the ERC promulgated ERC Resolution No. 12, Series of 2020, entitled, A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access

(RCOA). The ERC, among other things, expanded the coverage of RCOA for end-users with an average monthly peak demand of at least 500 KW in the preceding 12 months, on a voluntary basis.

On September 24, 2021, the SC issued a Decision which granted the Petition and declared DOE Circular No. 2015-06-0010 and ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016 void for lack of legal basis. The ERC was also directed to promulgate the supporting guidelines to DOE Circular No. DC 2017-12-0013 and DC 2017-12-0014.

24. In Re: Draft Regulatory Asset Base (RAB) Roll Forward Handbook for Privately Owned Electric Distribution Utilities (DUs)
ERC Case No. 2016-003 RM

In a Notice dated November 15, 2016, the Honorable Commission approved the draft "Regulatory Asset Base ("RAB") Roll Forward Handbook for Privately Owned Electricity Distribution Utilities (DUs)" (RAB Handbook) for posting in its website. All interested parties were given until December 19, 2016 to submit their respective comments to the draft RAB Handbook. Thereafter, during the public consultation on January 9, 2017, the parties were given until February 9, 2017 to file their comments to the draft Handbook. In an Omnibus Motion filed on February 9, 2017, MERALCO submitted its initial comments to the draft RAB Handbook but moved for the deferment of the proceedings until the MSK Petition has been resolved. The ERC has yet to act on MERALCO's Omnibus Motion.

In the meantime, the ERC in its Notice of Award dated November 24, 2020, assigned the project "Development of the RAB Handbook to include the Standardization of the Replacement Costs and Asset Lives for Privately-Owned Distribution Utilities and Fieldwork for the True-Up Valuation Report (Lot No. 2020-18)" to Royal Asia Appraisal Corporation (RAAC). In December 2021, the ERC promulgated ERC Resolution No. 11, Series of 2021, which adopted the final RAB Roll Forward Handbook.

25. In Re: Rules for Setting Distribution Wheeling Rates (RDWR)
ERC Case No. 2019-003 RM

On June 13, 2019, the ERC posted the working drafts of the RDWR and "Regulatory Reset for the Fourth and Fifth Regulatory Period for the First Entry Group of Privately Owned Distribution Utilities subject to Performance Based Regulations" Issues Paper. The Draft Rules and Issues Paper were works in progress by the technical staff that will be presented to the ERC together with the consolidated inputs from stakeholders. Interested parties were given until July 1, 2019 to submit their comments to the drafts. The public consultation was originally scheduled on July 5, 2019. MERALCO and other stakeholders submitted their respective comments.

In a Notice dated July 4, 2019, the ERC cancelled the public consultation and gave the stakeholders until July 15, 2019 to submit their additional comments. Public consultations were scheduled in Cebu, Davao and Manila on July 24, 26 and 29, 2019, respectively.

MERALCO submitted additional comments on July 15, 2019 and August 2, 2019 and attended the public consultations.

In a Notice dated 15 March 2021, the ERC posted the proposed Rules for Setting Distribution Wheeling Rates (RDWR) (2nd Draft), and Regulatory Reset for the July 2022 to June 2026 Fifth Regulatory Period for the First Entry Group of Privately Owned Distribution Utilities subject to

Performance Based Regulation, Issues Paper (2nd Draft) for comments of all interested parties. MERALCO submitted its comments to the draft.

Under ERC Resolution No. 10, Series of 2021 dated December 2, 2021, the ERC promulgated the revised RDWR.

26. In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme for the Fifth Regulatory Period (2023 to 2026) in Accordance With the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), As Amended, With Prayer For Provisional Authority
ERC Case No. 2022-015 RC
Docketed on March 16, 2022

In accordance with the RDWR, on March 16, 2022, MERALCO filed its application for approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) for the Fifth Regulatory Period (Regulatory Years 2023 to 2026).

On September 28, 2023, MERALCO filed an Urgent Omnibus Motion to: (a) withdraw the Application; (b) allow MERALCO to re-file its 5th RP Application to cover the period from RY 2025-2028 and (c) consider RY 2023 and RY 2024 as lapsed period. As at March 25, 2024, MERALCO is awaiting the ERC's action on the Urgent Omnibus Motion.

27. In the Matter of the Application for Authority to Issue Bonds or Evidence of Long Term Indebtedness and to Mortgage, Pledge, or Encumber Property for this Purpose, with Prayer for Provisional Authority
ERC Case No. 2019-029 MC
Filed on October 28, 2019

In compliance with the provisions of the Public Service Act, on October 28, 2019, MERALCO filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. Hearings have been completed. On December 10, 2020, MERALCO submitted its Formal Offer of Evidence. On January 25, 2021, MERALCO filed a Manifestation with Urgent Motion for Resolution. On September 12, 2021, MERALCO filed a Motion to Withdraw Application in light of the amendments to the Public Service Act which removed the requirement for prior regulatory approval for these matters. The motion is currently pending before the ERC.

28. Neri J. Colmenares, et. al. v. ERC, COA, MERALCO
G.R. No. 246422
Supreme Court
Petition for Certiorari dated April 27, 2019

Petitioners filed the instant Petition for Certiorari to question the legality of the collection of bill deposits by MERALCO. The Petition likewise questioned the interest rate earned by the bill deposit. In compliance with the SC's Resolution dated June 4, 2019, MERALCO filed its Comment on October 18, 2019.

In the meantime, the ERC has engaged the services of an independent party to verify whether MERALCO refunds, including bill deposits, have been fully accounted for, returned or credited to customers' accounts. MERALCO is awaiting further instructions from the ERC.

29. In the Matter of Alleged Violation of the Advisories issued by the Energy Regulatory Commission (ERC) during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ).
ERC Case No. 2020-001 SC
Energy Regulatory Commission
Show Cause Order received June 2, 2020

On June 2, 2020, MERALCO received a copy of the Show Cause Order issued by the ERC directing MERALCO to submit, within 10 days from receipt thereof, its explanation on why it should not be held liable for alleged violations of the Honorable Commission's directives as contained in: (1) Item No. 3 of the March 26, 2020 Advisory, Item No. 4 of April 15, 2020 Advisory and Item No. 5 of May 5, 2020 Advisory; (2) Item No. 6 of April 15, 2020 Advisory; and (3) Item No. 2 of May 5, 2020 Advisory. In its Explanation to the Show Cause Order, MERALCO explained that it complied with the ERC advisories. In a Decision dated August 20, 2020, the ERC ordered MERALCO to pay a fine of ₱19 million and directed that the Distribution, Supply and Metering ("DSM") charges be set to zero for lifeline customers. On September 11, 2020, MERALCO paid the ₱19 million fine and filed a Motion for Partial Reconsideration with respect to the directive to set the DSM charges to zero for lifeline customers. The Motion for Partial Reconsideration is pending with the ERC. MERALCO implemented the directive to set the DSM charges to zero for lifeline customers in its October 2020 billing to customers subject to the resolution of its Motion for Partial Reconsideration. MERALCO is awaiting the ERC's resolution of the Motion for Partial Reconsideration.

30. In Re: Non-Compliance to the Directive to Submit Data on the Validation of Actual/Historical Expenditure
ERC Case No. 2020-106 SC
Energy Regulatory Commission
Show Cause Order received December 15, 2020

In reference to the validation of the actual or historical expenditure of private Distribution Utilities ("DUs") being undertaken by the ERC through its appointed consultant, Royal Asia Appraisal Corporation ("RAAC"), the ERC sent a letter dated January 17, 2020 directing MERALCO to submit specific data regarding the actual/historical expenditure covering the last approved regulatory period, or MERALCO's Third Regulatory Period (July 1, 2011 to June 30, 2015), on or before February 24, 2020.

On August 4, 2020, MERALCO received a letter dated July 30, 2020 from the ERC granting MERALCO's request for extension to defer its submission, but only until August 2020, or 27 days from its receipt of the letter, without further extension. Unfortunately, despite exerting its best efforts, MERALCO was only able submit its partial but substantial compliance through a letter dated August 31, 2020, which was sent by electronic mail on September 1, 2020, given the magnitude of the detailed information required. As such, MERALCO could only submit information covering the Third Regulatory Period as well as other system statistics. However, MERALCO undertook to submit the remaining information within the next three (3) months. On November 2020, the ERC sent a letter dated 29 October 2020 inviting MERALCO and its concerned officers to 4, a virtual clarificatory meeting to clarify MERALCO's submission and discuss the Honorable Commission's initial review thereon on November 23, 2020. Similarly, the Honorable Commission informed MERALCO that it shall allow the submission

of additional information as required during the meeting as well as answers to the clarificatory questions no later than five (5) business days from the date of the clarificatory meeting.

Through a letter dated November 30, 2020, which was sent via electronic mail on December 1, 2020, MERALCO submitted the expenditure data for the period from July 1, 2015 to September 30, 2019 as well as the additional information requested by the ERC during the November 23, 2020 clarificatory meeting.

In a letter dated December 15, 2020, which was received by MERALCO vis electronic mail on December 24, 2020, the ERC acknowledged MERALCO's submission of expenditure data as of September 30, 2019 as well as the additional information requested during the clarificatory meeting held on November 23, 2020. On December 15, 2020, MERALCO received a copy of the Show Cause Order issued by the ERC requiring MERALCO to submit an explanation on why no administrative penalty should be imposed for its (1) delayed submission of data covering its last approved regulatory period; (2) no lapsed data submitted; (3) incomplete templates; and (4) inadequate supporting information on certain items required by the ERC. MERALCO filed its Compliance on January 14, 2021. MERALCO is awaiting further action of the ERC on the matter.

31. In Re: Refusal to Refund Bill Deposit in Accordance with Magna Carta and DSOAR
ERC Case No. 2023-078 SC
Energy Regulatory Commission
Show Cause Order received June 14, 2023

On 14 June 2023, MERALCO received the Show Cause Order dated 12 April 2023, directing it to submit, within fifteen (15) days from receipt thereof, its Verified Explanation and show cause why no administrative penalty should be imposed upon it for its alleged failure to refund to its consumers the amount of bill deposit and accrued interests, in violation of Article 7 in relation to Article 28 of the Magna Carta for Residential Electricity Consumers (MCREC) and paragraph 3.4.1 of the Distribution Services and Open Access Rules (DSOAR).

The case stemmed from complaints made by several customers who were not able to receive their refunds as the ERC suspended the annual update of bill deposit during the pandemic. As part of the Show Cause Order, MERALCO was directed to refund the bill deposit of the customers who filed complaints.

MERALCO explained that it did not violate the relevant provisions of the Magna Carta and DSOAR as its alleged failure to refund the bill deposit and interest to the customers was brought about by the suspension of the adjustment of bill deposit update during the effectivity of the advisory during the pandemic which suspended the annual update of the bill deposit. The suspension of the adjustment of bill deposits necessarily included the suspension of both the refund and collection of excess or insufficient bill deposit as well as the crediting of the corresponding interest.

On 26 June 2023, MERALCO filed a Compliance and Manifestation that, without prejudice to the final resolution of the Show Cause Order, it proceeded with the implementation of the directive for the refund of the bill deposits of Mr. William Aw, Ms. Mary Jane King and Ms. Alice Yatco. In the case of Mr. Aw and Ms. King, MERALCO will refund the full amount in their July 2023 bills. However, the refund can be made in full upon submission of certain documentary requirements.

In the case of Ms. Yatco, upon verification of the records of the previous discussions before this Honorable Commission's Consumer Affairs Service (CAS), it appears that the case is not simply for

AUBD. As confirmed during the mediation proceedings, the registered customer for the account is Empire East Land Holdings, Inc. ("EELHI"), the developer of the condominium unit. As communicated with Ms. Yatco, the case will involve termination of the account by EELHI and creation of a new account in her name. Accordingly, the refund of the deposit and transfer of service in her name shall be processed upon her submission of the documentary requirements. MERALCO is still awaiting the submission of the documentary requirements for it to be able to process the refund of deposits and consequent transfer of service.

MERALCO filed its verified Compliance and Explanation on 4 July 2023. As at December 31, 2023, MERALCO is awaiting further action of the ERC. In the meantime, MERALCO has proceeded with the refund to Mr. Aw and Ms. King. As for Ms. Yatco, MERALCO is still in coordination with the client for the completion of the documentary requirements.

Management's Discussion and Analysis of Financial Position and Results of Operations

The following discussion and analysis of financial position and results of operations of Manila Electric Company ("*MERALCO*") and its subsidiaries, collectively referred to as the *"MERALCO Group*" should be read in conjunction with the audited consolidated financial statements as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021. The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (*"PFRSs")*. *PFRS* includes statements named *PFRS* and Philippine Accounting Standards, including Interpretations issued by the *PFRS* Council.

The financial information appearing in this report and in the accompanying audited consolidated financial statements is presented in Philippine peso, *MERALCO Group's* functional and presentation currency, as defined under *PFRS*. All values are rounded to the nearest million pesos, except for earnings per share ("*EPS*") data. The exchange rate used to translate U.S. dollar to Philippine peso in this report and in the accompanying audited consolidated financial statements is US$1.00 to ₱55.37, the closing rate as at December 31, 2023 quoted through the Philippine Dealing System.

Financial Highlights and Key Performance Indicators
(amounts in million, except earnings per share, operational data and system loss)

	As at December 31		Increase (Decrease)	
	2023	2022	Amount	%
Condensed Statements of Financial Position				
Total assets	₱586,042	₱519,261	₱66,781	13
Current assets	162,759	154,287	8,472	5
Cash and cash equivalents	82,789	55,832	26,957	48
Equity attributable to equity holders of the parent	122,295	109,664	12,631	12
Total debt	99,446	103,833	(4,387)	(4)
Current liabilities	233,273	205,725	27,548	13
Total liabilities	418,723	395,152	23,571	6

	For the Years Ended December 31			% Change	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Condensed Statements of Income					
Revenues	₱443,612	₱426,529	₱318,547	4	34
Costs and expenses	407,279	406,348	289,208	–	41
Other income, net of expenses	10,456	15,055	3,656	(31)	312
Income before income tax	46,789	35,236	32,995	33	7
Net income	38,678	28,588	24,083	35	19
Net income attributable to equity holders of the parent	38,023	28,431	23,498	34	21
Core net income[1]	37,110	27,105	24,608	37	10
Earnings per share (EPS), attributable to equity holders of the parent	33.74	25.23	20.85	34	21
Core EPS[2]	32.93	24.05	21.83	37	10

	For the Years Ended December 31			% Change	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Condensed Statements of Cash Flows					
Net cash provided by operating activities	57,974	25,182	43,181	130	(42)
Net cash provided by (used in) investing activities	1,569	(22,081)	(49,467)	(107)	(55)
Net cash provided by (used in) financing activities	(32,605)	(2,276)	10,861	1,333	(121)
Operational Data					
Number of customers (in thousands):					
Residential	7,231	7,041	6,838	3	3
Commercial	581	569	554	2	3
Industrial	11	11	11	–	–
Streetlight	5	5	5	–	–
Electricity sales volume (in *GWh*)	51,044	48,916	46,073	4	6
System loss (in percentage):					
MERALCO	5.88	5.77	5.85	2	(1)
Clark Electric Distribution Corporation ("*Clark Electric*")	1.92	1.81	2.08	6	(13)

[1] Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, impairment charges, mark-to-market adjustments and other one-time, non-recurring transactions, net of tax effect of the foregoing adjustments.
[2] Core net income divided by the number of common shares outstanding.

The Key Performance Indicators ("*KPI*") of *MERALCO* are as follows:

		For the Years Ended December 31		
Financial KPI	**Definition**	**2023**	**2022**	**2021**
Core EBITDA	*CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income, and provision for income tax	₱64,368	₱51,301	₱44,581
Debt to Equity	$\frac{\text{Total debt}}{\text{Equity attributable to equity holders of the parent}}$	0.81	0.95	0.95
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.70	0.75	0.86
Profit Margin	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Revenues}}$	9%	7%	7%

Return on Equity	Net income attributable to equity holders of the parent / Equity attributable to equity holders of the parent	31%	26%	25%
Asset Turnover	Revenues / Average total assets	80%	85%	73%

OVERVIEW

MERALCO is the Philippines' largest electric power distribution company, with franchise area covering 9,685 square kilometers. It provides power to over 7.8 million customer accounts in 38 cities and 73 municipalities, which include Metro Manila, all of the provinces of Rizal, Cavite and Bulacan, and parts of the provinces of Pampanga, Batangas, Laguna and Quezon.

The *MERALCO* Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The power segment consists of (a) electricity distribution, (b) power generation and (c) retail electricity supply ("*RES*").

  Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers in the *MERALCO* and the Clark Electric Distribution Corporation ("*Clark Electric"*) franchise areas in Luzon. Electricity distributed within the *MERALCO* franchise area accounts for over 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone (*"CSEZ")* and the sub-zones.

  Shin Clark Power Holdings, Inc. ("*Shin Clark*") through a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare New Clark City located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. In accordance with the *JVA*, *BCDA* assigned its franchise to operate the electric distribution system in New Clark City, granted to it by the Congress under Republic Act No. 11420, to Shin Clark Power Corporation ("*Shin Clark Power*" or "Joint Venture Company"). *BCDA*'s assignment of its franchise to *Shin Clark Power*, based on a valuation by a third-party independent appraiser, represents *BCDA*'s contribution to *Shin Clark Power* in exchange for a 10% equity interest in *Shin Clark Power*. *Shin Clark Power* was incorporated and registered with the Securities and Exchange Commission ("*SEC*"). On a Decision dated March 22, 2023, the *ERC* granted *Shin Clark Power* a *CPCN* to operate as a distribution utility.

  MERALCO manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through *Comstech* under an Investment Management Contract ("*IMC*"). *MERALCO* also manages the electric distribution facilities in the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*").

  Power generation – The *MERALCO Group* has a combined group generating capacity of 2,240.1 *MW* (net) of coal, liquid natural gas, and oil and diesel plants in the Philippines and Singapore.

MERALCO PowerGen Corporation *("MGen")* owns 51% interest in San Buenaventura Power Ltd. Co. ("*SBPL*") which operates a 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon. Global Business Power Corporation *("GBPC")* owns 823.6 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. *GBPC* also has a 50% interest in Alsons Thermal Energy Corporation ("*ATEC*"), which holds a 75% interest in Sarangani Energy Corporation ("*Sarangani Energy"*). *Sarangani Energy* operates a 2 x 105 *MW* (net) *CFB* plant in Maasim, Sarangani.

MGen Renewable Energy, Inc. ("*MGreen*") is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan. First Bulacan* owns and operates a 80 *MW*dc/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, which began commercial operations on May 12, 2021 and has since delivered solar energy to *MERALCO* under an *ERC*-approved *PSA.* The *PSA* is for a period of 20 years.

MGreen, through PH Renewables Inc. *("PHRI")*, a joint venture with Mitsui's local unit Mit-Renewables Philippine Corporation, has energized 67.5 *MWac* of its 75 *MWac* solar plant in Baras, Rizal and has started generating power since March 2023. Phase 2 of *PHRI* solar plant is targeted to be operational by mid-2024. As at December 31, 2023, *PHRI* delivered 89 *MW* to *MPower*.

Also, in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*"), a 68 *Mwac* solar plant project in Ilocos Norte was fully energized in February 2023. As at December 31, 2023, the project has delivered a total of 111 *GWh* of commissioning energy.

Mgen also has a combined 58% (direct and indirect interests) in PacificLight Power Pte Ltd. ("*PacificLight Power*"). *PacificLight Power* owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by liquefied natural gas ("*LNG*") in Jurong Island, Singapore.

On December 27, 2023, *MGreen* completed the acquisition of primary and redeemable voting preferred shares of SP New Energy Corporation *("SPNEC")*. *SPNEC* is set to develop 3,500 *MW* (gross) solar facilities with an accompanying 4,000 *MWh* battery storage system.

RES – covers the sourcing and supply of electricity to qualified contestable customers. *MERALCO* and *Clark Electric* also operate as local retail electricity suppliers within their respective franchise area under a separate business unit, *MPower* and *Cogent Energy*, respectively. Under Retail Competition and Open Access ("*RCOA*"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, including *MPower* and *Cogent Energy*.

Vantage and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a wholly owned subsidiary of *Comstech*; and *GESC,* a wholly owned subsidiary of *GBPC* are affiliate *RES*s. *Clarion*, a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. As at February 26, 2024, the approval of its *RES* licensing is pending with the *ERC.*

- Other Services

The other services segment is involved principally in electricity-related services, such as: electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, rail-related operations and maintenance services, insurance and re-insurance, e-business development, power distribution management, energy systems management, harnessing renewable energy, construction and leasing of

communication towers, electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, Miescor Infrastructure Development Corporation *("MIDC"),* Miescor Builders, Inc. *("MBI")*, and Miescor Logistics, Inc. *("MLI")* (collectively known as "*MIESCOR Group*"), Corporate Information Solutions, Inc. *("CIS")*, CIS Bayad Center, Inc. *("Bayad") and* Customer Frontline Solutions, Inc. ("*CFSI*") (collectively referred to as "*CIS Group*"), eMeralco Ventures, Inc. ("*e-MVI")*, Paragon Vertical Corporation *("Paragon")* and Radius Telecoms, Inc. *("Radius")* (collectively referred to as "*e-MVI Group*"), *Comstech*, MRail Inc. *("MRail")*, Lighthouse Overseas Insurance Limited *("LOIL"),* Meralco Financial Services, Inc. *("Finserve")*, Meralco Energy, Inc. ("*Mserv")*, Mspectrum, Inc. ("*Spectrum*) and Movem Electric Inc. ("*Movem*") .

Below is the summary of *MERALCO Group*'s business segments:

BUSINESS SEGMENTS	
Power	**Other Services**
Electricity distribution • *MERALCO* • *Clark Electric* • *Shin Clark* Power generation • *Mgen* and its subsidiaries *RES* • *MERALCO* through *Mpower* business unit • *Clark Electric* through *Cogent Energy* business unit • *Clarion* • *GESC* • *MeridianX* • *Phoenix Power* • *Vantage*	• *CIS Group* • *Comstech* • *e-MVI Group* • *Finserve* • *LOIL* • *MIESCOR Group* • *MServ* • *Spectrum* • *Movem* • *MRail*

RESULTS OF OPERATIONS

The consolidated results of operations and the contribution of each business segment to *MERALCO Group*'s revenues, costs and expenses, other income, and net income for the years ended December 31, 2023 and 2022 are summarized below.

	For the Year Ended December 31, 2023			
	Power	**Other Services**	**Inter-segment Transactions**	**Consolidated**
		(Amounts in millions)		
Revenues	₱430,181	₱17,848	(₱4,417)	₱443,612
Costs and expenses	397,692	14,328	(4,741)	407,279
Other income (expense) - net	10,973	(601)	84	10,456
Net income attributable to equity holders of the parent	37,262	1,416	(655)	38,023

	For the Year Ended December 31, 2022			
	Power	Other Services	Inter-segment Transactions	Consolidated
		(Amounts in millions)		
Revenues	₱413,950	₱17,012	(₱4,433)	₱426,529
Costs and expenses	397,152	13,667	(4,471)	406,348
Other income (expense) - net	15,103	(10)	(38)	15,055
Net income attributable to equity holders of the parent	26,060	2,528	(157)	28,431

2023 compared with 2022

REVENUES

The composition of *MERALCO Group's* consolidated revenues by business segment is shown below.

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Power	₱430,181	97	₱413,950	97	₱16,231	4
Other services	17,848	4	17,012	4	836	5
Inter-segment transactions	(4,417)	(1)	(4,433)	(1)	16	–
Total	**₱443,612**	**100**	**₱426,529**	**100**	**₱17,083**	**4**

Consolidated revenues grew 4% to ₱443,612 million, largely driven by the distribution business, with sales volume rising 4%. In 2022, revenues were lower with the implementation of the distribution rate true-up ("*DRTU*") refund.

Power

Revenues of power segment represent those from electricity distribution, *RES* and power generation businesses. *MERALCO* and *Clark Electric* distribute electricity to captive industrial, commercial and residential customers while *MPower*, *Cogent Energy*, *Vantage* and *MeridianX* supply electricity to their respective contestable customers. Revenues of the power generation companies of *GBPC,* Powersource First Bulacan Solar, Inc. ("*First Bulacan*") and PH Renewables, Inc. ("*PHRI*") are included in the power segment. *GBPC* owns coal and oil plants with a net capacity of 970 *MW*, of which 800 *MW* are contracted under *PSA*s with captive and contestable customers and Ancillary Services Procurement Agreements ("*ASPAs*"). *First Bulacan* owns and operates a 80 *MW*dc/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, which began commercial operations on May 12, 2021 and has since delivered solar energy to *MERALCO* under an *ERC*-approved *PSA*. *PHRI* owns a 75 MWac solar plant in Baras, Rizal in partnership with Mitsui & Co., Ltd.'s local unit, Mit-Renewables Philippine Corporation, which has started generating power since March 2023.

Revenues of the power segment in 2023 was at ₱430,181 million, ₱16,231 million or 4% higher compared with 2022.

MERALCO's average retail rate increased by 11% to ₱10.55 per *kWh* from ₱9.52 per *kWh* as generation charges, which accounted for about 66% of total retail rate, went up by 11%.

MERALCO's 12-month moving average ("*12-MMA*") system loss as at December 31, 2023 was at 5.88%, the 16th consecutive year that it performed well below the indicative regulatory cap that brought about ₱4.9 billion savings to its customers in 2023. In addition, system loss management initiatives also contributed to the lower *SL* rate. *Clark Electric*'s 12-*MMA* system loss was at 1.92% as at December 31, 2023.

The following summarizes the customer count of the electricity distribution business as at December 31, 2023 and 2022 and the corresponding electric consumption per customer class for the year ended December 31, 2023 and 2022:

	No. of Customers *(in thousands)*		Electricity Sales *(in GWh)*		% Change	
Customer Class	**2023**	**2022**	**2023**	**2022**	**No. of Customers**	**Electricity Sales**
Residential	7,231	7,041	17,781	17,148	3	4
Commercial	581	569	19,005	17,403	2	9
Industrial	11	11	14,113	14,221	–	(1)
Streetlights	5	5	145	144	–	1
Total	**7,828**	**7,626**	**51,044**	**48,916**	**3**	**4**

Consolidated distribution utility energy sales volumes for the year ended December 31, 2023 rose to 51,044 *GWh* from 48,916 *GWh* in 2022 as volumes of *MERALCO* and *Clark Electric* increased by 4% and 6%, respectively. The combined energy volume generated and sold by the power plants of the power generation business amounted to 14,306 *GWh*, flat versus 2022.

In terms of the sales mix, residential sales accounted for 35%, commercial sales increased to 37% from 36% in 2022, while industrial sales was at 28% from 29% in 2022.

Residential sales volume continuously recovered in the fourth quarter to close the year ended December 31, 2023 at 17,781 *GWh,* 4% higher than 17,148 *GWh* the previous year. The above-average mean temperatures recorded by *PAGASA* brought about by the El Niño phenomenon prompted households to use cooling appliances more often. Additionally, increased consumption was noted in condominiums and dormitories as on-site classes in colleges and universities resumed and on-site work arrangements increased.

Commercial sales volumes grew to 19,005 *GWh* from 17,403 *GWh* amid the increase in economic activities. Demand in the real estate and education sectors posted growth as schools began face-to-face classes. Full operations of retail, restaurants, and hospitality sectors also contributed to the higher commercial sales volumes.

The industrial sector saw its sales volume slip by 1% to 14,113 *GWh* versus last year's 14,221 *GWh* as the semiconductors and cement industry recorded negative performance, despite gradual recovery in the second half as key accounts diversified into automotive chips and resumed full plant operations. Food and beverage sectors and generation wheeling from embedded generator sustained growth. However, demand for plastics and steel continued to be affected by high input costs and lower plant production.

Meanwhile, consolidated customer count grew steadily at 3% to 7.8 million by the end of December 2023 from 7.6 million in 2022. Energization of new customers for both ordinary service and project-

covered applications recovered, as local government units and developers cleared backlogs and normalized operations.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its engineering, procurement and construction ("*EPC*") contracts; operations and maintenance works involving transmission and telecommunications lines; and *MIDC* for leasing of communication towers; (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; and (e) *Movem* with its sales of e-vehicles to electric vehicles expansion enterprises and e-shuttle services.

Revenue of other services is higher this year compared with last year due to higher revenues of (a) *Radius* from net increase in corporate data and internet services circuits and connected GPON subscribers; (b) *MIDC* from 56 completed and revenue generating build-to-suit *("BTS")* towers and from 1,194 towers acquired from Globe Telecom, Inc *("Globe")*; and (c) higher transactions volume of *Bayad*.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2023, amounted to ₱407,279 million, higher by ₱931 million compared with ₱406,348 million in 2022. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Power	₱397,692	98	₱397,152	98	₱540	–
Other services	14,328	3	13,667	3	661	5
Inter-segment transactions	(4,741)	(1)	(4,471)	(1)	(270)	6
Total	**₱407,279**	**100**	**₱406,348**	**100**	**₱931**	–

Power

Costs and expenses of power segment for year ended December 31, 2023 amounted to ₱397,692 million, higher by ₱540 million compared with ₱397,152 million in 2022. The details of costs and expenses are summarized in the following table:

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Purchased power	₱328,082	83	₱322,344	81	₱5,738	2
Coal and fuel	16,133	4	22,578	6	(6,445)	(29)
Depreciation and amortization	14,624	4	15,084	4	(460)	(3)
Salaries, wages and employee benefits	13,057	3	12,921	3	136	1
Contracted services	9,442	2	8,352	2	1,090	13
Others	16,354	4	15,873	4	481	3
Total	**₱397,692**	**100**	**₱397,152**	**100**	**₱540**	–

Purchased power cost ("*PPC*") increased by 2% to ₱328.1 billion from ₱322.3 billion due to a) higher volume sold and b) increase in purchased power cost reflecting the depreciation of the peso and higher cost of replacement power for the capacities terminated by *Ilijan* and *Sual* following the Decision of the Court of Appeals granting *Ilijan* and *Sual*'s petitions for fuel price adjustments. Mitigating the increase in the purchased power were the lower cost of Malampaya gas price which averaged US$9.60 per *GJ* in 2023 from US$10.18 per *GJ* in 2022 and lower average Wholesale Electric Spot Market ("*WESM*") prices following the improved supply situation in Luzon.

Coal and fuel are costs incurred by the power generation business, mainly *GPBC* and its subsidiaries. Coal and fuel costs decreased by 29% due to lower coal and fuel prices, while volume generated and sold was flat compared with last year.

Contracted services increased by 13% due to higher volume of customer related expenses for disconnection, reconnection and relocation and collection services.

Other expenses consist of business taxes and permits, provision for probable losses and expenses from claims (net of reversals and adjustments), provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2023 amounted to ₱14,328 million, 5% higher compared with ₱13,667 million in 2022.

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Salaries, wages and employee benefits	₱4,838	34	₱4,608	34	₱230	5
Contracted services	2,765	19	2,756	20	9	–
Depreciation and amortization	2,001	14	947	7	1,054	111
Others	4,724	33	5,356	39	(632)	(12)
Total	**₱14,328**	**100**	**₱13,667**	**100**	**₱661**	**5**

The increase in the cost and expenses of other business segment reflects the costs of increasing business activities for the year ended December 31, 2023 compared with the same period in 2022, consistent with the increase in revenues of other business segment. These costs pertain to (i) project costs of *Miescor* group and *MServ*, and (ii) major costs of *Radius* and *Bayad*.

Depreciation and amortization expenses for the year ended December 31, 2023 include ₱898 million depreciation expense of *MIDC* related to the acquired telecom towers and related passive infrastructure.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

			Increase/Decrease	
	2023	**2022**	**Amount**	**%**
		(Amounts in millions)		
Power	₱10,973	₱15,103	(₱4,130)	(27)
Other services	(601)	(10)	(591)	5,910
Intersegment transaction	84	(38)	122	(321)
Total	**₱10,456**	**₱15,055**	**(₱4,599)**	**(31)**

Other income, net of expenses for the year ended December 31, 2023 decreased by ₱4,599 million mainly due to lower share in net earnings of associates and joint ventures and lower yield from financial investments. The decrease was mitigated by higher interest and financial charges and foreign exchange losses due to appreciation of Philippine peso against US dollar between December 31, 2022 and December 31, 2023.

Power

Other income (expenses) of power segment consists of:

			Increase/Decrease	
	2023	**2022**	**Amount**	**%**
		(Amounts in millions)		
Equity in net earnings of associates and joint ventures	₱11,523	₱12,053	(₱530)	(4)
Interest and other financial income	3,168	1,942	1,226	63
Interest and other financial charges	(4,443)	(3,555)	(888)	25
Foreign exchange gains (losses)	(55)	982	(1,037)	(106)
Others	780	3,681	(2,901)	(79)
Total	**₱10,973**	**₱15,103**	**(₱4,130)**	**(27)**

Interest and other financial income increased by ₱1,226 million with higher interest rates of short-term placements during the year.

The year ended December 31, 2023 resulted in foreign exchange losses due to the appreciation of Philippine peso against the U.S. dollar since December 31, 2022. The exchange rate of U.S. dollar is ₱55.37 as at December 31, 2023 compared with ₱55.76 as at December 31, 2022.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following shows the breakdown of net income attributable to equity holders of the parent for the years ended December 31, 2023 and 2022 by business segment:

	2023		**2022**		**Increase/Decrease**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
			(Amounts in millions)			
Power	₱37,262	98	₱26,060	92	₱11,202	43
Other services	1,416	4	2,528	9	(1,112)	(44)

	2023		2022		Increase/Decrease	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Inter-segment transactions	(655)	(2)	(157)	(1)	(498)	317
Total	**₱38,023**	**100**	**₱28,431**	**100**	**₱9,592**	34

The higher net income attributable to equity holders of the parent resulted from increase in energy volumes distributed, robust performance of the power generation business led by *PacificLight* in Singapore and recovery of the *RES* business from the negative effects of the fuel cost recovery adjustments of its suppliers in 2022.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱269,839**	₱243,323	₱26,516	11
Investments in associates and interests in joint ventures	**38,388**	31,888	6,500	20
Investment properties	**1,493**	1,495	(2)	–
Intangible assets	**53,351**	21,691	31,660	146
Deferred tax assets - net	**24,633**	22,657	1,976	9
Financial and other noncurrent assets	**35,579**	43,920	(8,341)	(19)
Total Noncurrent Assets	**423,283**	364,974	58,309	16
Current Assets				
Cash and cash equivalents	**82,789**	55,832	26,957	48
Trade and other receivables	**48,395**	54,683	(6,288)	(11)
Inventories	**11,180**	10,629	551	5
Financial and other current assets	**20,395**	33,143	(12,748)	(38)
Total Current Assets	**162,759**	154,287	8,472	5
Total Assets	**₱586,042**	₱519,261	₱66,781	13
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱122,295**	₱109,664	₱12,631	12
Non-controlling interests	**45,024**	14,445	30,579	212
Total Equity	**167,319**	124,109	43,210	35
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**62,272**	68,757	(6,485)	(9)
Customers' deposits - net of current portion	**34,128**	31,590	2,538	8
Long-term employee benefits	**10,263**	2,893	7,370	255
Provisions	**11,350**	12,657	(1,307)	(10)
Refundable service extension costs - net of current portion	**4,051**	4,653	(602)	(13)
Deferred tax liabilities - net	**8,691**	5,427	3,264	60
Other noncurrent liabilities	**54,695**	63,450	(8,755)	(14)
Total Noncurrent Liabilities	**185,450**	189,427	(3,977)	(2)

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
Current Liabilities				
Notes payable	**27,583**	29,491	(1,908)	(6)
Trade payables and other current liabilities	**191,703**	163,902	27,801	17
Customers' refund	**2,846**	2,905	(59)	(2)
Income tax payable	**1,550**	92	1,458	1,585
Current portion of long-term employee benefits	-	3,750	(3,750)	(100)
Current portion of interest-bearing long-term financial liabilities	**9,591**	5,585	4,006	72
Total Current Liabilities	**233,273**	205,725	27,548	13
Total Liabilities	**418,723**	395,152	23,571	6
Total Liabilities and Equity	**₱586,042**	₱519,261	₱66,781	13

On December 27, 2023, *MGen* through *MGreen* completed the acquisition of 50.5% voting equity interest of *SPNEC*. The assets and liabilities of *SPNEC* were recognized in the consolidated statement of financial position as at December 31, 2023, based on the provisional assessment of their fair values.

Utility Plant, Generation Plant and Others

The ₱26,516 million increase in utility plant, generation plant and others reflects the completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, development of power plant projects and construction of tower assets, totaling to about ₱26,149 million. This was offset by the depreciation and amortization of ₱ 14,770 million. Additional ₱20,001 million generation plant and other property and equipment was recognized as a result of the acquisition in December 2023 of the controlling interest of *SPNEC.*

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to (a) higher share in net earnings of associates and joint ventures amounting to ₱11,479 million, net of dividends received of ₱10,106 million; and (b) reversal of previously recognized impairment provision of *MGen*'s investment in *FPM Power* in view of the improvement in market condition in Singapore resulting in *PacificLight Power*'s positive operating results. The recoverable amount of *MGen*'s 40% share in *FPM Power* as at December 31, 2023 was calculated using the cash flow projections of *PacificLight Power.*

Intangible Assets

The increase in this account was due to recognition of the identified intangible asset from the acquisition of controlling interest in *SPNEC* which pertains to the existing customer contract of Terra Solar Philippines, Inc. ("*TSPI*") at provisional values of ₱29,347 million.

Financial and Other Noncurrent Assets

The decrease was due to the redemption of certain *FVOCI* financial assets and lower unbilled receivables with the recognition of net over recoveries of pass-through charges during the year.

Trade and Other Receivables

The decrease in trade and other receivables balance was mainly driven by increased collections from customers as at December 31, 2023.

Financial and Other Current Assets
The decrease in this account resulted from the redemption of *FVOCI* assets.

Long-term employee benefits
The increase in this account is due to the long-term employee benefits expense recognized during the year.

Other Noncurrent Liabilities
Other noncurrent liabilities pertain to liabilities for customer-funded assets and estimated liabilities for regulatory and tax matters, among others.

Trade Payables and Other Current Liabilities
Trade payables and other current liabilities substantially represent purchased power costs in December 2023 due for payment in the following month. The December 2022 balance of purchased power included amounts pertaining to November 2022 supply month which were due and settled in January 2023. There were also refunds to customers during the year.

2022 compared with 2021

REVENUES

The composition of *MERALCO Group's* consolidated revenues by business segment is shown below.

	2022		2021		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱413,950	97	₱309,238	97	₱104,712	34
Other services	17,012	4	15,250	5	1,762	12
Inter-segment transactions	(4,433)	(1)	(5,941)	(2)	1,508	(25)
Total	**₱426,529**	**100**	**₱318,547**	**100**	**₱107,982**	**34**

Consolidated revenues rose by 34% to ₱426,529 million from ₱318,547 million mainly due to (a) higher generation pass-through charges with persisting increases in global fuel prices, higher spot market prices, and peso depreciation; (b) higher *kWh* sales with the easing of pandemic-related restrictions; and (c) higher contribution of the power generation business driven by increases in volume and fuel prices and consolidation of full year revenue in 2022 versus nine (9) months in 2021 (consolidation of *GBPC* began on March 31, 2021).

Non-electric revenues, which accounted for 4% of consolidated total revenues, grew by 12% due to increase in business activities of subsidiaries following more relaxed quarantine restrictions and business expansion initiatives.

Power

Revenues from electricity distribution and *RES* consist of generation, transmission, system loss, distribution, subsidies and other charges related to electricity distribution and energy trading. *MERALCO* and *Clark Electric* distribute electricity to captive industrial, commercial and residential customers while *MPower*, *Cogent Energy*, *Vantage* and *MeridianX* supply electricity to their respective contestable customers. Beginning April 1, 2021, revenues of the power generation companies of *GBPC* are included in the power segment. *GBPC* owns coal and oil plants with a net capacity of 970 *MW*, of

which 800 *MW* are contracted under *PSA*s with captive and contestable customers and Ancillary Services Procurement Agreements ("*ASPAs*").

Revenues of the power segment in 2022 was at ₱413,950 million, ₱104,712 million or 34% higher compared with 2021.

MERALCO's average retail rate increased by 16% to ₱9.52 per *kWh* from ₱8.24 per *kWh* as generation charges, which accounted for about 66% of total retail rate, went up by 32%. Transmission charges, comprising 9% of the retail rate, increased by 19%.

The retail rate increase was mitigated by the ₱0.67 per *kWh* average refund of distribution over-recoveries, which was implemented by *MERALCO* following the refund orders of the *ERC* beginning March 2021. The average effective distribution rate charged to customers by *MERALCO* was at ₱0.85 per *kWh* for 2022.

MERALCO's 12-month moving average ("*12-MMA*") system loss at end-December improved by 0.08 percentage point to 5.77% from 5.85% indicative regulatory cap due to increasing share of commercial and industrial volume compared with higher residential volume in the previous year. In addition, system loss management initiatives also contributed to the lower *SL* rate. *Clark Electric*'s 12-*MMA* system loss was at 1.81% as at December 31, 2022.

The following summarizes the customer count of the electricity distribution business as at December 31, 2022 and 2021 and the corresponding electric consumption per customer class for the years ended December 31, 2022 and 2021:

	No. of Customers *(in thousands)*		**Electricity Sales** *(in GWh)*		**% Change**	
Customer Class	**2022**	**2021**	**2022**	**2021**	**No. of Customers**	**Electricity Sales**
Residential	7,041	6,838	17,148	16,913	3	1
Commercial	569	554	17,403	15,234	3	14
Industrial	11	11	14,221	13,782	–	3
Streetlights	5	5	144	144	–	–
Total	**7,626**	**7,408**	**48,916**	**46,073**	**3**	**6**

Consolidated distribution utility energy sales volumes for the year ended December 31, 2022, rose to 48,916 *GWh* from 46,073 *GWh* in 2021 following the easing of pandemic-related restrictions and warmer temperatures.

In terms of the sales mix, residential sales accounted for 36%, commercial sales increased to 35% from 33% in 2021, while industrial sales was at 29% from 30% in 2021.

Demand of residential consumers continue to normalize with the resumption of travel and increasing face-to-face activities in offices, factories, service companies, schools and others. This resulted in residential volume growing by only 1% to 17,148 *GWh* from 16,913 *GWh*.

Commercial sales volumes grew to 17,403 *GWh* from 15,234 *GWh* amid the increase in economic activities. Demand in the real estate and education sectors posted growth as schools began face-to-face classes. Full operations of retail, restaurants, and hospitality sectors also contributed to the higher commercial sales volumes.

With the more relaxed restrictions, growth in industrial sales volumes was sustained, increasing to 14,221 *GWh* from 13,782 *GWh*. The contributors are Growth mainly came from the semiconductor, cement, food and beverage, plastics, and chemical packaging industries.

Meanwhile, consolidated customer count grew at 3% to 7.6 million by the end of December 2022 from 7.4 million in 2021. Energization of new customers for both ordinary service and project-covered applications recovered, as local government units and developers cleared backlogs and normalized operations.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its engineering, procurement and construction ("*EPC*") contracts, and operations and maintenance works involving transmission and telecommunications lines; (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; (e) *eSakay* with its sales of e-vehicles to electric vehicles expansion enterprises, Makati-Mandaluyong route operations, and e-shuttle services; and (f) *MIDC* for leasing of communication towers.

Revenue of other services is higher this year compared with last year due to new *ECP* projects of *MIESCOR Group*, higher transactions volume of *Bayad*'s bills payment transactions and increase in business activities of subsidiaries following more relaxed quarantine restrictions.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2022, amounted to ₱406,348 million, higher by ₱117,140 million compared with ₱289,208 million in 2021. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2022		2021		Increase	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱397,152	98	₱282,921	98	₱114,231	40
Other services	13,667	3	9,971	3	3,696	37
Inter-segment transactions	(4,471)	(1)	(3,684)	(1)	(787)	21
Total	**₱406,348**	**100**	**₱289,208**	**100**	**₱117,140**	**41**

Power

Costs and expenses of power segment for the year ended December 31, 2022 amounted to ₱397,152 million, 40% higher compared with ₱282,921 million in 2021. The details of costs and expenses are summarized in the following table:

	2022		2021		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Purchased power	₱322,344	81	₱224,621	79	₱97,723	44
Coal and fuel	22,578	6	8,793	3	13,785	157

Depreciation and amortization	15,084	4	11,913	4	3,171	27
Salaries, wages and employee benefits	12,921	3	13,042	5	(121)	(1)
Contracted services	8,352	2	7,687	3	665	9
Others	15,873	4	16,865	6	(992)	(6)
Total	**₱397,152**	**100**	**₱282,921**	**100**	**₱114,231**	**40**

Purchased power accounted for 81% and 79% of the total costs and expenses for the years ended December 31, 2022 and 2021, respectively. A significant portion of the electricity distributed by *MERALCO* and *Clark Electric* are contracted through *PSAs* with generators and long-term Power Purchase Agreements *("PPA")* with Independent Power Producers ("*IPP*"), with any uncontracted volume sourced from the Wholesale Electricity Spot Market ("*WESM*").

Purchased power cost ("*PPC*") increased by 44% to ₱322,344 million from ₱224,621 million with the spike in global fuel prices, as well as the increase in *WESM* prices with the tight supply conditions and higher average capacity on outage in Luzon. The average Malampaya natural gas price also increased to US$10.18 per *GJ* in 2022 versus US$7.50 per *GJ* the previous year. The Malampaya gas supply restrictions, which began in March 2021, forced the 1500 *MW* of gas capacities to use more expensive alternative fuel. The depreciation of the peso versus the US dollar to ₱55.76 at the end of December 2022 from ₱51.00 as at end of December 2021 added to the already higher *PPC*.

Coal and fuel are costs incurred by the power generation business, mainly *GPBC* and its subsidiaries. The coal and fuel costs in 2021 represent nine months beginning April 1, 2021 while the coal and fuel costs in 2022 represent the full year, with the consolidation of *GBPC* beginning March 31, 2021.

Depreciation and amortization increased to ₱15,084 million due to additional depreciation of completed capital expenditures ("*CAPEX*") projects and full year depreciation of *GBPC* plant assets.

Other expenses consist of business taxes and permits, provision for probable losses and expenses from claims (net of reversals and adjustments), provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2022 amounted to ₱13,667 million, 37% higher compared with ₱9,971 million in 2021.

	2022		2021		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Salaries, wages and employee benefits	₱4,608	34	₱3,947	40	₱661	17
Contracted services	2,756	20	1,851	18	905	49
Depreciation and amortization	947	7	586	6	361	62
Others	5,356	39	3,587	36	1,769	49
Total	**₱13,667**	**100**	**₱9,971**	**100**	**₱3,696**	**37**

The increase in the cost and expenses of other business segment reflects the costs of increasing business activities for the year ended December 31, 2022 compared with 2021, consistent with the

increase in revenues of other business segment. These costs pertain to (i) project costs of *Miescor* group, *MServ* and *MIDC*, and (ii) major costs of *Radius* and *Bayad*.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

			Increase/Decrease	
	2022	**2021**	**Amount**	**%**
	(Amounts in millions)			
Power	₱15,103	₱3,836	₱11,267	294
Other services	(10)	(145)	135	(93)
Intersegment transaction	(38)	(35)	(3)	9
Total	**₱15,055**	**₱3,656**	**₱11,399**	**312**

Other income, net of expenses for the year ended December 31, 2022 increased by ₱11,399 million mainly due to higher share in net earnings of associates and joint ventures and foreign exchange gains with the depreciation of Philippine peso against the U. S. dollar, offset by lower yield from financial investments and higher interest and other financial charges.

Power

Other income (expenses) of power segment consist of:

			Increase/Decrease	
	2022	**2021**	**Amount**	**%**
	(Amounts in millions)			
Equity in net earnings of associates and joint ventures	₱12,053	₱3,161	₱8,892	281
Interest and other financial charges	(3,555)	(3,633)	78	(2)
Interest and other financial income	1,942	2,144	(₱202)	(9)
Foreign exchange gains	982	451	531	118
Others	3,681	1,713	1,968	115
Total	**₱15,103**	**₱3,836**	**₱11,267**	**294**

The higher share in net earnings of associates and joint ventures was attributed to the net income contribution of *SBPL* and *PacificLight Power. PacificLight Power*'s operations in 2022 resulted in total equity in net earnings of ₱12.1 billion compared with ₱2.2 billion in 2021. The increase in the results of operations of *PacificLight Power* was attributable to the higher margins generated from the spot market and 2% growth in demand.

Interest and other financial income include dividend income from associates and joint venture. The lower yield was mainly due to lesser investible funds resulted in lower financial income. Dividends declared by investees were also lower in 2022. The decline in this account was due to lower dividend declared by associates this year and lower yield from investments.

Interest and other financial charges decreased by ₱78 million with the capitalization of interest totaling ₱398 million in 2022 related to construction of *ECP*s during the year.

The depreciation of Philippine peso versus the U.S. dollar resulted in higher foreign exchange gains in 2022 compared with 2021. The exchange rate of U.S. dollar is ₱55.76 as at December 31, 2022 compared with ₱51.00 as at December 31, 2021.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following shows the breakdown of net income attributable to equity holders of the parent for the years ended December 31, 2022 and 2021 by business segment:

	2022		2021		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱26,060	92	₱22,395	95	₱3,665	16
Other services	2,528	9	1,688	7	840	50
Inter-segment transactions	(157)	(1)	(585)	(2)	428	(73)
Total	**₱28,431**	**100**	**₱23,498**	**100**	**₱4,933**	21

The higher net income attributable to equity holders of the parent is largely due to significant increase in contribution of power generation companies. A total of ₱8.9 billion net income contribution was provided by *PacificLight Power*, *SBPL* and *First Bulacan* in 2022 versus ₱2.8 billion in 2021.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2022	December 31, 2021 (As restated)	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱243,323**	₱225,326	₱17,997	8
Investments in associates and interests in joint ventures	**31,888**	23,317	8,571	37
Investment properties	**1,495**	1,496	(1)	–
Intangible assets	**21,691**	15,054	6,637	44
Deferred tax assets - net	**22,657**	27,143	(4,486)	(17)
Financial and other noncurrent assets	**43,920**	53,125	(9,205)	(17)
Total Noncurrent Assets	**364,974**	345,461	19,513	6
Current Assets				
Cash and cash equivalents	**55,832**	55,007	825	1
Trade and other receivables	**54,683**	45,013	9,670	21
Inventories	**10,629**	9,817	812	8
Financial and other current assets	**33,143**	28,317	4,826	17
Total Current Assets	**154,287**	138,154	16,133	12
Total Assets	**₱519,261**	₱483,615	₱35,646	7
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱109,664**	₱95,204	₱14,460	15
Non-controlling interests	**14,445**	10,124	4,321	43
Total Equity	**124,109**	105,328	18,781	18
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**68,757**	52,720	16,037	30
Customers' deposits - net of current portion	**31,590**	30,901	689	2
Long-term employee benefits	**2,893**	10,257	(7,364)	(72)
Provisions	**12,657**	13,554	(897)	(7)
Refundable service extension costs - net of current portion	**4,653**	5,334	(681)	(13)
Deferred tax liabilities - net	**5,427**	5,959	(532)	(9)
Other noncurrent liabilities	**63,450**	97,981	(34,531)	(35)
Total Noncurrent Liabilities	**189,427**	216,706	(27,279)	(13)

	December 31, 2022	December 31, 2021 (As restated)	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
Current Liabilities				
Notes payable	**29,491**	28,834	657	2
Trade payables and other current liabilities	**163,902**	119,067	44,835	38
Customers' refund	**2,905**	2,929	(24)	(1)
Income tax payable	**92**	1,637	(1,545)	(94)
Current portion of long-term employee benefits	**3,750**	–	3,750	–
Current portion of interest-bearing long-term financial liabilities	**5,585**	9,114	(3,529)	(39)
Total Current Liabilities	**205,725**	161,581	44,144	27
Total Liabilities	**395,152**	378,287	16,865	4
Total Liabilities and Equity	**₱519,261**	₱483,615	₱35,646	7

Utility Plant, Generation Plant and Others

The ₱17,997 million increase in utility plant, generation plant and others reflects the completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, development of power plant projects and acquisition of tower assets, totaling to about ₱35,886 million. This was offset by the depreciation and amortization of ₱ 14,117 million, impairment loss of ₱2,943 million and retirement/disposals of assets with net book value of ₱1,191 million in 2022.

Investments in Associates and Interests in Joint Ventures

For the year ended December 31, 2022, *MERALCO* recognized equity in net earnings of ₱12,035 million and dividends declared by investees of ₱4,039 million.

Intangible Assets

Intangible assets consist mainly of purchase price in excess of allocated fair value related to the acquisition of (i) shares in *GBPC* in 2021, and (ii) telecommunication towers and related passive infrastructure of Globe Telecomm, Inc. in 2022. The total amount of intangibles related to such towers added in 2022 amounted to ₱7,719 million.

Financial and Other Noncurrent Assets

The decrease was due to the redemption of certain *FVOCI* financial assets, offset by recognition of under recoveries of pass-through charges resulting from increasing generation and transmission charges during the year.

Trade and Other Receivables

The increase in trade and other receivables balance was mainly driven by higher *kWh* sales and average retail rate per *kWh* of ₱9.52 in December 2022 compared with that in December 2021 of ₱8.24.

Financial and Other Current Assets

The increase in this account represents proceeds from the redemption of *FVOCI* assets which were invested in short-term placements.

Interest-bearing long-term financial liabilities

The increase in this account represents loan availments amounting to ₱32,507 million, related to the tower acquisition by *MIDC* and an additional ₱10 billion loan availed by *MERALCO*, offset by settlement amounting to ₱18,679 million in 2022.

Long-term employee benefits

The decrease in this account represents actuarial gains recognized arising from change in financial assumptions (higher discount rate) used in the actuarial valuation report in 2022, partially offset by the accruals of long-term employee benefits recognized during 2022.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets, generation and transmission charge over recoveries resulting from the lag in the billings and recovery from customers, and estimated liabilities for regulatory and tax matters, among others.

Trade Payables and Other Current Liabilities

The increase in trade payables and other current liabilities was driven by higher purchased power costs in December 2022 compared with December 2021.

LIQUIDITY AND CAPITAL RESOURCES

The following show the cash flows for the years ended December 31, 2023, 2022, and 2021 as well as the capitalization and other selected consolidated financial data as at December 31, 2023 and December 31, 2022:

	For the Years Ended December 31		
	2023	**2022**	**2021**
		(Amounts in millions)	
Cash Flows			
Net cash provided by operating activities	₱57,974	₱25,182	₱43,181
Net cash provided by (used in) investing activities	1,569	(22,081)	(49,467)
Net cash provided by (used in) financing activities	(32,605)	(2,276)	10,861
Net increase in cash and cash equivalents	26,938	825	4,575
Capital Expenditures	30,043	42,597	27,236

	2023	**2022**
	(Amounts in millions)	
Capitalization		
Interest-bearing long-term financial liabilities		
Current	₱9,591	₱5,585
Noncurrent	62,272	68,757
Notes payable	27,583	29,491
Equity attributable to equity holders of the parent	122,295	109,664

Other Selected Financial Data		
Total assets	586,042	519,261
Utility plant, generation plant and others	269,839	243,323
Cash and cash equivalents	82,789	55,832

Debt Financing

The ₱7,000 million 12-year Puttable Bond consists of the balance of the total ₱18,000 million Puttable Bonds issued in December 2013, puttable in 10 years. This 12-year Bond includes a call option, whereby *MERALCO* may redeem (in whole but not in part only) the outstanding bonds on the 7th year from issue date at the early redemption price of 101.0%. The call option was not exercised. The put and call options are clearly and closely related to the host instruments, and thus, were not recognized separately.

The net proceeds of the bonds were utilized for refinancing certain loans including principal payments, accrued interest, prepayment penalties and other financing costs.

The details of *MERALCO*'s interest bearing financial liabilities are discussed in Notes 17 and 21 to the consolidated financial statements.

The communication towers and the acquired intangibles of *MIDC*, with aggregate carrying value of ₱ 14,328 million as at December 31, 2023 are pledged as securities for its long-term debt.

The power plant complex of *PHRI* and the generation plant and equipment of *First Bulacan*, with aggregate carrying value of ₱5,613 million as at December 31, 2023 are pledged as securities for their long-term debt.

Under their respective loan agreements, *MERALCO*'s subsidiaries are required to meet certain pre-agreed financial ratios at all times until full payment of the obligation. *GBPC* is prohibited from entering into merger or consolidation, unless *GBPC* is the surviving entity.

As at December 31, 2023, the *MERALCO Group* is in compliance with all of the covenants of its loan agreements.

Equity Financing

As at December 31, 2023 and 2022, *MERALCO*'s capital stock consists of (*amounts in millions except par value and number of shares*):

Common stock - ₱10 par value	
Authorized - 1,250,000,000 shares	₱12,500
Issued - 1,127,271,117 shares	11,273
Treasury - 172,412 shares	(11)

The balance of previously issued preferred shares which have been called for redemption amounted to ₱1,465 million and ₱1,467 million as at December 31, 2023 and December 31, 2022, respectively. Total unclaimed dividends amounted to ₱248 and ₱249 million as at December 31, 2023 and December 31, 2022, respectively. Interest is no longer accrued from the time such preferred shares were called for redemption.

Treasury shares represent subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan *("ESPP")* in accordance with the provisions of the *ESPP* and which *MERALCO* repurchased.

The following are the cash dividends declared on common shares for the years ended December 31, 2023, 2022 and 2021 (*amounts in millions except per share data*):

On February 26, 2024, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱11.235 a share to all shareholders of record as at March 27, 2024, payable on April 24, 2024.

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 31, 2023	August 30, 2023	September 14, 2023	₱8.52	₱9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430
July 25, 2022	August 23, 2022	September 14, 2022	5.81	6,544
February 28, 2022	March 30, 2022	April 26, 2022	10.23	11,526
July 26, 2021	August 23, 2021	September 15, 2021	5.06	5,700
March 1, 2021	March 30, 2021	April 26, 2021	7.82	8,818

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year, and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and availability of free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

RISK FACTORS

The significant risk factors affecting *MERALCO*'s financial position and results of operations are:

- *MERALCO* Franchise renewal
- Regulatory decisions affecting the distribution utilities' tariff
- Recovery of development investments, new businesses and significant capital expenditures
- Sales volume and Philippine economic conditions
- Power supply and demand management
- Competition and market

MERALCO Franchise Renewal

MERALCO's franchise expires on June 28, 2028. There have been calls to break up *MERALCO* to promote competition, lower electricity rates and improve delivery of service which are currently pending with the House Committee on Legislative Franchises. Meralco has filed all documentary requirements for the franchise extension on February 20, 2024. Also, two (2) House Bills on *MERALCO*'s franchise renewal were filed and underwent First Reading and referral to the House Committee on Legislative Franchises, as follows: (a) House Bill No. 9793 by Congressman Jose Ma. Salceda, and (b) House Bill 9813 by Congressman Rufus Rodriguez.

Regulatory Decisions Affecting the Distribution Utilities' Tariff

The major determinants of *MERALCO*'s and *Clark Electric*'s rate structure vis-à-vis operating results are determination and valuation of regulatory asset base *("RAB")*, allowable return and permitted cost

recoveries. Distribution rates billed by *MERALCO* and *Clark Electric* were approved by the *ERC* and were set at rates that allowed a reasonable rate of return on investments. *MERALCO* and *Clark Electric*'s rate structure also allows pass-through of certain purchased power costs, system loss ("*SL")* charge up to an annual cap enforced by the *ERC*, taxes, among others.

MERALCO is among the Group A entrants to the Performance-Based Regulations ("*PBR")*, together with two (2) other private distribution utilities ("*DU*s").

Rate-setting under *PBR* is governed by the Rules for the Setting of Distribution Wheeling Rates ("*RDWR")*. Under the *PBR,* tariffs are set once every Regulatory Period ("*RP*") based on the *RAB* of each *DU*, and the required operating and capital expenditures to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC. PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RY*s"). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

After rate setting process for a *RP*, *MERALCO* goes through a rate verification process to set the *MAP* for each *RY* within the *RP*. In each of *RY*s 2012, 2013, 2014 and 2015, *MERALCO* filed for the respective *MAP* with the *ERC*. The *ERC* provisionally approved the *MAP*s for each of the *RYs*.

On April 29, 2022, *MERALCO* received an Order from the *ERC* dated March 8, 2022, which resolved the true-up value of *MERALCO*'s regulatory asset base for the 3rd *RP*. On such basis, the *ERC* adjusted the *MAP*s for *RY*s 2012, 2013, 2014 and 2015. The *ERC* then granted interim relief, which among other things, directed *MERALCO* to implement the refund of ₱7.8 billion or equivalent to ₱0.2583 per *kWh. MERALCO* implemented the refund beginning its May 2022 billing. In a Decision dated June 16, 2022, the interim approval of the *ERC* was rendered permanent and *MERALCO* was directed to continue implementing the refund. The amount has been fully refunded in 2022.

On July 10, 2015, the *ERC* provisionally approved an interim average rate *("IAR")* of ₱1.3810 per *kWh* (excluding efficiency adjustment) and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

In a letter dated July 4, 2019, the *ERC* authorized the continued implementation of the *IAR* but directed *MERALCO*, as well as other *DU*s, to refund any remaining amount pertaining to regulatory reset costs for the previous *RP*s.

On July 13, 2022, *MERALCO* received the June 16, 2022 Decision of the *ERC* which approved a revised and final *IAR* of ₱1.3522 per *kWh* as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per *kWh* until otherwise directed. *MERALCO* implemented the Decision beginning its August 2022 billing.

Distribution Rate True-Up ("DRTU") Applications

On January 27, 2021, the *ERC* approved *MERALCO*'s application to refund to its customers ₱13,886 million of over-recoveries ("*DRTU*") representing the difference between the Actual

Weighted Average Tariff ("*AWAT*") for the period July 1, 2015 to November 2020 and the then *IAR* of ₱1.3810 per *kWh*, as provisionally approved by the *ERC* on July 10, 2015.

Thereafter, there were three (3) other *DRTU* refunds ordered: (a) *DRTU* 2 totaling ₱4,837 million representing the difference between the *AWAT* for the period December 2020 to December 2021 and the then IAR of ₱1.3810 per *kWh*; (b) *DRTU* 3 of ₱7,755 million related to 3*RP* asset true-up adjustments; and (c) *DRTU* 4 amounting to ₱21,769 million based on *ERC* approved revised and final *IAR* of ₱1.3522 per *kWh*.

MERALCO implemented the foregoing refunds in 2022. The amounts were fully refunded in the May 2023 billing. However, in a letter dated June 14, 2023, *MERALCO* informed the *ERC* that the implementation of the refunds resulted in an over-refund of ₱860 million and proposed the recovery of such over-refund based on a fixed rate per *kWh* consumption in 12 months. As at February 26, 2024, the *ERC* has not responded to *MERALCO*'s letter.

Regulatory Reset Process Application

On March 16, 2022, *MERALCO* filed its application for the approval of its annual revenue requirement and performance incentive scheme for the 5th *RP* (July 1, 2022 to June 30, 2026) based on *ERC*-promulgated *RDWR*.

On September 28, 2023, *MERALCO* filed an Urgent Omnibus Motion to: (a) withdraw the Application; (b) allow *MERALCO* to re-file its 5th *RP* Application to cover the period from *RY* 2025-2028 and (c) consider *RY* 2023 and *RY* 2024 as lapsed period and use ₱1.3522 per *kWh* as the final rate during this period. As at February 26, 2024, *MERALCO* is still awaiting the *ERC*'s action on the Urgent Omnibus Motion.

CAPEX

Absent the final rules governing the 4th *RP* and 5th *RP* rate setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 26, 2024, *MERALCO* is awaiting the final resolution and approval of the *ERC.*

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

3rd and 4th RP PBR Reset for Clark Electric

Clark Electric is among the six (6) Group D entrants to the *PBR*. Similar to *MERALCO*, it is subject to operational performance and service level requirements approved by the *ERC*. Each *RY* for *Clark Electric* begins on October 1 and ends on September 30 of the following year.

Pending the issuance by the *ERC* of the final rules to govern 3rd and 4th *RP* of Group D entrants, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. Similarly, *Clark Electric*

filed and manifested as urgent its *CAPEX* requirements with the *ERC* to be able to implement such projects immediately. As at February 26, 2024, the applications remain pending with the *ERC*.

Recovery of Development Investments, New Businesses and Significant Capital Expenditures

MGen, through its subsidiaries and associates, has significant investments in the development and/construction of the following power plants:

- 2 x 600 *MW* (net) coal-fired power plant in Atimonan Quezon
- 110 *MWdc*/90*MWac* floating solar facility in Laguna de Bay
- *Greenergy* for the development of a 40 *MWac* solar power plant in Cordon, Isabela

On August 11, 2022, *MIDC* entered into a Sale and Leaseback Agreement with Globe Telecom, Inc. (*"Globe"*) to acquire 2,180 telecom towers and the related passive infrastructure for a total consideration of ₱26.2 billion. Under the Master Lease Agreement, *Globe* shall be the anchor tenant of the towers for an initial period of 15 years. In addition, Globe has commissioned *MIDC* to construct 900 additional build-to-suit towers over the next four (4) years on which *Globe* will be the anchor tenant.

As at December 31, 2023 and 2022, *MIDC* acquired 1,194 towers and 860 towers, respectively, from *Globe* and recognized the following identifiable assets:

	2023	2022
	(Amounts in millions)	
Telecommunication towers and passive equipment	**₱2,981**	₱2,601
Acquired network location intangibles	**8,398**	5,661
Build-to-suit contract intangibles	**2,949**	2,058
Total assets acquired	**₱14,328**	₱10,320

Acquired network location intangibles represent the value to *MIDC* of the benefits from leasing the excess capacity on acquired towers to other mobile network operators. The build-to-suit contract intangibles pertain to the contractual commitment of *Globe* to engage *MIDC* in building additional towers to be leased by *Globe*.

On December 27, 2023, *MGreen* completed the acquisition of primary and redeemable voting preferred shares of *SPNEC* (see Note 3). *SPNEC* is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery storage system.

If any of these ongoing developments and constructions are not executed as planned due to reasons or factors beyond *MERALCO*'s control, *MERALCO*'s results of operations and financial position could be adversely affected.

Sales Volume and Philippine Economic Conditions

In terms of the sales mix, residential sales accounted for 35%, commercial sales increased to 37% from 36% in 2022, while industrial sales was at 28% from 29% in 2022.

Residential sales volume continuously recovered in the fourth quarter to close the year ended December 31, 2023 at 17,781 *GWh,* 4% higher than 17,148 *GWh* the previous year. The above-average mean temperatures recorded by *PAGASA* brought about by the El Niño phenomenon prompted households to use cooling appliances more often. Additionally, increased consumption was noted in

condominiums and dormitories as on-site classes in colleges and universities resumed and on-site work arrangements increased.

Commercial sales volumes grew to 19,005 *GWh* from 17,403 *GWh* amid the increase in economic activities. Demand in the real estate and education sectors posted growth as schools began face-to-face classes. Full operations of retail, restaurants, and hospitality sectors also contributed to the higher commercial sales volumes.

The industrial sector saw its sales volume slip by 1% to 14,113 *GWh* versus last year's 14,221 *GWh* as the semiconductors and cement industry recorded negative performance, despite gradual recovery in the second half as key accounts diversified into automotive chips and resumed full plant operations. Food and beverage sectors and generation wheeling from embedded generator sustained growth. However, demand for plastics and steel continued to be affected by high input costs and lower plant production.

Meanwhile, consolidated customer count grew steadily at 3% to 7.8 million by the end of December 2023 from 7.6 million in 2022. Energization of new customers for both ordinary service and project-covered applications recovered, as local government units and developers cleared backlogs and normalized operations.

Power Supply and Demand Management

The electricity distributed by *MERALCO* and *Clark Electric* are contracted through *PSA*s with generators and long-term *PPA*s with *IPPs*. Any unsourced volume through the *PSA*s and *PPA*s is purchased from the *WESM*. *WESM* is a venue where suppliers and buyers trade electricity as a commodity.

Below is the summary of *MERALCO* and *Clark Electric*'s electricity suppliers and the respective amounts of power purchased for the year ended December 31, 2023 and 2022. The details of the relevant *IPP*s and *PSA*s are disclosed and discussed in Note 30 to the unaudited interim consolidated financial statements:

The amounts of purchased power costs including transmission and ancillary charges for the year ended December 31, 2023, 2022 and 2021 follow:

	2023	2022	2021
		(Amounts in millions)	
"*FGPC*" and FGP Corp. ("*FGP*")	**₱70,279**	₱76,145	₱51,164
IEMOP	**57,420**	40,655	21,721
South Premiere Power Corporation ("*SPPC*")	**36,807**	25,679	25,643
National Grid Corporation of the Philippines *("NGCP")*	**35,319**	43,356	34,539
SBPL	**24,837**	26,795	15,973
Quezon Power (Philippines) Limited Company *("QPPL")*	**24,126**	28,793	16,289
Therma Luzon, Inc. ("*TLI*")	**15,850**	4,161	2,219
First NatGas Power Corp. ("*FNPC*")	**15,218**	14,971	9,309

	2023	2022	2021
		(Amounts in millions)	
Sual Power Inc. ("*SPI*")	**14,603**	21,625	15,535
AC Energy Philippines, Inc. ("*AC Energy*")	**10,586**	10,562	10,790
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**10,991**	18,712	8,522
Southwest Luzon Power Generation Corporation	**3,385**	2,672	1,982
Energy Development Corporation ("*EDC*")*	**2,398**	1,015	–
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**633**	644	4,933
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	**418**	370	425
First Gen Hydro Power Corporation ("*FGHPC*")*	**–**	1,378	2,507
GNPower Dinginin Ltd. Co. ("*GNPD*")	**2,459**	465	–
Others	**2,919**	4,647	3,364
	₱46,282,968	₱322,645	₱224,915

** Effective July 26, 2022, FGHPC ceded, assigned and conveyed to EDC all of its rights, interests and obligations under the PSA.*

The continuing Malampaya gas restriction, increasing fuel indices in light of the ongoing Ukraine-Russia conflict, plant outages due to delayed preventive maintenance, forced outages, delays in commissioning of new projects are expected to result in overall tightening of the power supply situation in the country.

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances, claiming that the worsening conflict between Russia and Ukraine and other geopolitical and economic factors related and/or emanating therefrom had impacted *SPI* and *SPPC*'s capability to perform their obligations under the respective *PSA*s in terms of unexpected increase in fuel cost. Thus, on May 12, 2022, *SPI* and *SPPC* (joined by *MERALCO*) filed Joint Motions for Price Adjustment with the *ERC*. On June 27, 2022 and July 22, 2022, *SPI*, *SPPC* and *MERALCO* filed motions for urgent resolution of the Joint Motion. On August 30, 2022, the *ERC* conducted a clarificatory hearing with *SPI, SPPC* and *MERALCO* to clarify several issues in connection with the Joint Motions for Price Adjustment. On October 3, 2022, the *ERC*, voting 3-2, promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment. On October 5, 2022, *SPI* and *SPPC* notified *MERALCO* that it will continue with its obligations under their respective baseload *PSA*s with *MERALCO* under protest and without prejudice to their rights and remedies under pertinent laws and contract. On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the *ERC* Orders dated September 29, 2022. On November 25, 2022, the *CA* issued a *TRO* for the *SPPC* case, hence, after the *TRO* bond was posted by *SPPC*, on December 7, 2022, *SPPC* stopped accepting *MERALCO* nominations. On January 25, 2023, the *CA* issued a *WPI* for the *SPPC* case, which shall remain in effect until the main case is finally decided. Meanwhile, for the *SPI* case, on January 13, 2023, the *CA* denied *SPI*'s prayer for *TRO* and *WPI*. On February 10, 2023 and February 13, 2023, *ERC* and *MERALCO*, respectively, filed its Motion for Reconsideration of the *CA*'s issuance of *WPI* for the *SPPC* case. On April 3, 2023, the *CA* promulgated its Resolution denying the Motions for Reconsideration filed by *ERC* and *MERALCO* vis-à-vis the *CA*'s issuance of *WPI* for the *SPPC* case. On June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case. As of July

24, 2023, the Supreme Court has not issued a *TRO*/*WPI* or Resolution directing *MERALCO* to comment. On July 14, 2023, *MERALCO* received the *CA*'s (13th Division) Joint Decision dated June 27, 2023 (the "Joint Decision"). In the Joint Decision, the *CA*, among others: (a) annulled/set aside the *ERC* Orders which: (i) denied the Joint Motions for Price Adjustment and (ii) directed *MERALCO* to exhaust all options to preserve *PSA*s; (b) granted *SPPC*'s and *SPI*'s Motions for Price Adjustment (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (c) made permanent the Preliminary Injunction issued in favor of *SPPC*. On July 17, 2023, *SPI* informed *MERALCO* of its position that the *CA*'s Joint Decision dissolving the *ERC* Order as immediately executory. Hence, for *SPI*, it will cease supply to *MERALCO* effective immediately. On the same day, *MERALCO* replied that it reserves its right to pursue available legal remedies and to ask *SPI* for time to seek replacement emergency power supply. On July 18, 2023, *SPI* informed *MERALCO* that is only amenable to grant a grace period of five (5) days, or until July 23, 2023, in order for *MERALCO* to seek replacement emergency power supply. Starting on July 24, 2023, *SPI* has ceased its obligations under its baseload *PSA* with *MERALCO*. In a Resolution dated December 28, 2023, the *CA* denied the Motions for Reconsideration ("*MR*") filed by the and Respondent-Intervenor *NASECORE*. Finding no merit in the arguments, the *CA* ruled that the grounds raised by *ERC* and *NASECORE* in their respective *MR*s had already been thoroughly considered by the *CA* in its Joint Decision and it had clearly provided the basis for its rulings, thus, the *MR*s were denied.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* Notices of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform their obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. As at February 26, 2024, the change of circumstances claim is pending evaluation by *MERALCO*.

MERALCO and *Clark Electric'* operations as *DU*s and the *RES* business may be disrupted if the electricity suppliers are not able to generate and deliver the power needed. The power generation business is likewise affected by the increasing fuel prices particularly for supply contracts which have fixed fuel rate arrangement vis-à-vis pass-through fuel arrangement.

Competition

With the effectivity of the *DOE* circulars on Competitive Selection Process ("*CSP*") and its amendments and revisions since it was published in 2018, the execution of *PSA* by *MERALCO*'s power generation business has become increasingly competitive. While the objective of the *CSP* is to promote competition and greater private sector participation in the provision of adequate generation capacity to meet the demand of the captive market, the power generation business of *MERALCO* may not be able to provide the most competitive bid which may adversely affect its financial condition and results of operations.

ELECTRIC POWER INDUSTRY DEVELOPMENTS AND UPDATES

The detailed discussions of the rate-making regulations and regulatory policies of the *ERC* which affect both *MERALCO, Clark E*lectric, and *Shin Clark Power* and other significant matters affecting the power industry players can be found in Notes 2 and 32 to the audited consolidated financial statements.

OTHER QUANTITATIVE AND QUALITATIVE DISCLOSURES

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in *MERALCO*'s liquidity increasing or decreasing in any material way.

On October 12, 2023, *MGreen* signed a Memorandum of Agreement with *SPNEC*, and the latter's parent company, Solar Philippines Power Project Holdings, Inc. ("*SPPPHI*") to secure a right to subscribe to common and redeemable voting preferred shares of *SPNEC* for a total consideration of ₱ 15.9 billion.

On the same date, an agreement was executed by and among *MGreen, SPPPHI and SPNEC*, covering *MGreen*'s grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion.

On December 27, 2023, *MGreen* completed the acquisition of 50.5% voting equity interest of *SPNEC* with the full payment of the common and redeemable voting preferred shares subscription price.

On March 1, 2024, *MGen* and Therma NatGas Power, Inc. ("*TNGP*") have jointly entered into an Investment Agreement to acquire equity interest in Chromite Gas Holdings ("*CGHI*"). *MGen* will acquire 60% interest in *CGHI* while *TNGP* will acquire the balance of 40%. *CGHI* intends to invest in two gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*SMGP*"), the 1,278 *MW* Ilijan power plant, and a new 1,320 *MW* combined cycle power facility that is currently under construction. Together with *SMGP*, *CHGI* will invest in the *LNG* import and regasification terminal owned by Linseed Field Corporation. *TNGP* is a wholly-owned subsidiary of Aboitiz Power Corporation ("*AP*") through Therma Power Inc. ("*TPI*").

(ii) Any events that will trigger direct or indirect contingent financial obligation that is material to *MERALCO*, including any default or acceleration of an obligation.

1. Mediation with National Power Corporation ("*NPC")*

NPC embarked on a Power Development Program ("*PDP*"), which consisted of contracting generating capacities and the construction of its own, as well as private sector, generating plants, following a crippling power supply crisis. To address the concerns of the creditors of *NPC*, namely, Asian Development Bank and the World Bank, the *DOE* required that *MERALCO* enter into a long-term supply contract with *NPC.*

Accordingly, on November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* which commenced on January 1, 1995. The *CSE,* the rates and amounts charged to *MERALCO* therein, were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* further asked *MERALCO* to provide a market for half of the output of the Camago-Malampaya gas field to enable its development and production of natural gas, which was to generate significant revenues for the Philippine Government and equally significant foreign exchange savings for the country to the extent of the fuel imports, which the domestic volume of natural gas will displace.

MERALCO's actual purchases from *NPC* exceeded the contract level in the first seven (7) years of the *CSE*. However, the 1997 Asian crisis resulted in a significant curtailment of energy demand.

While the events were beyond the control of *MERALCO*, *NPC* did not honor *MERALCO*'s good faith notification of its off-take volumes. A dispute ensued and both parties agreed to enter into mediation.

The mediation resulted in the signing of a Settlement Agreement ("*SA*") between the parties on July 15, 2003. The *SA* was approved by the respective *BOD*s of *NPC* and *MERALCO*. The net settlement amount of ₱14,320 million was agreed upon by *NPC* and *MERALCO* and manifested before the *ERC* through a Joint Compliance dated January 19, 2006. The implementation of the *SA* is subject to the approval of the *ERC*.

Subsequently, the *OSG* filed a "Motion for Leave to Intervene with Motion to Admit Attached Opposition to the Joint Application and Settlement Agreement between *NPC* and *MERALCO*". As a result, *MERALCO* sought judicial clarification with the Regional Trial Court ("*RTC-Pasig*"). Pre-trials were set, which *MERALCO* complied with and attended. However, the *OSG* refused to participate in the pre-trial and opted to seek a Temporary Restraining Order ("*TRO*") from the *CA.*
In a Resolution dated December 1, 2010, the *CA* issued a *TRO* against the *RTC-Pasig*, *MERALCO* and *NPC* restraining the respondents from further proceeding with the case. Subsequently, in a Resolution dated February 3, 2011, the *CA* issued a writ of preliminary injunction enjoining the *RTC-Pasig* from conducting further proceedings pending resolution of the Petition. In a Decision dated October 14, 2011, the *CA* resolved to deny the Petition filed by the *OSG* and lifted the injunction previously issued. The said Decision likewise held that the *RTC-Pasig* committed no error in finding the *OSG* in default due to its failure to participate in the proceedings. The *RTC-Pasig* was thus ordered to proceed to hear the case *ex-parte*, as against the *OSG*, and with dispatch. The *OSG* filed a *MR* which was denied by the *CA* in its Resolution dated April 25, 2012. The *OSG* filed a Petition for Review on Certiorari with the *SC*. *MERALCO*'s Comment was filed on October 29, 2012. Subsequently, a Decision dated December 11, 2013 was rendered by the First Division of the *SC* denying the Petition for Review on Certiorari by the *OSG* and affirming the Decision promulgated by the *CA* on October 14, 2011.

With the dismissal of the petition filed by the Office of the Solicitor General ("*OSG*") with the *CA*, *MERALCO* filed a motion for the reception of its evidence *ex-parte* with the *RTC-Pasig* pursuant to the ruling of the *CA*. In a Decision dated May 29, 2012, the *RTC-Pasig* declared the *SA* valid and binding, independent of the pass-through for the settlement amount which is reserved for the *ERC*. The *OSG* has filed a Notice of Appeal with the *RTC-Pasig* on June 19, 2012. After both parties filed their respective appeal briefs, the *CA* rendered a Decision dated April 15, 2014 denying the appeal and affirming the *RTC* Decision, which declared the *SA* as valid and binding. The *OSG* filed a Petition for Review with the *SC*. On November 10, 2014, *MERALCO* filed its comment to the Petition. Power Sector Assets and Liabilities Management Corporation ("*PSALM*") likewise filed its comment to the Petition. In a Resolution dated July 8, 2015, the *SC* resolved to serve anew its Resolutions requiring *NPC* to comment on the Petition. In compliance, *NPC* submitted its Comment dated September 8, 2015. *MERALCO* submitted its Motion for Leave to File and to Admit Attached Reply on October 12, 2015. Pursuant to the *SC* Resolution dated November 11, 2015, the *OSG* filed a Consolidated Reply to the comments filed by *NPC*, *MERALCO* and *PSALM*. *MERALCO* then filed a Motion for Leave to File and to Admit the Attached Rejoinder. The parties have filed their respective memoranda. In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the Settlement Agreement. The *OSG* filed a Motion for Reconsideration. As at February 26, 2024, the case remains pending before the *SC*.

2. Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line is a two (2)-part transmission line, which completed the 230 *kV* line loop within Metro Manila. The two (2) main parts are the Araneta to Balintawak leg and the Sucat to Araneta leg, which cuts through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, Makati City "the *Plaintiffs*", filed a case against *NPC* with the *RTC-Makati*, enjoining *NPC* from further installing high voltage cables near the *Plaintiffs*' homes and from energizing and transmitting high voltage electric current through said cables because of the alleged health risks and danger posed by the same through the electromagnetic field emitted by said lines. Following its initial status quo Order issued on March 13, 2000, *RTC-Makati* granted on April 3, 2000 the preliminary injunction sought by the *Plaintiffs*. The decision was affirmed by the *SC* on March 23, 2006, which effectively reversed the decision of the *CA* to the contrary. The *RTC-Makati* subsequently issued a writ of execution based on the Order of the *SC. MERALCO*, in its capacity as an intervenor, was constrained to file an Omnibus Motion to maintain status quo because of the significant effect of a de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* granted the motions for intervention filed by intervenors, *MERALCO* and *NGCP* and dissolved the Writ of Preliminary Injunction issued, upon the posting of the respective counter bonds by defendant *NPC*, intervenors *MERALCO* and *NGCP*, subject to the condition that *NPC* and intervenors will pay for all damages, which the *Plaintiffs* may incur as a result of the Writ of Preliminary Injunction.

In its Order dated February 5, 2013, the *RTC-Makati* granted the *Plaintiffs*' motion and directed the re-raffle of the case to another branch after the judicial dispute resolution failed.

This case remains pending and is still at the pre-trial stage. During the pre-trial stage, *Plaintiffs* filed a Manifestation stating that they are pursuing the deposition of a supposed expert in electromagnetic field through oral examination without leave of court in late January or early February 2016 or on such date as all the parties may agree amongst themselves at the Consulate Office of the Philippines in Vancouver, Canada. *NPC* and intervenors filed their Opposition and Counter-Manifestation. Intervenor *NGCP* filed a Motion to Prohibit the Taking of the Deposition of the said expert. Intervenor *MERALCO* intends to file its Comment/Opposition in due course. As at February 26, 2024, *MERALCO* is awaiting further action of the *SC* on the matter.

3. *RPT* Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the Local Government Code *("LGC")*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

With the development, *PEPOA* and *PHILRECA* filed separate petitions for rule-making proposing the pass-through of *RPT*.

In 2021, *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes". Under such resolution, the *ERC* approved the recovery

of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Accordingly, *MERALCO* filed for recovery of such *RPT* paid and intends to recover the same in the regulatory reset process.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 26, 2024, the Petition is pending with the *ERC.*

4. *LFT* Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the *LGC*, only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

5. *SC* Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* issued an Order approving *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. However, on August 4, 2003, *MERALCO* received a Petition for Review of the *ERC*'s ruling filed by certain consumer and civil society groups before the Court of Appeals ("*CA*"). On July 22, 2004, the *CA* set aside the *ERC*'s ruling on *MERALCO*'s rate unbundling and remanded the case to the *ERC.* Further, the *CA* opined that the *ERC* should have asked the Commission on Audit ("*COA*") to audit the books of *MERALCO*. The *ERC* and *MERALCO* subsequently filed separate motions asking the *CA* to reconsider its decision. As a result of the denial by the *CA* of the motions on January 24, 2005, the *ERC* and *MERALCO* elevated the case to the *SC*.

In an En Banc decision promulgated on December 6, 2006, the *SC* set aside and reversed the *CA* ruling saying that a *COA* audit was not a prerequisite in the determination of a utility's rates. However, while the *SC* affirmed *ERC*'s authority in rate-fixing, the *SC* directed the *ERC* to request *COA*'s assistance to undertake a complete audit of the books, records and accounts of *MERALCO*. In compliance with the directive of the *SC*, the *ERC* requested *COA* to conduct an audit of the books, records and accounts of *MERALCO* using calendar years 2004 and 2007 as test years.

The *COA* audit, which began in September 2008, was completed with the submission to the *ERC* of its report on November 12, 2009.

On February 15, 2010, the *ERC* issued its Order directing *MERALCO* and all intervenors in the case to submit, within 15 days from receipt of the Order, their respective comments on the *COA* report.

On June 21, 2011, the *ERC* maintained and affirmed its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 30, 2003. The *ERC* stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. An intervenor group filed a *MR* of the said Order. On September 5, 2011, *MERALCO* filed its comment on the intervenor's *MR*. On February 4, 2013, the *ERC* denied the intervenor's *MR*. The intervenor filed a Petition for Review before the *CA* and *MERALCO* filed its comment thereon on May

29, 2014. In compliance with the *CA*'s directive, *MERALCO* filed its Memorandum in August 2015. In a Resolution dated September 29, 2015, the *CA* declared the case submitted for decision. In a Decision dated February 29, 2016, the *CA* dismissed the Petition for Review and affirmed the orders dated June 21, 2011 and February 4, 2013 of the *ERC*.

On March 22, 2016, the intervenors filed a *MR* on the *CA* Decision dated February 29, 2016. The same was denied by the *CA* through a Resolution dated August 8, 2016.

On October 11, 2016, *MERALCO* received a Petition for Review on Certiorari filed by the intervenors before the *SC* appealing the dismissal of its Petition. *MERALCO*, *COA* and the *ERC* have filed their respective comments to the Petition. On June 22, 2017, *MERALCO* received the Motion for Leave to Intervene and Admit Comment-in-Intervention filed by other *DU*s that sought to intervene in the case. In a Resolution dated October 3, 2017, the *SC* granted the Motion for Leave to Intervene and Comment-in-Intervention. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by the National Association of Electric Consumers for Reforms Inc. ("*NASECORE*"), which among other things, (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to *ERC* to determine, within 90 days from finality of the Decision, (1) the valuation of the *RAB* of *MERALCO*; and (2) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers.

MERALCO, the other *DU*s and the *ERC* filed their respective motions for reconsideration which are pending before the *SC*. Two (2) new *DU*s filed their respective motions for leave to intervene and to file their motions for reconsideration. As at February 26, 2024, the case is pending before the *SC*.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of *MERALCO* with unconsolidated entities or other persons created during the reporting period.

There are various outstanding contingent assets and liabilities which are not reflected in the accompanying consolidated financial statements. Refer to Note 29, *Contingencies and Legal Proceedings* and Note 30, *Significant Contracts and Commitments* to the 2023 Audited Consolidated Financial Statements for the updates on the Company's financial obligations.

(iv) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

1. Retail Competition

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On May 12, 2016, the *ERC* issued Resolutions No. 10 and 11, Series of 2016, which:

a. Provided for mandatory contestability. Failure of a contestable customer to switch to *RES* upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) *MW* and June 26, 2017 for at least 750 *MW*) shall result in the

physical disconnection from the *DU* system unless it is served by the supplier of last resort ("*SoLR*"), or, if applicable, procures power from the *WESM*;

b. Prohibits *DU*s from engaging in the supply of electricity to the contestable market except in its capacity as a *SoLR*;

c. Mandates Local *RES*s to wind down their supply businesses within a period of three (3) years;

d. Imposes upon all *RES*s, including *DU*-affiliate *RES*s, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

e. Prohibits *RES*s from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On November 29, 2017, the *DOE* issued two (2) *DOE* Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of *RCOA* for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of *RCOA* for *RES* in the Philippine Electric Power Industry. The *DOE* Circulars became effective on December 24, 2017. Under the *DOE* Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under *RCOA*-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 *kW to* 749 *kW* for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 *kW* for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014.

2. Petition for Dispute Resolution against PEMC, TransCo, NPC and PSALM

On September 9, 2008, *MERALCO* filed a Petition for Dispute Resolution, against *PEMC*, *TransCo*, *NPC* and *PSALM* with the *ERC* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition seeks to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the new price determined through the price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

In a Decision dated March 10, 2010, the *ERC* granted *MERALCO*'s petition and ruled that there is double charging of the transmission line costs billed to *MERALCO* by *NPC* for the Transition Supply Contract ("*TSC*") quantities to the extent of 2.98% loss factor, since the effectivity of the *TSC* in November 2006. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. In the meantime, the *ERC* issued an Order on May 4, 2011 allowing *PEMC* to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the *WESM. PEMC* has filed its compliance submitting its alternative methodology.

On September 8, 2011, *MERALCO* received a copy of *PEMC*'s compliance to the *ERC*'s directive and on November 11, 2011, *MERALCO* filed a counter-proposal which effectively simplifies *PEMC*'s proposal.

In an Order of the *ERC* dated June 21, 2012, *MERALCO* was directed to submit its computation of the amount of the double charging of line loss on a per month basis from June 26, 2006 up to June 2012. On July 4, 2012, *MERALCO* filed its Compliance to the said Order. Thereafter, the *ERC* issued an Order directing the parties to comment on *MERALCO*'s submissions. Hearings were conducted on October 2, 2012 and October 16, 2012 to discuss the parties' proposal and comments.

In an Order dated March 4, 2013, the *ERC* approved the methodology proposed by *MERALCO* and *PEMC* in computing the double charged amount on line losses by deducting 2.98% from the *NPC-TOU* amount. Accordingly, the *ERC* determined that the computed double charge amount to be collected from *NPC* is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the *NPC-TOU* rates imposed on *MERALCO*. In this regard, *NPC* was directed by the *ERC* to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.9 million per month until the over-recoveries are fully refunded. In the said Order, the *ERC* likewise determined that the amount to be collected from the successor generating companies ("*SGC*s") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following *SGC*s: *MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*"), *TLI*, *SPI* and *Sem-Calaca*, within 30 days from receipt thereof, to recover the line loss collected by them. On April 19, 2013, *MERALCO* filed a Motion for Clarification with the *ERC* regarding the directives contained in the March 4, 2013 Order. On April 30, 2013 and May 8, 2013, *PSALM* and *NPC*, respectively, filed motions seeking reconsideration of the March 4, 2013 Order. *MERALCO* filed a motion seeking for an additional 15 days from its receipt of the *ERC*'s Order resolving its Motion for Clarification, within which to file its Petition against the *SGC*s.

In an Order dated July 1, 2013, the *ERC* issued the following clarifications/resolutions: (i) *SPPC* should be included as one of the *SGC*s against whom a petition for dispute resolution should be filed by *MERALCO*; (ii) amount to be refunded by *NPC* is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iii) petition to be filed by *MERALCO* against the *SGC*s should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iv) "SCPC Ilijan" pertains to *SPPC* instead. Thus, the refundable amount of ₱706 million pertaining to "SCPC Ilijan" should be added to *SPPC*'s refundable amount of ₱1.1 billion; (v) grant the Motion for Extension filed by *MERALCO* within which to file a petition against the following *SGC*s: *MPPCL*, *APRI*, *TLI*, *SPI*, *Sem-Calaca* and *SPPC*; and (vi) deny the respective *MR*s filed by *NPC* and *PSALM*.

On September 12, 2013, *MERALCO* filed a Manifestation with Motion with the *ERC* seeking approval of its proposal to offset the amount of ₱73.9 million per month against its monthly remittances to *PSALM*. *PSALM* and *NPC* filed their comments *Ad Cautelam* and Comment and Opposition *Ad Cautelam*, respectively, on *MERALCO*'s Manifestation with Motion.

On November 4, 2013, *MERALCO* filed its reply. As at February 26, 2024, *MERALCO*'s Manifestation with Motion is pending resolution by the *ERC*.

On October 24, 2013, *MERALCO* received *PSALM*'s Petition for Review on Certiorari with the *CA* (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) questioning the March 4, 2013 and July 1, 2013 Orders of the *ERC*.

On February 3, 2014, *MERALCO* filed a Comment with Opposition to the Application for *TRO* or Writ of Preliminary Injunction dated January 30, 2014. *PEMC* filed a Comment and Opposition Re: Petition for Certiorari with Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction dated January 6, 2014. On June 4, 2014, the *CA* issued a Resolution declaring that *PSALM* is deemed to have waived the filing of a Reply to the comment and opposition of *MERALCO* and *PEMC* and directing the parties to submit their simultaneous memoranda within 15 days from notice. On December 1, 2014, the *CA* issued a decision dismissing the Petition for Certiorari filed by *PSALM* against the *ERC*, *MERALCO* and *PEMC* and affirming the *ERC*'s ruling on the refund of the ₱5.2 billion of transmission line losses double charged by *PSALM* and *NPC*. On January 30, 2015, *PSALM* filed its *MR* on the December 1, 2014 Decision of the *CA*. *MERALCO* has filed its Opposition to the *MR*. In a Resolution dated August 11, 2015, the *CA* denied *PSALM's MR*. On October 27, 2015, *MERALCO* received *PSALM's* Petition for Review with the *SC*. The Petition has been given due course and the parties have filed their respective memoranda. As at February 26, 2024, *MERALCO* is still awaiting further action of the *SC* on the Petition.

3. Petition for Dispute Resolution Against *SPPC, MPPCL, APRI, TLI, SPI* and *Sem-Calaca*

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*'s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 26, 2024, the Joint Motion to Dismiss is pending resolution by the *ERC*.

4. Petition for Dispute Resolution with *NPC* on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no

basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 26, 2024, the Petition is pending resolution by the *ERC*.

5.*SC TRO* on *MERALCO*'s December 2013 Billing Rate Increase

On December 9, 2013, the *ERC* gave clearance to the request of *MERALCO* to implement a staggered collection over three (3) months covering the December 2013 billing month for the increase in generation charge and other bill components such as *VAT*, *LFT*, transmission charge, and *SL* charge. The generation costs for the November 2013 supply month increased significantly because of the aberrant spike in the *WESM* charges on account of the non-compliance with *WESM* Rules by certain plants resulting in significant power generation capacities not being offered and dispatched, and the scheduled and extended shutdowns, and the forced outages, of several base load power plants, and the use of the more expensive liquid fuel or bio-diesel by the natural gas-fired power plants that were affected by the Malampaya Gas Field shutdown from November 11 to December 10, 2013.

On December 19, 2013, several party-list representatives of the House of Representatives filed a Petition against *MERALCO*, *ERC* and *DOE* before the *SC*, questioning the *ERC* clearance granted to *MERALCO* to charge the resulting price increase, alleging the lack of hearing and due process. It also sought for the declaration of the unconstitutionality of the *EPIRA*, which essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar petition was filed by a consumer group and several private homeowners' associations challenging also the legality of the *AGRA* that the *ERC* had promulgated. Both petitions prayed for the issuance of *TRO*, and a Writ of Preliminary Injunction.

On December 23, 2013, the *SC* consolidated the two (2) Petitions and granted the application for *TRO* effective immediately and for a period of 60 days, which effectively enjoined the *ERC* and *MERALCO* from implementing the price increase. The *SC* also ordered *MERALCO*, *ERC* and *DOE* to file their respective comments to the Petitions. Oral Arguments were conducted on January 21, 2014, February 4, 2014 and February 11, 2014. Thereafter, the *SC* ordered all the Parties to the consolidated Petitions to file their respective Memorandum on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the *SC*. *MERALCO* complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the *SC* extended for another 60 days or until April 22, 2014, the *TRO* that it originally issued against *MERALCO* and *ERC* on December 23, 2013. The *TRO* was also similarly applied to the generating companies, specifically *MPPCL*, *SPI*, *SPPC*, *FGPC*, and the *NGCP*, and the *PEMC* (the administrator of *WESM* and market operator at that time) who were all enjoined from collecting from *MERALCO* the deferred amounts representing the ₱ 4.15 per *kWh* price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, *MERALCO* filed an Omnibus Motion with Manifestation with the *ERC* for the latter to direct *PEMC* to conduct a re-run or re-calculation of the *WESM* prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, *MERALCO* filed with the *ERC* an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six (6)-month period.

On March 3, 2014, the *ERC* issued an Order voiding the Luzon *WESM* prices during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit ("*IU*") that these are not reasonable, rational and competitive, and imposing the use of regulated rates for the said period. *PEMC* was given seven (7) days upon receipt of the Order to calculate these regulated

prices and implement the same in the revised *WESM* bills of the concerned *DU*s in Luzon. *PEMC*'s recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December 2013 supply month bill of the *WESM* by ₱9.3 billion. Due to the pendency of the *TRO*, no adjustment was made to the *WESM* bill of *MERALCO* for the November 2013 supply month. The timing of amounts to be credited to *MERALCO* is dependent on the reimbursement of *PEMC* from associated generator companies. However, several generating companies, including *MPPCL*, SN Aboitiz Power, Inc., Team (Philippines) Energy Corporation, PanAsia Energy, Inc. ("*PanAsia*"), and *SPI*, have filed *MR*s questioning the Order dated March 3, 2014. *MERALCO* has filed a consolidated comment to these *MR*s. In an Order dated October 15, 2014, the *ERC* denied the *MR*s. The generating companies have appealed the Orders with the *CA*. *MERALCO* has filed a motion to intervene and a comment in intervention. The *CA* consolidated the cases filed by the generation companies. In a Decision dated November 7, 2017, the *CA* set aside *ERC* Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 and declared the orders null and void. The Decision then reinstated and declared valid *WESM* prices for the November and December 2013 supply months. *MERALCO* and the *ERC* have filed their respective motions for reconsideration. Several consumers also intervened in the case and filed their respective motions for reconsideration. In a Resolution dated March 29, 2019, the *CA* denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

MERALCO and several consumers have elevated the *CA* Decision and Order to the *SC* where the case is pending. In a Resolution dated November 4, 2020, the *SC* consolidated *ERC*'s and *MERALCO*'s petitions and transferred *MERALCO*'s petition to the member-in-charge of *ERC*'s petition which was the lower-numbered case. The petitions filed by the consumers were denied by the *SC*.

In view of the pendency of the various submissions before the *ERC* and mindful of the complexities in the implementation of the *ERC*'s Order dated March 3, 2014, the *ERC* directed *PEMC* to provide the market participants additional 45 days to comply with the settlement of their respective adjusted *WESM* bills. In an Order dated May 9, 2014, the parties were then given an additional non-extendible period of 30 days from receipt of the Order within which to settle their *WESM* bills. However, in an Order dated June 6, 2014 and acting on an intervention filed by Angeles Electric Corporation, the *ERC* deemed it appropriate to hold in abeyance the settlement of *PEMC*'s adjusted *WESM* bills by the market participants.

On April 22, 2014, the *SC* extended indefinitely the *TRO* issued on December 23, 2013 and February 18, 2014 and directed generating companies, *NGCP* and *PEMC* not to collect from *MERALCO*. In a Decision promulgated on August 3, 2022, the *SC* affirmed the December 9, 2013 *ERC* letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the *ERC* March 3, 2014 Order which voided the Luzon *WESM* prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The *ERC* and the petitioners filed motions for reconsideration which were denied with finality in the *SC* Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the *ERC* on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. On January 4, 2024, *MERALCO, IEMOP* and the *ERC* metto discuss *MERALCO*'s proposed implementation of the Decision. As at February 26, 2024, as directed by the *ERC*, *MERALCO* and *IEMOP* have completed the reconciliation of the final amount to be recovered.

6. *ERC* Investigating Unit *("IU*") Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the *IU* filed a Complaint dated May 9, 2015 against *MERALCO* and *TMO* for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the *EPIRA* and Rule 11, Section 1 and 8(e) of the *EPIRA IRR*. In an Order dated June 15, 2015, the *ERC* directed *MERALCO* to file its comment on the Complaint. *MERALCO* and *TMO* have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the *ERC* directed the investigating officer to file his reply to *MERALCO*. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the *ERC* promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the *ERC* set the pre-trial conference on August 18, 2016 and required *MERALCO* and *TMO* to submit their respective pre-trial briefs. However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs. In the meantime, *MERALCO* likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by *TMO* in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission ("*PCC*") which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the *ERC* denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the *ERC* denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its *MR* to the Order on February 23, 2017. In an Order dated June 20, 2017, the *ERC* denied the *MR*. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the *CA*. In a Resolution dated October 2, 2017, the *CA* required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. *MERALCO* was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the *ERC* stated that it is a nominal party in the case as the quasi-judicial tribune that issued the assailed ordinances. The *IU* filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the *OSG* informed the

CA that it will no longer represent the *IU* and will instead participate as "tribune of the people". In the meantime, *TMO* also filed a separate Petition for Review on Certiorari with the *CA*. In a Resolution dated January 10, 2018, the *CA* ordered the consolidation of the petitions of *TMO* and *MERALCO*. In a Decision dated May 23, 2018, the *CA* denied the consolidated Petitions filed by *MERALCO*, *TMO*, and *APRI*, and ruled that the jurisdiction to resolve the *IU* cases remains with the *ERC* because the Philippine Competition Act ("*PCA*") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an *MR* with the *CA*. The *ERC* likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the *PCC* over cases involving alleged anti-competitive conduct supposedly because the *PCA* did not repeal Section 45 of the *EPIRA*.

In Resolution dated January 28, 2019, the *CA* denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the *PCC* now holds original, exclusive, and primary jurisdiction over all competition-related cases, the *CA* reiterated its view that the *PCA* has no retroactive effect.

The *ERC* has elevated the matter to the *SC*. *MERALCO, TMO* and *APRI* have all filed their respective manifestations before the *SC*. In a Resolution dated September 29, 2021, the *SC* affirmed the *CA* in that the *ERC* had jurisdiction over these cases as they were filed before the enactment of the *PCA*. However, the *SC* did not rule on whether the *PCC* and the *ERC* now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the *ERC* called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the *SC*. The *ERC* then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (A) Resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (B) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the *ERC* stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the *ERC* will first resolve *MERALCO*'s motions. The *ERC* also issued an open court order denying the motion of the *ERC IU* that the case be resolved through the submission of the position papers and other supporting documents. The *ERC IU* filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at February 26, 2024, *MERALCO* is awaiting further action by the *ERC* on the matter.

7. Ombudsman Case Against Directors

On January 30, 2018, *MERALCO* received an Order dated January 22, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the alleged misappropriation of the bill deposits received from *MERALCO* consumers. On February 9, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. In a Resolution dated May 18, 2018, the criminal complaint for syndicated estafa was dismissed for insufficiency of evidence. The case was referred to the *COA* for the conduct of audit on the bill deposits collected by *MERALCO* from the public consumers and to inform the Ombudsman of the compliance therewith. The consumer group filed a Motion for Partial Reconsideration dated June 16, 2018 to which *MERALCO* filed its Comment. The consumer group's Motion for Partial Reconsideration was denied through an Order dated July 30, 2018. *NASECORE* filed an *Urgent Motion for Immediate Execution* dated September 21, 2018 praying that the Ombudsman issue a writ of execution to implement the *Resolution* dated May 18, 2018.

On February 28, 2018, *MERALCO* received an Order dated February 20, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the *MERALCO*'s investment activities in other businesses for being violative of its legislative franchise and the *EPIRA*. On March 12, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. On May 4, 2018, *MERALCO* filed a Manifestation with Motion for Early Resolution of even date. Another Motion to Resolve and Dismiss was also filed by *MERALCO* on June 2, 2021. In a Joint Resolution dated February 22, 2022, the Ombudman dismissed the cases.

On January 5, 2024, *MERALCO* received an Order dated January 2, 2024 from the Office of the Ombudsman directing *MERALCO*'s Chairman and *CEO* to file a counter-affidavit, together with the affidavit/s of supporting witnesses and other supporting documents, on the case filed by a certain consumer group seeking (a) indictment of *MERALCO*'s Chairman and *CEO* which alleged that there is a violation of certain provisions of *R.A. 3019* and *PD 269*, and (b) a finding that the *ERC* Chairperson is guilty of, among other things, gross misconduct and grave abuse of authority. On February 6, 2024, *MERALCO* has filed the relevant counter-affidavit and supporting affidavit to the Office of the Ombudsman. As at February 26, 2024, *MERALCO* is awaiting further action by the Ombusdman on the matter.

8. SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers, the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion and authorized *MERALCO* to continue with the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme on how the unclaimed refund will be utilized for purposes of reducing the distribution rates of customers. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* that on July 1, 2019, *MERALCO* deposited all the unclaimed amounts of the *SC* Refund as of June 30, 2019 in a separate bank account. *MERALCO* further manifested in said Compliance that it shall continue with the processing of the refund claims of eligible customers and should the refund claims of these customers be evaluated to be valid, *MERALCO* shall, for the benefit of the customers, withdraw the refund amount from the bank account, release the same to the concerned customers and accordingly inform the *ERC* of the refunds paid. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. As at February 26, 2024, *MERALCO* continues to process the refund claims of eligible customers.

In the meantime, in a letter dated February 3, 2021, the *ERC* informed *MERALCO* that it will be undertaking an audit and verification of *MERALCO*'s refunds, which included *MERALCO*'s *SC* refund.

The audit has been completed and as at February 26, 2024, *MERALCO* is awaiting further action of the *ERC* on the matter.

9. *Overpayment of Income Tax related to SC Refund*

With the decision of the *SC* for *MERALCO* to refund ₱0.167 per *kWh* to customers during the billing period February 1994 to May 2003, *MERALCO* overpaid income tax in the amount of ₱7,107 million for taxable years 1994 to 1998 and 2000 to 2001. Accordingly, on November 27, 2003, *MERALCO* filed a claim for the recovery of such excess income taxes paid. After examination of the books of *MERALCO* for the covered periods, the *BIR* determined that *MERALCO* had in fact overpaid income taxes in the amount of ₱6,690 million. However, the *BIR* also maintained that *MERALCO* is entitled to a refund amount of only ₱894 million, which pertains to taxable year 2001, claiming that the period for filing a claim had prescribed in respect to the difference between *MERALCO*'s overpayment and the refund amount *MERALCO* is entitled to.

The *BIR* then approved the refund of ₱894 million for issuance of tax credit certificates ("*TCC*s"), proportionate to the actual refund of claims to utility customers. The *BIR* initially issued *TCC*s amounting to ₱317 million corresponding to actual refund to customers as at August 31, 2005. In May 2014, the *BIR* issued additional *TCC*s amounting to ₱396 million corresponding to actual refund to customers as at December 31, 2012.

MERALCO filed a Petition with the Court of Tax Appeals ("*CTA*") assailing the denial by the *BIR* of its income tax refund claim of ₱5,796 million for the years 1994 - 1998 and 2000, arising from the *SC* decision (net of ₱894 million as approved by the *BIR* for taxable year 2001 "Overpayment of Income Tax related to *SC* Refund"). In a Decision dated December 6, 2010, the *CTA*'s Second Division granted *MERALCO*'s claim and ordered the *BIR* to refund or to issue *TCC* in favor of *MERALCO* in the amount of ₱5,796 million in proportion to the tax withheld on the total amount that has been actually given or credited to its customers.

On appeal by the *BIR* to the *CTA* En Banc, *MERALCO*'s petition was dismissed on the ground of prescription in the Decision of the *CTA* En Banc dated May 8, 2012. An *MR* was filed by *MERALCO* and the *CTA* En Banc partly granted *MERALCO*'s motion and issued an Amended Decision dated November 13, 2012, ruling that *MERALCO*'s claim was not yet barred by prescription and remanding the case back to the *CTA* Second Division for further reception of evidence.

The *BIR* filed a *MR* of the above Amended Decision, while *MERALCO* filed its Motion for Partial Reconsideration or Clarification of Amended Decision. Both parties filed their respective Comments to the said motions, and these have been submitted for resolution at the *CTA* En Banc.

In a Resolution promulgated on May 22, 2013, the *CTA* denied the said motions of the *BIR* and *MERALCO*, and the *CTA* Second Division was ordered to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994-1998 and 2000, but corresponding to the amount of ₱5,796 million, as already determined by the said court.

On July 12, 2013, the *BIR* appealed the *CTA* En Banc's Amended Decision dated November 13, 2012 and Resolution dated May 22, 2013 via Petition for Review with the *SC.* As at February 26, 2024, the case is pending resolution by the *SC*.

(v) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

The reconciliation of Consolidated Core Net Income ("*CCNI*") and Net income as disclosed in Note 6 to the audited consolidated financial statements shows the amounts of foreign exchange gains or losses, mark-to-market adjustments, impairment or reversal of impairment of noncurrent assets and other one-time, non-recurring transactions, net of tax effect of the foregoing adjustments.

(vi) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Seasonality of Operations and Growth Drivers

Approximately 97% of *MERALCO Group*'s operating revenues pertain to sale of electricity distributed by *MERALCO* and *Clark Electric*.

The electricity sales of *MERALCO* and *Clark Electric* exhibit a degree of quarterly seasonality. The *kWh* sales in the first quarter is lower than the average of the year as this period is characterized by cooler temperature and softer consumer demand following heightened consumer spending in the last quarter of the year. The second quarter is marked by higher than average *kWh* sales. This is due to a number of factors, including: increased consumption of households and commercial establishments due to the summer season; increased production of industries to replenish stocks and in preparation for the opening of classes; and, heightened construction activity to take advantage of the sunny weather. In the third quarter of the year, manufacturing industries that cater to the export market have their peak production schedule at this time as they rush to meet shipping deadlines to foreign markets. Industries catering to the domestic market are also now starting production in preparation for the Christmas season. Lastly, the fourth quarter performance is about the average of the year. Industrial production winds down while households and commercial establishments also cut down on their cooling loads. Given this perspective on the seasonality of *kWh* sales, a higher proportion of the *MERALCO*'s and *Clark Electric*'s revenues are earned on the second half of the year. Aside from the quarterly seasonal pattern, *kWh* sales on a year-on-year basis adjust as a result of a number of factors. Sales of electricity normally increase in periods of economic growth, low inflation and electricity rates, and in periods of high temperatures over extended period of time, e.g. the "*El Niño*" episodes.

The following table sets forth *MERALCO Group* quarterly sales in *GWh* for the year ended December 31, 2023 and 2022.

Period	**2023**	**2022**
First Quarter	11,287	11,069
Second Quarter	13,505	12,899
Third Quarter	13,372	12,585
Fourth Quarter	12,880	12,363
Total	**51,044**	**48,916**

The power generation business generally follows the seasonality of the distribution utility business. The businesses of all other subsidiaries are not highly seasonal.

(vii) Any known trends, demands, commitments, events or uncertainties that will have a material impact of the issuer's liquidity.

Management is not aware of any known trends, demands, commitments, events or uncertainties that may deem potentially have a material impact on *MERALCO* Group's liquidity as at December 31, 2023, other than those already disclosed in this report and in the audited consolidated financial statements.

(viii) Discussion of *MERALCO*'s and its majority-owned subsidiaries top five (5) key performance indicators. It shall include a discussion of the manner by which *MERALCO* calculates or identifies the indicators presented on a comparable basis.

Listed hereunder are *MERALCO*'s five (5) major subsidiaries namely *Clark Electric*, *MGen*, *MIESCOR, e-MVI* and *CIS*. The following table summarizes their key financial performance and indicators as at and for the years ended December 31, 2023 and 2022.

Financial Highlights and Ratios[20] of Major Subsidiaries
As at and for the Year Ended December 31, 2023 and 2022
(Amounts in million pesos except for financial ratios and % change)

	Clark Electric			*MGen*			*MIESCOR*			*e-MVI*			*CIS*		
	2023	**2022**	**% change**	**2023**	**2022**	**% change**	**2023**	**2022**	**% change**	**2023**	**2022**	**% change**	**2023**	**2022**	**% change**
Percentage of ownership	65%	65%		100%	100%		100%	100%		100%	100%		100%	100%	
Condensed Statements of Financial Position															
Total assets	₱4,057	₱3,916	4	₱191,569	₱128,553	49	₱27,648	₱22,592	22	₱5,958	₱6,575	(9)	₱7,122	₱5,919	20
Current assets	1,562	1,631	(4)	34,310	24,535	40	10,276	9,347	10	958	967	(1)	6,961	5,682	23
Cash and cash	1,250	1,102	13	21,174	8,748	142	1,844	2,074	(11)	219	265	(17)	2,477	2,160	15
Equity	2,493	2,343	6	73,728	55,080	34	8,172	6,492	26	3,053	2,902	5	1,152	986	17
Total debt[21]	-	-	-	45,968	47,370	(3)	6,799	4,904	39	747	808	(8)	-	-	-
Current liabilities	514	674	(24)	25,301	13,296	90	7,180	5,815	23	2,092	2,819	(26)	5,919	4,848	22
Financial Ratios															
Debt-to-equity ratio	-	-	-	0.62	0.86	(28)	0.83	0.76	10	0.24	0.28	(12)	-	-	-
Current ratio	3.04	2.42	26	1.36	1.85	(27)	1.43	1.61	(11)	0.46	0.34	33	1.18	1.17	-
Condensed Statements of Income															
Revenues	3,513	3,235	9	30,518	32,777	(7)	8,036	7,768	3	2,481	2,010	23	2,112	1,964	8
Costs and expenses	3,196	2,977	7	27,425	33,609	(18)	7,607	7,467	2	2,219	1,758	26	1,996	1,868	7
Net income	334	268	25	12,033	6,141	96	(383)	64	(698)	156	180	(13)	142	60	137
Financial Ratios															
Profit margin	9.5%	8.3%	15	39.4%	18.7%	110	(4.8%)	0.8%	(678)	6.3%	9.0%	(30)	6.7%	3.1%	120
Return on equity	13.4%	11.4%	17	16.3%	11.1%	46	(4.7%)	1.0%	(575)	5.1%	6.2%	(18)	12.3%	6.1%	103
Asset turnover	0.88	0.89	(1)	0.19	0.26	(28)	0.32	0.52	(39)	0.40	0.37	7	0.32	0.43	(25)

[20] The manner of computing the financial ratios for subsidiaries is the same with that of *MERALCO's* as presented in *Financial Highlights and Key Performance Indicators.*

[21] Total Debt is composed of notes payable and interest-bearing long-term financial liabilities, current and noncurrent portions.

ANNEX – Aging of Trade and Other Receivables

As at December 31, 2023

(Amounts in millions)

	Total	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables	₱45,417	₱28,817	₱1,094	₱403	₱15,103
Other trade receivables	4,476	2,131	481	532	1,332
Gross trade receivables	**49,893**	**30,948**	**1,575**	**935**	**16,435**
Non-trade receivables	6,705	5,203	766	13	723
Total receivables	**56,598**	**36,151**	**2,341**	**948**	**17,158**
Allowance for expected credit losses	**(8,203)**	**(128)**	**(378)**	**(820)**	**(6,877)**
Net receivables	**₱48,395**	**₱36,023**	**₱1,963**	**₱128**	**₱10,281**

MARKET INFORMATION

The principal market where *MERALCO*'s common equity is traded in the Philippine Stock Exchange. The quarterly high and low sales prices for the fiscal years 2023 and 2022 and first quarter 2024 are as follows:

FROM	TO	HIGH	LOW
		Share Price (in ₱)	Share Price (in ₱)
01/01/24	03/12/24	399.80	355.60
10/01/23	12/31/23	399.00	348.00
07/01/23	09/30/23	379.00	325.00
04/01/23	06/30/23	339.00	308.00
01/01/23	03/31/23	320.60	280.00
10/01/22	12/31/22	310.00	265.00
07/01/22	09/30/22	369.60	263.00
04/01/22	06/30/22	374.80	330.00
01/01/22	03/31/22	380.80	295.20

As of March 8, 2024, the share price of MERALCO is ₱365.00.

Holders

As of March 8, 2024, the Company has 40,869 stockholders.

Top 20 Stockholders as of March 8, 2023

	STOCKHOLDER NAME	NATIONALITY	NUMBER OF SHARES	%
1.	BEACON ELECTRIC ASSET HOLDINGS, INC.	FILIPINO	394,059,235	34.96
2.	JG SUMMIT HOLDINGS, INC.	FILIPINO	297,189,397	26.37
3.	PCD NOMINEE CORP - FILIPINO		149,717,729	13.28
4.	METRO PACIFIC INVESTMENTS CORPORATION	FILIPINO	140,906,807	12.50
5.	PCD NOMINEE CORP – NON-FILIPINO		62,200,813	5.52
6.	FIRST PHILIPPINE HOLDINGS CORPORATION	FILIPINO	44,382,436	3.94
7.	MANTES CORPORATION	FILIPINO	2,486,427	0.22
8.	LUCIO W. YAN	FILIPINO	403,208	0.04
9.	CHARLOTTE CUA CHENG	FILIPINO	314,534	0.03
10.	ALBERT FERREROS DEL ROSARIO &/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	291,140	0.03
11.	AVESCO MARKETING CORPORATION	FILIPINO	284,427	0.03
12.	B. P. INSURANCE AGENCY, INC.	FILIPINO	281,079	0.02
13.	MAKATI SUPERMARKET CORPORATION	FILIPINO	240,308	0.02
14.	ALBERT FERREROS DEL ROSARIO AND/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	182,500	0.02
15.	LAARNI NIEMAN ENRIQUEZ	FILIPINO	164,388	0.01

16.	JOSE IGNACIO A. CARLOS	FILIPINO	161,687	0.01
17.	ANTONINO T. AQUINO &/OR EVELINA S. AQUINO	FILIPINO	133,855	0.01
18.	AGIKIK CORPORATION	FILIPINO	120,100	0.01
19.	BP INSURANCE AGENCY, INC.	FILIPINO	116,730	0.01
20.	RAUL JOSEPH CONCEPCION	FILIPINO	112,431	0.01

Dividends

Following are the cash dividends declared by *MERALCO*'s *BOD* in favor of *MERALCO* common shares for the two (2) most recent years ended December 31, 2023 and 2022:

YEAR	RATE PER SHARE	RECORD DATE	PAYMENT DATE
2023	₱11.028	March 29, 2023	April 26, 2023
	₱8.520	August 30, 2023	September 14, 2023
2022	₱10.226	March 30, 2022	April 26, 2022
	₱5.806	August 23, 2022	September 14, 2022

On February 26, 2024, the BOD of *MERALCO* approved the declaration of cash dividends of ₱11.235 per share to all shareholders of record as at March 27, 2024, payable on April 24, 2024.

MERALCO's loan agreements contain restrictions on payments of cash dividends to common stockholders subject to meeting certain financial measures, which *MERALCO* complied with.

MERALCO strictly implements its dividend policy, approved by the BOD, in 2010, which prescribes the regular payment of dividends equivalent to fifty percent (50%) of consolidated core net income for the year, which may be supplemented by a special dividend determined on a "look-back" basis. In 2023, *MERALCO* paid cash dividends of ₱19.548 per share to all its shareholders.

Recent Issuance of Securities Constituting an Exempt Transaction

None.

Corporate Social Responsibility

As *MERALCO* continues to provide quality and reliable electricity service to its customers, it is mindful of its commitment to contribute to national development through various corporate social responsibility initiatives in the areas of community electrification, environmental sustainability, youth development, community relations, disaster resilience and response and employee giving and volunteerism. Through its corporate foundation and social development arm - One *MERALCO* Foundation ("OMF") – and anchored on its corporate values of *malasakit* and *bayanihan*, *MERALCO* engages with various stakeholders such as the national and local governments, peoples' organizations, the academe and the Church, among others, in implementing social development programs that resulted in meaningful impact on people, prosperity, and the planet.

Providing energy access to low-income households and off-grid communities

Through the household electrification program, *MERALCO* assisted 5,751 low-income families in its franchise area to obtain access to the distribution grid. Through the cooperation of various stakeholders: *MERALCO*'s business centers and network sectors, the local government, the beneficiaries, and OMF, they address the technical, legal, and financial hurdles which make electrification challenging for these households, especially those in informal settlements and relocation sites. Since the program started, OMF has energized 75,715 low-income households already.

Outside the *MERALCO* franchise area, the Company helps address the energy access challenges of remote and off-grid public schools, rural health centers and barangay health stations, agriculture and livelihood facilities and equipment, as well support the electrification needs of water access programs. These community electrification initiatives utilize solar power and they strike at the heart of the Sustainable Development Goals (SDG) particularly SDG1: End Poverty and SDG7: Affordable and Clean Energy.

Remote public schools which are now energized can utilize technology and other multi-media learning equipment to enable improved learning experiences for students and help educators innovate on their learning delivery strategies. In 2023, ten schools from Sarangani, Sultan Kudarat, South Cotabato and Palawan benefited from the program. The program energized its 300th school – Catagupan Elementary School – in a remote island in Balabac, Palawan, found in the westernmost part of the Philippines. This year also saw for the first time that remote mountain schools being energized in the province of Sultan Kudarat in Mindanao, which cater to students all coming from indigenous tribes.

Aside from off-grid public schools, barangay health stations and rural health centers were also energized from mountain communities in Tanay, Rizal and Kiamba, Sarangani benefiting a total of 4,620 residents from the vicinities. Because of the electrification, barangay health workers are now able to use tools like nebulizers for those suffering from respiratory ailments, fetal dopplers for pregnant women and even store vaccines as cold storage are now possible in the health centers.

Solar electrification also played a significant role in the improvement of the operations of the Milalitra Farmers Agricultural Cooperative in Talakag, Bukidnon members. The electrification of their coffee processing facility boosted production and may increase the income potential of more than 100 cooperative members belonging to the Talaandig Indigenous People (IP) who rely on this livelihood to support their families.

By energizing its community-based water pumping station, residents of the remote Sitio Central in Barangay Patabog, Mulanay, Quezon now enjoy the benefits of safe drinking water nearer to their homes. OMF and *MERALCO*'s renewable energy company, MSpectrum, installed a 5kWac inverter solar PV system which powers two one-horsepower water pumps that reliably runs at least six hours a day to meet the daily needs of more than 300 households. This improved water access facility can help prevent the spread of waterborne diseases like typhoid, diarrhea, and E.coli. It is the very first solar-powered water system service facility in Mulanay.

As part of *MERALCO*'s advocacy to "spread the light," OMF also distributed 2,147 solar lamps to fisherfolks, indigenous communities and students in rural communities from Antique, Aurora, Bulacan, Cagayan Valley, Capiz, Cebu, Ilocos Norte, Ilocos Sur, La Union, Lanao del Norte, Marinduque, Nueva Vizcaya, Benguet, Palawan, Quezon and Zambales.

These programs are concrete expressions of the Company's aspiration to contribute to prosperity in underserved communities by utilizing the benefits of electrification. This is also a concrete step by the Company to contribute to inclusive development particularly in remote communities so that the local actors can be active players in the economic and social needs of their own constituencies.

Contributing to reforestation and improving economic and social opportunities of communities around forests

Through the "One for Trees" program, *MERALCO* contributes to the reforestation and regeneration of forests, wetlands and watersheds at risk in the country. In 2023, the program reached a milestone of planting and nurturing 2-million trees since the program started. Reforestation sites are now found in San Miguel, Bulacan, Siniloan, Laguna, various towns in the Bohol along the Carood Watershed, Butuan, Agusan del Norte, Kalibo, Aklan, and Pangantucan, Bukidnon (XSF – Xavier Science Foundation). It also has reforestation sites in Cebu and Iloilo under the care of *MERALCO* subsidiary, *MERALCO* PowerGen Corporation. New mangrove sites were included in 2023 in Aringay, La Union and in Del Carmen, Siargao Island, Surigao del Norte. The program benefits 2,359 tree farmers and their families with food security through agroforestry, and with livelihood through income from maintaining the reforestation sites. Aside from *MERALCO*, 37 company donors also donated funds and participated in the advocacy.

Responding to the needs of communities with the franchise area

Throughout the year, the Company implemented 249 community relations projects in partnership with public schools, local governments, other national government agencies, private organizations, and non-government organizations as well as civil society and peoples' organizations. These projects ranging from computer donations, distribution of school kits, donation of vitamins, multimedia equipment, food and *Noche Buena* packs, support to environment initiatives and relief goods post disaster are means to help the priorities of the various communities in need within the *MERALCO* franchise area. Many of these are very strategic to the development of operations of institutions, for example, computer donations to police stations, barangays and other NGO offices enable them to automate their operations and workflows.

In July 2023, OMF implemented its annual back-to-school campaign dubbed as "*Balik Eskwela*". 3,457 public school students from 65 public schools received a specially designed bag, containing notebooks, pad papers, writing materials, and a hygiene kit. The project was in partnership with the *MERALCO* Employees Fund for Charity and fully funded by employee donations worth ₱1.8 Million. *MERALCO* employees also chose the beneficiaries and coordinated with the various beneficiary schools.

MERALCO employees not only pursued excellence at work but also embraced the corporate values of *"malasakit"* and "*bayanihan."* Throughout the year, they contributed to the work of One *MERALCO* Foundation through volunteerism and donations. In 2023, they raised ₱4.17 million to fund various programs of OMF.

Investing in the youth and women

Within the Company, OMF continued its annual program of recognizing the academic excellence of dependents of *MERALCO* rank and file and supervisory employees through the MVP Academic

Achievement Awards which returned to face-to-face mode after three years of virtual awarding ceremonies. In 2023, it honored 210 awardees and 82 top achievers. Throughout the 13 years of the program, it has already awarded educational grants to 2,540 dependents who excelled academically.

As part of its continued advocacy for providing more opportunities to women to consider a career in the energy industry, the Company continued its two scholarship programs dedicated for women. The Women Technicians Program in partnership with Don Bosco College Canlubang allows aspiring young women to become skilled electrical technicians and it has onboarded 12 new scholars in 2023. The first batch of 13 scholars which started last year are now employed in *MERALCO* serving various technical roles. The other program, dubbed as MPowHER is for aspiring women who'd like to pursue a degree on electrical engineering. Twenty-two new women scholars were onboarded in 2023 and are now studying in MPowHER partner universities like the Batangas State University, Nueva Ecija University of Science and Technology, Polytechnic University of the Philippines and the University of the Philippines Diliman and Los Baños campuses.

Responding to disasters and empowering through resilience

The Company was also responsive to the needs of communities affected by calamities in its franchise area and beyond. A total of 9,697 families directly affected by fires, floods, typhoons and including those displaced due to Mayon Volcano's activity benefited from its relief operations, which included food packs and hygiene kits. Outside its franchise area, *MERALCO* lent a hand to Ilocos Norte province hit by Typhoon Egay (Doksuri) in July 2023. It deployed a power restoration team of 32 personnel and equipment to help the Ilocos Norte Electric Cooperative immediately repair damaged facilities in the province.

As part of its commitment to support multi-stakeholder disaster resilience and readiness, OMF continued to support the PlanSmart Ready to Rebuild project led by the Department of Science and Technology (DOST), Philippine Institute of Volcanology and Seismology (PHIVOLCS) in collaboration with the National Disaster Risk Reduction and Management Council (NDRRMC), Office of Civil Defense (OCD), and the World Bank. OMF supported the training of 216 local government disaster risk managers and team members from cities and municipalities from Southern Tagalog, Bicol Region and the Bangsamoro Autonomous Region of Muslim Mindanao as well as those coming from national government agencies. The capacity building involved helping the LGUs revolutionize disaster risk reduction and management planning processes including preparing budgets, utilizing technologies and enabling citizen participation.

One *MERALCO* Foundation was also recognized by esteemed institutions here and abroad such as the International Business Awards, the Philippine Quill Awards by the International Association of Business Communicators-Philippines, and the Anvil Awards by the Public Relations Society of the Philippines. These achievements could not have been made possible without the support of *MERALCO* leaders, advocacy partners, and volunteers, as well as the trust of its stakeholders in the community.

MERALCO continues to be a committed partner in helping address the various sustainable development challenges in the country, particularly those where electrification, environmental protection and citizen empowerment are the best solutions. Through the focused advocacies of the One *MERALCO* Foundation, the volunteerism of *MERALCO* employees and the cooperation of various partners in business, government, academe and people's organizations, better opportunities for productivity, livelihood and citizen engagement become available for Filipinos who need them the most.

Compliance with Best Practices in Corporate Governance

MERALCO ("Company"), as a Philippine publicly listed company ("*PLC*"), is in full compliance with the rules and regulations of the Securities and Exchange Commission ("*SEC*"), including the Code of Corporate Governance, the Philippine Stock Exchange ("*PSE*"), the Philippine Dealing and Exchange Corporation ("*PDEx*") and all other rules and regulations for the development of the Philippine capital market.

As a testament to the *Company's* good corporate governance practices, *MERALCO* was awarded Three Golden Arrows by the Institute of Corporate Directors ("*ICD*"), acting as the domestic ranking body of the *ASEAN Capital Market Forum (ACMF)* for the ASEAN Corporate Governance Scorecard ("ACGS"), for the *Company's* remarkable governance structure, programs, and practices in the 2021 ACGS assessment wherein *MERALCO* attained a score of 100.99. *MERALCO* was later awarded Four Golden Arrows for the 2022 Assessment where the *Company* received a score of 110.27.

Pursuant to the governance principle of transparency, *MERALCO* fully complied with the *SEC* and *PSE*'s reportorial requirements on corporate governance, including:

1. The 2023 Certification by the Compliance Officer of *MERALCO*'s full compliance with the Revised Manual of Corporate Governance. No deviations from the Manual transpired.

2. Certification of Board attendance, reports involving financial statements, disclosure of material information and events, clarifications on specific news articles concerning *MERALCO*, and trainings attended by Board members and key officers on corporate governance.

3. Disclosure requirements on direct and indirect ownership of securities under the Securities Regulation Code, and the reporting of trading transactions of directors and concerned officers of *MERALCO* by the Compliance Officer not later than the following day after the required event or transaction. There has been no case of insider trading involving directors and management of *MERALCO.*

The *Company* continues to strengthen its governance structure, policies, programs and practices, and stakeholder engagement, in accordance with best corporate governance practices aligned with the recommendations under the SEC's 2017 Code of Corporate Governance for Publicly-Listed Companies, the Integrated Annual Corporate Governance Scorecard (I-ACGR) and the ASEAN Corporate Governance Scorecard ("*ACGS*").

A. Governance Structure

The Board of Directors ("*Board"*) is the highest governance body of the *Company.* The *Board* is composed of directors with collective working knowledge, experience and expertise relevant to power, energy and electric distribution industry/sector. It represents an appropriate mix of competence and expertise in the area of business, finance, operations, regulatory and legal disciplines relevant to the *Company's* industry, with each director capable of adding value and exercising independent judgment, ensuring that the directors 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.

1. Composition

The *Board* consists of eleven (11) directors, three (3) of whom are independent directors (including 1 female independent director), seven (7) are non-executive directors, and one (1) is an executive director:

Director	Designation
Manuel V. Pangilinan[1]	Chairman and Executive Director
Lance Y. Gokongwei	Non-Executive Director
Ray C. Espinosa[2]	Non-Executive Director
James L. Go	Non-Executive Director
Victorico P. Vargas	Non-Executive Director
Jose Ma. K. Lim	Non-Executive Director
Anabelle L. Chua[3]	Non-Executive Director
June Cheryl A. Cabal-Revilla[4]	Non-Executive Director
Frederick D. Go	Non-Executive Director
Artemio V. Panganiban	Lead Independent Director
Pedro E. Roxas	Independent Director
Lydia B. Echauz	Independent Director
[1] Chairman and CEO as of May 30, 2023 [2]President and CEO until May 30, 2023; Non-Executive Director as of May 30, 2023 [3] Non-Executive Director until May 30, 2023 [4] Non-Executive Director as of May 30, 2023	

2. Board Diversity

In line with its commitment to the principles of good corporate governance, the *Company* adopted a Board Diversity Policy to ensure that the *Board* has an appropriate mix of expertise, experience, independence, and skills that would encourage critical discussion and promote a balanced decision in the attainment of the Company's strategic objectives and sustainable development.

The Board Diversity Policy, in particular, recognizes the important role of women with appropriate and relevant expertise and experience that can contribute to the diversity of perspectives in the *Board*. Under the Policy, the *Board* shall aim to have at least one (1) female director as its member. Currently, the *Board* has two (2) female directors, one of who is independent.

Directors are selected from a broad pool of qualified nominees. In order to achieve a diverse board, varied aspects are to be considered as measurable objectives, including, but not limited to: academic, professional and business background, age, gender, and other regulatory requirements. The final composition of the Board are grounded on merit and potential contribution of the selected directors to the Company.

Measurable Objectives	**2023 Board**	**Description**	**2022 Board**	**Description**
Gender Diversity	√	Mix of Male and Female Directors	√	Mix of Male and Female Directors

		9 male and 2 female directors		9 male and 2 female directors
Racial Diversity	√	Mix of Racial or Ethnic Backgrounds	√	Mix of Racial or Ethnic Backgrounds
Age Diversity	√	Age ranges from 50 to 90 years old	√	Age ranges from 50 to 90 years old
Board Tenure	√	Tenure ranges from 1 to 10 years	√	Tenure ranges from 1 to 10 years
Expertise				
E.1. Industry Expertise	√	Mix of directors siting as members of the BOD in Energy, Electric Retail and Power Generation companies	√	Mix of directors siting as members of the BOD in Energy, Sustainability, Petrochemical, Telecommunications, Electric Retail and Power Generation companies
E.2. Management or Operations	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications, realty, media, medical, insurance and other companies	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications petrochemical, realty, media, medical, insurance and other companies
E.3. Financial, Audit, or Risk Management Expertise	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies
E.4. Legal or Regulatory Expertise	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Permanent Court of Arbitration, Judicial and Bar Council and Philippine Judicial Academy

E.5. Corporate Governance	√	Director with membership in Shareholders Association of the Philippines, Fellowship in ICD, Former Governor of Philippine Stock Exchange,	√	Director with membership in Shareholders Association of the Philippines, Former Governor of Philippine Stock Exchange,
E.6. Technology or Digital Media Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, technology or telecommunications companies	√	Mix of directors who are likewise directors, advisors, or consultants of media, technology, or telecommunications companies
E.7. Retail, Sales or Marketing Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, telecommunications, realty, media, medical, insurance and retail companies	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, telecommunications, realty, media, medical, insurance and retail companies
Professional, Academic or Advocacy Background or Affiliations				
F.1. Academic Institutions	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program
F.2. Advocacy Groups or Foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations
F.3. Professional Organizations	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Philippine Stock Exchange	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Federation of Philippine Industries, Philippine Olympic Committee,

3. Chairman of the Board

The Chairman of the Board, Mr. Manuel V. Pangilinan, serves to represent the interests of all shareholders and stakeholders, and 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 Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, independent directors may raise, and ensures that the Board exercises strong oversight over the Company and its Management, such that the prospect of any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the CG Manual accessible at the Company's website.

4. Independent Directors

On March 24, 2023, the Nomination & Governance Committee ("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 Roxas after the maximum nine- (9-) 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 2023 Annual Stockholders' Meeting.

Notably, the retention of Retired Chief Justice Panganiban and Mr. Roxas as independent directors was viewed in light of the continuing global economic challenges.

McKinsey and Company, a global strategy and management consulting firm, predicted uncertain economic prospects for the Philippines in 2023, with the energy sector facing challenges including supply constraints, green energy transition, rising oil and gas prices, supply chain disruptions, and currency depreciation.

Given such uncertainty, the re-election of Ret. Chief Justice Panganiban and Mr. Roxas, as independent directors, was expected to bring about stability in the Board that will surely benefit the Company and its stakeholders as their deep experience and knowledge of the Company, enables them to provide steady guidance and meaningful participation in crafting needed policies and strategies to immediately address operational, legal and regulatory risks.

5. Board Committees

The Board has formed various Board Committees delegated with specific responsibilities. These Committees are established and guided by their respective committee charters. The same is disclosed in the Annual Report and posted in the Company Website.

Currently, there are eight (8) standing Board Committees:

- Executive Committee;
- Nomination and Governance Committee;
- Audit Committee;
- Risk Management Committee;
- Remuneration and Leadership Development Committee;
- Finance Committee;
- Related Party Transactions Committee
- Sustainability Committee

6. 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, 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.

7. Nomination and Election

The *Company's* Nomination and Election Policy sets forth the procedures in the director selection process, including the acceptance of nominations from minority shareholders and the evaluation and screening of nominees vis-à-vis the applicable qualifications and disqualifications set forth in the CG Manual, By-laws and other applicable law, policy or regulation, how the board shortlists candidates, and an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.

The *Company* uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners such as the Institute of Corporate Directors (ICD) to search for candidates to the *Board*. These candidates would be skilled in core competencies such as strategic planning, business expertise, and industry knowledge. The shareholders will then elect the directors during the Annual Stockholders' Meeting (ASM) held every last Tuesday of May.

The *Company* granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the *Company's* website on January 30, 2023 for submission of proposed agenda and nomination of qualified candidates on or before March 6, 2023. The agenda and nominees were approved by the *Board* during its meeting on January 30, 2023 and March 27, 2023, respectively.

The 2023 ASM was held on Tuesday, May 30, 2023, at 10:15 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).

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of approximately over 895,488,032 or 79.4507% of the total issued and outstanding shares of 1,127,098,705 represented in person and by proxy. 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. Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

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.

8. Board Independence

The Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently. Board shall consider designating a lead director among the independent directors if the Chairman of the Board is not independent and if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

Considering that the Chairman of the Board is not an independent director, the appointment of a Senior or Lead Independent Director was endorsed to, and approved by, the Board of Directors. The Board subsequently appointed Independent Director (ID) Ret. Chief Justice Artemio V. Panganiban as the Lead Independent Director to serve as such until the next Lead ID is appointed. As Lead ID, he has the following functions:

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

The Lead Independent Director does not, however, act as Chairman in the absence of the Chairman, the same having been delegated to the Vice-Chairman.

9. Board Responsibilities

Serving as corporate governance steward of the Company, the competent, working Board of Directors ("Board") fosters the long- term success of the Company, and ensures that the Company 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).

Vision
To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come.

Mission
To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably.

Corporate strategy/ Strategic objectives:
- Revenue enhancement and expansion
- Customer centricity
- Digital transformation
- Sustainability

Growth Platforms

- Build the power generation portfolio
- Strengthen and expand the core distribution business
- Develop and grow new energy businesses
- Profitably compete in the retail energy supply
- Drive the expansion of subsidiaries and affiliates

The Board, in its regular meeting held on January 12, 2023 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 again reviewed and confirmed by the Board in 2023.

10. Continuing Education for the Board and Senior Management

Corporate governance education continues with orientations and trainings for the *Board* and *Senior Management*. 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 in person or via online platform, the MVP Group Annual Corporate Governance Enhancement Session (ACGES) on November 9, 2023, entitled Governance Imperatives, Opportunities, and Challenges in the Age of Artificial Intelligence by Dr. Max Tegmark and Atty. Edsel F. Tupaz. This session covered four (4) hours of governance training and was accredited by the SEC.

2023 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS		
Director	**Program**	Resource Person/ Name of Training Institution
Manuel V. Pangilinan	First Pacific Directors' Training - Cyber Security and Artificial Intelligence	PwC HK

Anabelle L. Chua Ray C. Espinosa Frederick D. Go Victorico P. Vargas Ret. Chief Justice Artemio V. Panganiban Lydia B. Echauz Pedro Emilio O. Roxas Frederick D. Go	MVP Group Annual Corporate Governance Enhancement Session: "Governance Imperatives, Opportunities, and Challenges in the Age of Artificial Intelligence"	Dr. Max Tegmark and Atty. Edsel F. Tupaz
Lance Y. Gokongwei	Unbox Extra: The Gokongwei Group Innovation Festival	Gokongwei Group In-House Corporate Governance Training Program
James L. Go	SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	

11. Succession Planning

Together with the Board, the Nomination and Governance Committee (Nom&Gov) is responsible for recommending a succession planning program for its members while the Remuneration and Leadership Development Committee (RLDC) is responsible for overall guidance and direction on succession planning and leadership development of the President and CEO and Senior Management. The Committee, 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.

Talent Management and Succession Planning Programs are top priorities in the Human Resources (HR) agenda by ensuring that the right leaders and talents are in place to drive our business plans. Progressive talent management assessment tools and methodologies were used to identify, assess, and develop leaders for critical positions.

Presently, the succession plan covers the top 661 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 of 12 candidates who, subject to realization of their development plans, could become management committee members within the next five (5) years.

12. Retirement Policy

The Board adopts a policy on the retirement for directors and key officers. The Remuneration and Leadership Development Committee assists 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.

13. Remuneration

The Board ensures that the remuneration of directors and officers is consistent with the Company's culture, strategy, and the business environment in which it operates and aligned with the long-term interest of the Company. 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 Remuneration and Leadership Development Committee.

The Remuneration and Leadership Development Committee recommends to the Board, for the approval of the shareholders, a framework of remuneration for directors and Management, including the President and CEO. For the President and CEO, 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.

In particular, the Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets and provides for long term incentives such as deferred bonus or pay based on *MERALCO* Group's achievement of specified level of consolidated core net income approved by the Board and determined on an aggregate basis for a three-year period as well as executives' attainment of a minimum level of performance rating. Specifically, Long-term Incentive Plan, essentially partaking the nature of deferred bonus, covers qualified employees and is based on *MERALCO* Group's achievement of specified level of CCNI approved by the BOD and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to LTIP must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

14. Board, Committee, Chairman, and CEO 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 from February 24 to March 24, 2023 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. For the performance year 2023, the assessment was conducted from February 26 to March 20, 2024.

The *Board* also conducts an annual assessment of the President & CEO's leadership, working relations with the Board, communication and working relations with Management. The Remuneration and Leadership Development Committee exercises functional oversight in the development and

administration of leadership development/succession planning and retention programs for executives and officers such as heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive) which include career development, promotions, and performance evaluation.

Every three years, the assessments are supported by an external facilitator. The Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) for the evaluation of the 2019 Board, Committee, and CEO performance assessment. The Company has again secured GGAPP for the board evaluation process of its performance for year 2022.

Assessment Forms
1. **Board Self-Assessment** - each director assessed the board performance individually and as a whole based on the following categories: Board structure and qualifications, Board duties and responsibilities, and 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.

15. Continuing Policy Formulation

With the establishment of a Corporate Governance Office ("*CGO*") in *MERALCO* in 2010, corporate governance policies and programs were adopted by the Board and implemented in the *Company* to such as the Manual of Corporate Governance, Revised Code of Ethics, Policy on Blackout Period/Restriction on Trading of Shares, Policy on Solicitation and Acceptance of Gifts, "Speak Out Policy (integrated whistle-blowing) Policy, Conflict of Interest Policy, Related Party Transactions Policy, Suppliers Business Conduct Policy, Human Rights Policy, Anti-Bribery and Social Media Policy, Vendor's Code of Business Conduct and Ethics, among others. In compliance with the recommendations under the *I-ACGR*, *MERALCO* adopted a standalone Anti-Bribery and Corruption Policy which formalizes its stand against corrupt practices and specifies in detail the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption. The Board also adopted and made available, at the option of a shareholder, an established Alternative Dispute Resolution ("*ADR*") mechanism to resolve intra-corporate disputes in an amicable and effective manner as provided in the Revised Manual of Corporate Governance.

The Company, through its Board of Directors, annually reviews, confirms and/or updates the vision, mission, and corporate strategic objectives of the Company. In 2021, the Board reviewed and updated its vision, mission and value statements to align with the Company's current strategic imperatives and initiatives:

> VISION: To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come.

MISSION: To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably.

CORE VALUES: Excellence, Customer Centricity, Sustainability, Integrity, Innovation, *Malasakit,* and *Bayanihan.*

These are annually reviewed and/or confirmed by the *BOD.*

The Company likewise identified the following strategic objectives to ensure that its obligations to shareholders and to all stakeholders are understood and met:

1. Revenue enhancement and expansion;
2. Customer-centricity;
3. Digital Transformation; and
4. Sustainability.

Furthermore, to reinforce board independence and pursuant to the recommendation under ASEAN Corporate Governance Scorecard and the *SEC*'s Code of Corporate Governance for *PLC*s, the Board appointed Independent Director ("*ID"*), Ret. Chief Justice Artemio V. Panganiban, as the Lead Independent Director. In 2021, the shareholders of the Company elected its first lady independent director, Ms. Lydia Echauz. The Board Charter of the Board of Directors was also drafted to sets the Board's purposes, authority, duties, and responsibilities, structure and procedures. The Board Charter also included the provision for guidelines on Board Meetings through Teleconferencing and Videoconferencing.

Following developments in governance policies and practices that are aligned with the recommendations under the Code of Corporate Governance for *PLC*s, the *I-ACGR*, and the ASEAN Corporate Governance Scorecard, *MERALCO* also introduced amendments to existing policies such as the Speak Out Policy (Whistleblowing Policy), Vendor's Code of Business Conduct and Ethics, and Related Party Transactions (RPT) Policy. Amendment of the Related Party Transactions Policy was made to include the defined thresholds for disclosure and approval of related party transactions and the treatment for de minimis transactions and incorporated provisions that seek to comply with the SEC Rules on Material RPTs for Publicly-listed Companies. Existing governance policies of the company are also continuously reviewed to align with developments in regulations and governance best practices.

16. Management and Employee Performance Management

The Board has established an effective performance management framework that ensures that the performance of Management and employees is at par with the standards set by the Board and Senior Management.

The achievement of financial and non-financial indicators is reflected in management performance assessment which drives the Company's merit and incentive pay programs.

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.	▪ S-Factor Indicators - System Average Interruption Frequency Index (SAIFI) - System Average Interruption Duration Index (SAIDI) - Customer Average Interruption Duration Index (CAIDI) - Probability of Voltage Level (PV) - Time to Process Applications (TPA) - Time to Connect Premises (TCP) - Call Center Performance (CCP) - System Loss (SL) ▪ Guaranteed Service Level (GSL) Metrics

The Company's performance management process for employees assesses employee performance on the basis of: 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. Specifically, the annual performance of Management and employees is assessed through the achievement of the *Company's* Goals and Initiatives (GAINs) indicators.

Performance of the Management and employees is evaluated on a biennial basis based on two critical factors:

GOALS & INITIATIVES (GAINs) – measures the employee's work accomplishments during the performance period (i.e., individual goals vs. actual work accomplishments); and

VALUES & BEHAVIOR (V&B) – measures how well the employee met expectations based on the behavioral manifestations of the seven Corporate Values, namely: Customer Service, Performance, Accountability/Empowerment, Integrity/Transparency, Teamwork/ Collegiality, Malasakit and Makabayan

17. Internal Control and Audit

Audit Committee

The Board is supported by an Audit Committee (AuditCom) to strengthen its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The AuditCom has the power to 1. review with Management and the external auditors the results of the audit of the financial statements and evaluation of internal accounting controls; 2. review and evaluate procedures and criteria for the selection, appointment, annual performance evaluation and if appropriate, termination of services of the external auditors and recommend to the Board for approval, the appointment, reappointment or removal of the external auditors, duly accredited by the SEC and ratified by the shareholders; and 3. Monitor compliance and adherence by the Company with all

applicable laws and regulations pursuant to which the Company conducts its operations and business activities.

The Audit Committee, which is composed of non-executive directors undertakes executive sessions with the Chief Audit Executive (CAE) and the External Auditors without the presence of Management. The conduct of executive session with the external auditors and the chief audit executive at least once a year is provided for in the charter of the Audit Committee. On 07 December 2023, 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.

Internal Audit

The Company has in place an in-house independent internal audit function. *MERALCO* Internal Audit 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 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.**

MERALCO Internal Audit communicates the results of audit engagements covering various units of the Company and its subsidiaries including specific areas of concerns identified by Management to the AuditCom. The findings and any improvement opportunities are reviewed by 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 bi-annually 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.

MERALCO's Internal Audit (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 (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework. The internal auditors are comprised of highly certified professionals – Certified Public Accountants, Certified Internal Auditors, Certified Information Systems Auditors, 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.

MERALCO Internal Audit 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.

MERALCO Internal Audit also provide 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 re-appointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 30, 2023. In 2023, the fees paid to the external auditor for non-audit services do not outweigh the fees paid for audit services.

CONSOLIDATED EXTERNAL AUDITOR'S FEES* (Amounts in million PhP)		
	2023	**2022**
Financial Statements Audit*	₱21.1	₱19.0
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	₱0.8	₱0.7
Note: The fees for non-audit services did not exceed those for audit services.		

Confirmation on Adequacy of Internal Controls

For the year ended December 31, 2023, Management, through the CEO and Chief Audit Executive, has reviewed the adequacy and effectiveness of the overall internal control system of *MERALCO* and its subsidiaries. The review covered material controls, including financial, operational and compliance controls.

The approach adopted to support this year-end assessment on the adequacy of the *MERALCO* Group's system of internal control was based on the results of the Risks and Controls Self-Assessment (RCSA) of Management and the various audits undertaken by Internal Audit within the *MERALCO* Group of companies as of December 31, 2023. Control issues have been disclosed by Management and validated

by Internal Audit to provide reasonable level of assurance. While this approach covers a large part of the Company's internal control systems, it is not intended to cover all areas of the Company, nor all possible areas of risk.

Based on the results of Management's Control Self-Assessments and the Internal Audit's review of key business processes focusing on identified or potential areas of business risks, Management confirms that the *MERALCO* Group's systems of internal control are in place and functioning. There are no major internal control issues that have not been acted upon by management as of December 31, 2023.

18. Risk Management

MERALCO has a robust internal control and Enterprise Risk Management (ERM) framework to monitor and manage its strategic, regulatory, operational and financial risks that are periodically reviewed by the Board of Directors to determine its effectiveness in the light of the Company's corporate objective and business and regulatory landscape. he Company adopted ISO 31000 as its model for ERM framework. The Enterprise Risk Management Manual was approved and adopted by the Company to provide the methodology and processes for risk management including:

- identification, assessment, evaluation and mitigation of risks or exploitation of opportunities;
- definition of management responsibilities and accountabilities; and
- escalation and reporting of company's key enterprise risks

The risk management strategies were shown to be effective in the light of the operational and regulatory challenges brought about by the Covid-19 pandemic. These were detailed in the Annual Report, The Board, through the Risk Management Committee, oversees the Enterprise-Wide Risk Management framework, identifies and assesses top risks and reviews the effectiveness of risk mitigation strategies and treatment plans developed by management, particularly in the Message of the Chairman of the Board and President and CEO. The Enterprise Risk Management (ERM) framework helps manage risks by influencing and collaborating with internal organizations and external stakeholders to identify best practices, controls and process improvement opportunities to address risks.

ERM initiates the annual enterprise-wide assessment of the Company's top risks. Risk assessment is conducted to substantiate existing and emerging risks brought about by changes in regulations, market structure developments, technological/operational issues and external forces, including changes in weather patterns, customer satisfaction measures and evolving environmental sustainability issues. Top risks are quantified, and designated risk owners are asked to develop risk treatment and mitigation plans to address potential issues. The results are presented and vetted with the One *MERALCO* Risk Management Committee and the Risk Management Committee of the Board.

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, 2023.

Governance Process around IT issues

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.

Management is accountable to the Board for the Company's information security governance. 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 ISMS 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 which guides the *MERALCO* workforce in supporting this company thrust and in managing and protecting the Company's information assets, forming the basis of information security plans and initiatives in *MERALCO*. The policy provides mechanisms to help identify weaknesses, protect from possible threats, detect attacks, respond and recover during incidents that will compromise the security of information assets and critical infrastructure.

The Policy consists of fourteen (14) parts as adopted from the ISO 27001 standard:

- *Security Policy* to provide reasonable protection for information confidentiality and integrity, ensure availability of information assets, and address disruption and cybersecurity issues.
- *Organizational Security framework* that defines the roles, responsibilities, processes, and methodologies to initiate, control, and manage the implementation of information security across the Company, including correlation with external parties.
- *Mobility and Teleworking Security* for the protection of information assets accessed, processed, transmitted, and stored using mobile devices.
- *Human Resource Security* where all users and custodians are made aware of security threats and concerns on information assets, and are equipped to support the organizational security policy in the conduct of their normal work.
- *Asset Classification and Control* where information assets have designated custodians and are appropriately classified according to their sensitivity and criticality to the business of the Company, to ensure that the information assets receive an appropriate level of protection.
- *Access Control* where access and use of information assets are controlled, authorized, monitored, and restricted to persons with a legitimate business need.
- *Physical and Environmental Security* where information assets are provided with suitable physical protection to prevent unauthorized access, compromise, damage, theft, and interruption to business activities.
- *Communications Security* are in place for the protection of information in networks and its supporting information processing facilities during transfer within the organization and with any external entity.
- *Operations Security* being performed to ensure information assets and critical infrastructure are protected against malware and loss of data, ensuring events are recorded, and maintaining its integrity to prevent any exploitation of vulnerabilities.

- *Cryptography* ensuring proper and effective use of encryption of data and key management to protect the confidentiality, authenticity, and/or integrity of information.
- *Supplier Relationship Security* being exercised for the protection of the organization's information assets which are accessible by suppliers, maintaining an agreed level of information security and service delivery in line with supplier agreements.
- *System Acquisition, Development, and Maintenance* providing for appropriate security controls and audit trails being integrated in business process management and application systems management to prevent loss, unauthorized alteration, destruction, or misuse of data.
- *Information Security Incident Management* in responding immediately to address security incidents, preventing further damage, ensuring proper communication is in place, and most importantly, determining their root cause and implementing appropriate corrective actions to prevent their recurrence.
- *Business Continuity Management* to protect critical business processes from the effects of security failures and major disasters.
- *Compliance process* where the Company is ensured to comply with all applicable legal requirements to avoid breaches of any criminal and civil laws, statutory, regulatory and contractual obligations; and security requirements.

19. Related Party Transactions

The Company strictly complies with its Related Party Transactions (RPT) Policy as well as pertinent rules issued by the SEC. 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.

Under the Policy, the Board, through the RPT Committee, reviews 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 ten percent (10%) of the Company's assets. Also, under of the RPT Policy, the Company does not grant loans or any special financial assistance to directors.

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 2023, 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.

20. Respecting the Rights of Shareholders

- 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 CG Manual.

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 2023:

Declaration Date	Record Date	Payable Date	Rate per Share
February 27, 2023	March 29, 2023	April 26, 2023	₱11.028
July 31, 2023	August 30, 2023	September 14, 2023	₱8.520

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)

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on January 30, 2023. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 19, 2023. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

ASM

It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2023 ASM was held on Tuesday, May 30, 2023, at 10:15 AM at the *MERALCO* Compound, Ortigas Avenue, Barangay Ugong, Pasig City. The Company conducted its fourth 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 January 30, for submission of proposed agenda and nomination of qualified candidates on or before March 6, 2023. The agenda and nominees were approved by the Board during its meeting on January 30, 2023 and March 22, 2023, respectively.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 895,488,032 shares or approximately 79.45% 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 online/remote communication and to cast their votes for the agenda items online, including election of directors individually.

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 Acquisitions

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

Institutional Investors

The Company recognizes the exercise of ownership rights by all shareholders, including institutional investors. The Company does not have any shareholder owning more than 50% of its total outstanding shares. The complete list of the Public Ownership Report of *MERALCO* as at December 31, 2023 was disclosed to the SEC, PSE, and PDEx on January 9, 2024, where approximately 73.83% of the Company's shares are held by principal and strategic shareholders, while approximately 0.63% are held by the Company's directors and officers. The remaining 26.11% of the Company's shares are held by the investing public. 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.

21. 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.

- ***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

22. Role 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 Vendor's Code of Business Conduct and Ethics and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts and applicable laws and regulations like the ERC Procurement Guidelines for the Regulated Transmission and Distribution Assets to Regulated Entities.

- **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.

  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 2023, the average training man-hours is at 53.76 hours per person.

  Company-wide training programs on corporate governance including those pertaining to anti-bribery and corruption were also implemented in 2023 and participated by 789 senior managers, 795 middle managers, 4,346 rank and file employees, and 1,292 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 661 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 12 candidates in senior management pool, 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 "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).

In 2023, there were no confirmed cases of violations of Anti-Graft and Corruption Policy of the Company.

The foregoing policies are available to all stakeholders through the Company's website (www.*MERALCO*.com.ph).

23. Effective Redress for Violation of Stakeholders' and Means of Communication/ Reporting of Illegal or Unethical Practices

Speak Out Policy (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.

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

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 2023, the Company received certain reports of alleged violations and illegal/unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

24. Annual Corporate Governance Performance Assessments

MERALCO's Performance in the field of corporate governance was assessed and found to be exemplary in the ACGS which evaluates the level of CG practices of Philippine *PLC*s vis-à-vis regional and international standards and best practices. This was conducted by the *ICD* in cooperation with *SEC* and *PSE*.

25. Corporate Governance Advocacies and Outlook

Believing that corporate governance is about shining a light through the whole organization, *MERALCO* has institutionalized the Be Right Open Communication Policy in the corporate culture, which has paved the way to an extensive good governance awareness program for its internal stakeholders. *CG* orientations for its new employees and roadshows for its directors, officers, employees, and suppliers are regularly held, and online *CG* policy information campaigns are periodically issued. *MERALCO* has also enhanced its *CG* compliance monitoring through a unique online HR Express Corporate Governance Facility and SharePoint platform where employees can file their annual *CG* commitment, conflict-of-interest disclosures and gift registry. In 2023, 100% of *MERALCO* employees complied with these disclosure requirements and attended the CG Refresher program containing discussions on relevant CG policies of the Company.

MERALCO is in the process of embedding *CG* policies and programs in its business responsibility unit through its line leadership to make the full transition from compliance to a culture of good governance from Top Management to the ranks in the Company in pursuit of sustainability of relationships with and interests of all stakeholders.

MERALCO also ensures that the governance structure and policies of subsidiaries and affiliates are aligned with its current standards. The Company aided them in the review and drafting of their own Corporate Governance manuals, policies, codes, and best practices.

MERALCO believes that it is necessary to maintain a culture of good governance by utilizing innovative ways in reaching out to its stakeholders in these challenging times. In line with this, *MERALCO* afforded stockholders the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. Also, the Company introduced its enhanced Stockholders Electronic Registration and Voting Express (SERVE). SERVE allows the Company's stockholders to cast their votes online and participate in the Annual Stockholders' Meeting ("*ASM*") via remote communication. This also allows the stockholders to send their questions and clarifications regarding other agenda items.

The Company also provided online learning modules to its employees in January 2022 to strengthen the awareness of all employees on the governance policies promulgated by the Board. This

provided an accessible platform that helped ensure that employees are continuously updated on the best practices in corporate governance.

In pursuit of further improvements in the discipline of governance, *MERALCO* is also actively involved with national and international *CG* advocates and organizations such as the *ICD*, and the Good Governance Advocates and Practitioners of the Philippines *("GGAPP")*. The Company participates in best practice and knowledge-sharing events organized by these organizations with *CG* practitioners, *BOD* and Senior Management, as unified by their *CG* principles and philosophy that responsible professionals yield ethical companies and ultimately, economically sustainable businesses.

For a full discussion on the Corporate Governance practices and achievements of *MERALCO*, please refer to the Company website: www.*MERALCO*.com.ph.

SEC Form 17-A

A copy of the Company's Annual Report on SEC Form 17-A will be provided without charge to each person upon written request of any such person addressed to:

The Office of the Corporate Secretary
Lopez Building
Ortigas Avenue
Brgy. Ugong,
Pasig City

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Pasig on April 1, 2024.

MANILA ELECTRIC COMPANY
April 1, 2024

SIMEON KEN R. FERRER
Corporate Secretary

SEC Form 17-Q

A copy of the company's sec form 17-Q for the first quarter of 2023 will be provided without charge to each person upon written request of any such person addressed to:

THE OFFICE OF THE CORPORATE SECRETARY
Manila Electric Company
Lopez Building, Ortigas Avenue,
Brgy. Ugong,
Pasig City

MANILA ELECTRIC COMPANY

ANNEX "B"

LIST OF ACTS OF THE MERALCO BOARD

May 30, 2023 January 2023 to February 29, 2024

MAY 30, 2023 (Organizational Board Meeting)

- Election/Appointment of Chairman and Vice Chairman of the Board
- Election/Appointment of Officers
- Designation of Members to the Board Committees
- Approval of Schedule of the Regular Board Meetings

JUNE 26, 2023 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting and Organizational Meeting (May 30, 2023)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Renewal of Director and Officers (D&O) Liability Insurance
- Approval of Funding Request of MServ for ePLDT Supply Project
- Approval of Funding for Vena Energy's 750 MW Portfolio Projects
- Approval of Additional WESM Prudential Security for Independent Electricity Market Operator of the Philippines (IEMOP)
- Approval of Lot Acquisitions for Networks' Lawang Bato Substation and Conchu Substation Projects
- Approval of One MERALCO Organization Chart
- Approval of Appointments and Rank Conferment of Officers
- Approval of Amendments to the Board Resolutions and Authorized Signatories for Financial Transactions for Distribution Utility (DU) and Retail Electricity Supplier (RES)
- Board Resolutions for Supplier of Last Resort (SoLR) Transactions and Authorized Representatives
- Approval of Amendment on the Authorized Signatories for Court Cases and Legal Transactions
- Approval of Amendment on the Authorized Signatories for Rizal Commercial Banking Corporation (RCBC) Stock Transfer Agent
- Amendment on Authorized Signatories for Proxy Forms

JULY 31, 2023 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (June 26, 2023)
- Approval of 1st Half 2023 Unaudited Financial Statements
- Declaration of 1st Half 2023 Interim Cash Dividend of ₱8.520 per share to all common stockholders at record date of August 30, 2023, payable on September 14, 2023
- Approval of Credit Facilities with Rizal Commercial Banking Corporation (RCBC), Security Bank Corporation (SBC), and BDO Unibank, Inc. (BDO)
- Approval of MERALCO Top Risks for Submission to MPIC
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Lot Acquisition for Networks' Norzaragay Substation and Bustos Substation Projects
- Approval of MPower Power Supply Agreements with RE Resources Inc (RERI), and PH Renewables Inc. (PHRI) PSA Repricing Phases 1 and 2

- Approval of Amendment to Board Resolutions on Authorized Signatories for Retail Electricity Market (REM) Registration and Attestation
- Board Resolutions on MERALCO's Authorized Signatory for Certification related to Competitive Selection Process (CSP) and Ancillary Services Procurement (ASP)

SEPTEMBER 1, 2023 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (July 31, 2023)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Revised Finance Committee Charters for Subsidiaries and RES
- Approval of Revised Treasury Policy

SEPTEMBER 25, 2023 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (September 1, 2023)
- Approval of the Amendments to the Speak Out (formerly Whistleblowing) Policy and Procedures
- Approval of Revised Charters of Finance Committee and Remuneration and Leadership Development Committee
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Renewal of Building, Machinery and Equipment (BME) Insurance
- Approval of Lot Acquisition for Networks' Substation project at Biñan, Laguna
- Approval of Long-Term Incentive Plan for 2023 – 2025
- Appointment of Chief Information Security Officer (CISO)

OCTOBER 6, 2023 (Special Board Meeting)

- Approval of Investments in Solar Philippines New Energy Corporation (SPNEC)

NOVEMBER 6, 2023 (Regular Board Meeting)

- Approval of the Minutes of Previous Regular Board Meeting and Special Board Meeting (September 25, 2023 and October 6, 2023)
- Financial and Operating Results for the Nine Months of 2023 with comparatives for 2022
- Ratification of Executive Committee's Approval of the Framework for MERALCO's Bids and Awards Committee for Power Supply Agreement (BAC-PSA), Technical Working Group (TWG), Secretariat and Selection Committee
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Power Supply Agreements between MPower and San Miguel Corporation Power Generation Subsidiaries, i.e., Sual Power Inc (SPI), and Masinloc Power Partners Co. Ltd. (MPPCL)
- Approval of Extension of "Put Option Term" for MPioneer Investment
- Approval of Appointment of Head of Facilities and Safety and Security Management, and Head of Central Distribution Services
- Approval of the schedule of the 2024 Board Meetings, Organizational Meeting and Annual Stockholders' Meeting

NOVEMBER 28, 2023 (Regular Board Meeting)

- Approval of the Minutes of Previous Regular Board Meeting (November 6, 2023)
- Approval of Renewal of WESM Surety Bond

- Approval to Negotiate on Merger of MIESCOR Infrastructure Development Corporation (MIDC) with Phil-Towers Consortium, Inc (PTCI)
- Approval of Power Supply Agreement between Cogent Energy and Limay Power Incorporation
- Termination of Rizal Commercial Banking Corporation (RCBC) as Stock Transfer Agent, Engagement of RCBC Trust Corporation as new Stock Transfer Agent, and Update of Signatories for RCBC Trust Corporation

December 11, 2023 (Regular Board Meeting)

- Approval of the Minutes of Previous Regular Board Meeting (November 28, 2023)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Renewal of Comprehensive General Liability (CGL) Insurance with MPioneer
- Approval of Third Capital Infusion to Shin Clark Power Holdings, Inc.
- Approval of Renewal of Standby Letter of Credit (SBLC) with Mizuho Bank Ltd. for the Joint Venture Agreement with Bases Conversion and Development Authority (BCDA) on New Clark City (NCC) Electric Power Distribution project
- Approval of Fund Subsequent MIESCOR Infrastructure Development Corp. (MIDC) Closings with Equity
- Approval of Rank Conferment of MERALCO Officers
- Approval of Balance Payment in Solar Power New Energy Company and MERALCO Subscription in Meralco PowerGen Corporation, Approval of Bid Bond and Performance Bond
- Approval of Bid and Performance Security for Terra Solar Philippines, Inc.
- Approval of Incorporation of Digico (Project Fortitude) as New Company and Initial Capitalization

January 10, 2024 (Action Taken by the Board)

- Board Resolutions on Notation and Acceptance of Resignation of Mr. Frederick D. Go as a MERALCO Director
- Board Notation of the Letter of Nomination and Letter of Acceptance of Mr. Patrick Henry C. Go as a MERALCO Director to replace Mr. Frederick D. Go

January 29, 2024 (Regular Board Meeting)

- Approval of the Minutes of Previous Regular Board Meeting (December 11, 2023)
- Approval of Terms and Conditions in connection to the Competitive Selection Process (CSP) for the Procurement of Power Supply Agreements (PSAs) for Contract Capacity of 1,800 MW (net) and 1,200 MW (net)
- Approval of Credit Facilities with CTBC Bank (Philippines) Corporation
- Approval of the Updated Long-term Sustainability Strategy (LTSS)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Acquisition of Naic, Cavite Property for Customer Retail Services (CRS) Auxiliary Business Center
- Approval of Merger of MIESCOR Infrastructure Development Corporation (MIDC) and Phil-Towers Consortium, Inc. (PTCI)
- Approval of Equity Call for Digico (Project Fortitude)
- Approval of Renewal of National Grid Corporation of the Philippines (NGCP) Surety Bond
- Approval of Renewal of Insurance Policies covering Transmission & Distribution, Meters and Electronic Equipment
- Approval of Acquisition of Equity Share in Radius Telecoms, Inc. by PLDT
- Approval of Nomination of Mr. Patrick Henry C. Go to the MERALCO Board of Directors

- Board Resolutions on the Conduct of 2024 Annual Stockholders Meeting (ASM) including Approval of Proposed Amendment of Manila Electric Company By-Laws and conduct of Virtual ASM and Voting Through Remote Communication or In Absentia.
- Board Resolutions on Authorization for MPower and External Law Firms on Filing of Arbitration Cases

January 31, 2024 (Action Taken by the Board)

- Approval of Final Terms of the Merger of MIDC with Phil-Towers Consortium, Inc. and to Provide Equity Commitment

February 26, 2024 (Regular Board Meeting)

- Approval of the Minutes of Previous Meeting (January 29, 2024) and Minutes of Action (January 31, 2024)
- Approval of 2023 Audited Financial Statements and Press Release
- Declaration of ₱11.235/share Final Cash Dividend to all common stockholders at record date of March 27, 2024, payable on April 24, 2024
- Appointment of MERALCO's Authorized Signatory for the required Sworn Certification under WERC CSP Guidelines
- Approval of Amendment to the MERALCO Manual of Corporate Governance
- Approval of MERALCO Top Risks for Submission to Metro Pacific Investments Corporation (MPIC)
- Approval of MPower Poser Supply Agreements with BioPower Group, i.e., South Negros Bio Power, Inc. (SNBP) and San Carlos BioPower, Inc. (SNCP), and Power Sector Assets and Liabilities Management (PSALM)
- Approval of Renewal of ServiceNow Licenses
- Approval of Funding and Hedging Requirements for Project Chromite
- Approval of Proposed Budget for 2024 Salary Review Program
- Approval of 2023 Annual Bonus Plan and Variable Incentive Plan Payout
- Approval of Amendment on the Appointment of Corporate Assignee to Sta. Elena Golf and Country Club

ANNEX "C"

REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING IN ABSENTIA AND PARTICIPATION VIA REMOTE COMMUNICATION

I. ELECTRONIC VOTING IN ABSENTIA

1. Certificated stockholders of Manila Electric Company ("the Company") as of March 8, 2024 ("Stockholders") may exercise their right to vote on the agenda items in the 2024 Annual Stockholders' Meeting (ASM) through electronic voting in absentia. Electronic voting in absentia affords the Stockholders an opportunity to vote during the ASM without being physically present during the meeting.

2. The exercise of this right is subject to successful registration with the Company's Stockholders Electronic Registration and Voting Express (SERVE) platform found at https://company.meralco.com.ph/corporate-governance/SERVE. The registration will run from **May 6 to May 24, 2024** beyond which, no Stockholders will be allowed electronically vote in absentia or participate in the ASM by remote communication.

3. To register, SERVE will require the Stockholder to create a Log In Account and provide the items enumerated below to prove his/her identity and right to vote and participate in the ASM:

   a. Stockholder number
   b. Name
   c. Complete address
   d. E-mail address;
   e. Contact number
   f. Digital copy of the front and back portions of the Stockholder's two (2) valid government-issued photo IDs (in JPG format); and
   g. Secretary's Certificate and proxy for corporate stockholders

   The Company reserves its right to require additional personal data or documents to ensure the identity and right to vote of the Stockholder. At all times, the right of the Stockholder to the privacy of his/her personal data as provided in the Data Privacy Act shall be ensured.

4. The abovementioned data will be validated by the Company not later than three (3) business days from the Stockholder's receipt of an electronic mail acknowledging his/her registration.

5. Upon successful registration, the Stockholder, or his/her proxy, will be given access to SERVE where he/she can cast his/her votes during the ASM. The stockholder will be required to log-in to his Account and his/her successful log-in shall be considered in the determination of quorum in the ASM.

6. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot and the registered Stockholder, or his/her proxy, may vote as follows:

a. For items other than the election of Directors, registered Stockholder, or their proxy, will have the options to vote "For," "Against," or "Abstain." The vote is considered cast for all the registered Stockholder's shares.
b. For the election of Directors, the registered Stockholder, or his/her proxy, may vote for all nominees or cumulate his vote for one or some of the nominees provided that the total number of allowable votes will not exceed the number of shares multiplied by the number of Board seats (Number of Shares x 11 Directors= Number of Voting Shares).

7. Once the registered Stockholder, or his/her proxy, has finished voting on the Agenda items, he/she can proceed to submit his/her electronic ballot by clicking the 'Submit' button. The Stockholder, or his/her proxy, will then be redirected to an online webpage containing a summary of the votes cast. After the electronic ballot has been submitted, the registered Stockholder may no longer make any change.

8. The integrity and secrecy of votes shall be protected. As such, all votes received will be tabulated by SERVE and validated by the Office of the Corporate Secretary and auditors. Inspectors from an independent third party appointed by the Board will also be present to validate the results. The Corporate Secretary shall report the results of voting during the meeting.

II. PARTICIPATION VIA REMOTE COMMUNICATION

1. Only the Stockholders, or their proxies, who have successfully registered with, and have logged in to, SERVE may be given access to the ASM Live Portal, a livestream video service that will allow Stockholders to participate, or their proxies, in the ASM.

2. The Company will provide mechanisms to ensure that stockholders have opportunity to participate including the opportunity to hear and read the discussion substantially.

3. All questions and clarifications on the agenda items may be raised through SERVE.

4. Requests for access to the recorded webcast of the ASM may be sent to stockholder.affairs@meralco.com.ph.

Draft

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS OF THE MANILA ELECTRIC COMPANY HELD ON MAY 30, 2023 AT THE MERALCO COMPOUND, ORTIGAS AVENUE, PASIG CITY

CALL TO ORDER

The Company's 2023 Annual Stockholders' Meeting was called to order at 10:15 a.m. on May 30, 2023 by the Chairman of the Board, Mr. Manuel V. Pangilinan, who presided over the same at the Company's principal office at MERALCO Compound, Ortigas Ave., Brgy. Ugong, Pasig City, Metro Manila. The Corporate Secretary, Atty. Simeon Ken R. Ferrer, took the minutes of the meeting.

Prior to the actual conduct of the meeting, Chairman Pangilinan invited the stockholders and guests to observe a moment of silence to honor the memory and legacy of the former Chairman of MERALCO, Mr. Manuel M. Lopez.

The 2023 Annual Stockholders' Meeting was conducted virtually. The event was streamed live from the MERALCO Multipurpose Hall, Ortigas Avenue, Brgy. Ugong, Pasig City.

The Chairman explained that stockholders who have successfully registered online from May 2 to 26, 2023 can participate through remote communication using the Stockholder's Electronic Registration and Voting Express or SERVE platform found at the Company's website, https://company.meralco.com.ph/corporate-governance/SERVE. There were about two hundred fifteen (215) stockholders and guests who were able to view the proceedings virtually.

The Chairman addressed the stockholders and requested that given the level of complexity and the time needed to resolve questions on customer service, dividend delivery, invitations to, or notice of, the Annual Stockholders' Meeting and other operational matters, all stockholders with concerns or questions on these were advised to email them with their contact details to stockholder.affairs@meralco.com.ph.

The Chairman introduced the other members of the Board of Directors, namely: Dr. Lydia B. Echauz, Atty. Ray C. Espinosa, Messrs. James L. Go, Lance Y. Gokongwei, Jose Ma. K. Lim, Pedro Emilio O. Roxas, Victorico P. Vargas, and retired Chief Justice Artemio V. Panganiban, who were physically present at the MERALCO Compound, and Ms. Anabelle L. Chua and Mr. Frederick D. Go, who joined by way of live streaming.

Atty. Ray C. Espinosa also serves as the Company's President and Chief Executive Officer, while Retired Chief Justice Artemio V. Panganiban serves as the Chairman of the Audit Committee.

Also introduced were the Chief Finance Officer, Ms. Betty C. Siy-Yap, the Corporate Secretary, Atty. Simeon Ken R. Ferrer, and the Assistant Corporate Secretary, Atty. William S. Pamintuan. Other corporate officers and executives of the company, as well as the Company's external auditors, Sycip Gorres Velayo and Co. (SGV & Company), who joined the meeting onsite, were likewise acknowledged.

Upon successful online registration, stockholders were provided with access to the Company's SERVE platform, which allowed them to vote electronically on the matters passed upon in the meeting and to elect the Company's Board of Directors for fiscal year 2023-2024.

The proposed Resolutions for the meeting were contained in the Definitive Information Statement, a copy of which was uploaded in the MERALCO's website, www.meralco.com.ph, to make the same accessible to all stockholders. This practice is in line with the Company's commitment to good governance and its desire to encourage broader participation of its stockholders in deciding fundamental matters affecting the Company.

Thereafter, the Corporate Secretary read the ground rules and voting procedure, set forth in the Definitive Information Statement, to be observed during the meeting to ensure the conduct of fair, orderly, and efficient proceedings. Following are the points highlighted to the stockholders who joined via remote communications and who will be voting in absentia:

a) Certificated stockholders of the Company as of March 6, 2023 may exercise their right to vote on the agenda items in the 2023 Annual Stockholders' Meeting through electronic voting in absentia.

b) Stockholders or their proxies, who have successfully registered with, and have logged on to MERALCO's SERVE platform found at https://company.meralco.com.ph/corporate-governance/SERVE from May 2, 2023 to May 26, 2023, may be given access to the Annual Stockholders' Meeting Live Portal, a livestream video service that allows the Stockholders or their proxies to participate and vote electronically on the matters to be passed upon in the Annual Stockholders' Meeting and to elect the members of the Company's Board of Directors.

c) All questions and clarifications on the agenda items may also be raised through MERALCO's SERVE platform.

d) The Company's Assistant Corporate Secretary, Atty William S. Pamintuan will read the questions received during the "Question and Answer" portion which will take place before "Other Business", if any, Item No. 10 of the Agenda. Management will reply to questions not taken up during the meeting via email.

e) As indicated in the Notice and in the electronic ballot, there are six (6) resolutions proposed for the adoption by the stockholders of this meeting. Each proposed resolution will be shown on the screen as the same is being taken up.

For voting procedure, the Company's class of outstanding shares entitles the holder to one vote for one share. The affirmative vote of the stockholders representing at least a majority of the outstanding and voting shares shall be needed to pass and approve each proposed resolution unless the law provides otherwise.

For the election of directors, stockholders are allowed to elect directors individually or to cumulate their votes. Election of directors shall be by plurality of votes.

All votes received are tabulated by SERVE and validated by the Office of the Corporate Secretary and the auditing firm of Reyes Tacandong & Co., which was appointed by the Board to act as such for this Annual Stockholders' Meeting.

As each item in the agenda is taken up, the Corporate Secretary will report on the votes received and tabulated as of 9:00 a.m. today. The minutes of the meeting will, however, reflect the final tally of votes.

Voting will close when the meeting is adjourned.

SERVICE OF NOTICE

The Corporate Secretary reported that written notice of the meeting with the agenda ("Notice" or "Notices") was served to all stockholders of record as of March 6, 2023. Stockholders who have provided their email address were furnished a copy of the Notice through electronic mail. The Notice was also published in the Business World and Philippine Star, print and on-line editions, on May 4 and 5, 2023 and posted in the Company's website at www.meralco.com.ph.

The Notices were released through various means prior to the annual stockholders meeting in accordance with applicable laws such as the Revised Corporation Code, Securities Regulation Code, By-Laws of the Company, and the internal guidelines for participation in meetings via remote communications and for voting in absentia, which are embodied in the Company's Definitive Information Statement as approved by the Securities and Exchange Commission (SEC).

The rationale and explanation for each agenda item which requires shareholders' approval were provided in the Notice.

DETERMINATION OF QUORUM

The Corporate Secretary reported and certified that there was a quorum for the meeting, as stockholders who own or hold a total of 895,488,032 shares or 79.45% of the 1,127,098,705 issued and outstanding common shares of the Company entitled to vote, were represented in person, by proxy or through remote communication.

APPROVAL OF THE MINUTES OF STOCKHOLDERS' MEETING HELD IN 2022

The Chairman submitted for approval the Minutes of the Annual Stockholders Meeting held on May 31, 2022. Copies of the minutes have been made available during office hours at the Office of the Corporate Secretary and posted in the Company's website within twenty-four (24) hours from the conduct of such meeting. The minutes is also reflected in the Definitive Information Statement submitted to the SEC.

The Corporate Secretary moved to dispense with the reading of the Minutes of the Annual Stockholders' Meeting held on May 31, 2022, to approve the same since copies of the Minutes have previously been made available, and to adopt Resolution No. 2023-1.

The Minutes was approved by stockholders representing more than a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	894,012,244	79.32%
2. Against	0	0.00%
3. Abstained	1,423,323	0.13%

The following resolution was thus adopted and approved as Resolution 2023-1:

> "RESOLVED, that the Stockholders of the Corporation hereby approve the Minutes of the Annual Stockholders' Meeting held on May 31, 2022."

REPORT OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and Chief Executive Officer, Atty. Ray C. Espinosa, presented his report to the stockholders quoted hereunder as follows:

> "Dear Meralco Shareholders,
>
> Welcome to MERALCO's 2023 Annual Meeting and thank you for your kind attendance.

In 2022, as pandemic immunity grew globally, we returned to pre-Covid routines. However, geopolitical issues such as the Russo-Ukrainian War and economic challenges, energy instability, and supply chain disruptions also emerged. Nonetheless, our resilience enabled us to surmount these challenges, allowing us to break all previous records and attain new heights.

MERALCO emerged from 2022 stronger than ever and brighter than ever.

MERALCO saw demand rebound and grow as businesses resumed and health restrictions eased. Our revenues soared 34% to an unprecedented PhP 426.5 billion. Core net income of One MERALCO grew 10% to a record PhP 27.1 billion. Our enhanced profitability in 2022 was driven in part by significant improvements in MGen, our power generation business, on the back of the strong performance of Pacific Light Power Pte. Ltd. and San Buenaventura Power Ltd. The PhP 5.4 billion core net income from MGen is an impressive increase of more than 346% versus 2021. Reported net income likewise improved by 21% to its highest ever level of PhP 28.4 billion.

Likewise, MERALCO's Core EBITDA rose 7% to PhP 51.2 billion, and Core Earnings per Share increased 10% to PhP 24.05.

Furthermore, we distributed PhP16.83 per share in cash dividends in 2022, maintaining a 70% payout ratio. On the final trading day of the year, the share price was PhP 298.80 with a market capitalization of PhP 336.8 billion. As of yesterday, May 29, MER share price closed at PhP 327.0, implying a market capitalization of over PhP 368 billion.

Alongside our financial triumphs, our distribution business likewise grew. As health restrictions eased, on-site activities resumed, boosting the economy, and demonstrating Filipino resilience amid political transitions. Energy sales exceeded pre-pandemic levels due to increased mobility and economic activity. We expanded our customer base by nearly 3% to 7.6 million and achieved a 6% increase in energy sales to a record-high of approximately 48,900 GWh. Net System Input and Peak Demand also rose by 6% and 4%, respectively.

Moreover, we augmented capital investments by 55% to PhP 42.6 billion to future-proof our business. This encompassed power generation projects, facilities upgrades, and network enhancement.

It is also worth noting that we beat the system loss cap for the 15th straight year at a 5.77% loss level, attesting to our efficiency in delivering power. We also attained all-time best performance against ERC-prescribed service levels. We likewise enhanced our service through touchpoint expansion and government programs, thus, delivering a Customer Satisfaction Index score of 8.07.

Cognizant of our pivotal role in energy provision and our unique ability to address the United Nations Sustainable Development Goal 7: Affordable and Clean Energy, we remain committed to powering cities and communities. We continue to focus on preserving our planet, empowering our people, and creating prosperity for all — the hallmarks of our sustainability agenda,

Powering the Good Life. The remarkable 2022 results underline our unwavering dedication to sustainability across four pillars.

Guided by our thrust to provide energy for all, always, MERALCO's Electrification Program lit up 99.98% of households in our franchise area, and we continue to collaborate with the government to install microgrids and solar home systems in the remaining inaccessible areas.

In our mission for superior reliability, we have built four Smart Substations and initiated a Lightning Protection Improvement Program for enhanced network and system resilience.

To support government initiatives, we relocated over 3,600 poles, benefiting the Build Better More program, and various DPWH and LGU projects.

Additionally, we commenced phase 2 of the Enterprise Geographic Information System, replacing the MapGuide application. The new EGIS offers an accurate, consolidated view of Distribution Network assets, aligning with platforms such as the Customer Management System and Enterprise Asset Management System, to improve overall data accuracy.

The Networks' Data Historian was also launched, enabling centralized monitoring and data analysis to guide work orders for major substation assets. MERALCO is also developing the Advanced Distribution Management System 2.0 to enhance operations, reporting, network analysis, and grid management.

Moreover, in 2022, we rapidly progressed towards our commitment to a clean energy transition. Aiming for 1,500 MW of Renewable Energy (RE) by 2025, we secured power supply agreements totaling 1,475 MW.1 We likewise stayed committed to constructing 1,500 MW of attributable RE generation capacity by 2027, as signified by the recent inauguration of MGen's solar farms in Baras, Rizal, and Currimao, Ilocos Norte.

We made significant strides towards an eco-friendlier network, installing over 22,000 Distribution Transformers using natural ester oil. Our ambition to greenify our service vehicles saw the roll-out of 132 electric vehicles, equivalent to 7% of our fleet, in line with our goal of electrifying 25% of our company vehicles by 2030.

Our Resource Conservation and Efficiency Program implemented energy conservation measures across MERALCO offices, saving nearly 1,000 MWh of electricity. Our waste management initiatives diverted 96% of our solid waste away from landfills and oceans in 2022, up from 85% in 2021, via materials recovery facilities and continuing workforce education.

In addition, through One MERALCO Foundation's One for Trees Program, we sowed nearly 350,000 seedlings in 2022 with the help of our host communities, reaching a total of 1.8 million trees planted. This program continues to provide a sustainable and stable income and livelihood for our partner communities through agroforestry.

Our employees are our greatest source of light, and in 2022, MERALCO leveraged their talents to further build its digital organization and transformation.

An example of this is the PowerTech Innovation and Experience Lab (PIXL), a digital twin lab and metaverse, which was launched for simulated power industry training. PIXL's advanced technology offers an immersive experience for limitless learning and collaboration.

Additionally, our MERALCO Data Platform serves as a vehicle to centralize data management and streamline report generation for insights and business decision-making.

Equally important, we prioritized gender diversity and inclusion via our Mbrace Program, launching initiatives to grow our pipeline of female linecrew. By year-end, women made up 22% of our Distribution Utility workforce, almost double the global energy sector average of 13%.

We likewise developed a Diversity and Inclusion Policy, reaffirming our commitment to respect all individuals irrespective of gender, age, ethnicity, religion, and socioeconomic background.

Finally, our ratified Human Rights Policy embeds human rights principles into our business operations.

We illuminate the path towards a better life for our customers and the communities where we operate.

We continued and sustained our commitment to efficient customer service through our digital channels like MERALCO Online, Chatbot, and Interactive Voice Response adopted by 60% of users, and a contact center answer rate of 99.96%.

We also implemented the Distribution Rate True-Up refund, thereby providing relief to our customers. This refund, which equalizes the Actual Weighted Average Tariff and ERC-approved Interim Average Rate, is a normal adjustment in distribution charges. By end-May, we have fully refunded a total of PhP 49 billion to our customers.

Our business remains firmly grounded in social and environmental duties. We joined forces with the Quezon City local government and environmental nonprofit organizations for the Trash-to-Cashback Program, where customers exchanged recyclables for electricity bill credits at MERALCO Business Centers.

Another key point, MERALCO's Supplier Sustainability Scorecard (MS3) saw 93% of vendors meet our eco-friendly and socially conscious standards, reinforcing a responsible supply chain.

Further illustrating our commitment to stakeholders, the MERALCO Power Academy became the Philippines' first Recognized Training Institution,

demonstrating our dedication to providing exceptional services and empowering our stakeholders.

MERALCO's strong performance extends to energy-related and infrastructure services, and investments in the energy value chain.

Beyond our core Distribution Utility, retail electricity business through MPower and Vantage Energy concluded 2022 with nearly 7,900 GWh in sales, serving over 700 contestable customer accounts — a 4% increase from 2021.

MGen, our power generation unit, propelled a robust energy sales performance, offering reliable and eco-friendly energy. It delivered approximately 14,300 GWh in 2022, bolstering our Consolidated Core Net Income to PhP 5.4 billion — a substantial 346% increase vs. 2021.

Pacific Light Power, meanwhile, saw higher margins and 2% demand growth, while SBPL reported an average plant availability of 88%. Global Business Power successfully yielded around 5,000 GWh from its 970 MW net capacity.

BulacanSol, our first solar plant, provided 112 GWh in its first full operational year. MGen further expanded renewable capacity, launching a 68-MWac facility in Currimao, Ilocos Norte and a 75-MWac facility in Baras, Rizal in March and April 2023, respectively.

Bayad maintained its commitment to a seamless customer experience, reaching roughly 600 billers by 2022 and achieving over PhP 310 billion in gross transaction value, marking a 21% rise from 2021. Bayad Asenso App and Bayad Checkout augmented its digital transactions' share.

Radius, as a premier data and internet service provider, deployed nearly 10,000 km of fiber optic cable, marking a 30% growth from the previous year. RED Fiber extended its reach in key areas, serving over 46,000 active subscribers to date.

On the other hand, MIESCOR, our quadruple A-rated engineering service firm, handled key power and telecom projects. MIESCOR Infrastructure Development Corporation (MIDC), a subsidiary of MIESCOR, entered into a sale and leaseback agreement with Globe Telecom for the purchase of approximately 2,200 towers.

Spectrum, our solar solutions provider, posted a 125% surge in clean energy generation in 2022, thanks to a nearly 40% increase in installed capacity and a 43% rise in customer count. It also pioneered nationwide micro-inverters distribution.

As the pandemic eased, One MERALCO Foundation transitioned its focus to address persistent community challenges.

Aiming for inclusive recovery, OMF expanded its influence beyond MERALCO's franchise area, with the help of a significant volunteer workforce. This directly benefited over 50,000 families in 2022, incorporating nearly 6,400 low-income households and 14 public schools.

The broadened electrification program launched projects for Water Access, Agriculture and Livelihood, and Rural Health Centers. These initiatives reached various provinces, reflecting our commitment to underserved communities.

We aided a coastal community in Navotas, Metro Manila, with MERALCO linecrew setting up electric poles in flood-prone areas. Additionally, our engineers harnessed solar power to facilitate rural health centers, agricultural endeavors, and water supply.

In line with our thrust for sustainable development, we aided around 3,300 public school students, 340 women and youth through development initiatives beyond electrification, and nearly 18,000 families via disaster response.

In light of these accomplishments, we shine the spotlight on our stakeholders and employees who keep the lights on amid natural calamities and other crises. In the darkest of times, they continue to power through with hope and vigor, enabling MERALCO to shine brighter than ever.

We extend our sincerest thanks to the MERALCO Board of Directors for their continuous guidance and governance, and to our Management Team and employees for their steadfast commitment. Furthermore, we appreciate the enduring trust and confidence of our shareholders and customers.

As we face this new and better normal, join us as we light the way towards powering a brighter tomorrow for all. Ngayon at bukas, patuloy tayong maghahatid ng Liwanag.

On a personal note, I am filled with immense gratitude for the opportunities and experiences we shared during my time here as President and CEO. I have every confidence that the men and women of MERALCO, along with all its stakeholders, will continue to build upon our achievements and forge ahead towards an even more promising future. I am truly grateful for your unwavering support and dedication. It has been a rare honor and a rare privilege to serve you.

Maraming salamat po."

The Chairman thanked the President and CEO for his report and reminded the stockholders that for good order and as mentioned by the Corporate Secretary, any questions on the report will be considered after Item 9 of the agenda and before Item 10 thereof.

Chairman Pangilinan thanked the outgoing President and CEO, Atty. Ray C. Espinosa for his valuable contribution to the Company, quoted as follows:

"I would like to take a moment to acknowledge with much thanks the many contributions of Ray Espinosa to MERALCO, in fact, dating all the way back to 2009. He has, these past four years as our Chief Executive Officer, led MERALCO through quite a few apex challenges, including a generation-defining pandemic.

When our population was locked down and anxious about survival, about the health of their loved ones, and their job security, MERALCO kept the lights on – and even offered a reprieve to our people in the form of extended payment deadlines. Ray was at the helm of MERALCO at the critical juncture, balancing the needs of our customers which all required power on a continuous basis, with the health of our employees, ultimately succeeding in keeping the ship steady during such unsettled time.

The other signficant outcome achieved during Ray's tenure was the approval of MERALCO's delayed distribution tariffs, covering the lapsed period of seven years -- from July 2015 to June 2022. We were all relieved when final approval was granted. As a beneficial consequence to our customers, this meant that significant refunds totaling some PhP 49 billion were returned to all our customers, representing an unprecedented practice by a Philippine company.

We are all extremely fortunate to have had you at the steering wheel these past four years. I would simply ask that you stay with us for at least until the end of this year as Adviser to the Office of the Chairman, since I will need your help to steer a bigger and more complex ship moving forward.

As you move on to Metro Pacific Investments and affiliated companies, we wish you God speed and God Bless. Thank you, Ray."

APPROVAL OF THE 2022 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The next item on the agenda was the approval of the Audited Consolidated Financial Statements for the period ended December 31, 2022.

The Corporate Secretary stated that Management requested the approval of the Company's 2022 Audited Consolidated Financial Statements and proposed the adoption of Resolution No. 2023-2.

Accordingly, the Company's Audited Consolidated Financial Statements for the period ended December 31, 2022 was approved by stockholders representing at least a majority of

the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	893,674,804	79.29%
2. Against	141,890	0.01%
3. Abstained	1,618,873	0.14%

The following resolution was thus adopted and approved as Resolution 2023-2:

"RESOLVED, that the audited consolidated financial statements for the year ended December 31, 2022 be, as the same are hereby, approved."

RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The next item on the agenda was the ratification of acts, resolutions, and deeds of the Board of Directors, its Committees and Management of the Company from the Annual Stockholders' Meeting held on May 31, 2022 up to this meeting. Upon the Chairman's request, the Corporate Secretary briefly explained that these acts are provided in the minutes of meetings of the Board, its Committees and the Management. These include, among others, the approval of contracts and agreements, projects and investments, treasury matters, dividend declarations, and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

The highlights of these acts of the Board and Management were flashed on the screen.

Acts of Management pertain to those taken to implement the resolutions, directives and instructions of the Board and its Committees and those done in the regular course of the Company's business.

All acts, resolutions, and deeds of the Board of Directors, its Committees and Management of the Company from the Annual Stockholders' Meeting held on May 31, 2022, up

to this meeting were ratified by the stockholders representing at least a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	892,968,031	79.23%
2. Against	772,107	0.07%
3. Abstained	1,695,429	0.15%

The following resolution was thus adopted and passed as Resolution 2023-3:

"RESOLVED, that all acts, resolutions, and deeds of the Board of Directors and Management of the Company from the Annual Stockholders' Meeting held on May 31, 2022 up to the date of this meeting be as they hereby are, confirmed, ratified and approved."

APPROVAL OF AMENDMENT OF ARTICLE I, SECTION 2 AND ARTICLE II, SECTION 6 OF THE COMPANY'S BY LAWS

The next item on the agenda was the approval of the Amendment of Article I, Section 2, and Article II, Section 6, of the of the Company's By-Laws in compliance with the SEC Memorandum Circular 7 Series of 2021 and Section 28 of the Revised Corporation Code, respectively. The following are the proposed amendments:

For Article I, Section 2 on Special Meeting: To promote good corporate governance and for the protection of minority investors, SEC Memorandum Circular 7 Series of 2021 effectively lowers the minimum percentage of qualifying shares that any number of shareholders of a publicly listed corporation must hold in order to call for a special stockholders' meeting to ten percent (10%). Hence, the Management and the Board proposed the amendment of Article I, Section 2 of the Company's By-Laws on Special Meetings, to replace the previous requirement of "one-fourth of outstanding stock" with "ten percent (10%) or more of the outstanding capital stock".

For Article II, Section 6 on Vacancies: The Management and our Board proposed the insertion of "other than by removal or expiration of term" to be aligned with Section 28 of the Revised Corporation Code which provides for the rules in removal of directors and to avoid any conflict.

Accordingly, the Management and our Board seek the approval of the amendment of Article I, Section 2 and Article II, Section 6 of the Company's By-Laws and proposed the adoption of Resolution No. 2023-4.

The amendment of Article I, Section 2 and Article II, Section 6 of the Company's By-Laws was approved by the stockholders representing at least a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	893,973,024	79.32%
2. Against	0	00.00%
3. Abstained	1,462,542	00.13%

The following resolution was thus adopted and passed as Resolution 2023-4:

"RESOLVED, that the Stockholders of the Corporation hereby approve the amendment of Article I, Section 2 and Article II, Section 6 of the Company's By-Laws as quoted below:

ARTICLE I
MEETING OF STOCKHOLDERS

Section 2. SPECIAL MEETINGS. – Special meetings of the stockholders may be called by the Chairman of the board or by order of the Board of Directors whenever he or they may deem it necessary, and shall be so called whenever persons holding of record at least ten percent (10%) or more of the outstanding capital stock of the Company entitled to vote shall in writing request the same. Special meetings shall be held at the principal office of the Company or at any place in the city where the principal office of the Corporation is located as may be specified in the call.

ARTICLE II
BOARD OF DIRECTORS

Section 6. VACANCIES. – If any vacancy shall occur among the directors other than by removal or by expiration of term, such vacancy may be filled, pending action by the stockholders, at any regular or special meeting of the Board of Directors, by vote of a majority of all the remaining directors. xxx"

ELECTION OF DIRECTORS FOR THE ENSUING YEAR

The next item in the agenda was the election of the members of the Board of Directors for the ensuing year. The Company's Articles of Incorporation provide for eleven (11) seats in the Board. The Company's stockholders, including shareholders in the minority, were given the opportunity to nominate candidates for election to the Board of Directors.

A "Call for Nomination" was also posted in the Company's website last January 30, 2023 calling for the submission of the proposed agenda and nomination of qualified candidates on or before March 6, 2023.

The Chairman requested the Chairman of the Nomination and Governance Committee, Mr. Pedro Emilio O. Roxas, and the Corporate Secretary, Atty. Simeon Ken R. Ferrer, to explain the matter and give the voting results.

The Chairman of Nomination and Governance Committee stated that in accordance with the Company's By-Laws and Manual of Corporate Governance, as well as the Revised Corporation Code and the Securities Regulations Code, the following stockholders were duly nominated as members of the Company's Board of Directors to serve as such for the ensuing term 2023 - 2024:

Name	Nominated by
1. June Cheryl A. Cabal - Revilla	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
2. Lydia B. Echauz	Jennifer S. Gutierrez
3. Ray C. Espinosa	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
4. James L. Go	JG Summit Holdings, Inc.
5. Frederick D. Go	JG Summit Holdings, Inc.
6. Lance Y. Gokongwei	JG Summit Holdings, Inc.
7. Jose Ma. K. Lim	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
8. Artemio V. Panganiban	Jennifer S. Gutierrez
9. Manuel V. Pangilinan	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
10. Pedro Emilio O. Roxas	Jennifer S. Gutierrez
11. Victorico P. Vargas	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation

Retired Chief Justice Panganiban, Mr. Roxas and Dr. Echauz were nominated as independent directors.

The Corporate Secretary then explained that under the Company's Corporate Governance Manual, as well as SEC Code of Governance, a company's independent director shall serve for a maximum cumulative period of only nine (9) years. While retired Chief Justice Panganiban and Mr. Roxas have both served the Company as independent directors since May 27, 2008 and May 25, 2010, respectively, both exceeding nine years, the rules nonetheless allow for the extension and re-election of independent directors beyond the term limit, provided that meritorious justification exists.

The proposed retention of Retired Chief Justice Panganiban and Mr. Roxas as independent directors should be viewed in light of the continuing global economic challenges.

McKinsey and Company predicts uncertain economic prospects for the Philippines in 2023, with the energy sector facing challenges including supply constraints, green energy transition, rising oil and gas prices, supply chain disruptions, and currency depreciation.

Given such uncertainty, the re-election of Ret. Chief Justice Panganiban and Mr. Roxas, as independent directors, is expected to bring about stability in the Board that will surely benefit the Company and its stakeholders as their deep experience and knowledge of the Company, enables them to provide steady guidance and meaningful participation in crafting needed policies and strategies to immediately address operational, legal, and regulatory risks.

Ret. Chief Justice Panganiban has been a beacon of integrity and independence in the MERALCO Board. He is a legal luminary whose wealth of expertise and experience in the energy industry critically contributed to the Company's continuing success despite the risks brought about by the pandemic. As the shareholders' representative, he freely shared his measured opinions on relevant issues raised during meetings, encouraged critical

discussion, and fostered sound resolutions toward the attainment of the Company's strategic objectives while promoting the best interests of the stakeholders. He effectively served as the Board's Lead Independent Director, served as an intermediary between the Chairman and other directors, chaired the Company's Audit Committee, and led the Board in ensuring the adequacy of material controls and risk management systems, among others.

Mr. Roxas, on the other hand, has been the Board's governance champion, providing indispensable support to the Company towards achieving its long-term strategic goals and objectives while ensuring that it fully commits to its environmental, social, and civic responsibilities.

As a testament to his efforts in ensuring strong governance culture in the Company, MERALCO received the ASEAN Asset Class Award from the ASEAN Capital Markets Forum in December 2022. This award was given to publicly-listed companies in the Philippines which attained at least 75% of the highest attainable score in the ASEAN Corporate Governance Scorecard or ACGS 2021 assessment. In January 2023, MERALCO was also conferred a Three-Golden Arrow Award by the Institute of Corporate Directors for its sterling 2021 ACGS assessment results.

A more detailed description of Ret. Chief Justice Panganiban and Mr. Roxas' individual background and achievements, including their accomplishments and contributions to the Company are in the Definitive Information Statement distributed to the stockholders.

The Chairman of Nomination and Governance Committee stated that the Committee had evaluated the qualifications of the nominees, including the nominees for Independent Directors, and determined that they have all the qualifications and none of the disqualifications to serve as directors of the Company. All these nominees have given their consent to their nomination.

The profiles of all the nominees to the Board of Directors, stating their age, qualifications, experience, date of first appointment to the Board of the Company, and

directorships in other publicly listed companies or subsidiaries, whether listed or non-listed within the group of companies, were made available as part of the Definitive Information Statement that were distributed to all the stockholders.

The Corporate Secretary announced that based on votes obtained by each, and as certified by the Nomination and Governance Committee that each of the nominees has garnered enough votes for election, the following were declared duly elected members of the Board of Directors to serve for the ensuing year and until their successors are duly elected and qualified:

Name	Votes
1. June Cheryl A. Cabal - Revilla	858,889,781
2. Lydia B. Echauz	893,057,831
3. Ray C. Espinosa	889,926,790
4. James L. Go	845,366,691
5. Frederick D. Go	845,366,219
6. Lance Y. Gokongwei	845,707,301
7. Jose Ma. K. Lim	845,595,348
8. Artemio V. Panganiban	860,286,501
9. Manuel V. Pangilinan	846,427,879
10. Pedro Emilio O. Roxas	873,184,532
11. Victorico P. Vargas	847,207,008

The following resolution was thus adopted and passed as Resolution 2023-5.

"RESOLVED, that the following nominees to the Board, having received sufficient number of votes from the stockholders present and represented at the meeting, are hereby declared duly elected members of the Board of Directors to serve for the ensuing year and until their successors are duly elected and qualified:

June Cheryl A. Cabal - Revilla
Lydia B. Echauz
Ray C. Espinosa
James L. Go
Frederick D. Go
Lance Y. Gokongwei
Jose Ma. K. Lim
Artemio V. Panganiban
Manuel V. Pangilinan
Pedro Emilio O. Roxas
Victorico P. Vargas

The Chairman acknowledged the duly elected members of the Board of Directors for the ensuing Year 2023 – 2024.

The Chairman thanked outgoing Director, Ms. Anabelle L. Chua for her invaluable contribution as MERALCO Director.

> "We would like to express our heartfelt gratitude to the invaluable service for the past seven years of our outgoing director, Ms. Anabelle L. Chua. Her contributions to the Company and dedication to the Board are much appreciated. Thank you, Anabelle."

The Chairman acknowledged and welcomed the newly elected Board member, Ms. June Cheryl A. Cabal - Revilla, to the Company's Board of Directors.

> Ms. Cabal-Revilla is currently a member of the Board of Directors of Metro Pacific Investments Corporation as well as several other non-listed companies such as AF Payment Inc., Metro Pacific Tollways Corporation, KM Infrastructure Holdings, Inc. among others. She is the Founding Chairperson of Gabay Guro, President of The Outstanding Young Men (TOYM) Foundation and an Appointed Member of the Financial Reporting Standards Council (FRSC) of the Philippines. Welcome Chaye to the Board."

A short video, prepared by Management, was shown for outgoing President and CEO, Atty. Ray C. Espinosa, to show gratitude and appreciation for all his contributions and to express best wishes for all his future endeavors.

APPOINTMENT OF EXTERNAL AUDITORS

The next order of business was the appointment of external auditor for the Company.

The Chairman requested the Chairman of the Audit Committee, Retired Chief Justice Artemio V. Panganiban, to enlighten the stockholders on this matter and for the Corporate Secretary to give the voting results on the proposed resolution for this item.

Retired Chief Justice Panganiban stated that for the information of the stockholders, the Company had paid an audit fee of about Nineteen Million Pesos (PhP 19,000,000.00) to our incumbent external auditors, SyCip Gorres Velayo & Co., for the year ended December 31, 2022. He added that the Audit Committee had evaluated their performance for the past year

and was satisfied with their performance. As such, the Audit Committee and the Board of Directors hereby endorse the re-appointment of Sycip Gorres Velayo & Co. as External Auditor of the Company for the year 2023.

The Corporate Secretary stated that the Management proposed the adoption of Resolution No. 2023-6 for the re-appointment of SyCip Gorres Velayo & Co. as External Auditor of the Company for the year 2023. He was pleased to report that the reappointment of the Company's external auditor was approved by the stockholders representing a majority of the voting shares, present and represented at the meeting and eligible to vote. The details of the votes are, follows:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	893,373,042	79.26%
2. Against	626,472	0.06%
3. Abstained	1,436,053	0.13%

The following resolution was thus adopted and passed as Resolution 2023-6:

"RESOLVED, that SGV & Company, Certified Public Accountants, be, as they hereby are, re-appointed as external auditors of the Company for the year 2023."

QUESTIONS & ANSWERS

The Chairman requested the Assistant Corporate Secretary, Atty. William S. Pamintuan, to read the questions from the stockholders.

Atty. Pamintuan stated that there are several questions from stockholders that were received via email and the SERVE facility. Following were the questions raised and the answers provided by the Board and/or Management of the Company:

1. Mr. Joseph Nicol Ong: Does MERALCO not give stock dividends anymore to the stockholders and why? Why is it always cash dividends nowadays?

   Ms. Betty C. Siy-Yap, Chief Finance Officer, replied that MERALCO had been operating in a very favorable net debt to equity position, at least for the last 14 years or so. Since 2008, the cost of debt has been very affordable. Management had always tried to negotiate the tightest term over benchmark. In that sense, from the capital structure

perspective, there was no seen need to declare stock dividends to improve the equity or capital position of the Company. Management has opted and proposed cash dividends for payment to shareholders to allow them options either to reinvest in MERALCO or other investment options.

2. Mr. Vicente Hipolito: Some of MERALCO's subsidiaries, including MGEN, have been losing money for so many years. Subsidiaries losing money may affect consolidated bottom line of MERALCO. How will the company address this in its present and future plans?

   The Chairman responded that the expansion of our subsidiaries, both power and non-power alike, is one of the growth pillars of MERALCO's business prospects. There have been instances last year when certain entities incurred losses, as in the case of MERALCO PowerGen (MGen) and Global Business Power (GBP).

   With respect to GBP, several of its plants incurred losses in 2022 due to the impact of typhoon Odette in the Visayas area, and the fixed-rate contracts at the height of the global fuel price increases, alluded to by the President & CEO because occasioned by the Ukraine war. However, Management had been tasked to look for ways to turn around those losing plants. Starting this year, GBP (as a whole) and MGen (as a whole) have already turned positive and is now contributing to MERALCO's bottom line with the end of the fixed-rate contracts. Significant uptick in the profits of the generation part of the business is expected, as seen in this morning's Board meeting, when the results of the generation business were reported.

   It is expected that it will be a good year for the generation business. There is need to allay the shareholders concerns. In general, it would be a good year for MERALCO as a whole.

3. Ms. Cyrel Garvida: We understand that MERALCO is committed to sustainability and have heard of plans to build 1,500 MW of Renewable Energy capacity. Can you share the latest update in MERALCO's energy transition plans?

   Mr. Raymond B. Ravelo, Chief Sustainability Officer, responded that aligned with One MERALCO's long-term sustainability strategy, MGen–GBP is transitioning to cleaner and greener energy in a just, orderly, and affordable manner to ensure provision of reliable, cost-competitive, and sustainable power supply.

   While our goal is to build 1,500 MW of renewable energy (RE) capacity, our current pipeline today now stands over 1,700 MW of attributable RE capacity with a number of projects under various stages and across multiple clean technologies, such as, solar, wind, battery energy storage system (BESS), among others.

   As presented earlier, MGen-GBP's low-carbon energy transition started with BulacanSol, its first ever utility-scale solar project, a 55 MWac capacity solar farm in Bulacan, which declared commercial operations in mid-2021. The second project is a 68 MWac capacity solar farmt, Nuevo Solar, in Curimao, Ilocos Norte, which went online in March 2023. A third project is a 75 MWac solar farm in Baras, Rizal, which is expected to be completed before the end of the 2nd Quarter this year.

In addition, MGen-GBP's drive towards cleaner and greener energy will be marked by the conversion of its Atimonan One Energy (A1E) project from coal to liquified natural gas (LNG) for baseload supply. Currently, there is an ongoing Environmental Compliance Certificate (ECC) application for the development of a gas-fired power plant.

All these are part and parcel of One MERALCO's overarching objective of to be coal free by year 2050.

4. Ms. Arlene Signo: Earlier this month, some customers have experienced brownouts. Should consumers expect more power outages? And what is MERALCO doing to address these?

Mr. Ronnie L. Aperocho, Head of Networks, replied that the power outage last May 8 that affected close to 322,000 MERALCO customers was due to the Red Alert declared by National Grid Corporation of the Philippines (NGCP) following the tripping of its transmission facilities that isolated two major power plants in the north with a combined capacity of 618 MW.

MERALCO is in close coordination with the NGCP and the System Operator on the monitoring of the status of the Luzon grid. And as the supply-demand normalizes with the onset of the rainy season, we may not expect the same power outage to happen this year.

In addition, NGCP just announced in the newspapers that they have just completed and energized the new Hermosa-San Jose 500 kV transmission line, which is a major transmission backbone that will address the transmission constraints in the area. It is also a major transmission highway that will deliver bulk generation from the power plants in Zambales and Bataan all the way to the MERALCO franchise area through the NGCP San Jose delivery point substation in Bulacan. This 500 kV line is a major accomplishment and milestone for NGCP to provide more reliable power supply to the Luzon grid, most especially to MERALCO franchise area.

In a worst-case scenario, if a major power outage will happen again, MERALCO will mitigate the impact of brown out to our customers through the implementation of the Interruptible Load Program (ILP). MERALCO can ask 117 participants in the ILP to run their gen sets or reduce their operations to help relieve the grid from the high power demand, and consequently prevent brownouts to be implemented in certain areas. Total ILP capacity of these companies is at around 553 MW, which is a significant de-loading capacity.

MERALCO is also mindful of the timely conduct of Competitive Selection Process (CSP) for energy requirements and even for emergency procurement of needed capacity.

In addition, MERALCO also remains aggressive and proactive in its energy efficiency campaigns to customers through the MERALCO Advisory and various social media campaigns.

Last but not the least, should there be power outage due to typhoons or force majeure, MERALCO crews are ready 24/7 to restore power as soon as possible. The men and women of One MERALCO are ready to keep the lights on for our customers.

5. Ms. Maria Teresa Del Rosario Mamalateo: What is the update on the 5RP rate rebasing process? When can we expect a resolution of the rates?

Atty. Jose Ronald V. Valles, Head Regulatory Management Office, responded the 5th Regulatory Period (5RP) of MERALCO was applied last March 11, 2022, at a rate of P1.57 per kWh, Maximum Average Price. As of now, no decision from the Energy Regulatory Commission (ERC) has been made at this point as the evidentiary hearing is still ongoing. He added that MERALCO is closely monitoring such and expects the ERC to complete the process by end of this year 2023, given that the 5RP has already started last July 1, 2022.

Atty. Pamintuan thanked the stockholders for their questions. He stated that other questions not taken up will be referred to the responsible officers or offices, and will be answered through email.

ADJOURNMENT

There being no other business to transact, the 59th Annual Stockholders meeting was adjourned at 11:40 a.m.

SIMEON KEN R. FERRER
Corporate Secretary

A T T E S T:

MANUEL V. PANGILINAN
Chairman of the Board

LIST OF STOCKHOLDERS WHO ATTENDED THE 2023 ANNUAL STOCKHOLDERS' MEETING

May 30, 2023

No.	Stockholders' Name
1	MARIA ELENITA VILAR TESORO
2	SUSAN P. CASTANEDA &/OR COLEEN CASTANEDA
3	JOSEPH DE LUMEN AMOSCO
4	MICHAEL M. PANIS
5	JULITA M. PANDAC
6	AUGUSTO D. GONZALES JR.
7	DENIVER M. GAN
8	MENANDRO B. MAYORDOMO
9	BJORN M. CRUZ
10	MA. VICTORIA M. GERONILLA
11	ALPHA S. BAUTISTA
12	IRENEO BONIFACIO ACUNA
13	MACARIA P. SANTOS
14	HELEN T. DE GUZMAN
15	JOSE ANTONIO I. DIOMPOC
16	MARINA C. MENDOZA
17	EXOR B. DELA CRUZ
18	DIONICIO NOEL T. MANDAP
19	AQUILINO B. CARZON JR.
20	ZENAIDA C. LAURETA-CASTOR
21	WILSON V. MANZANO
22	SSS FAO DEMETRIO B. DELA CRUZ SSS #10-0337731-5
23	ELLEN V. BENDICIO
24	KRIZEL TIO GALLINERO
25	ELPIDIO C. BORJA JR.
26	FLORENCIO S. STA. MARIA
27	CECILIA V. DATAYAN
28	DANILO A. BASA
29	ANASTACIA S. LEOCHICO
30	EVA B. DIZON
31	ARLAINE YAMBAO REILLO
32	BIENVENIDO HABLADO DE GUZMAN JR.
33	JENNIFER JOY S. SENGSON
34	PHITZIE R. ILAGAN
35	SU SIN T. GO
36	LEILANI GONZALES ANASTACIO
37	JOSE REMILIO CONTI DIANGSON
38	HANSLEY T. GALLINERO
39	MARVIN S. VICTORIA
40	JUANITA C. PACENA
41	ALMA M. YAO
42	ARN RICHARD V. REMO

43	MA. TERESA RAMOS TANDOC
44	RIZALDY SIOSON ENRIQUEZ
45	MA. CYNTHIA CARIDAD SOLUREN
46	EMERSON S. UY
47	JUAN GABRIEL A. CARDONA
48	LEO VICENTE DOMINGO D. CLOMA
49	JOSEPH NICOL T. ONG
50	ZENAIDA D. HERNANDEZ
51	DAVID B. ACEDO &/OR ELENA NORABEL R. ACEDO
52	AIDA P. MOLINYAWE
53	ROGELIO S. MINA
54	JOSE C. VILLAVICENCIO
55	ERLINDA PEREZ NADORA
56	JUDITH M. SAGADSAD
57	LEONARDO R. DELOS REYES
58	ORLANDO LEGARDE CADAGUIT
59	JESSIE ROBERT P. RAMIREZ
60	PRISCILA PALABRICA FLORES
61	AARON D. BONGCO
62	CECILIA D.P. CASTRO
63	MARVIN GALLINERO GONSALVES
64	MERCEDITA B. MENDOZA
65	CARMELO S. GATLA
66	LEONARDO CAINA RIVERA
67	WILSON CHIN YORK
68	ANNA MARIA CIELO ATIENZA REYES
69	RONALD BRECENIO CARRIDO
70	NIXON G. HAO
71	AMELITA C. TAN
72	FRANCIA B. GAJES
73	VICTORINO B. TUMANENG JR.
74	MA. AIKO M. SANTOS
75	GERARDO Z. GONZALES
76	ANTHONY V. ROSETE
77	JOVEN BAUTISTA ROBERTO
78	LEONENA FABILLAR QUIRANTE
79	SSS FAO CORNELL O. DY SSS #33-1193889-7
80	ROCHEL DONATO R. GLORIA
81	CESAR Y. SALERA
82	JOY PORCIUNCULA MENDOZA
83	DANILO M. PILAPIL
84	NOEL HATOC CRUZ
85	FRED LORENZ G. RAMOS
86	FLORDELIZA D. BARTOLOME
87	ELIZABETH PELAYO-BASCO
88	MARIE JO D. VECINO
89	CELIAMOR F. GALANG

90	RENANTE T. PEREZ
91	WINSTON RIZCENTE PENARANDA ESPINA
92	THOM RYAN Q. ORTEGA
93	HELEN GRACE B. ARCEO
94	GEORGE J. RAMOS
95	MERCEDES A. PARINGIT
96	LEE CAESAR DIMAPILIS
97	BENJAMIN GENEVEO NOLASCO &/OR MARILYN L. NOLASCO
98	SSS FAO SANDATA VILLAREAL SSS #03-3040596-4
99	JENNIFER T. SANTOS
100	IMELDA V. BELEN
101	WILFREDO S. CRUZ
102	NENITA M. SANCHEZ
103	JESSICA EVARDO CANONES
104	EMMANUEL RAMOS PEREZ
105	RAY C. ESPINOSA
106	FROILAN JUSAYAN SAVET
107	RODRIGO A. MERCADO
108	CARLO MARCOS S. SOLIS
109	CYNTHIA B. DE GUZMAN
110	WILFREDO AQUINO BAETIONG
111	ALBEE M. DOMINGUEZ
112	JULIUS J. SANVICTORES
113	CONRADO BUSTOS FABROS
114	EDUARDO DE JESUS TABLAN
115	NORMITA S. GONZALES
116	RONALD VIC C. DE JESUS
117	ROSELITA GONZALES ORLINO
118	MERRY-JUNE CHUA MARINAS
119	MARY JOSEPHINE PATRICIA A. DE JOYA
120	RICARDO SARA GONZALEZ
121	RHODELLER A. ORLINO
122	JAMES L. GO
123	SHEENA MARIE S. AMURAO
124	MARNITA O. USI
125	MARL MONINO S. MANGASI
126	PATRICIA CECILIA B. BISDA
127	MA. LOURDES MARCELO MANLUGON
128	LUISITO V. ROQUE
129	PHILADELPHIA A. CARDONA
130	AMANDA V. DEL ROSARIO
131	MA. LOURDES F. GUERRERO
132	CYREL L. GARVIDA
133	ARNOLD H. CARLOS
134	IRENE FAY YNCLINO MERRO
135	GSIS FAO MA. RAIDIS P. BATARA
136	MARY ANNE D. ARROYO

137	JEAN V. LAGRADA
138	JOEL B. LIBED
139	BRENDA M. NOYNAY
140	HEIDEE SILVESTRE ARGUELLES
141	VOLTAIRE M. PABAYO
142	CARINA T. MARCHADESCH
143	TERESITA E. GUEVARA
144	VIRGINIA F. CALASAHAN
145	LUIS MARIA DEL PRADO ANTONIO
146	JAIME C. ACIERTO JR.
147	ARISTOTLE F. MENDOZA
148	MA. GEMINIA D. VECINO
149	ETHEL MAE KAM GAVILAN
150	ROSEMARIE F. RAMOS
151	MICHELLE ANN C. RIVERA
152	GERARDO C. CASTANEDA &/OR SUSAN P. CASTANEDA
153	VICTORIA V. ANINGAT
154	DONATA PURICISIMA B. VILLAMOR
155	PATRICIA N. JACINTO
156	SSS FAO ARNEL B. MAQUILING SSS #03-7218474-8
157	MANUEL V. DAEL
158	JOSE MA. K. LIM
159	ILUMINADA M. VILLAMAYOR
160	MARK EDWARD ADRIOSULA TORRES
161	VICTOR A. SOLON
162	ROSA MARIA Y. BILLONES
163	DANILO RIBOROSO IGNACIO
164	JANNICA LIAN C. APUADA
165	JOSE CIRIACO C. BUERANO
166	SSS FAO AMADO S. CRUZ JR. SSS #33-0215331-9
167	ELVIRA D. VECINO
168	MICHAEL F. JERAFUSCO
169	MONA LITA S. MARACHA
170	LIZEL P. LEDOMA
171	MYRICRIS A. GONZALO
172	DEOGRACIAS N. YAPTINCHAY II
173	PERCIVAL M. ESTRABO
174	SSS FAO JURY G. CONSTANTINO SSS #33-0697353-7
175	LORNA ABAO CANCAN
176	ALLAN C. REYES
177	REGINO S. DANTES JR.
178	TERESITA TALAN PARCON
179	ROY ANTHONY GENCIANEO PEDROSO
180	ALLAN COLARINA REYES
181	ERLINDA ATIENZA REYES
182	RAMON M. RAMIREZ
183	WILFREDO PARULI BERNARDO

184	ARMANDO V. PAGKALINAWAN
185	JOCELYN D. KEMPIS
186	RONOEL M. DELLOTA
187	FREDERICK DY GO
188	VICTORICO P. VARGAS
189	EVA C. HUGO
190	EDUARDO V. TIMBANG
191	ELENA P. VILLASQUEZ
192	NOEL RAMOS REMO
193	ROSANNA J. ADIONG
194	GEORGE S. ABELLERA
195	ROMARICO J. PLATON
196	GIOVANNI B. BALDONADO
197	CATALINO E. RANA
198	CRISTINA MANANSALA VILLAROSA
199	ROMEO B. DEKIT
200	JAMESON S. AGUB
201	ZENAIDA C. DELA CRUZ
202	SIMEON KEN R. FERRER
203	MA. TERESITA TE BUENO
204	PEDRO EMILIO O. ROXAS
205	MA. SANDRA C. VILLAGRACIA
206	ARTEMIO V. PANGANIBAN
207	RAYMUND DS DAQUIOAG
208	LYDIA B. ECHAUZ
209	NORA DELA CRUZ CARRIDO
210	JUNE CHERYL A. CABAL-REVILLA
211	LANCE YU GOKONGWEI
212	TEODORO OLIVARES GALLINERO
213	PERLA P. GONZALES
214	MYRLA R. ALCANTARA
215	SANCHO C. ESPIRITU
216	CRESENCIA T. CADIENTE
217	JOUIE FLORANTE M. BARTOLOME
218	SSS FAO IRMA B. LACSON SSS #06-0698028-1
219	COLEEN T. GALLINERO
220	MANUEL V. PANGILINAN
221	JEAN V. EUGENIO
222	ARLENE M. SIGNO
223	JOSE TRINI L. EVANGELISTA
224	RONOEL MARTINEZ DELLOTA
225	ALEXANDER BRIAN F. SAMSON
226	JOEL B. LIBED
227	GAUDELIA O. VILLANUEVA
228	SIMON CESAR C. ABAGA
229	VICENTE J. HIPOLITO
230	SSS FAO ROMEO Y. VELASCO SSS #03-7990305-8

MERALCO

STATEMENT OF MANANGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Manila Electric Company (the company) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2023 and 2022, and for each of the three years ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion upon completion of such audit.

MANUEL V. PANGILINAN
Chairman of the Board and Chief Executive Officer

BETTY C. SIY-YAP
Chief Finance Officer

SUBSCRIBED AND SWORN to before this MAR 15 2024 day of _____ 2024 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers as follows:

MANUEL V. PANGILINAN	914-481-801
BETTY C. SIY-YAP	102-100-627

Doc. No. 103;
Page No. 22;
Book No. IX;
Series of 2024.

ATTY. CRISTOPHER B. ARPON
Notary Public
For and in Pasig, Pateros and San Juan
Appointment No.152 (2023-2024) February 20, 2023
At Pasig City until December 31, 2024
Roll No. 41620/IBP No. 371222 12/21/2023 RSM Chapter
PTR No. 1704414 1/9/2024 Pasig City
MCLE No. VIII-0003630 04/14/2028
8th Floor, Lopez Bldg., Ortigas Avenue, Pasig City

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Manila Electric Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including those in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue from sale of electricity

The Group's revenue from its electricity distribution business represents 91% of its consolidated revenues and arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within the Group's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the information technology (IT) systems involved in processing the billing transactions.

Notes 2, 23, 24, 30 and 32 provide the relevant disclosures related to the rate-making regulations and regulatory policies of the ERC.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

Adequacy of allowance for expected credit losses for trade receivables

Under PFRS 9, *Financial Instruments*, the Group is required to estimate the expected credit loss (ECL) for its financial assets, particularly its trade receivables, which represent 7% of the consolidated assets of the Group as of December 31, 2023. The Group applies the simplified approach in calculating ECL. Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's use of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model; and incorporating forward-looking information (called overlays), in calculating ECL.

The disclosures in relation to allowance and provisions for ECL are included in Notes 5, 13 and 27 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodology and model used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical collections, recoveries and write-offs (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we compared the data used in the ECL model, such as the historical aging analysis and collection, default and recovery data, by reconciling data from the billing system to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced the disaggregation from source systems to the loss allowance analysis. We also assessed the completeness and accuracy of the data used in computing the ECL.

We reviewed the completeness of the disclosures made in the consolidated financial statements.

Provisions, contingencies and other liabilities

The Group is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

Notes 2, 19, 22 and 29 to the consolidated financial statements provide the relevant disclosures related to this matter.

Audit response

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's consolidated financial statements and involved our internal specialists when necessary in the evaluation of management's assessment. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence. We also reviewed the disclosures on provisions, contingencies and other liabilities in the Group's consolidated financial statements.

Accounting for business combination

As disclosed in Note 3 to the consolidated financial statements, MGen Renewable Energy, Inc. ("MGreen"), a wholly owned subsidiary of the Company through MERALCO PowerGen Corporation, acquired 50.5% voting equity interest in SP New Energy Corporation ("SPNEC") for a total consideration of ₱27,100 million. The acquisition was accounted for as a business combination under PFRS 3, *Business Combinations* based on a provisional purchase price allocation. Apart from the significance of the amounts involved, we consider the accounting for this acquisition as a key audit matter because it requires significant management judgment in assessing existence of control as at acquisition date and determining the provisional fair values of the assets acquired and liabilities assumed from SPNEC, based on the available information as at the acquisition date.

Audit response

We reviewed the share purchase agreement covering the acquisition and assessed whether the acquisition has been appropriately accounted for. We considered the terms of the share purchase agreement and other documents related to the acquisition in evaluating the Group's determination of the total cost of acquisition and existence of control as at acquisition date. We also evaluated management's basis in determining the provisional fair values of the assets acquired and liabilities assumed from SPNEC using the available information as of the acquisition date. We assessed the competence, capabilities and objectivity of the external appraiser who have been engaged to prepare the appraisal report used in the provisional purchase price allocation, by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the provisional fair values of the assets acquired and liabilities assumed from SPNEC. We also assessed the adequacy of the related disclosures in Note 3 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

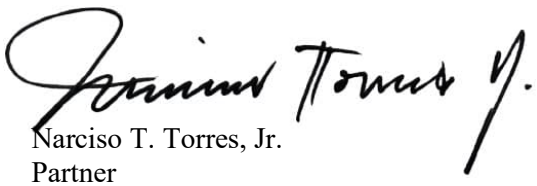
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.



Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
Tax Identification No. 102-099-147
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-111-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082024, January 6, 2024, Makati City

February 26, 2024

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2023**	2022
		(Amounts in millions)	
ASSETS			
Noncurrent Assets			
Utility plant, generation plant and others	*7 and 10*	**₱269,839**	₱243,323
Investments in associates and interests in joint ventures	*8 and 23*	**38,388**	31,888
Investment properties	*9*	**1,493**	1,495
Intangible assets	*7 and 10*	**53,351**	21,691
Deferred tax assets – net	*28*	**24,633**	22,657
Financial and other noncurrent assets	*2, 11, 15, 26, 27 and 30*	**35,579**	43,920
Total Noncurrent Assets		**423,283**	364,974
Current Assets			
Cash and cash equivalents	*12 and 27*	**82,789**	55,832
Trade and other receivables	*13, 24 and 27*	**48,395**	54,683
Inventories	*14*	**11,180**	10,629
Financial and other current assets	*11, 15, 23 and 27*	**20,395**	33,143
Total Current Assets		**162,759**	154,287
Total Assets		**₱586,042**	₱519,261
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Common stock	*16*	**₱11,273**	₱11,273
Additional paid-in capital		**4,111**	4,111
Equity reserve		**(111)**	(111)
Employee stock purchase plan	*16*	**1,049**	1,049
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("*FVOCI*")	*11*	**490**	311
Remeasurement adjustments on retirement and other post-employment liabilities	*26*	**3,418**	7,282
Share in remeasurement adjustments on associates' retirement liabilities	*8*	**(29)**	(16)
Share in other comprehensive income and cumulative translation adjustments of associates	*8*	**307**	(30)
Cumulative translation adjustments of subsidiaries		**52**	51
Treasury shares	*16*	**(11)**	(11)
Retained earnings	*16*	**101,746**	85,755
Equity Attributable to Equity Holders of the Parent		**122,295**	109,664
Non-controlling Interests	*3 and 16*	**45,024**	14,445
Total Equity		**167,319**	124,109

(Forward)

	Note	December 31 2023	2022
		(Amounts in millions)	
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	*17 and 27*	**₱62,272**	₱68,757
Customers' deposits - net of current portion	*18, 22 and 27*	**34,128**	31,590
Long-term employee benefits	*26*	**10,263**	2,893
Provisions	*19, 22 and 29*	**11,350**	12,657
Refundable service extension costs - net of current portion	*22 and 27*	**4,051**	4,653
Deferred tax liabilities - net	*28*	**8,691**	5,427
Other noncurrent liabilities	*2, 5, 7, 24 and 29*	**54,695**	63,450
Total Noncurrent Liabilities		**185,450**	189,427
Current Liabilities			
Notes payable	*21 and 27*	**27,583**	29,491
Trade payables and other current liabilities	*16, 22, 23, 27 and 29*	**191,703**	163,902
Customers' refund	*2, 20 and 27*	**2,846**	2,905
Income tax payable		**1,550**	92
Current portion of long-term employee benefits	*26*	**–**	3,750
Current portion of interest-bearing long-term financial liabilities	*17 and 27*	**9,591**	5,585
Total Current Liabilities		**233,273**	205,725
Total Liabilities		**418,723**	395,152
Total Liabilities and Equity		**₱586,042**	₱519,261

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
		(Amounts in millions, except per share data)		
REVENUES				
Sale of electricity	*6, 23, 24, 30 and 32*	**₱430,181**	₱413,950	₱309,238
Sale of other services	*23*	**13,431**	12,579	9,309
		443,612	426,529	318,547
COSTS AND EXPENSES				
Purchased power	*24 and 30*	**328,248**	322,645	224,915
Depreciation and amortization	*7, 9, 10 and 25*	**16,625**	16,031	12,499
Salaries, wages and employee benefits	*25 and 26*	**16,521**	15,836	15,892
Coal and fuel		**16,133**	22,577	8,793
Contracted services		**10,074**	8,440	7,074
Provision for probable losses and expenses from claims	*2, 19 and 29*	**6,848**	5,831	10,175
Taxes, fees and permits		**2,325**	2,132	1,939
Power plant operations and maintenance cost		**1,881**	1,906	1,103
Provision for expected credit losses ("*ECL*")	*13*	**998**	2,498	506
Other expenses	*23 and 25*	**7,626**	8,452	6,312
		407,279	406,348	289,208
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates and joint ventures	*8*	**11,479**	12,035	3,127
Interest and other financial charges	*17, 18 and 21*	**(5,129)**	(3,754)	(3,728)
Interest and other financial income	*11 and12*	**3,321**	2,063	2,197
Foreign exchange gains (losses)		**(44)**	1,011	487
Others	*2, 5, 7, 8, 23, 30 and 32*	**829**	3,700	1,573
		10,456	15,055	3,656
INCOME BEFORE INCOME TAX		**46,789**	35,236	32,995
PROVISION FOR (BENEFIT FROM) INCOME TAX	*28*			
Current		**9,153**	4,122	8,728
Deferred		**(1,042)**	2,526	184
		8,111	6,648	8,912
NET INCOME		**₱38,678**	₱28,588	₱24,083
Attributable To				
Equity holders of the Parent	*31*	**₱38,023**	₱28,431	₱23,498
Non-controlling interests		**655**	157	585
		₱38,678	₱28,588	₱24,083
Earnings Per Share Attributable to Equity Holders of the Parent	*31*			
Basic		**₱33.74**	₱25.23	₱20.85
Diluted		**33.74**	25.23	20.85

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
			(Amounts in millions)	
NET INCOME		**₱38,678**	₱28,588	₱24,083
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent years:				
Unrealized fair value gains (losses) on fair value through other comprehensive ("*FVOCI*") financial assets	*11*	**88**	(280)	139
Cumulative translation gains of subsidiaries		**1**	11	18
Share in cumulative translation adjustments of associates	*8*	**8**	654	117
Net other comprehensive income (loss) that will be reclassified to profit or loss in subsequent years		**97**	385	274
Items that will not be reclassified to profit or loss in subsequent years:				
Remeasurement gains (losses) on retirement and other post-employment liabilities	*26*	**(5,152)**	6,135	8,671
Income tax effect		**1,288**	(1,534)	(2,168)
		(3,864)	4,601	6,503
Unrealized fair value gains (losses) on equity securities at *FVOCI*		**101**	99	43
Income tax effect		**(10)**	(10)	(4)
		91	89	39
Share in other comprehensive income of associates		**329**	(990)	183
Share in remeasurement gains (losses) on associates' retirement liabilities	*8*	**(13)**	9	(12)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years		**(3,457)**	3,709	6,713
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		**(3,360)**	4,094	6,987
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		**₱35,318**	₱32,682	₱31,070
Total Comprehensive Income Attributable To				
Equity holders of the Parent		**₱34,663**	₱32,525	₱30,485
Non-controlling interests		**655**	157	585
		₱35,318	₱32,682	₱31,070

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Equity Attributable to Equity Holders of the Parent													
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Equity Reserve**	**Employee Stock Purchase Plan** (Note 16)	**Unrealized Fair Value Gains (Losses) on Financial Assets at *FVOCI*** (Note 11)	**Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities** (Note 26)	**Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities** (Note 8)	**Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates** (Note 8)	**Cumulative Translation Adjustments of Subsidiaries**	**Treasury Shares** (Note 16)	**Retained Earnings** (Note 16)	**Equity Attributable to Equity Holders of the Parent**	**Non-controlling Interests** (Notes 3 and 6)	**Total Equity**
	(Amounts in millions)													
At January 1, 2023	**₱11,273**	**₱4,111**	**(₱111)**	**₱1,049**	**₱311**	**₱7,282**	**(₱16)**	**(₱30)**	**₱51**	**(₱11)**	**₱85,755**	**₱109,664**	**₱14,445**	**₱124,109**
Net income	–	–	–	–	–	–	–	–	–	–	**38,023**	**38,023**	**655**	**38,678**
Other comprehensive income (loss)	–	–	–	–	**179**	**(3,864)**	**(13)**	**337**	**1**	–	–	**(3,360)**	–	**(3,360)**
Total comprehensive income (loss)	–	–	–	–	**179**	**(3,864)**	**(13)**	**337**	**1**	–	**38,023**	**34,663**	**655**	**35,318**
Dividends	–	–	–	–	–	–	–	–	–	–	**(22,032)**	**(22,032)**	**(66)**	**(22,098)**
Effect of consolidation of SP New Energy Corporation ("*SPNEC*")	–	–	–	–	–	–	–	–	–	–	–	–	**29,598**	**29,598**
Others	–	–	–	–	–	–	–	–	–	–	–	–	**392**	**392**
	–	–	–	–	–	–	–	–	–	–	**(22,032)**	**(22,032)**	**29,924**	**7,892**
At December 31, 2023	**₱11,273**	**₱4,111**	**(₱111)**	**₱1,049**	**₱490**	**₱3,418**	**(₱29)**	**₱307**	**₱52**	**(₱11)**	**₱101,746**	**₱122,295**	**₱45,024**	**₱167,319**
At January 1, 2022	₱11,273	₱4,111	(₱116)	₱1,049	₱502	₱2,681	(₱25)	₱306	₱40	(₱11)	₱75,394	₱95,204	₱10,124	₱105,328
Net income	–	–	–	–	–	–	–	–	–	–	28,431	28,431	157	28,588
Other comprehensive income (loss)	–	–	–	–	(191)	4,601	9	(336)	11	–	–	4,094	–	4,094
Total comprehensive income (loss)	–	–	–	–	(191)	4,601	9	(336)	11	–	28,431	32,525	157	32,682
Dividends	–	–	–	–	–	–	–	–	–	–	(18,070)	(18,070)	(95)	(18,165)
Others	–	–	5	–	–	–	–	–	–	–	–	5	4,259	4,264
	–	–	5	–	–	–	–	–	–	–	(18,070)	(18,065)	4,164	(13,901)
At December 31, 2022	₱11,273	₱4,111	(₱111)	₱1,049	₱311	₱7,282	(₱16)	(₱30)	₱51	(₱11)	₱85,755	₱109,664	₱14,445	₱124,109

	Equity Attributable to Equity Holders of the Parent													
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Equity Reserve**	**Employee Stock Purchase Plan** (Note 16)	**Unrealized Fair Value Gains (Losses) on Financial Assets at *FVOCI*** (Note 11)	**Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities** (Note 26)	**Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities** (Note 8)	**Cumulative Translation Adjustments of Associates** (Note 8)	**Cumulative Translation Adjustments of Subsidiaries**	**Treasury Shares** (Note 16)	**Retained Earnings** (Note 16)	**Equity Attributable to Equity Holders of the Parent**	**Non-controlling Interests** (Notes 3and 6)	**Total Equity**
	(Amounts in millions)													
At January 1, 2021	₱11,273	₱4,111	(₱116)	₱1,049	₱324	(₱3,822)	(₱13)	₱6	₱22	(₱11)	₱66,414	₱79,237	₱1,494	₱80,731
Net income	–	–	–	–	–	–	–	–	–	–	23,498	23,498	585	24,083
Other comprehensive income (loss)	–	–	–	–	178	6,503	(12)	300	18	–	–	6,987	–	6,987
Total comprehensive income (loss)	–	–	–	–	178	6,503	(12)	300	18	–	23,498	30,485	585	31,070
Dividends	–	–	–	–	–	–	–	–	–	–	(14,518)	(14,518)	(1,358)	(15,876)
Effect of consolidation of Global Business Power Corporation ("*GBPC*")	–	–	–	–	–	–	–	–	–	–	–	–	9,359	9,359
Others	–	–	–	–	–	–	–	–	–	–	–	–	44	44
	–	–	–	–	–	–	–	–	–	–	(14,518)	(14,518)	8,045	(6,473)
At December 31, 2021	₱11,273	₱4,111	(₱116)	₱1,049	₱502	₱2,681	(₱25)	₱306	₱40	(₱11)	₱75,394	₱95,204	₱10,124	₱105,328

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2023	2022	2021
		(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱46,789**	₱35,236	₱32,995
Adjustments for:				
Depreciation and amortization	*7, 9 and 10*	**16,625**	16,031	12,499
Equity in net earnings of associates and joint ventures	*8*	**(11,479)**	(12,035)	(3,127)
Interest and other financial charges	*17, 18 and 21*	**5,129**	3,754	3,728
Interest and other financial income	*11 and12*	**(3,321)**	(2,063)	(2,197)
Provision (reversal of provision) for impairment losses	*7 and 8*	**(1,179)**	2,601	–
Provision (reversal of provision) for probable losses and expenses from claims – net	*2 and 29*	**791**	(15,022)	7,951
Provision for expected credit losses ("*ECL*")	*8*	**998**	2,548	557
Others		**5**	(592)	12
Operating income before working capital changes		**54,358**	30,458	52,418
Decrease (increase) in:				
Trade and other receivables		**1,589**	(15,083)	11,127
Inventories		**(753)**	(812)	(2,136)
Financial and other current assets		**3,034**	(4,100)	(2,573)
Increase (decrease) in:				
Trade payables and other current liabilities		**(2,961)**	18,253	(12,832)
Customers' deposits		**2,066**	1,143	1,244
Customers' refund		**(59)**	(24)	(20)
Long-term employee benefits		**2,218**	(1,336)	2,855
Cash generated from operations		**59,492**	28,499	50,083
Income tax paid		**(1,518)**	(3,317)	(6,902)
Net cash flows provided by operating activities		**57,974**	25,182	43,181
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at *FVOCI*	*11*	**(43,013)**	(26,267)	(42,458)
Utility plant, generation plant and others	*7*	**(24,800)**	(33,663)	(26,260)
Intangible assets	*10*	**(4,137)**	(8,533)	(976)
Short-term investments		**(2,482)**	(2,784)	(435)
Debt securities at amortized cost	*11*	**(1,058)**	(18,587)	(23,115)
Investments in associates and interests in joint ventures	*8*	**(13)**	(504)	(992)
Investment properties	*9*	**(2)**	(3)	(1)
Proceeds from maturity of:				
Financial assets at *FVOCI*		**43,039**	30,396	43,070
Debt securities at amortized cost		**20,761**	22,707	14,059
Short-term investments		**2,675**	3,025	–
Acquisition of *SPNEC* – net of *SPNEC*'s cash upon acquisition	*3*	**(5,853)**	–	–
Acquisition of Global Business Power Corporation ("*GBPC*") – net of *GBPC*'s cash upon acquisition	*3*	**–**	–	(16,476)
Interest and other financial income received		**3,120**	2,033	2,184
Proceeds from disposal of utility plant, generation plant and others		**7**	914	161
Dividends received from associates and joint ventures		**10,106**	4,039	1,778
Increase (decrease) in minority interests		**454**	4,164	(1,364)
Decrease in financial and other noncurrent assets		**2,765**	982	1,358
Net cash provided by (used in) investing activities		**1,569**	(22,081)	(49,467)

(Forward)

	Note	Years Ended December 31 **2023**	2022	2021
			(Amounts in millions)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of:				
Interest-bearing long-term financial liabilities	*17*	**₱2,803**	₱32,507	₱24,513
Notes payable	*21*	**1,331**	2,920	22,880
Payments of:				
Dividends	*16*	**(21,691)**	(16,890)	(13,748)
Interest-bearing long-term financial liabilities	*17*	**(8,498)**	(18,679)	(7,388)
Interest and other financial charges		**(4,564)**	(4,310)	(4,098)
Notes payable		**(3,239)**	(2,263)	(17,419)
Proceeds from disposal of non-controlling interests		**–**	6	–
Increase (decrease) in other noncurrent liabilities		**1,253**	4,433	6,121
Net cash provided by (used in) financing activities		**(32,605)**	(2,276)	10,861
NET INCREASE IN CASH AND CASH EQUIVALENTS		**26,938**	825	4,575
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**55,832**	55,007	50,912
NET UNREALIZED FOREIGN EXCHANGE LOSSES (GAINS)		**19**	–	(480)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*12*	**₱82,789**	₱55,832	₱55,007

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

The businesses of Manila Electric Company ("*MERALCO*") and its subsidiaries (the "*MERALCO Group*") consist of unregulated and regulated segments of the energy supply chain; engineering design services; construction and consulting services; payment fulfilment and bills collection services; after-the-meter and energy management services insurance and reinsurance, rail-related operations; leasing and management of communication towers and infrastructure and telecommunication and information technology services.

The regulated and unregulated segments of the energy supply chain of the *MERALCO Group* include electricity distribution, power generation, retail electricity supply, and management of electric distribution facilities.

MERALCO holds a 25-year congressional franchise under Republic Act ("*RA*") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("*ERC*") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("*CPCN*") for the operation of electric service within its franchise area, which shall be valid within the franchise period.

Clark Electric Distribution Corporation ("*Clark Electric*"), a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("*CDC*") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Through a 60% owned subsidiary, Shin Clark Power Holdings, Inc. ("*Shin Clark*"), *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly-owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly-owned subsidiary of the Kansai Electric Power, Inc. ("*Kansai*")], and Chubu Electric Power Co., Inc. ("*Chubu*"), hold a 90% interest in Shin Clark Power Corporation ("*Shin Clark Power")*. *Shin Clark Power* is a company formed with Bases Conversion and Development Authority ("*BCDA*") through a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("*NCC*"). *NCC* consists of a 9,450 hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc. ("*Comstech*") under a 25-year Investment Management Contract ("*IMC*") and that of the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*").

MERALCO Group's participation in retail electricity supply ("*RES*") is directly through the local *RES* units, *MPower* and *Cogent Energy,* and indirectly through affiliate *RES* entities, Vantage Energy Solutions and Management, Inc. ("*Vantage*"), MeridianX Inc. ("*MeridianX*"), Phoenix Power Solutions, Inc. ("*Phoenix Power*") and Global Energy Supply Corporation ("*GESC*"). Clarion Energy Management Inc. ("*Clarion*"), a wholly owned subsidiary of *Clark Electric,* is awaiting issuance of license by the *ERC*.

MERALCO PowerGen Corporation ("*MGen*") is *MERALCO*'s power generation investment vehicle. Global Business Power Corporation ("*GBPC*"), which has 823.6 *MW* of coal and diesel capacities, is a wholly owned subsidiary of *MGen.* Through MGen Renewable Energy, Inc. ("*MGreen*"), *MGen* operates and engages in the development, construction and operation of solar-powered generation facilities. On December 27, 2023, *MGreen* completed the acquisition of primary common and redeemable voting preferred shares of *SPNEC*, giving *MGreen* 50.5% voting interest. Through *SPNEC*, *MGreen* is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery energy storage system. *MGen* also holds a combined 58% interest in PacificLight Power Pte Ltd. ("*PacificLight Power*"), which owns and operates a 2 x 400 *MW* liquefied natural gas plant in Jurong Island, Singapore.

MERALCO's related businesses include engineering, design, construction and consulting services, bill collection services, distribution and energy management services, development, insurance and reinsurance, rail-related operations and maintenance services, leasing and management of communication towers and infrastructure, and communication, information system and technology services.

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation ("*Metro Pacific*") and JG Summit Holdings, Inc. ("*JG Summit*"). As at December 31, 2023, *Metro Pacific* has combined direct equity interests in *MERALCO* and indirect ownership through its wholly owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*'s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO.* The balance of *MERALCO*'s common shares is held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange ("*PSE*") with ticker symbol, *MER*.

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

The consolidated financial statements were approved and authorized for issue by the *BOD* on February 26, 2024.

2. Rate Regulations

As distribution utilities ("*DU*s"), *MERALCO, Clark Electric* and *Shin Clark Power* are subject to the rate-making regulations and regulatory policies of the *ERC.* Billings of *MERALCO* and *Clark Electric* to customers are itemized or "unbundled" into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is governed by mechanisms promulgated and enforced by the *ERC*, mainly: [i] the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities, as amended", which govern the recovery of pass-through costs, including over- or under-recoveries of the bill components, namely, (a) generation charge, (b) transmission charge, (c) system loss ("*SL*") charge, (d) lifeline and inter-class rate subsidies, and (e) local franchise and business taxes as modified by Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of Distribution Utilities; and [ii] the "Rules for the Setting of Distribution Wheeling Rates" ("*RDWR*"), as modified, which govern the determination of *MERALCO*'s distribution, supply, and metering charges.

The following is a discussion of matters related to rate-setting of *MERALCO* and *Clark Electric*:

Performance-Based Regulations ("*PBR*")

MERALCO

MERALCO is among the Group A entrants to the *PBR*, together with two (2) other private *DU*s.

Rate-setting under *PBR* is governed by the *RDWR*. Under *PBR*, tariffs are set once every Regulatory Period ("*RP*") based on a rate setting framework which includes the regulatory asset base ("*RAB*") of each *DU*, and the required operating and capital expenditures to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC. PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RY*s"). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Maximum Average Price ("MAP") for the 3rd RP

After the rate setting process for a *RP*, *MERALCO* goes through a rate verification process to set the *MAP* for each *RY* within the *RP*. In each of *RY*s 2012, 2013, 2014 and 2015, *MERALCO* filed for the respective *MAP* with the *ERC*. The *ERC* provisionally approved the *MAP*s for each of the *RY*.

On April 29, 2022, *MERALCO* received an Order from the *ERC* dated March 8, 2022, which resolved the true-up value of *MERALCO*'s regulatory asset base for the 3rd *RP*. On such basis, the *ERC* adjusted the *MAP*s for *RY*s 2012, 2013, 2014 and 2015. The *ERC* then granted interim relief, which among other things, directed *MERALCO* to implement the refund of ₱7.8 billion or equivalent to ₱0.2583 per *kWh*. *MERALCO* implemented the refund beginning its May 2022 billing. In a Decision dated June 16, 2022, the interim approval of the *ERC* was rendered permanent and *MERALCO* was directed to continue implementing the refund. The amount has been fully refunded in 2022.

Interim Average Rate beginning RY 2016

On July 10, 2015, the *ERC* provisionally approved an interim average rate ("*IAR*") of ₱1.3810 per *kWh* (excluding efficiency adjustment) and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

In a letter dated July 4, 2019, the *ERC* authorized the continued implementation of the interim average rate but directed *MERALCO*, as well as other *DU*s, to refund any remaining amount pertaining to regulatory reset costs for the previous *RP*s.

On July 13, 2022, *MERALCO* received the Decision of the *ERC* dated June 16, 2022 which approved a revised and final *IAR* of ₱1.3522 per *kWh* as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per *kWh* until otherwise directed. *MERALCO* implemented the Decision beginning its August 2022 billing.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards ("*PFRS*s") as it may prejudice the position of *MERALCO*.

Distribution Rate True-Up ("DRTU") Applications

On January 27, 2021, the *ERC* approved *MERALCO*'s application to refund to its customers ₱13,886 million of over-recoveries ("*DRTU 1*") representing the difference between the Actual Weighted Average Tariff ("*AWAT*") for the period July 1, 2015 to November 2020 and the then *IAR* of ₱1.3810 per *kWh*, as provisionally approved by the *ERC* on July 10, 2015.

Thereafter, there were three (3) other *DRTU* refunds ordered: (a) *DRTU* 2 totaling ₱4,837 million representing the difference between the *AWAT* for the period December 2020 to December 2021 and the then *IAR* of ₱1.3810 per *kWh*; (b) *DRTU* 3 of ₱7,755 million related to 3rd *RP* asset true-up adjustments; and (c) *DRTU* 4 amounting to ₱21,769 million based on *ERC* approved revised and final *IAR* of ₱1.3522 per *kWh*.

MERALCO implemented the foregoing refunds in 2022. The amounts were fully refunded in the May 2023 billing. However, in a letter dated June 14, 2023, *MERALCO* informed the *ERC* that the implementation of the refunds resulted in an over-refund of ₱860 million and proposed the recovery of such over-refund based on a fixed rate per *kWh* consumption in 12 months. As at February 26, 2024, the *ERC* has not responded to *MERALCO*'s letter.

CAPEX

Absent the final rules governing the 4th *RP* and 5th *RP* rate setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 26, 2024, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

On March 16, 2022, *MERALCO* filed its application for the approval of its annual revenue requirement and performance incentive scheme for the 5th *RP* (July 1, 2022 to June 30, 2026) based on *ERC*-promulgated *RDWR*.

On September 28, 2023, *MERALCO* filed an Urgent Omnibus Motion to: (a) withdraw the Application; (b) allow *MERALCO* to re-file its 5th *RP* Application to cover the period from *RY* 2025-2028 and (c) consider *RY* 2023 and *RY* 2024 as lapsed period and use ₱1.3522 per *kWh* as the final rate during this period. As at February 26, 2024, *MERALCO* is still awaiting the *ERC*'s action on the Urgent Omnibus Motion.

Clark Electric

Clark Electric is among the six (6) Group D entrants to the *PBR*. Similar to *MERALCO*, it is subject to operational performance and service level requirements approved by the *ERC*. A *RY* for *Clark Electric* begins on October 1 and ends on September 30 of the following year.

PBR Reset for Clark Electric

Pending the issuance by the *ERC* of the final rules to govern the reset of Group D entrants, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. Similarly, *Clark Electric* filed and manifested as urgent its *CAPEX* requirements with the *ERC* to be able to implement such projects immediately.

As at February 26, 2024, the applications remain pending with the *ERC*.

Clark Electric recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Provision for probable losses and expenses from claims" account in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in "*PFRS*s" as it may prejudice the position of *Clark Electric*.

Supreme Court ("*SC*") *Decision on Unbundling Rate Case*

On May 30, 2003, the *ERC* issued an Order approving *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. However, on August 4, 2003, *MERALCO* received a Petition for Review of the *ERC*'s ruling filed by certain consumer and civil society groups before the Court of Appeals ("*CA*"). On July 22, 2004, the *CA* set aside the *ERC*'s ruling on *MERALCO*'s rate unbundling and remanded the case to the *ERC.* Further, the *CA* opined that the *ERC* should have asked the Commission on Audit ("*COA*") to audit the books of *MERALCO.* The *ERC* and *MERALCO* subsequently filed separate motions asking the *CA* to reconsider its decision. As a result of the denial by the *CA* of the motions on January 24, 2005, the *ERC* and *MERALCO* elevated the case to the *SC*.

In an En Banc decision promulgated on December 6, 2006, the *SC* set aside and reversed the *CA* ruling saying that a *COA* audit was not a prerequisite in the determination of a utility's rates. However, while the *SC* affirmed *ERC*'s authority in rate-fixing, the *SC* directed the *ERC* to request *COA*'s assistance to undertake a complete audit of the books, records and accounts of *MERALCO*. In compliance with the directive of the *SC*, the *ERC* requested *COA* to conduct an audit of the books, records and accounts of *MERALCO* using calendar years 2004 and 2007 as test years.

The *COA* audit, which began in September 2008, was completed with the submission to the *ERC* of its report on November 12, 2009.

On February 15, 2010, the *ERC* issued its Order directing *MERALCO* and all intervenors in the case to submit, within 15 days from receipt of the Order, their respective comments on the *COA* report.

On June 21, 2011, the *ERC* maintained and affirmed its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 30, 2003. The *ERC* stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. An intervenor group filed a *MR* of the said Order. On September 5, 2011, *MERALCO* filed its comment on the intervenor's *MR*. On February 4, 2013, the *ERC* denied the intervenor's *MR*. The intervenor filed a Petition for Review before the *CA* and *MERALCO* filed its comment thereon on May 29, 2014. In compliance with the *CA*'s directive, *MERALCO* filed its Memorandum in

August 2015. In a Resolution dated September 29, 2015, the *CA* declared the case submitted for decision. In a Decision dated February 29, 2016, the *CA* dismissed the Petition for Review and affirmed the orders dated June 21, 2011 and February 4, 2013 of the *ERC*.

On March 22, 2016, the intervenors filed a *MR* on the *CA* Decision dated February 29, 2016. The same was denied by the *CA* through a Resolution dated August 8, 2016.

On October 11, 2016, *MERALCO* received a Petition for Review on Certiorari filed by the intervenors before the *SC* appealing the dismissal of its Petition. *MERALCO*, *COA* and the *ERC* have filed their respective comments to the Petition. On June 22, 2017, *MERALCO* received the Motion for Leave to Intervene and Admit Comment-in-Intervention filed by other *DU*s that sought to intervene in the case. In a Resolution dated October 3, 2017, the *SC* granted the Motion for Leave to Intervene and Comment-in-Intervention. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by the National Association of Electric Consumers for Reforms Inc. ("*NASECORE*"), which among other things, (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to *ERC* to determine, within 90 days from finality of the Decision; (1) the valuation of the *RAB* of *MERALCO*; and (2) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers.

MERALCO, the other *DU*s and the *ERC* filed their respective motions for reconsideration which are pending before the *SC*. Two (2) additional *DU*s filed their respective Motions for Leave to intervene and to file their motions for reconsideration. As at February 26, 2024, the case is pending before the *SC*.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

MERALCO

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, local franchise and business taxes, including the timelines for *DU*s to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications for net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at February 26, 2024, hearings are still ongoing.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at February 26, 2024, the *ERC* has not acted on such application.

Further, on September 1, 2020, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱2,382 million, net transmission charge over-recoveries of ₱440 million, net lifeline subsidy over-recoveries of ₱31 million, net *SL* over-recoveries of ₱971 million, and net senior citizen discount over-recoveries of ₱3 million from January 2017 to December 2019. In an Order dated December 16, 2020, the *ERC* granted interim relief to implement the refund/collection. *MERALCO* started implementation of the Order in its January 2021 billing. Hearings have been completed on January 21, 2021. In 2022, the amounts have been fully refunded/recovered.

On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax under-recoveries of ₱229 million and net local franchise tax over-recoveries of ₱27 million from January 2021 to December 2022. The initial hearings were conducted on August 24 and 31, 2023. *MERALCO* filed Motion to admit the Supplemental Application for the *CIC* claims.

On August 29, 2023, *MERALCO* received a copy of the Decision dated March 8, 2023 regarding the Power Supply Agreement ("*PSA*") between *MERALCO* and Panay Energy Development Corporation ("*PEDC*"). In the Decision, the *ERC* directed that the recovery of *PEDC*'s actual fuel losses due to Change in Circumstances ("*CIC*") from April 2 to September 25, 2022, amounting to ₱884 million be included in the *ERC*'s evaluation of *MERALCO*'s true-up confirmation.

On October 3, 2023, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC*. The Supplemental Application prayed that *MERALCO* be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*.

As at February 26, 2024, the *ERC* has yet to act on *MERALCO*'s motion.

Clark Electric

Clark Electric filed an application for the approval of the calculations for the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and system loss rates on April 1, 2014 covering the period January 2011 to December 2013 in conformity with the *ERC* resolutions. After a Clarificatory Meeting with the *ERC, Clark Electric* filed a Manifestation for the implementation of the January 2017 *ERC* Decision starting in its March 2022 billing. The Other Transmission Cost Adjustment ("*OTCA*") was fully refunded and the Other System Loss Cost Adjustment ("*OSLA*") was fully collected in April 2023 while the Other Generation Rate Adjustment ("*OGA*") was fully refunded in October 2023.

Clark Electric also completed *ERC* orders to refund/collect over- and under-recoveries related to generation, transmission, system loss charges covering the years 2014 to 2019.

On May 31, 2023, *Clark Electric* filed its True-up Application covering the years 2020-2022 with the *ERC*. Hearings were conducted on August 24 and 31, 2023. As at February 26, 2024, the application remains pending with the *ERC*.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*'s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at February 26, 2024, the *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market ("*WESM*") billing adjustments based on regulated Luzon *WESM* prices. The first hearing was conducted on May 26, 2014. The *ERC* suspended the proceedings, pending resolution of issues of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period. In a *SC* Decision dated August 3, 2021, it voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory with the issuance by the *SC* of its Resolution dated October 11, 2022 which denied the motions for reconsideration filed by the *ERC* and the petitioners. Entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As at February 26, 2024, as directed by the *ERC*, *MERALCO* and *IEMOP* are in the process of reconciling the figures for the final amount to be recovered.

Deferred Purchase Price Adjustment

On October 12, 2009, the *ERC* released its findings on *MERALCO*'s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007. The *ERC* directed *MERALCO* to refund to its customers ₱268 million of deferred purchased power adjustment ("*PPA*") transmission line costs related to Quezon Power (Philippines) Limited Company ("*QPPL*") and deferred accounting adjustments incurred along with ₱184 million in carrying charges, or an equivalent ₱0.0169 per *kWh*. *MERALCO* implemented the refund beginning November 2009 until September 2010. However, the *ERC* has yet to rule on *MERALCO*'s deferred *PPA* under-recoveries of ₱106 million, which is not a transmission line fee. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at February 26, 2024, the *MR* is still pending resolution by the *ERC*.

Applications for Recovery of Local Franchise Tax ("LFT")

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Binan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval by the *ERC*. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers, the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion and authorized *MERALCO* to continue with the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme on how the unclaimed refund will be utilized for purposes of reducing the distribution rates of customers. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a

Compliance with Manifestation and Motion. On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* that on July 1, 2019, *MERALCO* deposited all the unclaimed amounts of the *SC* Refund as of June 30, 2019 in an interest-bearing bank account. *MERALCO* further manifested in said Compliance that it shall continue with the processing of the refund claims of eligible customers and should the refund claims of these customers be evaluated to be valid, *MERALCO* shall, for the benefit of the customers, withdraw the refund amount from the bank account, release the same to the concerned customers and accordingly inform the *ERC* of the refunds paid. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. As at February 26, 2024, *MERALCO* continues to process the refund claims of eligible customers.

In a letter dated February 3, 2021, the *ERC* informed *MERALCO* that it will be undertaking an audit and verification of *MERALCO*'s refunds, which included *MERALCO*'s *SC* refund. The audit was completed and as at February 26, 2024, *MERALCO* is awaiting further action of the *ERC* on the matter.

See Note 20 – Customers' Refund.

Violation of the ERC's Advisories during the Enhanced Community Quarantine ("ECQ") and Modified ECQ

In a Decision dated August 20, 2020, the *ERC* imposed a ₱19 million fine on *MERALCO* for alleged violation of the following *ERC*'s directives: (1) failure to clearly indicate that the bills were estimated; and (2) failure to comply with the mandated installment payment arrangement.

In addition, the *ERC* also directed *MERALCO* to set to zero the *DSM* charges of lifeline consumers whose monthly energy consumption do not exceed
100 *kWh* for one (1) month billing cycle effective in the next billing cycle immediately upon receipt of the *ERC* Decision. The cost of the discount shall not be charged to the non-lifeline consumers.

On September 11, 2020, *MERALCO* filed its Motion for Partial Reconsideration with respect to the directive to set to zero the *DSM* charges of lifeline consumers. On the same date, *MERALCO* also paid the ₱19 million fine imposed by the *ERC*. *MERALCO* implemented the directive to set to zero the *DSM* charges of lifeline consumers in its October 2020 billing subject to the resolution of its Motion for Partial Reconsideration. As at February 26, 2024, the Motion for Partial Reconsideration remains pending with the *ERC*.

3. Statement of Compliance

Statement of Compliance

The consolidated financial statements of *MERALCO* and its subsidiaries have been prepared in compliance with *PFRS*s.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of *MERALCO* and its directly and indirectly owned subsidiaries, collectively referred to as the *MERALCO Group.* The following table presents such subsidiaries and the respective percentage of ownership:

			2023		2022	
	Place of		Percentage of Ownership			
Subsidiaries	Incorporation	Principal Business Activity	Direct	Indirect	Direct	Indirect
Corporate Information Solutions, Inc. ("*CIS*")	Philippines	e-Transactions	**100**	**–**	100	–
Customer Frontline Solutions, Inc. ("*CFSI*")	Philippines	Tellering services	**–**	**95**	–	95
CIS Bayad Center, Inc. ("*Bayad*")	Philippines	Bills payment collection	**–**	**95**	–	95
Meralco Energy, Inc. ("*MServ*")	Philippines	Energy systems management	**100**	**–**	100	–
eMeralco Ventures, Inc. ("*e-MVI*")	Philippines	e-Business development	**100**	**–**	100	–
Paragon Vertical Corporation ("*Paragon*")	Philippines	Information technology *("IT")* and multi-media services	**–**	**100**	–	100
Radius Telecoms, Inc. ("*Radius*")	Philippines	Telecommunication services	**–**	**100**	–	100
MGen	Philippines	Development of power generation plants	**100**	**–**	100	–
Calamba Aero Power Corporation[1]	Philippines	Power generation	**–**	**100**	–	100
Atimonan Land Ventures Development Corporation	Philippines	Real estate	**–**	**100**	–	100
Atimonan One Energy, Inc. ("*A1E*") [2]	Philippines	Power generation	**–**	**100**	–	100
MPG Holdings Phils., Inc.	Philippines	Holding company	**–**	**100**	–	100
MPG Asia Limited ("*MPG Asia*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Solvre, Inc. [1]	Philippines	Retail electricity supplier	**–**	**100**	–	100
MGreen	Philippines	Renewable energy	**–**	**100**	–	100
LagunaSol Corporation ("*LagunaSol*") [1]	Philippines	Renewable energy	**–**	**100**	–	100
Nortesol III Inc. ("*NorteSol*") [1]	Philippines	Renewable energy	**–**	**70**	–	70
Powersource First Bulacan Solar, Inc. ("*First Bulacan*")	Philippines	Renewable energy	**–**	**60**	–	60
Greentech Solar Energy, Inc. *("GSEI")*	Philippines	Renewable energy	**–**	**100**	–	100
CACI Power Corporation	Philippines	Power generation	**–**	**60**	–	60
PH Renewables Inc. ("*PHRI*")	Philippines	Power generation	**–**	**60**	–	60
Greenergy For Global Inc. ("*Greenergy*")	Philippines	Renewable energy	**–**	**57**	–	57
MGreen International Limited ("*MGreen International*")	British Virgin Islands	Holding company	**–**	**100**	–	100
SPNEC[5]	Philippines	Development of power generation plants	**–**	**50.5**	–	–
Terra Nueva, Inc. ("*TNI*")	Philippines	Real estate	**–**	**50.5**	–	–
Solar Philippines Calatagan Corporation ("*SPCC*")	Philippines	Renewable energy	**–**	**34.3**	–	–
Solar Philippines Tarlac Corporation ("*SPTC*")	Philippines	Renewable energy	**–**	**50.5**	–	–
Terra Solar Philippines, Inc. ("*TSPI*")	Philippines	Renewable energy	**–**	**50.5**	–	–
GBPC	Philippines	Holding company	**–**	**100**	–	100
ARB Power Ventures, Inc.	Philippines	Holding company	**–**	**100**	–	100
Toledo Power Company ("*TPC*")	Philippines	Power generation	**–**	**100**	–	100
Toledo Holdings Corporation	Philippines	Real estate		**100**		100
Global Trade Energy Resources Corp.	Philippines	Trading of coal	**–**	**100**	–	100
Panay Power Holdings Corporation	Philippines	Holding company	**–**	**89**	–	89
PEDC	Philippines	Power generation	**–**	**89**	–	89
Panay Power Corporation	Philippines	Power generation	**–**	**89**		89
GBH Power Resources, Inc.	Philippines	Power generation	**–**	**100**	–	100

Global Formosa Power Holdings, Inc.	Philippines	Holding company	–	**93**	–	93
Cebu Energy Development Corporation ("*CEDC*")	Philippines	Power generation	–	**52**	–	52
GESC	Philippines	Retail electricity supplier	–	**100**	–	100
Mindanao Energy Development Corporation	Philippines	Power generation	–	**100**	–	100
Global Hydro Power Corporation	Philippines	Power generation	–	**100**	–	100
Global Luzon Energy Development Corporation ("*GLEDC*")	Philippines	Power generation	–	**57**	–	57
Lunar Power Core, Inc.	Philippines	Holding company	–	**57**	–	57
Global Renewable Power Corporation	Philippines	Renewable energy	–	**100**	–	100
MSpectrum, Inc. ("*Spectrum*")	Philippines	Renewable energy	**100**	–	100	–
Vantage	Philippines	Retail electricity supplier	**100**	–	100	–
Meralco Financial Services Corporation ("*Finserve*")	Philippines	Property management and leasing	**100**	–	100	–
Lighthouse Overseas Insurance Limited ("*LOIL*")	Bermuda	Insurance	**100**	–	100	–
MRAIL, Inc. ("*MRail*")	Philippines	Engineering, construction and maintenance of mass transit system	**100**	–	100	–
eSakay, Inc. ("*eSakay*") [2]	Philippines	Maintenance and operation of transport service networks	–	–	100	–
MIESCOR [3]	Philippines	Engineering, construction and consulting services	**100**	–	100	–
Miescor Builders Inc. ("*MBI*")	Philippines	Electric transmission and distribution operation and maintenance services	–	**100**	–	100
Miescor Logistics Inc. ("*MLI*")	Philippines	General services, manpower/maintenance	–	**100**	–	100
Miescor Infrastructure Development Corporation ("*MIDC*")	Philippines	Construction and leasing of communication towers and other infrastructure	–	**51**	–	51
Clark Electric	Philippines	Power distribution	**65**	–	65	–
Clarion Energy Management Inc. ("*Clarion*") [1]	Philippines	Retail electricity supplier	–	**65**	–	65
Comstech	Philippines	Management of power distribution	**60**	–	60	–
MeridianX Inc.	Philippines	Retail electricity supplier	–	**60**	–	60
Greater Pampanga Power Corp. [1]	Philippines	Power distribution	–	**60**	–	60
Meridian Power Ventures Limited ("*MPV Limited*") [1]	Hongkong	Investment holdings	**100**	–	100	–
Shin Clark	Philippines	Holding company	**60**	–	60	–
Shin Clark Power	Philippines	Power distribution	–	**54**	–	54
Phoenix Power [1]	Philippines	Retail electricity supplier	**100**	–	100	–
Movem Electric, Inc. ("*Movem*") [4]	Philippines	Maintenance and operation of transport service networks	**100**	–	–	–

[1] *Has not started commercial operations.*
[2] *On August 15, 2023, MERALCO sold its 100% equity interest in eSakay to On-Us Solutions, Inc.*
[3] *MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.*
[4] *Incorporated on March 27, 2023.*
[5] *Subsciption Agreement between MGen, SPNEC and SPPHI, gives MGen an option to transfer some or all of the subsidiaries of SPPHI, but in any case, excluding SPNEC, SPTC, SPCC, TNI and TSPI*

The *MERALCO Group* controls an investee if and only if it has (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the *MERALCO Group* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the *MERALCO Group*'s voting rights and potential voting rights.

The *MERALCO Group* re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Consolidation of a subsidiary begins when the *MERALCO Group* obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date it gains control until the date it ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to *MERALCO*.

Non-controlling interests account is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if such results in a deficit.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the parent in the consolidated statement of financial position.

If the *MERALCO Group* loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the cumulative translation adjustments deferred in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies *MERALCO*'s share of components previously recognized in the consolidated statement of comprehensive income to the consolidated statement of income.

Business Combination

On October 12, 2023, *MGreen* signed a Memorandum of Agreement with *SPNEC*, and the latter's parent company, Solar Philippines Power Project Holdings, Inc. ("*SPPPHI*") to secure a right to subscribe to common and redeemable voting preferred shares of *SPNEC* for a total consideration of ₱15.9 billion.

On the same date, an agreement was executed by and among *MGreen, SPPPHI and SPNEC*, covering *MGreen*'s grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion.

On December 27, 2023, *MGreen* completed the acquisition of 50.5% voting equity interest of *SPNEC* with the full payment of the common and redeemable voting preferred shares subscription price.

The details of the purchase consideration are as follows:

	Amounts in millions
Cash paid	₱15,894
Liabilities	11,206
Total purchase consideration	₱27,100

The recognized liabilities related to *SPNEC* acquisition pertain to the put option agreements.

The assets and liabilities of *SPNEC* recognized in the consolidated statement of financial position as at December 31, 2023 were based on a provisional assessment of their fair values while *MERALCO* sought an independent valuation of the assets owned by *SPNEC.* The valuation of the assets and liabilities is ongoing as of February 26, 2024.

The provisional fair values of the assets and liabilities of *SPNEC* as at the date of acquisition are as follow:

	Amounts in millions
Generation plant and others	₱20,001
Deposits for land acquisition	3,696
Intangible assets	29,347
Deferred tax assets	10
Cash and cash equivalents	10,041
Trade and other receivables	286
Inventories	75
Other assets	1,418
Interest-bearing long-term financial liabilities	(3,097)
Deferred tax liabilities	(3,532)
Trade and other payables	(453)
Other liabilities	(1,094)
Net identifiable assets	56,698
Less: Non-controlling interests	3,034
Net assets	₱53,664
Equity interest acquired	50.5%
Net assets acquired	₱27,100

MERALCO elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of previous year except with respect to the adoption of the following new standards and amendments and improvements to existing standards, which were effective beginning January 1, 2023.

Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to *PAS 1* are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

The amendments have had an impact on *MERALCO* Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements of the *MERALCO Group*.

Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception under *PAS 12*, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative year presented for annual reporting periods on or after January 1, 2023. The amendments do not have a material impact on the consolidated financial statements of the *MERALCO Group*.

Amendments to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments do not have a material impact on the consolidated financial statements of the *MERALCO Group*.

The *MERALCO Group* has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to PAS 12, International Tax Reform – Pillar Two Model Rules

The amendments introduce a mandatory exception in *PAS 12* from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that *PAS 12* applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development ("*OECD"*), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Other new standards and amendments effective beginning January 1, 2023 are not applicable/not material.

The *MERALCO Group* has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The *MERALCO Group* does not expect material impact in the adoption of these new standards, interpretations and amendments.

Material Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are as follows:

Utility Plant, Generation Plant and Others

Utility plant, generation plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Costs include the cost of replacing part of such utility plant, generation plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognized as incurred in the consolidated statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

The *MERALCO Group*'s utility plant, generation plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 16 – Equity* for the related discussion.

Depreciation and amortization of utility plant, generation plant and others are computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Power plant machinery and equipment	3-25 years
Communication towers, buildings and improvements	15-40 years
Data transmission cables and communication equipment	5-15 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others (includes *ROU* assets)	2-45 years

An item of utility plant, generation plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting period to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant, generation plant and others.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Associates and Interests in Joint Ventures

An associate is an entity where *MERALCO Group* has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and interests in joint ventures are accounted for using the equity method of accounting and are initially recognized at cost.

Under the equity method, the investment in an associate or interest in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

If the *MERALCO Group*'s share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the *MERALCO Group* discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment or joint venture determined using the equity method together with any long-term interest that in substance forms part of the *MERALCO Group*'s net investment in associate or joint venture. After the *MERALCO Group*'s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the *MERALCO Group* has incurred legal or constructive obligation or made payments in behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the *MERALCO Group* resumes recognizing its share of their profits only after its share of the profit equals the share of loss not recognized.

The consolidated statement of income reflects the *MERALCO Group*'s share in the results of operations of the associate or joint venture. Any change in the other comprehensive income ("*OCI*") of those investees is presented as part of the *MERALCO Group*'s *OCI*. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the *MERALCO Group* recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the *MERALCO Group* and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the *MERALCO Group*'s share in the profit or loss of its associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting period as the *MERALCO Group*. When necessary, adjustments are made to bring the accounting policies in line with those of the *MERALCO Group*.

After application of the equity method, the *MERALCO Group* determines whether it is necessary to recognize an impairment loss on its investment in associate or interest in joint venture. At each reporting date, the *MERALCO Group* determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the *MERALCO Group* calculates the amount of impairment as the difference between the recoverable amount of the investment in associate or interest in joint venture and its carrying value, then recognizes the loss as part of equity in net earnings of an associate or a joint venture in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the *MERALCO Group* measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the investment in associate or interest in joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the *MERALCO Group* elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs in a business combination are recognized as expense.

When a business is acquired, an assessment is made of the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability will be recognized in accordance with *PFRS 9* in profit or loss. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, over the fair value of net identifiable assets acquired. If the difference is negative, such difference is recognized as gain in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the business combination occurs, the provisional amounts of the items for which the accounting is incomplete are reported in the consolidated financial statements. During the measurement period, which shall be no longer than one (1) year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new facts and circumstances obtained that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period,

additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units, beginning on the acquisition date.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstance is measured based on relative values of the operation disposed and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for similar to the pooling-of-interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as additional paid-in capital. The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities were under common control.

Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

The *MERALCO Group*'s investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 16 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the consolidated statement of income in the period these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, the *MERALCO Group* accounts for such

property in accordance with the policy stated under utility plant, generation plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 30 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the period these are incurred.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the *MERALCO Group*.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The *MERALCO Group* uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the *MERALCO Group* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the *MERALCO Group* has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Impairment of Nonfinancial Assets

The *MERALCO Group* assesses at each reporting date whether there is an indication that a nonfinancial asset [utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures and receivable from the Bureau of Internal Revenue ("*BIR*")] other than goodwill and intangible assets with indefinite useful life, may be impaired. If any such indication exists, the *MERALCO Group* makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an individual asset's or a cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm's-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the *MERALCO Group* estimates the individual asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior year. Such reversal is recognized in the consolidated statement of income. After such reversal, the depreciation and amortization expense are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash generating unit level, as appropriate. The amount of impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the consolidated statement of income. Impairment losses relating to intangible assets may be reversed in future periods.

Goodwill is reviewed for impairment annually at every reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount of the cash generating unit or group of cash generating units to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill shall not be reversed in future periods.

If the allocation of goodwill acquired in a business combination to cash generating units or group of cash generating units is incomplete, an impairment testing of goodwill is only carried out when impairment indicators exist. Where impairment indicators exist, impairment testing of goodwill is performed at a level at which the acquirer can reliably test for impairment.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss ("*FVPL*").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the *MERALCO Group*'s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the *MERALCO Group* initially measures a financial asset at its fair value, and in the case of a financial asset not at *FVPL*, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest ("*SPPI*") on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The *MERALCO Group*'s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the *MERALCO Group* commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the *MERALCO Group*. The *MERALCO Group* measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("*EIR*") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The *MERALCO Group*'s financial assets at amortized cost include cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost, restricted cash and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

The *MERALCO Group* measures debt instruments at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in *OCI*. Upon derecognition, the cumulative fair value change recognized in *OCI* is recycled to profit or loss. The *MERALCO Group*'s debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, the *MERALCO Group* can elect to classify irrevocably its equity investments as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32*, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to receive payment has been established, except when the *MERALCO Group* benefits from such proceeds as a partial recovery of the cost of the financial asset, in which case, such

gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

The *MERALCO Group* elected to classify irrevocably its non-listed equity investments and investment in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the *MERALCO Group*'s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The *MERALCO Group* has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the *MERALCO Group* has transferred substantially all the risks and rewards of the asset, or (b) the *MERALCO Group* has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the *MERALCO Group* has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the *MERALCO Group* continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the *MERALCO Group* also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the *MERALCO Group* has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the *MERALCO Group* could be required to repay.

Modification of Financial Assets

The *MERALCO Group* derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The *MERALCO Group* considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the *MERALCO Group* considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The *MERALCO Group* also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the *MERALCO Group* considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the *MERALCO Group* recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCI*").

Impairment of Financial Assets

The *MERALCO Group* recognizes an allowance for expected credit losses ("*ECLs*") for all debt instruments not held at *FVPL*. *ECLs* are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the *MERALCO Group* expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*ECL*s are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECLs* are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECL*s are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

For trade receivables and contract assets, *MERALCO* applies a simplified approach in calculating *ECLs*. Therefore, *MERALCO* does not track changes in credit risk, instead recognizes a loss allowance based on lifetime *ECLs* of each customer segment (e.g. residential, commercial, industrial, etc.) at each reporting date. *MERALCO* has established a provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forwarding looking factors as well as the economic environment was considered.

For debt instruments, the *MERALCO Group* applies the low credit risk simplification. At every reporting date, the *MERALCO Group* evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the *MERALCO Group* reassesses the internal credit rating of the debt instrument. In addition, the *MERALCO Group* considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The *MERALCO Group*'s debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the *MERALCO Group*'s policy to measure *ECLs* on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.

Credit losses are recognized based on 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, the *MERALCO Group* assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The *MERALCO Group* considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the *MERALCO Group*'s investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the *MERALCO Group* from the time of origination.

An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent year, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-months *ECL*.

MERALCO considers a financial asset in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, the *MERALCO Group* may also consider a financial asset to be in default when internal or external information indicates that the *MERALCO Group* is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the *MERALCO Group*. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The *MERALCO Group*'s financial liabilities include interest-bearing long-term financial liabilities, customer deposits and refunds, refundable service extension costs, notes payable and trade payables and other current liabilities.

Subsequent Measurement

Financial liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the *MERALCO Group* that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. The *MERALCO Group* has not designated any financial liability as at *FVPL*.

Loans and borrowings

This is the category most relevant to the *MERALCO Group*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the *EIR* amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Exchange or Modification of Financial Liabilities

The *MERALCO Group* considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the *MERALCO Group* recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

The *MERALCO Group* has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average and weighted average cost method, as applicable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Financial and other current assets" account.

Provisions

Provisions are recognized when the *MERALCO Group* has a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *MERALCO Group* expects a provision, or a portion, to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

Retirement Benefits

MERALCO and certain subsidiaries have distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits in addition to a lump sum payment to employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 were amended to provide for a defined lump sum payment only upon retirement of qualified employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the *MERALCO Group*, nor can they be paid directly to the *MERALCO Group*. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The *MERALCO Group*'s right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

The retirement costs under the defined contribution plan are recorded based on *MERALCO Group*'s contribution to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for its severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the *MERALCO Group* expects to be entitled in exchange for those goods or services. The *MERALCO Group* assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. *MERALCO Group* has concluded that it is acting as principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

As distribution utilities, revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of discounts and/or rebates. The Uniform Filing Requirements ("*UFR*") on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment ("*CERA*") I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* (beginning March 2021), the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance ("*FiT-All*") are also separately presented in the customer's billing statement. Taxes billed and collected on behalf of the national governments and local government units, universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation ("*PSALM*") and National Transmission Corporation ("*TransCo*"), respectively] do not form part of *MERALCO, Clark Electric* and *Shin Clark Power*'s revenues. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

Revenue from Contracts with Customers - Recognized Over Time

The *MGen Group* has contracts with customers in the form of Electric Power Purchase Agreement ("*EPPA*s"), Ancillary Services Procurement Agreement ("*ASPAs*"), and sale of electricity to *WESM*.

The *MGen* Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The *MGen Group* determines, at contract inception, whether it will transfer control of a promised good or service over time. If the *MGen Group* does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from contracts with customers is consummated whenever the electricity generated by the *MGen Group* is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity is recognized monthly based on the actual energy delivered and made available to customers or minimum energy off take or contracted capacity, adjusted by actual days of downtime, whichever is higher.

Revenue from sale of electricity through ancillary services to the National Grid Corporation of the Philippines ("*NGCP*") is recognized monthly based on the capacity scheduled and/or dispatched and provided.

Energy fees derived from trading operations are recognized based on actual delivery of such electricity supplied and made available to customers multiplied by the applicable tariff rate as agreed with its customers.

Sale of Services

The *MERALCO Group* recognizes revenue from construction contracts over time on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract (output method). Progress is measured based on the monthly project accomplishment which integrates the performance to date of the construction activities.

Construction contracts are generally accounted for as a single performance obligation and are not segmented between types of services. For engineering and construction contracts, these two (2) are combined into one performance obligation since these are not distinct within the context of the contract. The combined performance obligation qualifies as a good or service (or a bundle of goods or services) that is distinct.

Revenue from Contracts with Customers - Recognized at the Point in Time

Revenues from the following are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods:

Coal Sales

Coal sales are recognized at point in time when the coal is delivered, the legal title has passed to the customer. Coal sales are presented as part of sale of electricity in the consolidated statement of income.

Service Fees

Service fee pertains to fees charged to customers and clients for coal transaction related services. The service fee is recognized at point in time. Service fees are presented as part of sale of other services in the consolidated statement of income.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

Lease Income

Income arising from lease of investment properties, communication tower assets and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is presented as part of "Revenues – Sale of other services" account in the consolidated statement of income.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the *MERALCO Group* performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The *MERALCO Group*'s contract assets include unbilled receivables and under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the *MERALCO Group* has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the *MERALCO Group* transfers good or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the *MERALCO Group* performs under the contract.

The following are considered as contract liabilities:

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("*DSOAR*"), the costs of non-standard connection facilities to connect the customers to *MERALCO*'s distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. *MERALCO* assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with *PAS 16*. If the definition of an asset is met, *MERALCO* recognizes such asset at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the consolidated statement of financial position, and is recognized as income over the average duration of relationship with the customer. Assets funded by customers do not form part of *MERALCO*'s regulatory asset base until amounts are refunded.

Net Over-recoveries of Pass-through Charges

Transmission and *SL* over-recoveries which resulted from the difference in the power suppliers' billings and recovery of such pass-through costs from consumers are included in "Other noncurrent liabilities" account in the consolidated statement of financial position.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting date in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred.

MERALCO Group recognizes contract costs relating to satisfied performance obligations as these are incurred. Contract costs principally include all direct materials, labor costs and indirect costs related to contract performance. Project mobilization costs and incremental costs of obtaining a contract with a customer are recognized as an asset if the *MERALCO Group* expects to recover them and the contract term is for more than one year. The project mobilization costs and costs of obtaining a contract are amortized over the expected construction period following the pattern of revenue recognition. Costs incurred prior to obtaining a contract with a customer are not capitalized but are expensed as incurred. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenues. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, based on the stage of completion of the contract activity, or the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

Total contract costs incurred and estimated earnings recognized in excess of total billings are recognized as an asset.

Lease Liabilities

At the commencement date of the lease, the *MERALCO Group* recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the *MERALCO Group* and payments of penalties for terminating a lease, if the lease term reflects the *MERALCO Group* exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the *MERALCO Group* uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets

The *MERALCO Group* applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

The *MERALCO Group* considers whether a contract is, or contains a lease at the inception of a contract. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.

Company as Lessee

At commencement date of the lease, the *MERALCO Group* recognizes a right-of-use ("*ROU*") asset and a corresponding lease liability on the statements of financial position, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the *MERALCO* Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the *MERALCO Group*'s incremental borrowing rate. Incremental borrowing rate is the rate of interest that the *MERALCO Group* would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consists of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the *ROU* asset, or profit and loss if the *ROU* asset is already reduced to zero.

ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The *MERALCO Group* depreciates *ROU* assets on a straight-line basis using the expected useful life or lease term whichever is shorter. The *MERALCO Group* also assesses the *ROU* asset for impairment when such indicators exist.

Company as Lessor

Leases where the *MERALCO Group* does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease

term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Foreign Currency-Denominated Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is also *MERALCO*'s functional and presentation currency. The Philippine peso is the currency of the primary economic environment in which the *MERALCO Group* operates, except for *LOIL* and *MPG Asia*. This is also the currency that mainly influences the revenue from and cost of rendering services. Each entity in the *MERALCO Group* determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of *LOIL* and *MPG Asia* is the United States ("*U.S.*") dollar.

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the end of the reporting date. All differences are recognized in the consolidated statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

As at the reporting date, the monetary assets and liabilities of subsidiaries, *LOIL* and *MPG Asia* whose functional currency is other than Philippine peso, are translated into Philippine peso at the rate of exchange prevailing at the end of the reporting date, and income and expenses are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of *OCI* as cumulative translation adjustments. On the disposal of a subsidiary, the amount of cumulative translation adjustments recognized in *OCI* is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transaction either in profit or loss or directly in equity.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post reporting date events that provide additional information about the *MERALCO Group*'s financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the *MERALCO Group*'s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments

In the process of applying the *MERALCO Group*'s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Functional Currency

The functional currencies of the entities under the *MERALCO Group* are the currencies of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue and cost of rendering services.

Based on the economic substance of the underlying circumstances, the functional and presentation currency of *MERALCO* and its subsidiaries, except *LOIL* and *MPG Asia*, is the Philippine peso. The functional and presentation currency of *LOIL* and *MPG Asia* is the U.S. dollar.

Uncertain Tax Position

The *MERALCO Group* assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. The *MERALCO Group* applies significant judgement in identifying uncertainties over its income tax treatments. The *MERALCO Group* determined, based on its review and assessment of its income tax computations and filings, in consultation with external tax expert, that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. The *MERALCO Group* quantified the effect of each uncertain tax treatment using the most likely amount which the *MERALCO Group* expects to better predict the resolution of the uncertainty.

Operating Lease Commitments

As Lessor

The *MERALCO Group* has several lease arrangements as a lessor. Based on the terms and conditions of the arrangements, it has evaluated that the significant risks and rewards of ownership of such properties are retained by the *MERALCO Group*. The lease agreements do not transfer ownership of the assets to the lessees at the end of the lease term and do not give the lessees a bargain purchase option over the assets. Consequently, the lease agreements are accounted for as operating leases.

As Lessee

The *MERALCO Group* has entered into various operating lease agreements used for its operations.

For the *MERALCO Group*'s lease under *PFRS 16*, the *MERALCO Group* recognizes *ROU* assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the *MERALCO Group*'s incremental borrowing rate.

The *MERALCO Group* availed exemption of *PFRS 16* for its short-term lease with the term of 12 months or less and low value assets. Accordingly, lease payments on these leases are recognized as expense on a straight-line basis over the lease term.

Arrangement that Contains a Lease

Based on *MERALCO*'s assessment, the *PPA*s and *PSA*s do not qualify to be accounted for as lease and are accounted for as ordinary service contracts, since *MERALCO* does not have the right to direct the use, operate and was not involved in the design of the identified assets.

Principal versus Agent

The *MERALCO Group*'s revenue recognition requires the *MERALCO Group* to make certain judgments on its arrangements with power generation companies such as *PPA*s and *PSA*s. The *MERALCO Group* has concluded that it is acting as a principal in majority of its revenue arrangements.

Revenue from sale of electricity requires *MERALCO, Clark Electric* and *Shin Clark Power* to bill customers based on various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The difference between the amounts initially billed to customers and the settlement of the actual billings with power generation companies is adjusted to revenue at month end based on *ERC* Resolution No. 16, *A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities, as amended*.

Moreover, *MERALCO*, *Clark Electric* and *Shin Clark Power* assessed that revenues from electricity, re-connection and other non-standard connection services arise from a single performance obligation which will be satisfied over the period when the services are expected to be provided.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as a Joint Venture

MERALCO, through *MGen*, has a 51% interest in *SBPL.* While *MERALCO* owns majority of the voting rights in *SBPL,* it does not have sole control of *SBPL*. *MERALCO's* investment in *SBPL* is accounted for as a joint venture since key operating and financial decisions of *SBPL* require the unanimous vote and consent of the parties sharing control.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as an Associate

MERALCO, through *MGen*, has a total of 58% direct and indirect interest in *PacificLight and PacificLight Renewables Pte Ltd ("PLP Renewables"). MERALCO's* investments in *PacificLight* and *PLP Renewables* are accounted for as associates since their relevant and significant activities and policies require the majority votes of the *BOD* and *MGen* does not hold the majority of the *BOD*.

Entity in which the MERALCO Group Holds less than 20% of the Voting Rights Accounted for as an Associate

MERALCO, through *Finserve*, has 10% interest in AF Payments, Inc. ("*AF Payments*"). *AF Payments* is considered an associate and, thus, *MERALCO/Finserve*'s interest in *AF Payments* is accounted for using the equity method as *MERALCO/Finserve* is deemed to have significant influence as evidenced

by its representation in the *BOD* which guarantees *MERALCO/Finserve*'s participation in the decision making and policy making process of *AF Payments*.

Entity in which the MERALCO Group Holds less than 20% of the Voting Rights Accounted for as an Associate

MERALCO, through *Finserve*, has 10% interest in AF Payments, Inc. ("*AF Payments*"). *AF Payments* is considered an associate and, thus, *MERALCO/Finserve*'s interest in *AF Payments* is accounted for using the equity method as *MERALCO/Finserve* is deemed to have significant influence as evidenced by its representation in the *BOD* which guarantees *MERALCO/Finserve*'s participation in the decision making and policy making process of *AF Payments*.

Acquisitions

The *MERALCO Group* evaluates each investment under *PFRS 3* to determine whether to treat an acquisition as an asset acquisition or a business combination. For those transactions treated as asset acquisitions, the purchase price is allocated to the assets acquired, with no recognition of goodwill. For those acquisitions that meet the definition of a business combination, *MERALCO Group* apply the acquisition method of accounting where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included with our results from the dates of the respective acquisitions. When determining the fair value of tangible assets acquired, age, condition and the economic useful life of the asset are taken into consideration to determine the estimated cost to replace the asset. When determining the fair value of intangible assets acquired, the applicable discount rate and the timing and amount of future cash flows, including rate and terms of renewal and attrition are considered.

The *MERALCO Group* determines the date when control is obtained which is when *MERALCO Group* effectively obtains power to direct the relevant activities of the acquiree. *MGreen* assessed that the control in *SPNEC* was obtained on December 27, 2023, with the election of *MGreen*'s nominees as directors and key officers of *SPNEC.*

Contingencies

The *MERALCO Group* has possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

See *Note 29 – Contingencies and Legal Proceedings.*

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting date are discussed as follows:

Estimating Useful Lives of Utility Plant, Generation Plant and Others, Intangible Assets with Finite Lives and Investment Properties

The *MERALCO Group* estimates the useful lives of utility plant, generation plant and others, intangible assets with finite lives and, investment properties based on the periods over which such

assets are expected to be available for use. The estimate of the useful lives of the utility plant, generation plant and others, intangible assets with finite lives and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant, generation plant and others, intangible assets with finite lives and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant, generation plant and others amounted to ₱14,770 million, ₱14,117 million and ₱10,846 million for the years ended December 31, 2023, 2022 and 2021, respectively. Total carrying values of utility plant, generation plant and others, net of accumulated depreciation and amortization, amounted to ₱269,839 million and ₱243,323 million as at December 31, 2023 and 2022, respectively.

Total depreciation of investment properties amounted to ₱4 million for each of the years ended December 31, 2023, 2022 and 2021. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,493 million and ₱1,495 million as at December 31, 2023 and 2022, respectively.

Total amortization of intangible assets with finite lives amounted to ₱1,851 million, ₱1,910 million and ₱1,649 million for the years ended December 31, 2023, 2022 and 2021, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization, amounted to ₱53,351 million and ₱21,691 million as at December 31, 2023 and 2022, respectively.

See *Note 7 – Utility Plant, Generation Plant and Others, Note 9 – Investment Properties* and *Note 10 – Intangible Assets*.

Impairment of Nonfinancial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the consolidated financial statements. Future events may cause management to conclude that utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets are impaired. Any resulting impairment loss or reversal of previously recognized impairment

loss could have material adverse impact on the *MERALCO Group*'s consolidated financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under *PFRS*s.

The carrying values of nonfinancial assets subject to impairment review are as follows:

Account	**2023**	2022
	(Amounts in millions)	
Utility plant, generation plant and others	**₱269,839**	₱243,323
Intangible assets	**53,351**	21,691
Investments in associates and interests in joint ventures	**38,388**	31,888
Investment properties	**1,493**	1,495
Receivable from the *BIR*	**181**	181

See *Note 7 – Utility Plant, Generation Plant and Others, Note 8 – Investments in Associates and Interests in Joint Ventures, Note 9 – Investment Properties, Note 10 – Intangible Assets and Note 11 – Financial and Other Noncurrent Assets.*

Realizability of Deferred Income Tax Assets

The *MERALCO Group* reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting date. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the recorded or recognized deferred tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised.

Based on the foregoing assessment, following are the relevant consolidated information with respect to deferred income tax assets:

	2023	2022
	(Amounts in millions)	
Recognized deferred income tax assets	**₱32,433**	₱32,032
Unrecognized deferred income tax assets	**2,737**	2,694

See *Note 28 – Income Taxes and Local Franchise Taxes*.

Provision for ECL of Receivables and Contract Assets

The *MERALCO Group* applies the *PFRS 9* simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

MERALCO provides *ECL* on certain identified trade receivables which have been the subject of disputes from customers. In determining the *ECL*s of trade receivables, *MERALCO* considers the credit loss experience for each contract status of customers for the current year, adjusted for forwarding looking factors, and taking into account the economic environment. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. The *MERALCO Group* has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The *MERALCO Group* incorporates forward-looking information in its assessments whether the credit risk has increased significantly since its initial recognition and its measurement of *ECL*. The *MERALCO Group* has considered a range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of *ECL*s.

*ECL*s for trade and other receivables amounted to ₱998 million, ₱2,311 million and ₱551 million for the years ended December 31, 2023, 2022 and 2021, respectively. Trade and other receivables, net of allowance for *ECL*, amounted to ₱48,395 million and ₱54,683 million as at December 31, 2023 and 2022, respectively.

See *Note 13 – Trade and Other Receivables.*

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the electricity distribution, power generation and services segments, and are valued at the lower of cost or net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes (i.e., pre-termination of contracts). The lower of cost or net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and no longer usable are written off and charged as expense in the consolidated statement of income.

The carrying values of inventories amounted to ₱11,180 million and ₱10,629 million as at December 31, 2023 and 2022, respectively.

See *Note 14 – Inventories*.

Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement benefits increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱1,180 million, ₱1,686 million and ₱2,241 million for the years ended December 31, 2023, 2022 and

2021, respectively. Retirement and other post-employment benefit liabilities as at December 31, 2023 and 2022 amounted to ₱8,823 million and ₱2,887 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement benefits increases are based on expected future inflation rates for the Philippines.

See *Note 25 – Expenses and Income* and *Note 26 – Long-term Employee Benefits*.

Provisions

The *MERALCO Group* has various claims, assessments and cases as discussed in *Note 29 – Contingencies and Legal Proceedings* and *Note 2 – Rate Regulations*. The *MERALCO Group*'s estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel, if any, and internal counsels handling the defense in these claims, assessments and cases and is based upon thorough analysis of potential outcome.

The *MERALCO Group*, in consultation with its external and internal legal counsels, does not believe that these claims and legal proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

The *MERALCO Group* recognized net provisions on various claims and assessments amounting to ₱6,848 million, ₱5,831 million and ₱10,175 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at December 31, 2023 and 2022, provisions and other noncurrent liabilities presented net of the effect of the time value of money amounted to ₱4,497 million and ₱5,147 million, respectively.

See *Note 19 – Provisions* and *Note 22 – Trade Payables and Other Current Liabilities.*

Revenue Recognition

The *MERALCO Group*'s revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of its revenues and receivables.

Revenues from sale of electricity by *MERALCO, Clark Electric* and *Shin Clark Power* are billed based on customer-specific billing cycle cut-off date for each customer, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional

invoices and the settlement of the actual billings by power generation companies is taken up in the subsequent period. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC*.

Revenues from sale of electricity also considers variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations are included as part of "Trade payables and other liabilities" and "Other noncurrent liabities" accounts in the consolidated statement of financial position. As at December 31, 2023 and 2022, the balance of refund liability amounted to ₱9,591 million and ₱3,322 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future periods.

Revenues and costs from construction contracts of *MIESCOR* are recognized based on the output method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Revenue from Contracts with Customers

The *MGen* Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

1) *Identifying Performance Obligations*. The *MGen* Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the *MGen* Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

   The *MGen* Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if:
   a. each distinct good or services in the series are transferred over time; and
   b. the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation

   For revenue contracts under *EPPA*s, *ASPA*, and spot market sales to *WESM*, these are combined and considered as one (1) performance obligation since these are not distinct within the context of *PFRS 15* as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

2) *Determining Method to Estimate Variable Consideration and Assessing the Constraint*. The *MGen* Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The *MGen* Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the *MGen* Group will be subjected to constraint.

Factors such as the following are considered:
a. high susceptibility to factors outside the Group's influence;
b. timing of the resolution of the uncertainty; and
c. having a large number and broad range of possible outcomes.

Some contracts with customers provide for volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the *MGen* Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The *MGen* Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the number of contracts with customers that have similar characteristics and the range of possible outcomes.

3) *Allocation of Variable Consideration*. Variable consideration may be attributable to the entire contract or to a specific part of the contract. For revenue contracts under *EPPA*s, *ASPA* and spot market sales to *WESM*, revenue streams which are considered as series of distinct services that are substantially the same and have the same pattern of transfer, the *MGen* Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month or actual electricity delivery) which forms part of the single performance obligation and the monthly billing of the *MGen* Group.

4) *Revenue Recognition*. The *MGen* Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The *MGen* Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the *MGen* Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The *MGen* Group concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the *MGen* Group supplies power.

5) *Identifying Methods for Measuring Progress of Revenue Recognized Over Time*. The *MGen* Group determines the appropriate method of measuring progress which is either through input or output methods. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

The *MGen* Group determined that the output method is the more appropriate way of measuring progress as actual electricity is supplied to customers.

6. Segment Information

Each operating segment of the *MERALCO Group* engages in business activities from which revenues are earned and expenses are incurred (including intercompany transactions with other business segments within the *MERALCO Group*). The operating results of each of the operating segments are regularly reviewed by *MERALCO*'s Management Committee to evaluate how resources are to be allocated to the operating segments and to assess their performances for which discrete financial information is available.

For management purposes, the *MERALCO Group*'s operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The Power segment consists of (a) electricity distribution, (b) power generation and (c) *RES*.

  Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers in the *MERALCO* and the *Clark Electric* franchise areas in Luzon. Electricity distribution within the *MERALCO* franchise area accounts for approximately 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone and the sub-zones.

  Shin Clark through a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare New Clark City located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. In accordance with the *JVA*, *BCDA* assigned its franchise to operate the electric distribution system in New Clark City, granted to it by the Congress under Republic Act No. 11420, to Shin Clark Power Corporation ("*Shin Clark Power*" or "Joint Venture Company"). *BCDA*'s assignment of its franchise to *Shin Clark Power*, based on a valuation by a third-party independent appraiser, represents *BCDA*'s contribution to *Shin Clark* in exchange for a 10% equity interest in *Shin Clark Power*. *Shin Clark Power* was incorporated and registered with the Securities and Exchange Commission ("*SEC*"). On March 22, 2023, the *ERC* granted *Shin Clark Power* a *CPCN* to operate as a *DU*.

  MERALCO manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

  Power generation – The *MERALCO Group* has a combined group generating capacity of 2,240.1 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore.

  MGen owns 51% interest in *SBPL* which operates a 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon.

  GBPC owns 823.6 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. *GBPC* also has a 50% interest in Alsons Thermal Energy Corporation ("*ATEC*"), which holds a 75% interest interest in Sarangani Energy Corporation ("*Sarangani Energy"*). *Sarangani Energy* operates a 2 x 105 *MW* (net) *CFB* plant in Maasim, Sarangani.

MGreen is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan. First Bulacan* owns and operates a 80 *MWdc*/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, which began commercial operations on May 12, 2021 and has since delivered solar energy to *MERALCO* under an *ERC*-approved *PSA.* The *PSA* is for a period of 20 years.

MGreen, through *PHRI*, a joint venture with Mitsui's local unit Mit-Renewables Philippine Corporation, has energized 67.5 *MWac* of its 75 *MWac* solar plant in Baras, Rizal and has started generating power since March 2023. Phase 2 of *PHRI* solar plant is targeted to be operational by mid-2024. As of December 31, 2023, *PHRI* delivered 89 *MW* to *MPower.*

Also, in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*"), a 68 *MWac* solar plant project in Ilocos Norte was fully energized in February 2023. As of December 31, 2023, the project has delivered a total of 111 *GWh* of commissioning energy.

MGen also has a combined 58% (direct and indirect interests) in PacificLight Power Pte Ltd. ("*PacificLight Power*"). *PacificLight Power* owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by liquefied natural gas ("*LNG*") in Jurong Island, Singapore.

On December 27, 2023, *MGreen* completed the acquisition of primary and redeemable voting preferred shares of *SPNEC* (see Note 3). *SPNEC* is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery storage system.

See *Note 8 – Investments in Associates and Interests in Joint Ventures.*

RES – covers the sourcing and supply of electricity to qualified contestable customers. *MERALCO* and *Clark Electric* also operate as local retail electricity suppliers within their respective franchise area under a separate business unit, *MPower* and *Cogent Energy*, respectively. Under Retail Competition and Open Access ("*RCOA*"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, including *MPower* and *Cogent Energy*.

Vantage and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a wholly owned subsidiary of *Comstech*; and *GESC,* a wholly owned subsidiary of *GBPC* are affiliate *RES*s. *Clarion*, a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. As at February 26, 2024, the approval of its *RES* licensing is pending with the *ERC.*

- Other Services

The other services segment is involved principally in electricity-related services, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, rail-related operations and maintenance services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy, construction and leasing of communication towers and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, *MBI*, *MLI* and *MIDC* (collectively known as "*MIESCOR Group*"), *CIS*, *Bayad* and *CFSI* (collectively referred to as "*CIS Group*"), *e-MVI*, *Paragon* and *Radius* (collectively referred to as "*e-MVI Group*"*), Comstech, MRail*, *LOIL, Finserve*, *MServ*, *Spectrum* and *Movem*.

The Management Committee evaluates the performance of the business segments based on (i) net income attributable to equity holders of the parent for the year, (ii) consolidated net earnings before interest, taxes, and depreciation and amortization ("consolidated *EBITDA*"); and (iii) consolidated core net income ("*CCNI*"). Net income is measured consistent with reported net income in the consolidated statement of income.

Consolidated *EBITDA* is measured as *CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income and provision for income tax.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent adjusted for foreign exchange gain or loss, mark-to-market gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

Billings between operating segments are at an arm's-length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers among business segments. Those transfers are eliminated upon consolidation.

The *MERALCO Group* operates and generates substantially all of its revenues in the Philippines (i.e., one (1) geographical location). Thus, geographical segment information is not presented. The *MERALCO Group* has no revenues from transactions with a single external customer amounting to 10% or more of its revenues from external customers.

		Power			Other Services			Inter-segment Transactions			Total		
	Note	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
						(Amounts in millions)							
Revenues		**₱430,181**	₱413,950	₱309,238	**₱17,848**	₱17,012	₱15,250	**(₱4,417)**	(₱4,433)	(₱5,941)	**₱443,612**	₱426,529	₱318,547
Segment results		**₱54,472**	₱44,946	₱50,912	**₱4,940**	₱4,411	₱3,161	**₱–**	₱–	₱–	**₱59,412**	₱49,357	₱54,073
Depreciation and amortization	*7, 9, 10 and 25*	**(14,624)**	(15,084)	(11,913)	**(2,001)**	(947)	(586)	**–**	–	–	**(16,625)**	(16,031)	(12,499)
Equity in net earnings (losses) of associates and joint ventures	*8*	**11,523**	12,053	3,162	**(44)**	(18)	(35)	**–**	–	–	**11,479**	12,035	3,127
Provision for probable losses and expenses from claims		**(6,875)**	(5,799)	(10,120)	**27**	(32)	(55)	**–**	–	–	**(6,848)**	(5,831)	(10,175)
Interest and other financial charges	*25*	**(4,443)**	(3,554)	(3,633)	**(686)**	(200)	(95)	**–**	–	–	**(5,129)**	(3,754)	(3,728)
Interest and other financial income	*25*	**3,168**	1,942	2,145	**153**	121	52	**–**	–	–	**3,321**	2,063	2,197
Provision for (reversal of) impairment losses		**1,179**	(2,603)	–	**–**	–	–	**–**	–	–	**1,179**	(2,603)	–
Provision for income tax - net	*28*	**(7,138)**	(5,841)	(8,158)	**(973)**	(807)	(754)	**–**	–	–	**(8,111)**	(6,648)	(8,912)
Net income attributable to non-controlling interests		**–**	–	–	**–**	–	–	**(655)**	(157)	(585)	**(655)**	(157)	(585)
Net income attributable to equity holders of the Parent		**₱37,262**	₱26,060	₱22,395	**₱1,416**	₱2,528	₱1,688	**(₱655)**	(₱157)	(₱585)	**₱38,023**	₱28,431	₱23,498
CCNI		**₱35,705**	₱24,605	₱22,956	**₱1,405**	₱2,500	₱1,652	**₱–**	₱–	₱–	**₱37,110**	₱27,105	₱24,608

The inter-segment revenues mainly represent revenues of other services segment earned from the power segment.

The following table shows the reconciliation of *EBITDA* to net income:

	2023	2022	2021
		(Amounts in millions)	
EBITDA	**₱65,341**	₱52,032	₱46,538
Add (deduct):			
Depreciation and amortization	**(16,625)**	(16,031)	(12,499)
Interest and other financial charges net of income and foreign exchange adjustments	**(1,927)**	(765)	(1,044)
Income before income tax	**46,789**	35,236	32,995
Provision for income tax - net	**(8,111)**	(6,648)	(8,912)
Net income	**₱38,678**	₱28,588	₱24,083

The following table shows the reconciliation of the *CCNI* to net income:

	2023	2022	2021
		(Amounts in millions)	
CCNI	**₱37,110**	₱27,105	₱24,608
Add (deduct) non-core items, net of tax:			
Non-core income (expenses)	**959**	591	(1,487)
Foreign exchange gains (losses)	**(46)**	735	377
Net income attributable to equity holders of the Parent	**38,023**	28,431	23,498
Net income attributable to non-controlling interests	**655**	157	585
Net income	**₱38,678**	₱28,588	₱24,083

7. Utility Plant, Generation Plant and Others

The movements in utility plant, generation plant and others are as follows:

		2023									
	Note	**Land**	**Power Plant Machinery and Equipment**	**Sub-transmission and Distribution**	**Communication Towers, Buildings and Improvements**	**Data Transmission Cables and Communi-cation Equipment**	**Office Furniture, Fixtures and Other Equipment**	**Transportation Equipment**	**Others**	**Construction in Progress**	**Total**
						(Amounts in millions)					
Cost:											
Balance at beginning of year		**₱18,807**	**₱41,335**	**₱222,878**	**₱15,707**	**₱5,007**	**₱5,378**	**₱4,919**	**₱9,464**	**₱36,558**	**₱360,053**
Additions		**41**	**–**	**1,256**	**688**	**310**	**323**	**409**	**1,566**	**21,556**	**26,149**
Effect of consolidation of *SPNEC (Note 3)*		**9,788**	**8,542**	**–**	**3**	**–**	**3**	**1**	**535**	**2,729**	**21,601**
Transfers from construction in progress		**3**	**2,553**	**11,048**	**207**	**1,944**	**322**	**10**	**267**	**(16,354)**	**–**
Disposals/retirements		**–**	**–**	**(2,684)**	**(8)**	**–**	**–**	**(110)**	**(22)**	**–**	**(2,824)**
Reclassifications	*10*	**–**	**52**	**(91)**	**(112)**	**168**	**(48)**	**(29)**	**(86)**	**(710)**	**(856)**
Balance at end of year		**28,639**	**52,482**	**232,407**	**16,485**	**7,429**	**5,978**	**5,200**	**11,724**	**43,779**	**404,123**
Less accumulated depreciation and amortization:											
Balance at beginning of year		**–**	**3,534**	**92,909**	**4,083**	**2,631**	**3,546**	**2,995**	**4,089**	**–**	**113,787**
Depreciation and amortization		**–**	**2,602**	**8,852**	**876**	**686**	**556**	**385**	**813**	**–**	**14,770**
Effect of consolidation of *SPNEC (Note 3)*		**–**	**1,503**	**–**	**–**	**–**	**1**	**1**	**81**	**–**	**1,586**
Disposals/retirements		**–**	**–**	**(2,684)**	**(4)**	**–**	**–**	**(110)**	**(19)**	**–**	**(2,817)**
Reclassifications		**–**	**114**	**(36)**	**(11)**	**(29)**	**(30)**	**(25)**	**267**	**–**	**250**
Balance at end of year		**–**	**7,753**	**99,041**	**4,944**	**3,288**	**4,073**	**3,246**	**5,231**	**–**	**127,576**
Less allowance for impairment losses:											
Balance at beginning of year		**–**	**292**	**–**	**–**	**–**	**–**	**–**	**–**	**2,651**	**2,943**
Effect of consolidation of *SPNEC (Note 3)*		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**14**
Charge for the year - net		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,751**	**3,751**
Balance at end of year		**–**	**292**	**–**	**–**	**–**	**–**	**–**	**–**	**6,416**	**6,708**
Net book value		**₱28,639**	**₱44,437**	**₱133,366**	**₱11,541**	**₱4,141**	**₱1,905**	**₱1,954**	**₱6,493**	**₱37,363**	**₱269,839**

		2022									
	Note	Land	Power plant machinery and equipment	Sub-transmission and Distribution	Communication Towers, Buildings and Improvements	Data Transmission Cables and Communi-cation Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
						(Amounts in millions)					
Cost:											
Balance at beginning of year		₱17,699	₱43,337	₱214,967	₱12,946	₱4,611	₱4,326	₱4,144	₱7,113	₱25,166	₱334,309
Additions		1,108	108	520	2,894	188	578	830	2,527	27,133	35,886
Transfers from construction in progress		–	–	14,659	198	370	222	7	157	(15,613)	–
Disposals/retirements		–	(1,298)	(7,306)	(147)	(57)	(3)	(36)	(192)	(54)	(9,093)
Reclassifications	*10*	–	(812)	38	(184)	(105)	255	(26)	(141)	(74)	(1,049)
Balance at end of year		18,807	41,335	222,878	15,707	5,007	5,378	4,919	9,464	36,558	360,053
Less accumulated depreciation and amortization:											
Balance at beginning of year		–	2,355	91,182	3,585	2,050	3,100	2,799	3,912	–	108,983
Depreciation and amortization		–	2,754	9,004	607	551	466	267	468	–	14,117
Disposals/retirements		–	(502)	(7,277)	(61)	(14)	(2)	(37)	(9)	–	(7,902)
Reclassifications		–	(1,073)	–	(48)	44	(18)	(34)	(282)	–	(1,411)
Balance at end of year		–	3,534	92,909	4,083	2,631	3,546	2,995	4,089	–	113,787
Less allowance for impairment losses		–	292	–	–	–	–	–	–	2,651	2,943
Net book value		₱18,807	₱37,509	₱129,969	₱11,624	₱2,376	₱1,832	₱1,924	₱5,375	₱33,907	₱243,323

As at December 31, 2023 and 2022, the net book values of customer-funded assets included in "Utility plant, generation plant and others" account amounted to ₱6,021 million and ₱5,861 million, respectively. The corresponding liabilities to customers in the same amounts as at December 31, 2023 and 2022 are included in "Other noncurrent liabilities" account in the consolidated statements of financial position.

MIDC recognized *ROU* assets and corresponding lease liabilities covering the lease agreements transferred from Globe Telecom, Inc ("*Globe*") and for the agreements entered by *MIDC* for build-to-suit sites. As at December 31, 2023 and 2022, lease liabilities amounted to ₱2,497 million and ₱1,824 million, respectively.

The communication towers and the acquired intangibles of *MIDC*, with aggregate carrying value of ₱14,328 million as at December 31, 2023 are pledged as securities for its long-term debt.

The power plant complex of *PHRI* and the generation plant and equipment of *First Bulacan*, with aggregate carrying value of ₱5,613 million as at December 31, 2023 are pledged as securities for their long-term debt.

See *Note 17 – Interest-bearing Long-term Financial Liabilities.*

As at December 31, 2023, the capitalized site preparation expenses for the development of ultra-supercritical pulverized coal-fired power generation plant of *A1E* amounted to ₱12,695 million. *A1E* recognized a provision for impairment loss amounting to ₱3,920 million and ₱2,651 million in 2023 and 2022, respectively, related to the design and materials for a coal technology, given the planned change in plant configuration from coal to liquified natural gas power plant.

Construction in progress pertains to both electric capital projects ("*ECP*s") and non-*ECP*s. *ECP*s are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities. Non-*ECP*s mainly represent construction of *MGen*'s power plant projects, *MIDC*'s communication towers and *Radius*' network expansion projects. Total interest capitalized amounted to ₱563 million, ₱457 million and ₱368 million based on average capitalization rate of 6%, 5% and 5% for the years ended December 31, 2023, 2022 and 2021, respectively.

8. Investments in Associates and Interests in Joint Ventures

This account consists of the following:

	Place of Incorporation	Principal Activity	**2023**	2022
			Percentage of Ownership	
Associates				
FPM Power Holdings Limited ("*FPM Power*")/ *PacificLight Power*	British Virgin Islands/ Singapore	Investment and holding company/ Power generation	**58**	58
Alsons Thermal Energy Corporation ("*ATEC*")	Philippines	Power generation	**50**	50
Redondo Peninsula Energy Inc. ("*RP Energy*")	Philippines	Power generation	**47**	47
Aclara Meters Philippines, Inc. ("*Aclara Meters*")	Philippines	Sale of metering products and services	**35**	35
PLP Renewables	British Virgin Islands	Investment and holding company	**58**	-
Power Distribution Services Ghana Limited ("*PDS Ghana*")	Ghana	Distribution of power	**30**	30

(Forward)

	Place of Incorporation	Principal Activity	**2023** Percentage of Ownership	2022
Indra Philippines, Inc. ("*Indra Philippines*")	Philippines	Management and *IT* consultancy	**25**	25
AF Payments	Philippines	Electronic payment clearing and settlement system operator	**10**	10
Joint Ventures				
SBPL	Philippines	Power generation	**51**	51
MRail-DESCO Joint Venture ("*MDJV*")	Philippines	Maintenance of mass transit system	**51**	51
Pure Meridian Hydropower Corporation ("*Pure Meridian*")	Philippines	Renewable energy	**50**	50
Nuevo Solar Energy Corporation ("*NSEC*")	Philippines	Power generation	**50**	50
First Balfour-MRail Joint Venture ("*FBMJV*")	Philippines	Maintenance of mass transit system	**49**	49
MPioneer Insurance Inc. ("*MPioneer*")	Philippines	Insurance	**35**	35
Rockwell Business Center Joint Venture ("*RBC JV*")	Philippines	Real estate	**30**	30

The movements in investments in associates and interests in joint ventures are as follow:

	Note	**2023**	2022
		(Amounts in millions)	
Acquisition cost:			
Balance at beginning of year		**₱33,464**	₱27,247
Additions (return of capital)		**(6)**	504
Reclassification [(1)]	*11 and 23*	**–**	5,713
Balance at end of year		**33,458**	33,464
Accumulated equity in net earnings (losses):			
Balance at beginning of year		**3,890**	(4,199)
Equity in net earnings for the year		**11,479**	12,035
Dividends received		**(10,106)**	(4,039)
Reclassification [(1)]		**20**	93
Balance at end of year		**5,283**	3,890
Share in remeasurement adjustments on retirement liabilities:			
Balance at beginning of year		**(16)**	(25)
Share in actuarial gains (losses)		**(13)**	9
Balance at end of year		**(29)**	(16)
Share in other comprehensive income and cumulative translation adjustments:			
Balance at beginning of year		**(30)**	306
Cumulative translation adjustments		**337**	(336)
Balance at end of year		**307**	(30)
Allowance for impairment loss:			
Balance at beginning of year		**(5,420)**	(12)
Reversals – net of provisions		**4,941**	340
Reclassification [(1)]	*23*	**(152)**	(5,748)
Balance at end of year		**(631)**	(5,420)
		₱38,388	₱31,888

[(1)] Refer to Note 23 to the consolidated financial statements for the nature of reclassification in 2022.

The carrying values of investments in associates and interests in joint ventures follow:

	Note	**2023**	2022
		(Amounts in millions)	
Associates:			
FPM Power/PacificLight Power		**₱16,184**	₱9,627
ATEC	*3*	**9,910**	10,057
Indra Philippines		**420**	382
RP Energy		**119**	119
Aclara Meters		**97**	87
PLP Renewables		**45**	–
Joint ventures:			
SBPL		**9,909**	9,523
RBC JV		**643**	1,063
NSEC		**619**	595
MPioneer		**384**	369
MDJV		**58**	66
		₱38,388	₱31,888

FPM Power/PacificLight Power

FPM Power is 40%-owned by *MERALCO* through *MPG Asia* (a wholly-owned subsidiary of *MGen)* and 60%-owned by First Pacific Company Limited ("*First Pacific*"). *FPM Power* has a 70% equity interest in *PacificLight Power*, which owns and operates a 2 x 400 *MW LNG*-fired power plant in Jurong Island, Singapore. *PacificLight Power*'s wholly owned subsidiary, PacificLight Energy Pte. Ltd., is engaged in energy trading.

On July 1, 2021, *MGen* through *MPG Asia* acquired the 30% stake in *PacificLight Power* of Petronas International Power Corporation's, bringing its combined direct and indirect interest to 58%.

In December 2023, *MGen* re-assessed the estimated recoverable amount of its investment in *FPM Power* in view of the improvement in market condition in Singapore resulting in *PacificLight Power*'s positive operating results. The recoverable amount of *MGen*'s 40% share in *FPM Power* as at December 31, 2023 was calculated using the cash flow projections of *PacificLight Power.* Consequently, *MGen* reversed the remaining allowance for impairment loss of ₱4,941 million in 2023.

ATEC

ATEC has the following equity interests: (i) 75% of *Sarangani Energy* which operates a 2 x 118.5 *MW* (gross capacity) baseload coal-fired plant in Maasim, Sarangani Province; (ii) 100% of San Ramon Power, Inc. which is developing a 120 *MW* baseload coal-fired plant in Zamboanga City; and (iii) 100% of ACES Technical Services Corporation, which provides operations and maintenance services to *ATEC's* power plants.

Indra Philippines

Indra Philippines is an *IT* service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s *IT* requirements in the area of system development, outsourcing of Information Systems ("*IS*") and *IT* operations and management consulting.

RP Energy

RP Energy is a joint venture among *MGen,* Therma Power, Inc. ("*TPI*") and Taiwan Cogeneration International Corporation – Philippine Branch ("*TCIC*") for the construction and operation of a power plant in the Subic Bay Freeport Zone.

In 2022, *MGen* assessed the continuing suspension of *RP Energy's* power plant development as an impairmet indicator and recognized a provision for impairment losses of ₱368 million.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65% owned by Aclara Technology LLC. *Aclara Meters* serves the Philippine market for American National Standard Institute ("*ANSI*")-type Watt-hour meters.

PLP Renewables

PLP Renewables is 58%-owned by *MERALCO* through *MGreen International* (a wholly-owned subsidiary of *MGreen). PLP Renewables* has a 37% equity interest in *PacificMedco Solar Energy Pte Ltd*, which is a company incorporated and domiciled in Singapore with the purpose of importing renewable energy to Singapore by building large-scale solar *PV* plant in Bulan Island, Indonesia and transmitting the energy via subsea cable to Jurong Island, Singapore.

SBPL

SBPL, which is a joint venture between *MGen* (51%) and New Growth B.V. (49%), a 100% subsidiary of Electricity Generating Public Company Limited of Thailand ("*EGCO*"), owns and operates a new 455 *MW* (net) supercritical coal-fired power plant in Mauban, Quezon.

SBPL delivers all its plant output to *MERALCO* under a 20-year *PSA* approved by the *ERC*.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation ("*Rockwell Land*") and *MERALCO* for a pre-agreed cooperation period, pursuant to which *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO's* 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

NSEC

NSEC, a joint venture between *MGreen* and *Vena Energy*, owns and operates a 68 *MWac* solar power plant in Currimao, Ilocos Norte. The power plant was fully energized by mid-February 2023.

MPioneer

MPioneer is 35% owned by *MERALCO* and 65% owned by Pioneer Insurance and Surety Company. It is engaged in non-life insurance business.

Pure Meridian

On January 7, 2016, *MERALCO* and Repower Energy Development Corporation ("*REDC*") entered into a joint venture through, *Pure Meridian*, for the development of mini-hydroelectric power projects. The development of the mini-hydroelectric power projects is suspended. With the suspension of the development of its projects, *MERALCO* recognized impairment on the carrying amount of its investment in *Pure Meridian*.

MDJV

On June 2, 2014, *MRail* and Desco, Inc. entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways. The project including its warranty period was completed on April 19, 2019. As at December 31, 2023, *MDJV* is still in the process of liquidation.

AF Payments

MERALCO, through *Finserve*, has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior years on the carrying amount of its investment in *AF Payments*. Management reviews the recoverable amount of the investment in *AF Payments.* The valuation analysis involved discounting estimates of free cash flows based on the most recent financial budgets and forecasts using the discount rate of 11.9%. The forecast period covers the remaining service concession agreement term until December 2025. As at December 31, 2023, the investment in *AF Payments* is fully impaired.

The condensed statements of financial position of material associates follow:

	2023		
	ATEC	***FPM Power / PacificLight Power***	***Indra Philippines***
		(Amounts in millions)	
Current assets	**₱3,227**	**₱15,061**	**₱2,554**
Noncurrent assets	**33,995**	**44,197**	**295**
Current liabilities	**(4,105)**	**(15,442)**	**(865)**
Noncurrent liabilities	**(9,457)**	**(12,175)**	**(301)**
Non-controlling interests	**(3,840)**	**–**	**–**
Net assets	**₱19,820**	**₱31,641**	**₱1,683**

	2022		
	ATEC	*FPM Power / PacificLight Power*	*Indra Philippines*
	(Amounts in millions)		
Current assets	₱4,494	₱12,853	₱2,403
Noncurrent assets	35,258	41,112	296
Current liabilities	(4,533)	(13,035)	(954)
Noncurrent liabilities	(11,558)	(14,533)	(214)
Non-controlling interests	(3,281)	–	–
Net assets	₱20,380	₱26,397	₱1,531

The condensed statements of comprehensive income of material associates are as follows:

	2023			2022			2021		
	ATEC	***FPM Power / PacificLight Power***	***Indra Philippines***	*ATEC*	*FPM Power / PacificLight Power*	*Indra Philippines*	*ATEC*	*FPM Power / PacificLight Power*	*Indra Philippines*
				(Amounts in millions)					
Revenues	**₱10,790**	**₱114,383**	**₱2,891**	₱10,077	₱99,168	₱2,513	₱8,270	₱61	₱2,460
Costs and expenses	**(8,473)**	**(97,947)**	**(2,596)**	(8,270)	(86,598)	(2,244)	(6,826)	(59)	(2,194)
Net income	**2,317**	**16,436**	**295**	1,807	12,570	269	1,444	2	266
Non-controlling interests	**(548)**	**–**	**–**	(429)	–	–	(354)	–	–
Net income attributable to equity holders of the parent	**1,769**	**16,436**	**295**	1,378	12,570	269	1,090	2	266
Other comprehensive income (loss)	**–**	**–**	**(64)**	–	–	35	–	–	(49)
Total comprehensive income	**₱1,769**	**₱16,436**	**₱231**	₱1,378	₱12,570	₱304	₱1,090	₱2	₱217
Dividends received	**₱800**	**₱8,164**	**₱20**	₱412	₱2,988	₱100	₱1,455	₱–	₱2

The reconciliation of the net assets of the foregoing material associates to the carrying amounts of investments and advances in these associates recognized in the consolidated statements of financial position is as follows:

	2023		
	ATEC	***FPM Power / PacificLight Power***	***Indra Philippines***
	(Amounts in millions, except % of ownership)		
Net assets of associates	**₱19,820**	**₱31,641**	**₱1,683**
Proportionate ownership in associates (%)	**50**	**58**	**25**
	9,910	**18,352**	**420**
Fair value adjustment	**–**	**(2,168)**	**–**
	₱9,910	**₱16,184**	**₱420**

	2022		
	ATEC	*FPM Power / PacificLight Power*	*Indra Philippines*
	(Amounts in millions, except % of ownership)		
Net assets of associates	₱20,380	₱26,397	₱1,531
Proportionate ownership in associates (%)	50	58	25
	10,190	15,310	382
Fair value adjustment and impairment	(133)	(5,683)	–
	₱10,057	₱9,627	₱382

The following is the aggregate information of associates that are considered as not individually material:

	2023	2022	2021
		(Amounts in millions)	
Share in net income (loss)	**₱55**	(₱216)	(₱31)
Share in other comprehensive income	**2**	–	–
Share in total comprehensive income	**₱57**	(₱216)	(₱31)
Dividends received	**₱28**	₱–	₱11

Joint Ventures

The condensed statements of financial position of material joint ventures follow:

	2023	
	RBC JV	***SBPL***
	(Amounts in millions)	
Cash and cash equivalents	**₱630**	**₱4,314**
Current assets, excluding cash and cash equivalents	**349**	**6,042**
Noncurrent assets	**1,671**	**43,473**
Trade payables	**(130)**	**(40)**
Current liabilities, excluding trade payables	**(356)**	**(4,316)**
Noncurrent liabilities	**(21)**	**(30,044)**
Net assets	**₱2,143**	**₱19,429**

	2022	
	RBC JV	*SBPL*
	(Amounts in millions)	
Cash and cash equivalents	₱849	₱3,141
Current assets, excluding cash and cash equivalents	364	8,758
Noncurrent assets	2,766	45,366
Trade payables	(3)	(2,278)
Current liabilities, excluding trade payables	(431)	(4,091)
Noncurrent liabilities	(2)	(32,223)
Net assets	₱3,543	₱18,673

The condensed statements of comprehensive income of material joint ventures are as follows:

	2023		2022		2021	
	RBC JV	***SBPL***	*RBC JV*	*SBPL*	*RBC JV*	*SBPL*
			(Amounts in millions)			
Revenues	**₱847**	**₱24,449**	₱835	₱27,113	₱821	₱15,700
Costs and expenses, excluding depreciation	**(182)**	**(17,443)**	28	(22,612)	40	(11,700)
Depreciation	**(212)**	**(1,499)**	(208)	(1,478)	(212)	(1,478)
Other income (expense) – net	**25**	**(2,973)**	122	433	3	54
Benefit from (provision for) income tax - net	**(93)**	**15**	(93)	15	(92)	23
Net income	**₱385**	**₱2,549**	₱684	₱3,471	₱560	₱2,599
Dividends received	**₱181**	**₱913**	₱155	₱385	₱172	₱1,123

The reconciliation of the net assets of the foregoing material joint ventures to the carrying amounts of investments in these joint ventures recognized in the consolidated statements of financial position is as follows:

	2023	
	RBC JV	***SBPL***
	(Amounts in millions, except % of ownership)	
Net assets of joint ventures	**₱2,143**	**₱19,429**
Proportionate ownership in joint ventures (%)	**30**	**51**
	₱643	**₱9,909**

	2022	
	RBC JV	*SBPL*
	(Amounts in millions, except % of ownership)	
Net assets of joint ventures	₱3,543	₱18,673
Proportionate ownership in joint ventures (%)	30	51
	₱1,063	₱9,523

The following is the condensed financial information of joint ventures which are considered immaterial:

	2023	2022	2021
		(Amounts in millions)	
Share in net income	**₱25**	₱37	₱33
Share in other comprehensive income	**1**	–	–
Share in total comprehensive income	**₱26**	₱37	₱33
Dividends received	**₱–**	₱–	₱–

9. Investment Properties

The movements in investment properties are as follows:

	2023		
	Land	**Buildings and Improvements**	**Total**
		(Amounts in millions)	
Cost:			
Balance at beginning of year	**₱1,428**	**₱209**	**₱1,637**
Additions	**–**	**2**	**2**
Balance at end of year	**1,428**	**211**	**1,639**
Less accumulated depreciation:			
Balance at beginning of year	**–**	**142**	**142**
Depreciation	**–**	**4**	**4**
Balance at end of year	**–**	**146**	**146**
	₱1,428	**₱65**	**₱1,493**

	2022		
	Land	Buildings and Improvements	Total
		(Amounts in millions)	
Cost:			
Balance at beginning of year	₱1,428	₱206	₱1,634
Additions	–	3	3
Balance at end of year	1,428	209	1,637
Less accumulated depreciation:			
Balance at beginning of year	–	138	138
Depreciation	–	4	4
Balance at end of year	–	142	142
	₱1,428	₱67	₱1,495

Investment properties consist of real properties held for capital appreciation, former substation sites and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties are as follows:

	2023	2022
	(Amounts in millions)	
Land	**₱5,087**	₱5,589
Buildings and improvements	**138**	136

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. As of December 31, 2023, thre is no significant change in the fair value of the investment properties.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱100 to ₱170,000. There have been no changes in the valuation techniques used.

In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

Under this approach, the value of the property is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the following: location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

This method of valuation considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

10. Intangible Assets

The movements of intangible assets are as follows:

	2023						
	Software	Franchise	Land and Leasehold Rights	Customer Contracts	Acquired Network Location	Build-to-suit Contracts	Total
				(Amounts in millions)			
Cost:							
Balance at beginning of year	**₱7,511**	**₱63**	**₱558**	**₱13,875**	**₱5,661**	**₱2,058**	**₱29,726**
Additions	**490**	**–**	**19**	**–**	**2,737**	**891**	**4,137**
Effect of consolidation of *SPNEC (Note 3)*	**–**	**–**	**–**	**29,347**	**–**	**–**	**29,347**
Reclassification	**46**	**–**	**(26)**	**–**	**–**	**–**	**20**
Balance at end of year	**8,047**	**63**	**551**	**43,222**	**8,398**	**2,949**	**63,230**
Less accumulated amortization:							
Balance at beginning of year	**5,308**	**–**	**401**	**2,276**	**36**	**14**	**8,035**
Amortization	**424**	**–**	**39**	**1,051**	**247**	**90**	**1,851**
Reclassification	**8**	**–**	**1**	**–**	**(8)**	**(8)**	**(7)**
Balance at end of year	**5,740**	**–**	**441**	**3,327**	**275**	**96**	**9,879**
	₱2,307	**₱63**	**₱110**	**₱39,895**	**₱8,123**	**₱2,853**	**₱53,351**

	2022						
	Software	Franchise	Land and Leasehold Rights	Customer Contracts	Acquired Network Location	Build-to-suit Contracts	Total
			(Amounts in millions)				
Cost:							
Balance at beginning of year	₱6,873	₱63	₱570	₱13,869	₱–	₱–	₱21,375
Additions	801	–	28	–	5,661	2,058	8,548
Retirement	(23)	–	(16)	–	–	–	(39)
Reclassifications	(140)	–	(24)	6	–	–	(158)
Balance at end of year	7,511	63	558	13,875	5,661	2,058	29,726
Less accumulated amortization:							
Balance at beginning of year	5,051	–	377	893	–	–	6,321
Amortization	418	–	40	1,402	36	14	1,910
Retirement	(23)	–	(16)	–	–	–	(39)
Reclassifications	(138)	–	–	(19)	–	–	(157)
Balance at end of year	5,308	–	401	2,276	36	14	8,035
	₱2,203	₱63	₱157	₱11,599	₱5,625	₱2,044	₱21,691

The identified intangible asset from the acquisition of controlling interest in *SPNEC* pertains to the existing customer contract of *TSPI* at acquisition date which was recognized at fair value.

MIDC entered into a Sale and Leaseback Agreement with *Globe* where *MIDC* shall acquire 2,180 telecom towers and related passive infrastructure for a pre-agreed consideration. Under the Master Lease Agreement, *Globe* shall be the anchor tenant of the towers for an initial period of 15 years.*Globe* also has commissioned *MIDC* to construct 900 additional build-to-suit towers over the next four (4) years on which *Globe* shall be the anchor tenant.

As at December 31, 2023 and 2022, *MIDC* acquired 1,194 towers and 860 towers, respectively, from *Globe* and recognized the following identifiable assets:

	2023	2022
	(Amounts in millions)	
Telecommunication towers and passive equipment	**₱2,981**	₱2,601
Acquired network location intangibles	**8,398**	5,661
Build-to-suit contract intangibles	**2,949**	2,058
Total assets acquired	**₱14,328**	₱10,320

Acquired network location intangibles represent the value to *MIDC* of the benefits from leasing the excess capacity on acquired towers to other mobile network operators. The build-to-suit contract intangibles pertain to the contractual commitment of *Globe* to engage *MIDC* in building additional towers to be leased by *Globe*.

11. Financial and Other Noncurrent Assets

This account consists of:

	Note	**2023**	2022
		(Amounts in millions)	
Financial assets:			
Debt securities at amortized cost	*15 and 27*	**₱9,858**	₱19,503
Financial assets at *FVOCI*	*27*	**4,375**	4,140
Advance payments to a supplier	*27 and 30*	**228**	361
Restricted cash	*27*	**–**	4,478
Nonfinancial assets:			
Under-recoveries of pass-through charges - net	*2 and 24*	**10,434**	11,407
Rental deposits		**4,239**	779
Deferred input *VAT*		**3,487**	457
Finance lease		**894**	973
Construction bond		**158**	121
Receivable from the *BIR*		**181**	181
Others		**1,725**	1,520
		₱35,579	₱43,920

Debt Securities at Amortized Cost

The details of debt securities at amortized cost are as follows:

	2023			2022		
	Current Portion (see *Note 15*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 15*)	Noncurrent Portion	Total
			(Amounts in millions)			
Government securities	**₱2,162**	**₱9,389**	**₱11,551**	₱16,793	₱11,444	₱28,237
Private debt securities	**5,371**	**469**	**5,840**	1,000	8,059	9,059
	₱7,533	**₱9,858**	**₱17,391**	₱17,793	₱19,503	₱37,296

Financial Assets at *FVOCI*

The details of financial assets at *FVOCI* are as follows:

	2023	2022
	(Amounts in millions)	
Investments in debt securities - corporate bonds and others	**₱2,255**	₱2,200
Investments in shares of stock and club shares	**2,120**	1,940
	₱4,375	₱4,140

Interest income from debt and equity securities amounted to ₱831 million, ₱,150 million and ₱1,316 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The rollforward of unrealized fair value gains on quoted *FVOCI* financial assets, net of tax, included in the consolidated statements of financial position follow:

	2023	2022
	(Amounts in millions)	
Balance at beginning of year	**₱311**	₱502
Unrealized fair value gains (losses) on fair value changes on:		
Debt securities	**88**	(280)
Equity securities	**91**	89
Balance at end of year	**₱490**	₱311

Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO* and *Clark Electric* as *DU*s determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes other net under-recoveries of generation, transmission and other pass-through charges of current and prior years, which are the subject of various applications for recovery and approval by the *ERC*. As at December 31, 2023, *ERC*-approved net under-recoveries of pass-through charges were already recovered.

Allowance for *ECL* on net under -recoveries of pass-through charges amounted to ₱2,645 million and ₱2,925 million as at December 31, 2023 and 2022, respectively.

See *Note 13 - Trade and Other Receivables*.

Deferred Input VAT

The amount includes portion of input *VAT* incurred and paid in connection with purchase of capital assets in excess of ₱1 million per month. As provided for under *RA* No. 9337 ("*EVAT Law*"), said portion of input *VAT* shall be deferred and credited evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter, against the output *VAT* due. Under the Tax Reform for Acceleration and Inclusion ("*TRAIN*") Law, input *VAT* on capital goods purchased after December 31, 2021 shall berecognized outright and may be claimed as input tax credits against output tax. The deferred input *VAT* as of December 31, 2021 shall continue to be amortized.

Finance Lease

Spectrum entered into several bilateral *PSA*s to lease out solar power generation systems to its customers under a finance lease arrangement for periods ranging from 10 to 28 years.

Spectrum recognized finance lease receivables equivalent to its net investments under the lease. Net investment in the lease is the fair value of the asset and the present value of the minimum lease payments, whichever is lower. The average implicit interest rate of the lease arrangements ranges from 7.07% to 12.52% per annum at the inception of the lease.

Minimum lease payment pertains to the price of estimated energy output that the asset can produce and deliver to the lessee. The difference of actual and minimum lease payments from finance lease arrangements is recognized under "Other income (expense)" account in the consolidated statement of income.

The lease payments made by the lessees consist of interest and principal determined using the effective interest rate method. The lease receivable is reduced by the principal received.

12. Cash and Cash Equivalents

This account consists of:

	2023	2022
	(Amounts in millions)	
Cash on hand and in banks	**₱30,104**	₱17,198
Cash equivalents	**52,685**	38,634
	₱82,789	₱55,832

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods up of to three (3) months depending on *MERALCO Group*'s immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱2,339 million, ₱765 million and ₱515 million for the years ended December 31, 2023, 2022 and 2021, respectively.

As at December 31, 2023, cash and cash equivalents include bank accounts totaling ₱5,531 million, equivalent to unpaid *SC* refund, meter deposits, *RES* bill deposits and over-recoveries of pass-through charges which *MERALCO* set aside in compliance with regulatory requirements.

13. Trade and Other Receivables

This account consists of:

	Note	**2023**	2022
		(Amounts in millions)	
Trade:			
Electricity sold	*23 and 27*	**₱38,688**	₱41,695
Energy generated	*27*	**6,729**	7,594
Service contracts		**1,448**	3,183
Unbilled receivables	*24*	**3,028**	3,118
Nontrade	*23 and 27*	**6,705**	6,208
		56,598	61,798
Less allowance for expected credit losses		**8,203**	7,115
		₱48,395	₱54,683

Movements in allowance for expected credit losses for trade and other receivables are as follows:

	2023				
	Balance at Beginning of Year	**Provisions**	**Write-offs**	**Effect of Consolidation of *SPNEC***	**Balance at End of Year**
			(Amounts in millions)		
Trade:					
Electricity sold	**₱4,769**	**₱788**	**₱–**	**₱–**	**₱5,557**
Energy generated	**1,108**	**99**	**–**	**69**	**1,276**
Other trade receivables	**786**	**147**	**(17)**	**–**	**916**
Nontrade receivables	**452**	**2**	**–**	**–**	**454**
	₱7,115	**₱1,036**	**(₱17)**	**₱69**	**₱8,203**

	2022			
	Balance at Beginning of Year	Provisions (Reversals)	Write-offs	Balance at End of Year
		(Amounts in millions)		
Trade:				
Electricity sold	₱3,751	₱2,137	(₱1,119)	₱4,769
Energy generated	1,120	(11)	(1)	1,108
Other trade receivables	785	1	–	786
Nontrade receivables	268	184	–	452
	₱5,924	₱2,311	(₱1,120)	₱7,115

	2023					2022				
	Trade					Trade				
	Electricity Sold	**Energy Generated**	**Other Receivables**	**Nontrade Receivables**	**Total**	Electricity Sold	Energy Generated	Other Receivables	Nontrade Receivables	Total
					(Amounts in millions)					
Individually impaired	**₱3,733**	**₱–**	**₱916**	**₱454**	**₱5,103**	₱2,420	₱–	₱786	₱452	₱3,658
Collectively impaired	**1,824**	**1,276**	**–**	**–**	**3,100**	2,349	1,108	–	–	3,457
	₱5,557	**₱1,276**	**₱916**	**₱454**	**₱8,203**	₱4,769	₱1,108	₱786	₱452	₱7,115

Trade Receivables – Electricity Sold

Trade receivables of *MERALCO* and *Clark Electric* include charges for pass-through costs. Pass-through costs of *MERALCO* as *DU* consist of generation, transmission and *SL* charges, which represent 66%, 6% and 5%, respectively, of the total billed amount in 2023 and 66%, 9% and 5%, respectively, of the total billed amount in 2022. Billed receivables are due 10 days after bill date. *MERALCO*'s and *Clark Electric*'s trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-off dates, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See *Note 27 – Financial Assets and Financial Liabilities.*

Trade Receivables – Energy Generated

Trade receivables – Energy generated represent non-interest-bearing outstanding billings for energy fees and pass-through fuel costs arising from the delivery of electricity to customers and energy sales

to the *WESM* by power generation subsidiaries. Normal credit term is 15 to 30 days from the date of receipt of billing.

Trade Receivables – Service Contracts

Service contracts receivable arise from contracts entered into by the *MIESCOR Group*, *e-MVI Group*, *CIS Group*, *MRail*, *MServ*, *Finserve*, *Comstech, eSakay* and *Spectrum* for construction, engineering, consulting and related manpower, light rail maintenance, telecommunications and data transport, e-transactions and bills collection, tellering and e-business development, energy systems management and harnessing renewable energy to third parties.

Receivables from service contracts and others are noninterest-bearing and are generally on 30- to 90-day terms.

See *Note 11 – Financial and Other Noncurrent Assets*.

14. Inventories

	2023	2022
	(Amounts in millions)	
Materials and supplies:		
At cost	**₱12,142**	₱10,867
At net realizable value ("*NRV*")	**11,180**	10,629
Materials and supplies at lower of cost or *NRV*	**₱11,180**	₱10,629

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱962 million and ₱238 million as at December 31, 2023 and 2022, respectively. No item of inventory has been written off for the years ended December 31, 2023, 2022 and 2021.

See *Note 25 – Expenses and Income.*

15. Financial and Other Current Assets

	Note	**2023**	2022
		(Amounts in millions)	
Financial assets:			
Debt securities at amortized cost	*11 and 27*	**₱7,533**	₱17,793
Current portion of advance payments to a supplier	*27*	**197**	199
Short-term investments		**11**	204
Nonfinancial assets:			
Input *VAT*		**5,155**	6,057
Prepayments		**4,386**	3,962
Prepaid tax		**2,029**	3,714
Construction bond		**158**	124
Others		**926**	1,090
		₱20,395	₱33,143

16. **Equity**

Common Stock

	2023	2022
	(In millions, except par value)	
Authorized number of shares- ₱10 par value per share	**1,250**	1,250
Issued and outstanding - number of shares	**1,127**	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 40,960 and 41,338 shareholders of *MERALCO*'s common shares as at December 31, 2023 and 2022, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include accumulated earnings of subsidiaries, associates and joint ventures, the balance of *MERALCO*'s revaluation increment in utility plant, generation plant and others and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱77,067 million and ₱64,389 million as at December 31, 2023 and 2022, respectively. These amounts are restricted for dividend declaration purposes as of the close of the respective reporting period.

The following are the cash dividends declared on common shares for the years ended December 31, 2023, 2022 and 2021:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 31, 2023	August 30, 2023	September 14, 2023	₱8.52	₱9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430
July 25, 2022	August 23, 2022	September 14, 2022	5.81	6,544
February 28, 2022	March 30, 2022	April 26, 2022	10.23	11,526
July 26, 2021	August 23, 2021	September 15, 2021	5.06	5,700
March 1, 2021	March 30, 2021	April 26, 2021	7.82	8,818

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year; and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Treasury Shares

Treasury shares represent 172,412 subscribed shares and the related rights of employees who have opted to withdraw from the *ESPP* in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

17. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	2023	2022
	(Amounts in millions)	
Long-term portion of interest-bearing financial liabilities - long-term debt	**₱62,272**	₱68,757
Current portion of interest-bearing financial liabilities:		
Long-term debt	**8,126**	4,118
Redeemable preferred stock	**1,465**	1,467
	9,591	5,585
	₱71,863	₱74,342

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million and ₱249 million as at December 31, 2023 and 2022, respectively. Interest is no longer accrued from the time such preferred shares were called for redemption.

The details of interest-bearing long-term financial liabilities are as follows:

	2023	2022
	(Amounts in millions)	
MERALCO		
₱10.0 Billion Term Loan	**₱9,900**	₱10,000
₱7.2 Billion Note	**3,960**	4,320
12-year Puttable Bonds	**2,868**	7,000
MGen Group		
₱18.0 Billion Term Loan	**16,740**	17,460
₱11.6 Billion Term Loan	**10,132**	11,099
₱5.8 Billion Term Loan	**4,350**	4,930
₱4.5 Billion Term Loan	**3,535**	3,860
₱3.0 Billion Term Loan	**2,804**	2,907
₱3.5 Billion Term Loan	**2,692**	3,338
₱2.4 Billion Term Loan	**2,350**	2,000
₱2.0 Billion Term Loan	**1,936**	–
₱3.4 Billion Term Loan	**1,199**	–
₱1.5 Billion Term Loan	**307**	460
Radius		
₱700 Million Term Loan	**700**	700
$2.9 Million Medium-Term Loan	**38**	118
₱30 Million Term Loan	**9**	20
MServ		
₱600 Million Term Loan	**420**	450
₱350 Million Note	**–**	70
MIESCOR		
₱6.76 Billion Term Loan	**6,749**	4,444
₱375 Million Term Loan	**241**	295

(Forward)

		2023	2022
		(Amounts in millions)	
eSakay			
₱27 Million Term Loan		**₱–**	₱19
Total long-term debt		**70,930**	73,490
Less unamortized debt issue costs		**808**	964
		70,122	72,526
Redeemable Preferred Stock		**1,465**	1,467
Fair value adjustment in relation to the purchase of *GBPC*	*3*	**276**	349
		71,863	74,342
Less current portion		**9,591**	5,585
Long-term portion of interest-bearing financial liabilities		**₱62,272**	₱68,757

The scheduled maturities of the outstanding long-term debt at nominal values as at December 31, 2023 are as follows:

	Amount in millions
Less than one (1) year	₱8,206
One (1) year up to two (2) years	7,357
More than two (2) years up to three (3) years	4,914
More than three (3) years up to four (4) years	5,145
More than four (4) years up to five (5) years	4,494
More than five (5) years	40,814
	₱70,930

MERALCO

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

₱7.2 Billion Note

MERALCO's ₱7,200 million, 10-year Fixed Rate Note Facility is due in April 2024. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

12-year Puttable Bonds

The ₱7,000 million 12-year Puttable Bond is the balance of the total ₱18,000 million Puttable Bonds issued in December 2013, puttable on the 10th year. On December 13, 2023, *MERALCO* redeemed ₱ 4,132 million Puttable Bonds.

MGen Group

₱18 Billion Term Loan

GBPC has a ₱18,000 million, 15-year term loan due in May 2036. Interest rate is subject to repricing on the 5th year. The principal is payable semi- annually until maturity.

₱11.6 Billion Term Loan

On April 28, 2022, *PEDC* obtained a ₱11,580 million, 12-year term loan due in April 2034. The principal and related interest are payable semi-annually.

₱5.8 Billion Term Loan

CEDC's ₱5.8 Billion Term Loan represents a restructured loan from the original project financing obligation. This restructured loan is payable over 10 years until June 2031.

₱4.5 Billion Term Loan

This bilateral term loan with a consortium of banks was used to finance the acquisition of a 50% less one share in *ATEC*. The loan is a fixed rate 12-year facility with quarterly principal repayment commencing three (3) years from the drawdown date.

₱3.0 Billion Term Loan

First Bulacan has a ₱3,039 million, 15-year term loan with interest repricing on the 10th year and the principal amount payable until November 2034.

₱3.5 Billion Term Loan

TPC has a ₱3,500 million, 5-year term loan due in July 2027. The principal and related interest are payable quarterly.

₱2.4 Billion Term Loan

PHRI has a ₱2,350 million term loan due in September 2037. The principal and related interest are payable semi-annually.

₱2.0 Billion Term Loan

Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*") has a ₱2,003 million, 12-year term loan due in July 2031. The principal and related interest are payable semi-annually.

₱3.4 Billion Term Loan

Solar Philippines Calatagan Corporation ("*Solar Philippines Calatagan*") has a ₱3,400 million, 12-year term loan due in April 2029. The principal and related interest are payable semi-annually.

₱1.5 Billion Term Loan

This ₱1,500 million loan and related interest of *CEDC* was used for general financing and other corporate requirements. The principal and related interest are payable semi-annually until December 2025.

Radius

₱700 Million Term Loan

Radius has a ₱700 million, 7-year term loan. The principal and interest are payable quarterly until August 2029.

$2.9 Million Medium-Term Loan

Radius has a $2.9 million, medium-term loan. The principal is payable quarterly until July 2024.

₱30 Million Term Loan

Radius' ₱21 million and ₱9 million loans are payable quarterly until May 2024 and November 2024, respectively.

MServ

₱600 Million Term Loan

MServ obtained a ₱600 million, 10-year fixed rate term loan. The principal is payable based on pre-agreed amortization until 2027 while the related interest is payable semi-annually.

₱350 Million Note

MServ has a ₱350 million fixed rate note payable to a local bank. The principal is payable semi-annually until July 2023. The amount has been fully paid in July 2023.

MIESCOR

₱6,760 Million Term Loan

MIDC drew ₱6,760 million out of the total ₱27,000 million floating rate term loan facility. The principal and related interest are payable quarterly until October 2037.

₱375 Million Term Loan

MIESCOR has a ₱375 million, fixed rate term loan, payable semi-annually until June 2028.

eSakay

₱27 Million Term Loan Facility

eSakay has a ₱27 million, seven (7)-year fixed rate term loan, with principal amount payable until November 2026. On August 15, 2023, *MERALCO* sold its 100% equity interest in eSakay to On-Us Solutions, Inc.

The annual interest rates of the interest-bearing financial liabilities range from 4.50% to 7.96% and 4.50% to 6.90% as at December 31, 2023 and 2022, respectively.

Debt Covenants

MERALCO's loan agreements require compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

Under their respective loan agreements, *MERALCO*'s subsidiaries are required to meet certain pre-agreed financial ratios at all times until full payment of the obligation. *GBPC* and *MIDC* are prohibited from entering into merger or consolidation with other corporation, unless *GBPC* and *MIDC* are the surviving entities. *MIDC*'s loan agreement requires *MIDC* to mortgage certain real properties and for its shareholders to pledge the shares of stocks in *MIDC* as security for the loans.

As at December 31, 2023 and 2022, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Interest expense on interest-bearing long-term financial liabilities amounted to to ₱3,050 million, ₱2,760 million and ₱2,265 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Unamortized Debt Issue Costs

The following presents the changes to the unamortized debt issue costs:

	Note	**2023**	2022
		(Amounts in millions)	
Balance at beginning of year		**₱964**	₱357
Effect of consolidation of *SPNEC*	*3*	**39**	–
Additions		**–**	735
Amortization charged to interest and other financial charges	*24*	**(195)**	(128)
Balance at end of year		**₱808**	₱964

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	2023	2022
Balance at beginning of year	**146,662,341**	147,015,281
Redemptions	**(151,845)**	(352,940)
Balance at end of year	**146,510,496**	146,662,341

The original "Terms and Conditions" of *MERALCO*'s Special Stock Subscription Agreement, which required an applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR,* effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.

18. **Customers' Deposits**

This account consists of:

	2023			2022		
	Current Portion (see *Note 22*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 22*)	Noncurrent Portion	Total
			(Amounts in millions)			
Bill deposits	**₱2,463**	**₱34,128**	**₱36,591**	₱2,925	₱31,590	₱34,515
Meter deposits	**317**	**–**	**317**	316	–	316
	₱2,780	**₱34,128**	**₱36,908**	₱3,241	₱31,590	₱34,831

Bill Deposits

Bill deposits serves to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR,* which became effective on April 1, 2010, interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines ("*Land Bank*") or other government banks, on the first working day of the year, subject to the confirmation by the *ERC.*

As provided for under *ERC* Resolution No. 1, Series of 2011, *A Resolution Adopting the Revised Rules for the Issuance of Licenses to Retail Electricity Suppliers*, a local *RES* may require security deposits from its contestable customers, which shall earn interest equivalent to the actual interest earnings of the total amount of deposits received from the customers.

On May 10, 2019, *MERALCO* received a copy of the Petition dated April 27, 2019 filed by various partylist representatives which questioned the imposition of bill deposits by the *DU* for its captive customers.

The Petition prayed that the provisions on bill deposits in the Magna Carta be declared as illegal and void and that *MERALCO* and other *DU*s be permanently prohibited from imposing and collecting bill deposit from the captive market. The Petition further prayed that the bill deposit be refunded and/or that combining the bill deposits with the general funds of *MERALCO* be disallowed. Lastly, the Petition prayed for the conduct of an audit of the bill deposits collected by *MERALCO.*

MERALCO filed its Comment to the Petition on October 18, 2019. On October 28, 2019, the *OSG* filed a Manifestation and Motion to drop *COA* as a respondent in the case. In a Resolution dated February 4, 2020, the *SC* required *COA* to file their comments on the Petition. On July 27, 2020, *MERALCO* received a copy of the Comment filed by the *COA*, through the *OSG*.

On September 8, 2020, the *SC* issued a Notice of Resolution noting the Comment filed by the *OSG* and requiring petitioners to file a consolidated reply within ten (10) days from notice. On November 24, 2020, *MERALCO* received the petitioners' Consolidated Reply to the Separate Comment/Opposition of the *ERC*, *MERALCO*, and *COA* dated November 10, 2020. As at February 26, 2024, the case is still pending before the *SC*.

The following are the movements of the bill deposits account:

	Note	**2023**	2022
		(Amounts in millions)	
Balance at beginning of year		**₱34,515**	₱33,361
Additions		**3,428**	3,212
Refunds		**(1,352)**	(2,058)
Balance at end of year		**36,591**	34,515
Less portion maturing within one year	*22*	**2,463**	2,925
Noncurrent portion of bill deposits and related interests		**₱34,128**	₱31,590

Interest expense on bill deposits amounted to ₱22 million, ₱21 million and ₱21 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

The *Magna Carta* for residential customers (effective July 19, 2004) and *DSOAR* (effective February 2, 2006) for non-residential customers exempt all customer groups from payment of meter deposits beginning July 2004 for residential customers and February 2006 for non-residential customers.

MERALCO implemented refund of said deposits to its customers based on the *ERC* Resolution No. 8, Series of 2008, otherwise known as "Rules to Govern the Refund of Meter Deposits to Residential and Non-Residential Customers" ("*Rules*") which required the refund of meter deposits from the effectivity of said *Rules* on July 5, 2008.

The total amount of refund shall be equivalent to the meter deposit paid by the customer plus the total accrued interest earned from the time the customer paid the meter deposit until the day prior to the start of refund.

In July 2016, *MERALCO* deposited the amount equivalent to the unclaimed meter deposits in a single savings account. As at February 26, 2024, the matter is still pending with the *ERC.*

19. Provisions

Provisions consist of amounts recognized related to certain proceedings and claims against *MERALCO Group*, among others. The movements follow:

	Note	**2023**	2022
		(Amounts in millions)	
Balance at beginning of year		**₱63,321**	₱37,036
Provisions for the year – net		**7,573**	11,439
Settlements		**(10,299)**	(24,776)
Reclassifications	*22*	**11,074**	39,622
Balance at end of year		**71,669**	63,321
Less current portion	*22*	**60,319**	50,664
Noncurrent portion of provisions		**₱11,350**	₱12,657

The balance of provisions represents estimated amount of losses, over-recoveries and claims related to a commercial contract which remains unresolved and local taxes being contested as discussed in *Note 29 – Contingencies and Legal Proceedings*, consistent with the limited disclosure as allowed in *PFRS*.

20. Customers' Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. *MERALCO* continues to process refunds as the eligible customers present their required supporting documents until the *ERC* directs otherwise and approves *MERALCO*'s proposed scheme on how the unclaimed refund shall be utilized for purposes of reducing the distribution rates of consumers.

In 2021, the *ERC* through its appointed consultant conducted an audit and verification of *MERALCO*'s refunds, which included *MERALCO*'s *SC* refund. The audit has been completed and as at February 26, 2024, *MERALCO* is awaiting further action of the *ERC* on the matter.

See *Note 2 – Rate Regulations*.

21. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks normally due within one (1) year. Annual interest rates were up to 4.00% and 6.50% as at December 31, 2023 and 2022, respectively.

Interest expense on notes payable amounted to ₱1,282 million, ₱1,187 million and ₱1,238 million for the years ended December 31, 2023, 2022 and 2021, respectively.

22. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	**2023**	2022
		(Amounts in millions)	
Trade accounts payable	*23 and 24*	**₱75,983**	₱65,960
Provisions	*2, 19 and 29*	**60,319**	50,664
Taxes		**20,602**	17,299
Accrued expenses:			
Services		**3,750**	4,189
Employee benefits		**3,190**	2,209
Interest	*17*	**729**	299
Others		**1,807**	2,439
Current portions of:			
Bill deposits and related interests	*18*	**2,463**	2,925
Deferred income		**976**	1,126
Meter deposits and related interests	*18*	**317**	316
Refundable service extension costs		**1,777**	1,772
Dividends payable on:			
Common stock	*16*	**3,219**	2,878
Redeemable preferred stock	*17*	**248**	249
Payable to customers		**5,363**	5,468
Universal charges payable	*32*	**2,801**	2,227
Lease liability		**2,679**	483
Payroll related remittances		**652**	617
Regulatory fees payable		**340**	290
FiT-All payable	*32*	**197**	358
Other current liabilities		**4,291**	2,134
		₱191,703	₱163,902

Trade Accounts Payable

Trade accounts payable mainly represent obligations to power generating companies, *NGCP* and Independent Electricity Market Operator ("*IEMOP*") for cost of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, coal, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.

See *Note 23 – Related Party Transactions, Note 24 – Revenue and Purchased Power* and *Note 30 – Significant Contracts and Commitments.*

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, "Right to Extension of Lines and Facilities", requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.

As at December 31, 2023 and 2022, the noncurrent portion of refundable service extension costs of ₱4,051 million and ₱4,653 million, respectively, is presented as "Refundable service extension costs - net of current portion" account in the consolidated statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *DU*s. These are charges imposed to recover stranded debts, stranded contract costs of *NPC*, stranded contract costs of eligible contracts of *DU*s, missionary electrification and environment charges. *DU*s remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payable to Customers

Payable to customers represents amounts credited to customers's bills or paid by customers in advance and which are being applied to their current consumption.

23. Related Party Transactions

The *MERALCO Group* has approval process and limits on the amount and extent of related party transactions.

The following summarizes the total amount of transactions, which have been provided and/or contracted by the *MERALCO Group* to/with related parties for the relevant year. The outstanding balances are unsecured, non-interest-bearing and settled in cash.

Pole Attachment Contract with PLDT, Inc. ("*PLDT*")

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third parties/ telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable positions exclusively for its telecommunication cable network facilities.

Sale of Electricity under Various Service Contracts

MERALCO sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries and affiliates. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to all captive customers within the franchise area. The rates charged by RES to related parties as contestable customers are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and Subsidiaries

The *MERALCO Group*'s telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. and Digitel Mobile Philippines, Inc., for its fixed and wireless services. Such services are covered by standard service contracts between the telecommunications carriers and each legal entity within the *MERALCO Group*.

Lease Agreement with Robinsons Land Corporation ("RLC")

MERALCO has various lease agreements with *RLC* for its temporary office premises until 2024.

Purchase of Goods and Services

In the ordinary course of business, the *MERALCO Group* purchases goods and services from its affiliates and sells power and renders services to such affiliates.

PSAs

As discussed in Note 30, *MERALCO* has long-term *PSAs* with *SBPL* and *NSEC*.

Following is a summary of related party transactions in 2023, 2022 and 2021 and the outstanding balances as at December 31, 2023 and 2022:

	Amount of Transactions			Outstanding Receivable (Liability)			
Category	**2023**	2022	2021	**2023**	2022	Terms	Conditions
	(Amounts in millions)						
Sale of electricity:							
JG Summit Group	**₱4,372**	₱3,919	₱2,704	**₱856**	₱2,257	10-days; noninterest-bearing	Unsecured, no impairment
PLDT Group	**1,405**	1,224	1,233	**69**	86	10-days; noninterest-bearing	Unsecured, no impairment
Metro Pacific Group	**566**	391	410	**45**	40	10-days; noninterest-bearing	Unsecured, no impairment
Purchases of IT services - *Indra Philippines*	**1,012**	940	922	**(293)**	(377)	30-days; noninterest-bearing	Unsecured
Purchases of meters and devices – *Aclara Meters*	**246**	147	248	(7)	–	30-days; noninterest-bearing	Unsecured
Purchases of medical services - *Colinas Verdes Hospital Managers*	**204**	192	238	**(9)**	(7)	30-days; noninterest-bearing	Unsecured
Revenue from pole attachment - *PLDT*	**688**	689	599	**6**	5	Advance payment	Unsecured, no impairment
Lease of office premises - *RLC*	**107**	48	–	**–**	–	30-days; noninterest-bearing	Unsecured
Purchases of wireline and wireless services - *PLDT Group*	**96**	103	90	**(2)**	(13)	30-days; noninterest-bearing	Unsecured

Category	Amount of Transactions			Outstanding Receivable (Liability)		Terms	Conditions
	2023	2022	2021	**2023**	2022		
	(Amounts in millions)						
Purchases of insurance premium - *MPioneer*	**₱470**	₱451	₱412	**(₱4)**	(₱2)	30-days; noninterest-bearing	Unsecured
Donations to One Meralco Foundation	**94**	99	71	**–**	–	None	None
Purchases of power:							
SBPL	**24,837**	26,795	15,973	**(158)**	(1,773)	30-days; noninterest-bearing	Unsecured
NSEC	**263**	–	–	**(39)**	–	30-days; noninterest-bearing	Unsecured
PEDC [1]	**–**	–	372	**–**	–	30-days; noninterest-bearing	Unsecured

[1] *On March 31, 2021, MERALCO, through MGen, acquired 86% combined equity in GBPC from MPIC and JG Summit, increasing MGen's equity to 100%.*

Transaction with MERALCO Retirement Benefits Fund ("*Retirement Fund*")

MERALCO's Retirement *Fund* holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy*. The fair value of *RP Energy*'s common shares cannot be reliably measured as these are not traded in the financial market. As at December 31, 2023 and December 31, 2022, the fair value of the total assets being managed by the *Fund* amounted to ₱30.9 billion and ₱31.6 billion, respectively.

See *Note 26 – Long-Term Employee Benefits.*

Compensation of Key Management Personnel

The compensation of key management personnel of the *MERALCO Group* by benefit type is as follows:

	2023	2022	2021
		(Amounts in millions)	
Short-term employee benefits	**₱755**	₱643	₱549
Long-term employee incentives and retirement benefits	**374**	280	280
Total compensation to key management personnel	**₱1,129**	₱923	₱829

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding year.

Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted or the equivalent cash value.

As at December 31, 2023, there are no agreements between the *MERALCO Group* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

24. Revenues and Purchased Power

Revenues

The *MERALCO Group* disaggregates its revenue information in the same manner as it reports its segment information.

See *Note 6 – Segment Information.*

Contract Assets and Contract Liabilities

The *MERALCO Group*'s contract balances are as follows:

	Note	**2023**	2022
		(Amounts in millions)	
Contract assets:			
Unbilled receivables	*13*	**₱3,028**	₱3,118
Under-recoveries of pass-through charges - net	*11*	**10,434**	11,407
Contract liabilities:			
Non-refundable liability related to asset funded by customers		**898**	869
Over-recoveries from transmission, lifeline subsidy and *SL* charges - net		**931**	559

Income recognized from the non-refundable liability related to assets funded by customers amounted to ₱147 million, ₱203 million and ₱114 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Purchased Power

The details of purchased power are as follows:

	2023	2022	2021
		(Amounts in millions)	
Generation costs	**₱292,968**	₱279,328	₱190,416
Transmission costs	**35,280**	43,317	34,499
	₱328,248	₱322,645	₱224,915

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO, Clark Electric* and *Shin Clark Power,* as *DU*s.

Generation costs include any line rentals, market fees and must-run unit charges billed by *IEMOP.*

The details of purchased power follow:

\

	2023	2022	2021
		(Amounts in millions)	
"*FGPC*" and FGP Corp. ("*FGP*")	**₱70,279**	₱76,145	₱51,164
IEMOP	**57,420**	40,655	21,721
South Premiere Power Corporation ("*SPPC*")	**36,807**	25,679	25,643
NGCP	**35,319**	43,356	34,539
SBPL	**24,837**	26,795	15,973
QPPL	**24,126**	28,793	16,289
Therma Luzon, Inc. ("*TLI*")	**15,850**	4,161	2,219
First NatGas Power Corp. ("*FNPC*")	**15,218**	14,971	9,309
Sual Power Inc. ("*SPI*")	**14,603**	21,625	15,535
AC Energy Philippines, Inc. ("*AC Energy*")	**10,586**	10,562	10,790
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**10,991**	18,712	8,522
Southwest Luzon Power Generation Corporation	**3,385**	2,672	1,982
Energy Development Corporation ("*EDC*")*	**2,398**	1,015	–
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**633**	644	4,933
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	**418**	370	425
First Gen Hydro Power Corporation ("*FGHPC*")*	**–**	1,378	2,507
GNPower Dinginin Ltd. Co. ("*GNPD*")	**2,459**	465	–
Others	**2,919**	4,647	3,364
	₱328,248	₱322,645	₱224,915

** Effective July 26, 2022, FGHPC ceded, assigned and conveyed to EDC all of its rights, interests and obligations under the PSA.*

Generation and transmission costs are net of company use amounting to ₱503 million, ₱480 million and ₱353 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2023 and 2022, the total transmission costs and *SL* charge over-recoveries included in "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to ₱769 million and ₱484 million, respectively.

25. Expenses and Income

Salaries, Wages and Employee Benefits

	Note	**2023**	2022	2021
			(Amounts in millions)	
Salaries, wages and related employee benefits		**₱15,341**	₱14,150	₱13,651
Retirement benefits	*26*	**1,075**	1,531	2,140
Other post-employment benefits	26	**105**	155	101
		₱16,521	₱15,836	₱15,892

Depreciation and Amortization

	Note	**2023**	2022	2021
			(Amounts in millions)	
Utility plant, generation plant and others	*7*	**₱14,770**	₱14,117	₱10,846
Intangible assets	*10*	**1,851**	1,910	1,649
Investment properties	*9*	**4**	4	4
		₱16,625	₱16,031	₱12,499

Other Expenses

	Note	**2023**	2022	2021
			(Amounts in millions)	
Materials used	*14*	**₱3,086**	₱4,104	₱2,792
Rent and utilities		**1,661**	1,314	971
Transportation and travel		**620**	597	390
Insurance		**565**	483	459
Donations		**375**	234	424
Advertising		**337**	278	200
Communication	*23*	**204**	190	157
Others		**778**	1,252	919
		₱7,626	₱8,452	₱6,312

26. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	2023	2022
	(Amounts in millions)	
Retirement benefits liability	**₱7,177**	₱1,571
Other post-employment benefits	**1,646**	1,316
Long-term incentives	**1,440**	3,756
	10,263	6,643
Less current portion	**–**	3,750
	₱10,263	₱2,893

Defined Benefit Retirement Plans

The features of the *MERALCO Group*'s defined benefit plans are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements.*

Actuarial valuations are prepared annually by the respective independent actuaries engaged by *MERALCO* and its subsidiaries.

Expense recognized for defined benefit plans (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2023	2022	2021
		(Amounts in millions)	
Current service costs	**₱911**	₱1,197	₱1,579
Net interest costs	**95**	273	509
Net retirement benefits expense	**₱1,006**	₱1,470	₱2,088

Retirement Benefits Liability

	2023	2022
	(Amounts in millions)	
Defined benefit obligation	**₱38,029**	₱33,143
Fair value of plan assets	**(30,852)**	(31,572)
Net retirement benefits liability	**₱7,177**	₱1,571

Changes in the net retirement benefits liability are as follows:

	2023	2022
	(Amounts in millions)	
Retirement benefits liability at beginning of year	**₱1,571**	₱5,625
Net retirement benefits expense	**1,006**	1,470
Amounts recognized in *OCI*	**4,835**	(5,274)
Contributions by employer	**(235)**	(250)
Net retirement benefits liability at end of year	**₱7,177**	₱1,571

Changes in the present value of the defined benefits obligation are as follows:

	2023	2022
	(Amounts in millions)	
Defined benefit obligation at beginning of year	**₱33,143**	₱40,192
Interest costs	**2,126**	1,853
Current service costs	**911**	1,197
Benefits paid	**(2,669)**	(2,515)
Actuarial losses (gains) due to:		
Changes in financial assumptions	**3,961**	(9,336)
Experience adjustments	**557**	1,752
Defined benefit obligation at end of year	**₱38,029**	₱33,143

Changes in the fair value of plan assets are as follows:

	2023	2022
	(Amounts in millions)	
Fair value of plan assets at beginning of year	**₱31,572**	₱34,567
Interest income	**2,031**	1,580
Contributions by employer	**235**	250
Return on plan assets, excluding amount included in net interest on the net defined benefit obligation and interest income	**(317)**	(2,310)
Benefits paid	**(2,669)**	(2,515)
Fair value of plan assets at end of year	**₱30,852**	₱31,572

The Board of Trustees ("*BoT*") of the *Retirement Fund* is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, none of whom are beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach of investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan assets. The *BoT* periodically reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	2023	2022
	(Amount in millions)	
Investments quoted in active markets:		
Government securities	**₱10,404**	₱9,364
Bonds and commercial notes	**8,892**	9,359
Marketable equity securities	**7,256**	7,210
Real property	**1,927**	1,853
Receivables	**1,503**	1,517
Cash and cash equivalents	**869**	2,268
Others	**1**	1
Fair value of plan assets	**₱30,852**	₱31,572

Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits (included as part of "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2023	2022	2021
		(Amounts in millions)	
Interest costs	**₱94**	₱104	₱74
Current service costs	**11**	51	27
	₱105	₱155	₱101

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	2023	2022
	(Amounts in millions)	
Balance at beginning of year	**₱1,316**	₱2,091
Interest costs	**94**	104
Current service costs	**11**	51
Benefits paid	**(92)**	(60)
Actuarial losses (gains) due to change in assumptions	**317**	(870)
Balance at end of year	**₱1,646**	₱1,316

Actuarial Assumptions

The principal assumptions used in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	2023	2022
Annual discount rate	**6.05%-6.13%**	7.05%-7.37%
Future range of annual salary increases	**4.00%-10.00%**	4.00%-11.00%

Sensitivity Analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions, keeping all other assumptions constant. There have been no changes in the method and assumptions used in the sensitivity analysis from prior year.

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

		Effect on Present Value of Defined Benefit Obligation	
	% Change	**2023**	2022
		(Amounts in millions)	
Annual discount rate	+1.0%	**(₱3,808)**	(₱3,335)
	-1.0%	**4,514**	3,955
Future range of annual salary increases	+1.0%	**1,413**	1,210
	-1.0%	**(1,250)**	(1,077)

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	₱4,690
One (1) year up to five (5) years	17,913
More than five (5) years up to 10 years	16,038
More than 10 years up to 15 years	14,633
More than 15 years up to 20 years	16,474
More than 20 years	34,818

Risk

The *Retirement Fund* is exposed to the following risks:

Credit Risk
The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amounts of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund.*

Share Price Risk
The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and are traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.

By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk

Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund.* The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱69 million, ₱61 million and ₱52 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Consolidated Retirement Benefits Cost (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2023	2022	2021
		(Amounts in millions)	
Expense recognized for defined benefit plans	**₱1,006**	₱1,470	₱2,088
Expense recognized for defined contribution plan	**69**	61	52
Retirement benefits expense	**₱1,075**	₱1,531	₱2,140

Long-term Incentive Plan ("*LTIP*")

MERALCO's *LTIP* covers qualified employees and is based on *MERALCO Group*'s achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

27. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2023				
Noncurrent				
Financial and other noncurrent assets	**₱10,086**	**₱4,375**	**₱–**	**₱14,461**
Current				
Cash and cash equivalents	**82,789**	**–**	**–**	**82,789**
Trade and other receivables	**45,390**	**–**	**–**	**45,390**
Financial and other current assets	**7,741**	**–**	**–**	**7,741**
Total Financial Assets	**₱146,006**	**₱4,375**	**₱–**	**₱150,381**
Liabilities as at December 31, 2023				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	**₱–**	**₱–**	**₱65,872**	**₱65,872**
Customers' deposits - net of current portion	**–**	**–**	**34,128**	**34,128**
Refundable service extension costs - net of current portion	**–**	**–**	**4,051**	**4,051**
Current				
Notes payable	**–**	**–**	**27,583**	**27,583**
Trade payables and other current liabilities	**–**	**–**	**101,516**	**101,516**
Customers' refund	**–**	**–**	**2,846**	**2,846**
Current portion of interest-bearing long-term financial liabilities	**–**	**–**	**5,991**	**5,991**
Total Financial Liabilities	**₱–**	**₱–**	**₱241,987**	**₱241,987**

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2022				
Noncurrent				
Financial and other noncurrent assets	₱24,342	₱4,140	₱–	₱28,482
Current				
Cash and cash equivalents	55,832	–	–	55,832
Trade and other receivables	51,589	–	–	51,589
Financial and other current assets	18,196	–	–	18,196
Total Financial Assets	₱149,959	₱4,140	₱–	₱154,099

(Forward)

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Liabilities as at December 31, 2022				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱68,757	₱68,757
Customers' deposits - net of current portion	–	–	31,590	31,590
Refundable service extension costs - net of current portion	–	–	4,653	4,653
Current				
Notes payable	–	–	29,491	29,491
Trade payables and other current liabilities	–	–	91,739	91,739
Customers' refund	–	–	2,905	2,905
Current portion of interest-bearing long-term financial liabilities	–	–	5,585	5,585
Total Financial Liabilities	₱–	₱–	₱234,720	₱234,720

Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of the *MERALCO Group*'s financial instruments:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(Amounts in millions)		
Financial assets				
Debt securities at amortized cost	**₱17,391**	**₱17,764**	₱37,296	₱36,122
Financial assets at *FVOCI*	**4,375**	**4,375**	4,140	4,140
Financial assets at amortized cost -				
Restricted cash	**–**	**–**	4,478	4,478
Advance payments to a supplier	**425**	**395**	560	596
	₱22,191	**₱22,534**	₱46,474	₱45,336
Financial liabilities				
Financial liabilities carried at amortized cost - Interest-bearing-long-term financial liabilities	**₱70,398**	**₱72,157**	₱72,875	₱73,600

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Advance Payments to a Supplier

The fair values of advance payments to a supplier were computed by discounting the instruments' expected future cash flows using the rates of 5.81% and 6.39% as at December 31, 2023 and 2022, respectively.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amounts of bill deposits approximate their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 5.43% to 5.88% and 4.08% to 7.01% as at December 31, 2023 and 2022, respectively.

Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by the shareholder of their certification. This is included under "Interest-bearing long-term financial liabilities" account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.

Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	2023				2022			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
				(Amounts in millions)				
Financial assets								
Advance payments to a supplier	**₱–**	**₱395**	**₱–**	**₱395**	₱–	₱596	₱–	₱596
Restricted cash	**–**	**–**	**–**	**–**	–	4,478	–	4,478
Financial assets at *FVOCI*	**4,375**	**–**	**–**	**4,375**	4,140	–	–	4,140
Debt securities at amortized cost	**17,764**	**–**	**–**	**17,764**	36,122	–	–	36,122
	₱22,139	**₱395**	**₱–**	**₱22,534**	₱40,262	₱5,074	₱–	₱45,336
Financial liabilities								
Interest-bearing long-term financial liabilities	**₱–**	**₱72,157**	**₱–**	**₱72,157**	₱–	₱73,600	₱–	₱73,600

For the years ended December 31, 2023, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

The *MERALCO Group's* exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

MERALCO's policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *GBPC* and its subsidiaries to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *GBPC* and its subsidiaries' loans which bear fixed interest rates are subject to repricing after a minimum of five years for *CEDC* and *PEDC* and seven years for *TPC*.

The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

	Within 1 Year	Over 1–2 Years	Over 2–3 Years	Over 3–4 Years	Over 4–5 Years	More than 5 Years	Total
	(Amounts in millions)						
2023	**₱1,084**	**₱1,086**	**₱1,237**	**₱1,344**	**₱1,368**	**₱20,662**	**₱26,781**
2022	1,065	1,065	1,065	1,065	1,065	15,773	21,098

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of the *MERALCO Group* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the *MERALCO Group*'s income before income tax for the years ended December 31, 2023 and 2022 through the impact on floating rate borrowings. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statement of income.

	2023		2022	
	Increase (Decrease) in Basis Points	**Effect on Income before Income Tax**	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
		(Amounts in millions)		
Floating rate loans from various banks	**+75**	**(₱201)**	+75	(₱158)
	(75)	**201**	(75)	158

Interest expense of floating rate loans for the year is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting year. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of the *MERALCO Group*'s revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of the *MERALCO Group*'s expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of the *MERALCO Group*'s foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.

The following table shows the consolidated foreign currency-denominated financial assets and financial liabilities as at December 31, 2023 and 2022, translated to Philippine peso at ₱55.37 and ₱55.76 to US$1, respectively.

	2023		2022	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
		(Amounts in millions)		
Financial assets:				
Cash and cash equivalents	**$110**	**₱6,118**	$63	₱3,491
Debt securities at amortized cost	**4**	**221**	41	2,286
Financial assets at *FVOCI*	**32**	**1,754**	30	1,693
Advance payments to a supplier	**7**	**395**	11	596
Short-term investments	**46**	**2,531**	6	335
	199	**11,019**	151	8,401
Financial liabilities:				
Interest-bearing long-term financial liabilities	**(1)**	**(38)**	(2)	(118)
Trade payables and other liabilities	**(12)**	**(684)**	(7)	(374)
	(13)	**(722)**	(9)	(492)
	$186	**₱10,297**	$142	₱7,909

All of the *MERALCO Group*'s long-term financial liabilities are denominated in Philippine peso. However, an insignificant portion of its trade payables are denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of the *MERALCO Group*'s income before income tax due to changes in the fair value of financial assets and financial liabilities. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statements of income.

	2023		2022	
	Appreciation (Depreciation) of U.S. Dollar	**Effect on Income before Income Tax**	Appreciation (Depreciation) of U.S. Dollar	Effect on Income before Income Tax
	(In %)	*(In millions)*	*(In %)*	*(In millions)*
U.S. dollar-denominated financial assets and financial liabilities	**+5**	**₱401**	+5	₱395
	–5	**(401)**	–5	(395)

Foreign exchange gain or loss for the year is computed based on management's best estimate of a +/– 5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances as at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* and *Clark Electric* to price risk is minimal. The cost of fuel is part of *MERALCO*'s and *Clark Electric*'s generation costs that are recoverable through the generation charge in the billings to customers.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The *MERALCO Group* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO Group*'s procedures and controls relating to customer credit risk management. The *MERALCO Group* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are groupings of contract status (e.g. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the *MERALCO Group* customer segment's historical observed default rates. Each business segment of the *MERALCO Group* will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates, forecast of economic conditions, economic impact of *COVID-19* pandemic to *MERALCO Group* customers and *ECL*s involved significant estimation. The amount of *ECL*s is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

The subsidiaries of *MERALCO* trade only with recognized, creditworthy third parties. It is the *MERALCO Group*'s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis to reduce exposure to bad debt.

GBPC and its subsidiaries applied the simplified approach under *PFRS 9*, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. *GBPC* and its subsidiaries have identified the gross domestic product ("*GDP*"), consumer price index ("*CPI*") and unemployment rate in the locations in which they sell their services to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

No impairment losses resulted from performing collective impairment test, due to the past experience of *GBPC* and its subsidiaries of realizing receivables within the credit period which help reduce the credit risk exposure in case of default by the customers.

Set out below is the information about the credit risk exposure of the *MERALCO Group*'s trade and other receivables and contract assets using a provision matrix:

	2023							
	Trade – electectricity distributed							
	Contract Status							
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated	Energy Generated	Other trade receivables	Nontrade receivables	Total
	(Amounts in millions, except ECL rate)							
ECL Rate	**0.24%**	**0.70%**	**1.09%**	**74.99%**	**18.96%**	**17.44%**	**6.77%**	
Estimated total gross carrying amount at default	**₱28,698**	**₱2,592**	**₱105**	**₱7,293**	**₱6,729**	**₱4,312**	**₱6,705**	**₱56,434**
Expected credit loss	**69**	**18**	**1**	**5,469**	**1,276**	**752**	**454**	**8,039**

	2022							
	Trade – electectricity distributed							
	Contract Status							
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated	Energy Generated	Other trade receivables	Nontrade receivables	Total
	(Amounts in millions, except ECL rate)							
ECL Rate	**1.79%**	**2.46%**	**2.14%**	**81.28%**	**14.59%**	**12.47%**	**7.28%**	
Estimated total gross carrying amount at default	**₱32,714**	**₱1,993**	**₱1,951**	**₱5,037**	**₱7,594**	**₱6,301**	**₱6,208**	**₱61,798**
Expected credit loss	**585**	**49**	**42**	**4,093**	**1,108**	**786**	**452**	**7,115**

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to the *MERALCO Group*'s accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. The *MERALCO Group* transacts derivatives only with similarly accredited financial institutions. In addition, the *MERALCO Group*'s deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱500,000 per bank account.

The *MERALCO Group* invests only in quoted debt securities with very low credit risk. The *MERALCO Group*'s debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. The *MERALCO Group*'s credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, Clark Electric and *Shin Clark,* as *DU*s, requires their captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	2023	2022
	(Amounts in millions)	
Cash and cash equivalents:		
Cash in banks	**₱29,892**	₱16,966
Cash equivalents	**52,685**	38,634
Trade and other receivables:		
Electricity sold	**33,131**	36,926
Energy generated	**5,453**	6,486
Service contracts	**555**	2,421
Nontrade receivables	**6,251**	5,756
Other current financial assets:		
Debt securities at amortized cost	**7,533**	17,793
Current portion of advance payments to a supplier	**197**	199
Short-term investments	**11**	204
Other noncurrent financial assets:		
Debt securities at amortized cost	**9,858**	19,503
Financial assets at *FVOCI*	**4,375**	4,140
Advance payments to a supplier	**228**	361
Restricted cash	**–**	4,478
	₱150,169	₱153,867

The credit quality of financial assets is managed by *MERALCO* using "High Grade", "Standard Grade" and "Sub-standard Grade" for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	2023					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	**₱82,577**	**₱–**	**₱–**	**₱–**	**₱–**	**₱82,577**
Trade and other receivables:						
Electricity sold	**7,342**	**3,065**	**12,958**	**9,766**	**5,557**	**38,688**
Energy generated	**5,452**	**–**	**–**	**1**	**1,276**	**6,729**
Service contracts	**332**	**–**	**–**	**223**	**893**	**1,448**
Nontrade receivables	**5,203**	**–**	**–**	**1,048**	**454**	**6,705**
Financial and other current assets:						
Debt securities at amortized cost	**7,533**	**–**	**–**	**–**	**–**	**7,533**
Current portion of advance payments to a supplier	**197**	**–**	**–**	**–**	**–**	**197**
Short-term investments	**11**	**–**	**–**	**–**	**–**	**11**
Financial and other noncurrent assets:						
Debt securities at amortized cost	**9,858**	**–**	**–**	**–**	**–**	**9,858**
Financial assets at *FVOCI*	**4,375**	**–**	**–**	**–**	**–**	**4,375**
Advance payments to a supplier	**228**	**–**	**–**	**–**	**–**	**228**
	₱123,108	**₱3,065**	**₱12,958**	**₱11,038**	**₱8,180**	**₱158,349**

	2022					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱55,600	₱–	₱–	₱–	₱–	₱55,600
Trade and other receivables:						
Electricity sold	8,031	2,868	12,728	13,299	4,769	41,695
Energy generated	6,485	–	–	1	1,108	7,594
Service contracts	1,175	–	–	1,246	762	3,183
Nontrade receivables	5,252	–	–	504	452	6,208
Financial and other current assets:						
Debt securities at amortized cost	17,793	–	–	–	–	17,793
Current portion of advance payments to a supplier	199	–	–	–	–	199
Short-term investments	204	–	–	–	–	204
Financial and other noncurrent assets:						
Debt securities at amortized cost	19,503	–	–	–	–	19,503
Financial assets at *FVOCI*	4,140	–	–	–	–	4,140
Restricted cash	4,478	–	–	–	–	4,478
Advance payments to a supplier	361	–	–	–	–	361
	₱123,221	₱2,868	₱12,728	₱15,050	₱7,091	₱160,958

Credit ratings are determined as follows:

- High Grade

  High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost investments, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently,

credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

- Standard Grade

  Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

- Sub-standard Grade

  Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that the *MERALCO Group* will be unable to meet its payment obligations when these fall due. The *MERALCO Group* manages this risk through monitoring of cash flows in consideration of future payment of obligations and the collection of its trade receivables. The *MERALCO Group* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

The *MERALCO Group* maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections. The *MERALCO Group* also maintains accounts with several relationship banks to avoid significant concentration of funds with one (1) institution.

The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

	2023				
	Less than 3 Months	**Over 3–12 Months**	**Over 1–5 Years**	**More than 5 Years**	**Total**
	(Amounts in millions)				
Notes payable	**₱265**	**₱27,685**	**₱–**	**₱–**	**₱27,950**
Trade payables and other current liabilities	**96,959**	**–**	**–**	**–**	**96,959**
Customers' refund	**2,846**	**–**	**–**	**–**	**2,846**
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	**4,594**	**3,151**	**19,482**	**8,193**	**35,420**
Floating rate borrowings	**526**	**1,738**	**12,846**	**37,009**	**52,119**
Redeemable preferred stock	**1,465**	**–**	**–**	**–**	**1,465**
Customers' deposits	**970**	**1,810**	**7,342**	**26,786**	**36,908**
Refundable service extension costs	**345**	**1,432**	**3,303**	**748**	**5,828**
Non-refundable liability related to asset funded by customers	**127**	**127**	**127**	**517**	**898**
Total undiscounted financial liabilities	**₱108,097**	**₱35,943**	**₱43,100**	**₱73,253**	**₱260,393**

	2022				
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
	(Amounts in millions)				
Notes payable	₱2,047	₱28,004	₱–	₱–	₱30,051
Trade payables and other current liabilities	86,726	–	–	–	86,726
Customers' refund	2,905	–	–	–	2,905
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	958	4,937	31,187	33,259	70,341
Floating rate borrowings	163	590	2,972	12,501	16,226
Redeemable preferred stock	1,467	–	–	–	1,467
Customers' deposits	505	2,736	6,907	24,683	34,831
Refundable service extension costs	345	1,427	4,405	248	6,425
Non-refundable liability related to asset funded by customers	127	127	127	488	869
Total undiscounted financial liabilities	₱95,243	₱37,821	₱45,598	₱71,179	₱249,841

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,463 million will be refunded within a year. This is shown as part of "Trade payables and other current liabilities" account in the consolidated statement of financial position as at December 31, 2023.

Capital Management

The primary objective of the *MERALCO Group*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on, and of, capital are consistent with the levels approved by its regulators for its core distribution business.

The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.

The *MERALCO Group* monitors capital using, among other measures, debt to equity ratio, which is gross debt divided by equity attributable to the holders of the parent. The *MERALCO Group* considers long-term debt, redeemable preferred stock and notes payable as debt.

	2023	2022
	(Amounts in millions, except debt to equity ratio)	
Long-term debt	**₱70,398**	₱72,875
Notes payable	**27,583**	29,491
Redeemable preferred stock	**1,465**	1,467
Debt (a)	**₱99,446**	₱103,833
Equity attributable to the holders of the parent (b)	**₱122,241**	₱109,664
Debt to equity ratio(a)/(b)	**0.81**	0.95

28. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	**2023**	2022
		(Amounts in millions)	
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	*19 and 22*	**₱26,097**	₱25,464
Unfunded retirement benefits cost and unamortized past service cost	*26*	**2,639**	2,563
Allowance for expected credit losses	*13*	**1,385**	1,188
Accrued employee benefits	*26*	**819**	1,395
Allowance for excess of cost over net realizable value of inventories	*14*	**117**	48
Decommissioning liability		**99**	223
Others		**1,277**	1,151
		32,433	32,032
Deferred income tax liabilities:			
Fair value of net assets from acquisitions	*3*	**7,294**	5,343
Revaluation increment in utility plant, generation plant and others	*7,9 and 16*	**5,408**	5,483
Actuarial gains	*26*	**995**	2,329
Capitalized interest		**858**	792
Capitalized duties and taxes deducted in advance		**364**	398
Others		**1,572**	457
		16,491	14,802
		₱15,942	₱17,230

The deferred income tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2023	2022
	(Amounts in millions)	
Deferred income tax assets – net	**₱24,633**	₱22,657
Deferred income tax liabilities – net	**(8,691)**	(5,427)
	₱15,942	₱17,230

Provision for (benefit from) income tax consists of:

	2023	2022	2021
		(Amounts in millions)	
Current	**₱9,153**	₱4,122	₱8,728
Deferred	**(1,042)**	2,526	184
	₱8,111	₱6,648	₱8,912

Deferred income tax charged directly to *OCI* amounted to ₱1,278 (benefit) million, ₱1,544 million (expense) and ₱2,172 million (expense) for the years ended December 31, 2023, 2022 and 2021, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rates of 25%, for the years ended December 31, 2023, 2022 and 2021, and provision for income tax as shown in the consolidated statements of income is as follows:

	2023	2022	2021
		(Amounts in millions)	
Income tax computed at statutory tax rate	**₱11,697**	₱8,809	₱8,249
Income tax effects of:			
Equity in net earnings of associates and joint ventures	**(2,870)**	(3,009)	(782)
Interest income subjected to lower final tax rate	**(804)**	(486)	(478)
Nontaxable income	**(439)**	(75)	(93)
Nondeductible interest expense	**201**	121	119
Nondeductible expense	**151**	25	–
Difference in calculation of tax deductible costs and expenses	**(218)**	–	(1,526)
Movement of unrecognized deferred tax assets	**127**	860	(677)
Others	**266**	403	399
Impact of *CREATE* bill on provision for:			
Current income tax	**–**	–	(824)
Deferred income tax	**–**	–	4,525
	₱8,111	₱6,648	₱8,912

MERALCO adopted the optional standard deductions ("*OSD*") in 2023 and 2021 in lieu of itemized deductions and itemized deductions in 2022 beginning with its first quarter income tax return.

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable years, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing taxable income.

MERALCO's net deferred tax assets which were not recognized as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(Amounts in millions)	
Deferred tax assets:		
Net operating loss carryover ("*NOLCO*")	**₱2,426**	₱2,030
Provisions for various claims	**311**	664
	₱2,737	₱2,694

The temporary differences for which deferred tax assets have not been recognized pertain to the tax effect of *NOLCO* of *MGen* amounting to ₱9,704 million and ₱8,121 million as at December 31, 2023 and 2022, respectively. These are not recognized because *MGen* does not expect to utilize such deferred tax assets against sufficient taxable profit in the future.

NOLCO totaling to ₱9,704 million may be claimed as deduction against taxable income as follows:

Date Incurred	Expiry Date	Amount
		(In millions)
December 31, 2020	December 31, 2025	₱1,288
December 31, 2021	December 31, 2026	1,806
December 31, 2022	December 31, 2025	4,092
December 31, 2023	December 31, 2026	2,518
		₱9,704

NOLCO amounting to ₱623 million and ₱862 million expired in 2022 and 2021, respectively.

On September 30, 2020, the *BIR* issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the *NOLCO* incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer's bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations ("*IRR*") issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of the foregoing charges in the customers' bill.

In *ERC* Resolution No. 2, Series of 2021, or the Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DU*s, the *ERC* amended and modified the rules with respect to the recovery of any local franchise tax, including the filing of applications for recovery.

29. Contingencies and Legal Proceedings

Overpayment of Income Tax related to SC Refund

With the decision of the *SC* for *MERALCO* to refund ₱0.167 per *kWh* to customers during the billing period February 1994 to May 2003, *MERALCO* effectively overpaid income tax in the amount of ₱ 7,107 million for taxable years 1994 to 1998 and 2000 to 2001. Accordingly, on November 27, 2003, *MERALCO* filed a claim for the recovery of such excess income taxes paid. After examination of the books of *MERALCO* for the covered periods, the *BIR* determined that *MERALCO* had in fact overpaid income taxes in the amount of ₱6,690 million. However, the *BIR* also maintained that *MERALCO* is entitled to a refund amount of only ₱894 million, which pertains to taxable year 2001, claiming that the period for filing a claim had prescribed in respect to the difference between

MERALCO's overpayment and the refund amount *MERALCO* is entitled to.

The *BIR* then approved the refund of ₱894 million for issuance of tax credit certificates ("*TCC*s"), proportionate to the actual refund of claims to utility customers. The *BIR* initially issued *TCC*s amounting to ₱317 million corresponding to actual refund to customers as at August 31, 2005. In May 2014, the *BIR* issued additional *TCC*s amounting to ₱396 million corresponding to actual refund to customers as at December 31, 2012.

As at December 31, 2023 and 2022, the amount of unissued *TCC*s of ₱181 million is presented as part of "Financial and other noncurrent assets" account in the consolidated statements of financial position.

See *Note 11 – Financial and other Noncurrent Assets.*

MERALCO filed a Petition with the Court of Tax Appeals ("*CTA*") assailing the denial by the *BIR* of its income tax refund claim of ₱5,796 million for the years 1994 - 1998 and 2000, arising from the *SC* decision (net of ₱894 million as approved by the *BIR* for taxable year 2001 "Overpayment of Income Tax related to *SC* Refund"). In a Decision dated December 6, 2010, the *CTA*'s Second Division granted *MERALCO*'s claim and ordered the *BIR* to refund or to issue *TCC* in favor of *MERALCO* in the amount of ₱5,796 million in proportion to the tax withheld on the total amount that has been actually given or credited to its customers.

On appeal by the *BIR* to the *CTA* En Banc, *MERALCO*'s petition was dismissed on the ground of prescription in the Decision of the *CTA* En Banc dated May 8, 2012. An *MR* was filed by *MERALCO* and the *CTA* En Banc partly granted *MERALCO*'s motion and issued an Amended Decision dated November 13, 2012, ruling that *MERALCO*'s claim was not yet barred by prescription and remanding the case back to the *CTA* Second Division for further reception of evidence.

The *BIR* filed a *MR* of the above Amended Decision, while *MERALCO* filed its Motion for Partial Reconsideration or Clarification of Amended Decision. Both parties filed their respective Comments to the said motions, and these have been submitted for resolution at the *CTA* En Banc.

In a Resolution promulgated on May 22, 2013, the *CTA* denied the said motions of the *BIR* and *MERALCO*, and the *CTA* Second Division was ordered to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994-1998 and 2000, but corresponding to the amount of ₱5,796 million, as already determined by the said court.

On July 12, 2013, the *BIR* appealed the *CTA* En Banc's Amended Decision dated November 13, 2012 and Resolution dated May 22, 2013 via Petition for Review with the *SC*. As at February 26, 2024, the case is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code ("*LGC*"), only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

With the development, *PEPOA* and *PHILRECA* filed separate petitions for rule-making proposing the pass-through of *RPT*.

In 2021, acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Accordingly, *MERALCO* filed for recovery of such *RPT* paid and intends to recover the same in the regulatory reset process.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 26, 2024, the Petition is pending with the *ERC*.

See Note 19 – Provisions.

Mediation with NPC

The *NPC* embarked on a Power Development Program ("*PDP*"), which consisted of contracting generating capacities and the construction of its own, as well as private sector, generating plants, following a crippling power supply crisis. To address the concerns of the creditors of *NPC*, namely, Asian Development Bank and the World Bank, the Department of Energy ("*DOE*") required that *MERALCO* enter into a long-term supply contract with the *NPC.*

Accordingly, on November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* which commenced on January 1, 1995. The *CSE,* the rates and amounts charged to *MERALCO* therein, were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* further asked *MERALCO* to provide a market for half of the output of the Camago-Malampaya gas field to enable its development and production of natural gas, which was to generate significant revenues for the Philippine Government and equally significant foreign exchange savings for the country to the extent of the fuel imports, which the domestic volume of natural gas will displace.

MERALCO's actual purchases from *NPC* exceeded the contract level in the first seven (7) years of the *CSE*. However, the 1997 Asian crisis resulted in a significant curtailment of energy demand.

While the events were beyond the control of *MERALCO*, *NPC* did not honor *MERALCO*'s good faith notification of its off-take volumes. A dispute ensued and both parties agreed to enter into mediation.

The mediation resulted in the signing of a Settlement Agreement ("*SA*") between the parties on July 15, 2003. The *SA* was approved by the respective *BOD*s of *NPC* and *MERALCO*. The net settlement amount of ₱14,320 million was agreed upon by *NPC* and *MERALCO* and manifested before the *ERC* through a Joint Compliance dated January 19, 2006. The implementation of the *SA* is subject to the approval of the *ERC*.

Subsequently, the *OSG* filed a "Motion for Leave to Intervene with Motion to Admit Attached Opposition to the Joint Application and Settlement Agreement between *NPC* and *MERALCO*". As a result, *MERALCO* sought judicial clarification with the Regional Trial Court ("*RTC-Pasig*"). Pre-trials were set, which *MERALCO* complied with and attended. However, the *OSG* refused to participate in the pre-trial and opted to seek a Temporary Restraining Order ("*TRO*") from the *CA*.

In a Resolution dated December 1, 2010, the *CA* issued a *TRO* against the *RTC-Pasig*, *MERALCO* and *NPC* restraining the respondents from further proceeding with the case. Subsequently, in a Resolution dated February 3, 2011, the *CA* issued a writ of preliminary injunction enjoining the *RTC-Pasig* from conducting further proceedings pending resolution of the Petition. In a Decision dated October 14, 2011, the *CA* resolved to deny the Petition filed by the *OSG* and lifted the injunction previously issued. The said Decision likewise held that the *RTC-Pasig* committed no error in finding the *OSG* in default due to its failure to participate in the proceedings. The *RTC-Pasig* was thus ordered to proceed to hear the case *ex-parte*, as against the *OSG*, and with dispatch. The *OSG* filed a *MR* which was denied by the *CA* in its Resolution dated April 25, 2012. The *OSG* filed a Petition for Review on Certiorari with the *SC*. *MERALCO*'s Comment was filed on October 29, 2012. Subsequently, a Decision dated December 11, 2013 was rendered by the First Division of the *SC* denying the Petition for Review on Certiorari by the *OSG* and affirming the Decision promulgated by the *CA* on October 14, 2011.

With the dismissal of the petition filed by the Office of the Solicitor General ("*OSG*") with the *CA*, *MERALCO* filed a motion for the reception of its evidence *ex-parte* with the *RTC-Pasig* pursuant to the ruling of the *CA*. In a Decision dated May 29, 2012, the *RTC-Pasig* declared the *SA* valid and binding, independent of the pass-through for the settlement amount which is reserved for the *ERC*. The *OSG* has filed a Notice of Appeal with the *RTC-Pasig* on June 19, 2012. After both parties filed their respective appeal briefs, the *CA* rendered a Decision dated April 15, 2014 denying the appeal and affirming the *RTC* Decision, which declared the *SA* as valid and binding. The *OSG* filed a Petition for Review with the *SC*. On November 10, 2014, *MERALCO* filed its comment to the Petition. *PSALM* likewise filed its comment to the Petition. In a Resolution dated July 8, 2015, the *SC* resolved to serve anew its Resolutions requiring *NPC* to comment on the Petition. In compliance, *NPC* submitted its Comment dated September 8, 2015. *MERALCO* submitted its Motion for Leave to File and to Admit Attached Reply on October 12, 2015. Pursuant to the *SC* Resolution dated November 11, 2015, the *OSG* filed a Consolidated Reply to the comments filed by *NPC*, *MERALCO* and *PSALM*. *MERALCO* then filed a Motion for Leave to File and to Admit the Attached Rejoinder. The parties have filed their respective memoranda. In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. As at February 26, 2024, the case remains pending before the *SC*.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line is a two (2)-part transmission line, which completed the 230 *kV* line loop within Metro Manila. The two (2) main parts are the Araneta to Balintawak leg and the Sucat to Araneta leg, which cuts through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, Makati City "the *Plaintiffs*", filed a case against *NPC* with the *RTC-Makati*, enjoining *NPC* from further installing high voltage cables near the *Plaintiffs*' homes and from energizing and transmitting high voltage electric current through said cables because of the alleged health risks and danger posed by the same through the electromagnetic field emitted by said lines. Following its initial status quo Order issued on March 13, 2000, *RTC-Makati* granted on April 3, 2000 the preliminary injunction sought by the *Plaintiffs*. The decision was affirmed by the *SC* on March 23, 2006, which effectively reversed the decision of the *CA* to the contrary. The *RTC-Makati* subsequently issued a writ of execution based on the Order of the *SC. MERALCO*, in its capacity as an intervenor, was constrained to file an Omnibus Motion to maintain status quo because of the significant effect of a de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* granted the motions for intervention filed by intervenors, *MERALCO* and *NGCP* and dissolved the Writ of Preliminary Injunction issued, upon the posting of the respective counter bonds by defendant *NPC*, intervenors *MERALCO* and *NGCP*, subject to the condition that *NPC* and intervenors will pay for all damages, which the *Plaintiffs* may incur as a result of the Writ of Preliminary Injunction.

In its Order dated February 5, 2013, the *RTC-Makati* granted the *Plaintiffs*' motion and directed the re-raffle of the case to another branch after the judicial dispute resolution failed.

This case remains pending and is still at the pre-trial stage. During the pre-trial stage, *Plaintiffs* filed a Manifestation stating that they are pursuing the deposition of a supposed expert in electromagnetic field through oral examination without leave of court in late January or early February 2016 or on such date as all the parties may agree amongst themselves at the Consulate Office of the Philippines in Vancouver, Canada. *NPC* and intervenors filed their Opposition and Counter-Manifestation. Intervenor *NGCP* filed a Motion to Prohibit the Taking of the Deposition of the said expert. Intervenor *MERALCO* intends to file its Comment/Opposition in due course. As at February 26, 2024, *MERALCO* is awaiting further action of the *SC* on the matter.

Petition for Dispute Resolution against *PEMC*, *TransCo*, *NPC* and *PSALM*

On September 9, 2008, *MERALCO* filed with the *ERC* a Petition for Dispute Resolution, against *PEMC*, *TransCo*, *NPC* and *PSALM,* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition seeks to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the new price determined through the price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

In a Decision dated March 10, 2010, the *ERC* granted *MERALCO*'s petition and ruled that there is double charging of the transmission line costs billed to *MERALCO* by *NPC* for the Transition Supply Contract ("*TSC*") quantities to the extent of 2.98% loss factor, since the effectivity of the *TSC* in November 2006. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. In the meantime, the *ERC* issued an Order on May 4, 2011 allowing *PEMC* to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the *WESM. PEMC* has filed its compliance submitting its alternative methodology.

On September 8, 2011, *MERALCO* received a copy of *PEMC*'s compliance to the *ERC*'s directive and on November 11, 2011, *MERALCO* filed a counter-proposal which effectively simplifies *PEMC*'s proposal.

In an Order of the *ERC* dated June 21, 2012, *MERALCO* was directed to submit its computation of the amount of the double charging of line loss on a per month basis from June 26, 2006 up to June 2012. On July 4, 2012, *MERALCO* filed its Compliance to the said Order. Thereafter, the *ERC* issued an Order directing the parties to comment on *MERALCO*'s submissions. Hearings were conducted on October 2, 2012 and October 16, 2012 to discuss the parties' proposal and comments.

In an Order dated March 4, 2013, the *ERC* approved the methodology proposed by *MERALCO* and *PEMC* in computing the double charged amount on line losses by deducting 2.98% from the *NPC-TOU* amount. Accordingly, the *ERC* determined that the computed double charge amount to be collected from *NPC* is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the *NPC-TOU* rates imposed on *MERALCO*. In this regard, *NPC* was directed by the *ERC* to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.9 million per month until the over-recoveries are fully refunded. In the said Order, the *ERC* likewise determined that the amount to be collected from the successor generating companies ("*SGC*s") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following *SGC*s: *MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*"), *TLI*, *SPI* and *Sem-Calaca*, within 30 days from receipt thereof, to recover the line loss collected by them. On April 19, 2013, *MERALCO* filed a Motion for Clarification with the *ERC* regarding the directives contained in the March 4, 2013 Order. On April 30, 2013 and May 8, 2013, *PSALM* and *NPC*, respectively, filed motions seeking reconsideration of the March 4, 2013 Order. *MERALCO* filed a motion seeking for an additional 15 days from its receipt of the *ERC*'s Order resolving its Motion for Clarification, within which to file its Petition against the *SGC*s.

In an Order dated July 1, 2013, the *ERC* issued the following clarifications/resolutions: (i) *SPPC* should be included as one of the *SGC*s against whom a petition for dispute resolution should be filed by *MERALCO*; (ii) amount to be refunded by *NPC* is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iii) petition to be filed by *MERALCO* against the *SGC*s should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iv) "SCPC Ilijan" pertains to *SPPC* instead. Thus, the refundable amount of ₱706 million pertaining to "SCPC Ilijan" should be added to *SPPC*'s refundable amount of ₱1.1 billion; (v) grant the Motion for Extension filed by *MERALCO* within which to file a petition against the following *SGC*s: *MPPCL*, *APRI*, *TLI*, *SPI*, *Sem-Calaca* and *SPPC*; and (vi) deny the respective *MR*s filed by *NPC* and *PSALM*.

On September 12, 2013, *MERALCO* filed a Manifestation with Motion with the *ERC* seeking approval of its proposal to offset the amount of ₱73.9 million per month against its monthly remittances to *PSALM*. *PSALM* and *NPC* filed their comments *Ad Cautelam* and Comment and Opposition *Ad Cautelam*, respectively, on *MERALCO*'s Manifestation with Motion. On November 4, 2013, *MERALCO* filed its reply. As at February 26, 2024, *MERALCO*'s Manifestation with Motion is pending resolution by the *ERC*.

On October 24, 2013, *MERALCO* received *PSALM*'s Petition for Review on Certiorari with the *CA* (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) questioning the March 4, 2013 and July 1, 2013 Orders of the *ERC*.

On February 3, 2014, *MERALCO* filed a Comment with Opposition to the Application for *TRO* or Writ of Preliminary Injunction dated January 30, 2014. *PEMC* filed a Comment and Opposition Re: Petition for Certiorari with Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction dated January 6, 2014. On June 4, 2014, the *CA* issued a Resolution declaring that *PSALM* is deemed to have waived the filing of a Reply to the comment and opposition of *MERALCO* and *PEMC* and directing the parties to submit their simultaneous memoranda within 15 days from notice. On December 1, 2014, the *CA* issued a decision dismissing the Petition for Certiorari filed by *PSALM* against the *ERC*, *MERALCO* and *PEMC* and affirming the *ERC*'s ruling on the refund of the ₱5.2 billion of transmission line losses double charged by *PSALM* and *NPC*. On January 30, 2015, *PSALM* filed its *MR* on the December 1, 2014 Decision of the *CA*. *MERALCO* has filed its Opposition to the *MR*. In a Resolution dated August 11, 2015, the *CA* denied *PSALM's MR*. On October 27, 2015, *MERALCO* received *PSALM's* Petition for Review with the *SC*. The Petition has been given due course and the parties have filed their respective memoranda. As at February 26, 2024, *MERALCO* is still awaiting further action of the *SC* on the Petition.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC's* Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 26, 2024, the Joint Motion to Dismiss is pending resolution by the *ERC*.

Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO. MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 26, 2024, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

On December 9, 2013, the *ERC* gave clearance to the request of *MERALCO* to implement a staggered collection over three (3) months covering the December 2013 billing month for the increase in generation charge and other bill components such as *VAT*, *LFT*, transmission charge, and *SL* charge.

The generation costs for the November 2013 supply month increased significantly because of the aberrant spike in the *WESM* charges on account of the non-compliance with *WESM* Rules by certain plants resulting in significant power generation capacities not being offered and dispatched, and the scheduled and extended shutdowns, and the forced outages, of several base load power plants, and the use of the more expensive liquid fuel or bio-diesel by the natural gas-fired power plants that were affected by the Malampaya Gas Field shutdown from November 11 to December 10, 2013.

On December 19, 2013, several party-list representatives of the House of Representatives filed a Petition against *MERALCO*, *ERC* and *DOE* before the *SC*, questioning the *ERC* clearance granted to *MERALCO* to charge the resulting price increase, alleging the lack of hearing and due process. It also sought for the declaration of the unconstitutionality of the *EPIRA*, which essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar petition was filed by a consumer group and several private homeowners' associations challenging also the legality of the *AGRA* that the *ERC* had promulgated. Both petitions prayed for the issuance of *TRO*, and a Writ of Preliminary Injunction.

On December 23, 2013, the *SC* consolidated the two (2) Petitions and granted the application for *TRO* effective immediately and for a period of 60 days, which effectively enjoined the *ERC* and *MERALCO* from implementing the price increase. The *SC* also ordered *MERALCO*, *ERC* and *DOE* to file their respective comments to the Petitions. Oral Arguments were conducted on January 21, 2014, February 4, 2014 and February 11, 2014. Thereafter, the *SC* ordered all the Parties to the consolidated Petitions to file their respective Memorandum on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the *SC*. *MERALCO* complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the *SC* extended for another 60 days or until April 22, 2014, the *TRO* that it originally issued against *MERALCO* and *ERC* on December 23, 2013. The *TRO* was also similarly applied to the generating companies, specifically *MPPCL*, *SPI*, *SPPC*, *FGPC*, and the *NGCP*, and the *PEMC* (the administrator of *WESM* and market operator at that time) who were all enjoined from collecting from *MERALCO* the deferred amounts representing the ₱4.15 per *kWh* price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, *MERALCO* filed an Omnibus Motion with Manifestation with the *ERC* for the latter to direct *PEMC* to conduct a re-run or re-calculation of the *WESM* prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, *MERALCO* filed with the *ERC* an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six (6)-month period.

On March 3, 2014, the *ERC* issued an Order voiding the Luzon *WESM* prices during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit ("*IU*") that these are not reasonable, rational and competitive, and imposing the use of regulated rates for the said period. *PEMC* was given seven (7) days upon receipt of the Order to calculate these regulated prices and implement the same in the revised *WESM* bills of the concerned *DU*s in Luzon. *PEMC*'s recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December 2013 supply month bill of the *WESM* by ₱9.3 billion. Due to the pendency of the *TRO*, no adjustment was made to the *WESM* bill of *MERALCO* for the November 2013 supply month. The timing of amounts to be credited to *MERALCO* is dependent on the reimbursement of *PEMC* from associated generator companies. However, several generating companies, including *MPPCL*, SN Aboitiz Power, Inc., Team (Philippines) Energy Corporation, PanAsia Energy, Inc. ("*PanAsia*"), and *SPI*, have filed *MR*s questioning the Order dated March 3, 2014. *MERALCO* has filed a consolidated comment to these *MR*s. In an Order dated October 15, 2014, the *ERC* denied the *MR*s. The generating companies have appealed the Orders with the *CA*. *MERALCO* has filed a motion to

intervene and a comment in intervention. The *CA* consolidated the cases filed by the generation companies. In a Decision dated November 7, 2017, the *CA* set aside *ERC* Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 and declared the orders null and void. The Decision then reinstated and declared valid *WESM* prices for the November and December 2013 supply months. *MERALCO* and the *ERC* have filed their respective motions for reconsideration. Several consumers also intervened in the case and filed their respective motions for reconsideration. In a Resolution dated March 29, 2019, the *CA* denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

MERALCO and several consumers have elevated the *CA* Decision and Order to the *SC* where the case is pending. In a Resolution dated November 4, 2020, the *SC* consolidated *ERC*'s and *MERALCO*'s petitions and transferred *MERALCO*'s petition to the member-in-charge of *ERC*'s petition which was the lower-numbered case. The petitions filed by the consumers were denied by the *SC*.

In view of the pendency of the various submissions before the *ERC* and mindful of the complexities in the implementation of the *ERC*'s Order dated March 3, 2014, the *ERC* directed *PEMC* to provide the market participants additional 45 days to comply with the settlement of their respective adjusted *WESM* bills. In an Order dated May 9, 2014, the parties were then given an additional non-extendible period of 30 days from receipt of the Order within which to settle their *WESM* bills. However, in an Order dated June 6, 2014 and acting on an intervention filed by Angeles Electric Corporation, the *ERC* deemed it appropriate to hold in abeyance the settlement of *PEMC*'s adjusted *WESM* bills by the market participants.

On April 22, 2014, the *SC* extended indefinitely the *TRO* issued on December 23, 2013 and February 18, 2014 and directed generating companies, *NGCP* and *PEMC* not to collect from *MERALCO*. In a Decision promulgated on August 3, 2022, the *SC* affirmed the December 9, 2013 *ERC* letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the *ERC* March 3, 2014 Order which voided the Luzon *WESM* prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The *ERC* and the petitioners filed motions for reconsideration which were denied with finality in the *SC* Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the *ERC* on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. On January 4, 2024, *MERALCO, IEMOP* and the *ERC* metto discuss *MERALCO*'s proposed implementation of the Decision. As at February 26, 2024, as directed by the *ERC*, *MERALCO* and *IEMOP* have completed the reconciliation of the final amount to be recovered.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the *IU* filed a Complaint dated May 9, 2015 against *MERALCO* and *TMO* for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the *EPIRA* and Rule 11, Section 1 and 8(e) of the *EPIRA IRR*. In an Order dated June 15, 2015, the *ERC* directed *MERALCO* to file its comment on the Complaint. *MERALCO* and *TMO* have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the *ERC* directed the investigating officer to file his reply to *MERALCO*. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the *ERC* promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the *ERC* set the pre-trial conference on August 18, 2016 and required *MERALCO* and *TMO* to submit their respective pre-trial briefs. However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs.

In the meantime, *MERALCO* likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by *TMO* in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission ("*PCC*") which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the *ERC* denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the *ERC* denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its *MR* to the Order on February 23, 2017. In an Order dated June 20, 2017, the *ERC* denied the *MR*. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the *CA*. In a Resolution dated October 2, 2017, the *CA* required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. *MERALCO* was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the *ERC* stated that it is a nominal party in the case as the quasi-judicial tribune that issued the assailed ordinances. The *IU* filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the *OSG* informed the *CA* that it will no longer represent the *IU* and will instead participate as "tribune of the people". In the meantime, *TMO* also filed a separate Petition for Review on Certiorari with the *CA*. In a Resolution dated January 10, 2018, the *CA* ordered the consolidation of the petitions of *TMO* and *MERALCO*. In a Decision dated May 23, 2018, the *CA* denied the consolidated Petitions filed by *MERALCO*, *TMO*, and *APRI*, and ruled that the jurisdiction to resolve the *IU* cases remains with the *ERC* because the Philippine Competition Act ("*PCA*") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an *MR* with the *CA*. The *ERC* likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the *PCC* over cases involving alleged anti-competitive conduct supposedly because the *PCA* did not repeal Section 45 of the *EPIRA*.

In Resolution dated January 28, 2019, the *CA* denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the *PCC* now holds original, exclusive, and primary jurisdiction over all competition-related cases, the *CA* reiterated its view that the *PCA* has no retroactive effect.

The *ERC* has elevated the matter to the *SC*. *MERALCO, TMO* and *APRI* have all filed their respective manifestations before the *SC*. In a Resolution dated September 29, 2021, the *SC* affirmed the *CA* in that the *ERC* had jurisdiction over these cases as they were filed before the enactment of the *PCA*. However, the *SC* did not rule on whether the *PCC* and the *ERC* now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the *ERC* called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the *SC*. The *ERC* then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (A) Resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (B) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the *ERC* stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the *ERC* will first resolve *MERALCO*'s motions. The *ERC* also issued an open court order denying the motion of the *ERC IU* that the case be resolved through the submission of the position papers and other supporting documents. The *ERC IU* filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at February 26, 2024, *MERALCO* is awaiting further action by the *ERC* on the matter.

Ombudsman Cases Against MERALCO Directors

On January 30, 2018, *MERALCO* received an Order dated January 22, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the alleged misappropriation of the bill deposits received from *MERALCO* consumers. On February 9, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. In a Resolution dated May 18, 2018, the criminal complaint for syndicated estafa was dismissed for insufficiency of evidence. The case was referred to the *COA* for the conduct of audit on the bill deposits collected by *MERALCO* from the public consumers and to inform the Ombudsman of the compliance therewith. The consumer group filed a Motion for Partial Reconsideration dated June 16, 2018 to which *MERALCO* filed its Comment. The consumer group's Motion for Partial Reconsideration was denied through an Order dated July 30, 2018. *NASECORE* filed an *Urgent Motion for Immediate Execution* dated September 21, 2018 praying that the Ombudsman issue a writ of execution to implement the *Resolution* dated May 18, 2018.

On February 28, 2018, *MERALCO* received an Order dated February 20, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the *MERALCO*'s investment activities in other businesses for being violative of its legislative franchise and the *EPIRA*. On March 12, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. On May 4, 2018, *MERALCO* filed a Manifestation with Motion for Early Resolution of even date. Another Motion to Resolve and Dismiss was also filed by *MERALCO* on June 2, 2021. In a Joint Resolution dated February 22, 2022, the Ombudman dismissed the cases.

On January 5, 2024, *MERALCO* received an Order dated January 2, 2024 from the Office of the Ombudsman directing *MERALCO*'s Chairman and *CEO* to file a counter-affidavit, together with the affidavit/s of supporting witnesses and other supporting documents, on the case filed by a certain consumer group seeking (a) indictment of *MERALCO*'s Chairman and *CEO* which alleged that there is a violation of certain provisions of *R.A. 3019* and *PD 269*, and (b) a finding that the *ERC* Chairperson is guilty of, among other things, gross misconduct and grave abuse of authority. On February 6, 2024, *MERALCO* has filed the relevant counter-affidavit and supporting affidavit to the Office of the Ombudsman. As at February 26, 2024, *MERALCO* is awaiting further action by the Ombusdman on the matter.

Others

Liabilities for certain local taxes amounting to ₱508 million and ₱535 million as at December 31, 2023 and 2022, respectively, are included in the "Other noncurrent liabilities" account in the consolidated statements of financial position.

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

30. Significant Contracts and Commitments

MERALCO

Independent Power Producers ("IPPs")

FGPC and *FGP*

In compliance with the *DOE*'s program to create a market for Camago-Malampaya gas field and enable its development, *MERALCO* contracted 1,500 *MW* of the 2,700 *MW* output of the Malampaya gas field.

Accordingly, *MERALCO* entered into separate 25-year *PPA*s with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum number of *kWh* of the net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* with *FGPC* terminates on August 17, 2025, while that of *FGP* ends on October 1, 2027.

On January 7, 2004, *MERALCO*, *FGP* and *FGPC* signed an Amendment to their respective *PPA*s. The negotiations resulted in certain new conditions including the assumption of *FGP* and *FGPC* of community taxes at current tax rate, and subject to certain conditions increasing the discounts on excess generation, payment of higher penalties for non-performance up to a capped amount, recovery of accumulated deemed delivered energy until 2011 resulting in the non-charging of *MERALCO* of excess generation charge for such energy delivered beyond the contracted amount but within a 90% capacity quota. The amended terms under the respective *PPA*s of *FGP* and *FGPC* were approved by the *ERC* on May 31, 2006.

Under the respective *PPA*s of *FGP* and *FGPC*, the fixed capacity fees and fixed operating and maintenance fees are recognized monthly based on the actual Net Dependable Capacity tested and proven, which is usually conducted on a semi-annual basis.

QPPL

MERALCO entered into a *PPA* with *QPPL* on August 12, 1994, which was subsequently amended on December 1, 1996. The *PPA* is for a period of 25 years from the start of commercial operations up to May 31, 2025.

In a Letter Agreement signed on February 21, 2008, the amount billable by *QPPL* included a transmission line charge reduction in lieu of a previous rebate program. The Letter Agreement also provides that *MERALCO* shall advance to *QPPL* US$2.85 million per annum for 10 years beginning 2008 to assist *QPPL* in consideration of the difference between the transmission line charge specified in the Transmission Line Agreement ("*TLA*") and the *ERC*-approved transmission line charge in March 2003. *QPPL* shall repay *MERALCO* the same amount at the end of the 10-year period in equal annual payments without adjustment. However, if *MERALCO* is able to dispatch *QPPL* at a plant capacity factor of no less than 86% in any particular year, *MERALCO* shall not be required to pay US$2.85 million on that year. In January 2018, *QPPL* began repayment of the amount advanced by *MERALCO*. As at December 31, 2023, the remaining amount for repayment by *QPPL* is US$7.125 million. This arrangement did not have any impact on the rates to be charged to consumers and hence, did not require any amendment in the *PPA*, as approved by the *ERC*.

See *Note 11 – Financial and other Noncurrent Assets.*

Committed Energy Volume to be Purchased

The following are forecasted purchases/payments to *FGPC*, *FGP* and *QPPL* corresponding to the Minimum Energy Quantity ("*MEQ*") provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	(In million kwh)	*(In Millions)*
2024	15,400	₱30,158
2025	10,757	19,434
2026	4,054	6,393
2027	3,376	5,445

PSAs with Privatized Plants and *IPPAs*

MERALCO has a *PSA* with *MPPCL* which was approved by the *ERC* on December 17, 2012, and entered into Supplemental Agreement on April 8, 2016, for the extension of the term of the *PSA* for an additional period of three (3) years up to December 25, 2022.

On December 6, 2019, *MERALCO* and *TLI* executed a new short-term *PSA* for the purchase of 250 *MW* capacity and energy from *TLI*'s power plant for the period of December 26, 2019 to December 25, 2020. On December 19, 2019, the *DOE* issued a Certificate of Exemption from *CSP* in favor of *MERALCO* for the new short-term *PSA*. On December 23, 2019, *MERALCO* filed an application with the *ERC* for the approval of its new short-term *PSA* with *TLI*. On August 7, 2020, *MERALCO* and *TLI* filed a Joint Manifestation with Motion with the *ERC* seeking approval of the extension of the *PSA* for five days or until December 30, 2020. Hearings have been completed. As at February 26, 2024, the case, including the motion, is still pending approval of the *ERC*.

The *ERC,* for the *MPPCL* case, issued an Order dated October 11, 2016 resolving to consider *MERALCO*'s "Manifestation and Motion" as a new application for approval of *PSA*. In view of the said Order, *MERALCO* and *MPPCL* filed a Joint Application for approval of the Supplemental

Agreement extending the term of their *PSA* for an additional three (3) years. On December 19, 2019, *MERALCO* and *MPPCL* entered into an Agreement to Amend the Supplemental Agreement, whereby the Parties resolved to extend the *PSA* for an additional period of one (1) year reckoned from the date of the approval by the *ERC* of the said Agreement to Amend. On June 8, 2020, *MERALCO* and *MPPCL* filed a Joint Manifestation and Omnibus Motion to seek *ERC* approval of said Agreement to Amend. On April 14, 2021, due to exigent and emergency reasons (e.g. unforecasted supply deficiency and to account for outages of power plants with bilateral contracts with *MERALCO*), *MERALCO* and *MPPCL* further agreed to enter into an Amendment Agreement to amend the December 19, 2019 Agreement to Amend, to instead extend the *PSA* for an additional period of one (1) year from May 26, 2021. On even date, (a) *MERALCO* and *MPPCL* filed a Joint Manifestation and Omnibus Motion to seek *ERC* approval of the said Amendment Agreement; and (b) *MERALCO* sought confirmation from the *DOE* that the extension of the *ERC*-approved 2011 *PSA,* as embodied in the Amendment Agreement, is exempted from the conduct of a *CSP.* In its letter dated July 30, 2021, the *DOE* denied *MERALCO*'s request for certificate of exemption from *CSP*. As at February 26, 2024, the *ERC* has yet to act on the parties' Joint Manifestation and Omnibus Motion.

Philippine Power and Development Company ("*Philpodeco*")

On May 15, 2014, *MERALCO* and *Philpodeco* executed a *PSA*. *Philpodeco* operates three (3) run-of-river hydro power plants, namely: (i) Palakpakin, a 448 *kW* hydro power plant located at Barangay Prinza, Calauan, Laguna; (ii) Calibato, a 75 *kW* Calibato hydro power plant located at Barangay Sto. Angel, San Pablo City, Laguna; and (iii) Balugbog, a 528 *kW* hydro power plant located at Barangay Palina, Nagcarlan, Laguna. The *PSA* has a term of five (5) years from the delivery period commencement date.

On June 2, 2014, *MERALCO* filed an application with the *ERC* for the approval of its *PSA* with *Philpodeco.* This *PSA* provides that *MERALCO* shall accept all the energy deliveries of *Philpodeco* as measured by the latter's billing meter. Hearings on this case have been completed and *MERALCO* has submitted its *FOE*. On January 25, 2019, *MERALCO* filed an Urgent Motion to Resolve the case. On May 22, 2019, *MERALCO* filed a Manifestation with Motion to Resolve seeking *ERC* confirmation of the extension of the term of the *PSA* with *Philpodeco* from May 15, 2019 to October 25, 2019. On October 24, 2019, *MERALCO* wrote *DOE* asking for exemption from the requirement for *CSP* for a further extension of the term of the *PSA* with *Philpodeco* from October 25, 2019 to May 15, 2020. On the same date, *MERALCO* also filed a Manifestation with Motion to Resolve seeking *ERC* confirmation of the said extension of term. In its letter to *Philpodeco* dated December 18, 2019, the *DOE* has taken the position that "*xxx [u]nder Section 45(b) of Republic Act No. 9136, ERC is the sole authority mandated to review and approve PSAs*." On May 15, 2020, the *PSA* with *Philpodeco* expired. As at February 26, 2024, the case is pending decision by the *ERC*.

Bacavalley Energy Inc. ("*BEI*")

MERALCO signed a *CSE* with *BEI* on November 12, 2010. *BEI* owns and operates a four (4) *MW* renewable energy generation facility powered by landfill gas in San Pedro, Laguna. The *CSE* has a term of two (2) years from the delivery period commencement date.

Purchases from *BEI*, an embedded renewable energy generator, are *VAT* zero-rated and exempt from power delivery service charge. *MERALCO* filed an application for the approval of the *CSE* with the *ERC*, for the provisional implementation of the contract on December 15, 2010. In an order dated January 31, 2011, the *ERC* provisionally approved the said application.

After a series of negotiations, *MERALCO* and *BEI* signed the Letter Agreements dated March 1, 2013 and March 5, 2013, extending the *CSE* between said parties for another two (2) years

from March 16, 2013, or until March 15, 2015. In its Order December 9, 2013, the *ERC* allowed the *CSE* to be extended until March 15, 2015. On March 12, 2015, *MERALCO* and *BEI* executed a Letter of Agreement extending the *CSE* until March 15, 2016. On March 16, 2015, *MERALCO* filed a Manifestation with Motion to the *ERC* for approval of the extended term. On March 1, 2016, *BEI* requested for the extension of the *CSE* for another two (2) years. In its letter dated April 7, 2016, *MERALCO* denied *BEI*'s request to extend the *CSE*. On May 18, 2018 and January 25, 2019, *MERALCO* filed Urgent Motions to Resolve the case. As at February 26, 2024, the contract term has expired and the case is pending decision by the *ERC*.

Pangea Green Energy Philippines, Inc. ("*PGEP*")

On May 31, 2012, *MERALCO* signed a *CSE* with *PGEP,* a biomass power plant located in Payatas, Quezon City using methane gas extracted from the Payatas landfill as its fuel. Its plant has a total nominal generating capacity of 1,236 *kW*. The *CSE* is for a period of two (2) years from the delivery period commencement date.

On June 15, 2012, *MERALCO* filed an application for approval of the *CSE*. On August 28, 2012, the *ERC* issued an Order provisionally approving the application. On August 29, 2013, the *ERC* extended the provisional authority in its Order dated August 12, 2013. On March 2, 2015, *MERALCO* and *PGEP* executed a Letter of Agreement extending the *CSE* until February 29, 2016. On March 4, 2015, *MERALCO* filed a Manifestation with Motion with the *ERC* for the approval of the extended term. On September 16, 2015, *MERALCO* received a letter from *PGEP* seeking the termination of the *CSE* effective October 15, 2015. The termination of the *CSE* was thereafter formalized in the Letter Agreement dated October 29, 2015 where the parties agreed to terminate the *CSE* effective October 9, 2015, which was *PGEP*'s Facility Registration Date with the *WESM*. On January 8, 2016, *MERALCO* filed a Manifestation with Motion with the *ERC* seeking approval of the extended term of March 4, 2015 until October 9, 2015. On May 17, 2018 and January 25, 2019, *MERALCO* filed Urgent Motions to Resolve the case. In its Order dated February 18, 2019, the *ERC* directed *MERALCO* to submit certain documents to facilitate its evaluation of the application. On March 29, 2019, *MERALCO* filed its Compliance with Manifestation. As at February 26, 2024, the contract term has expired and the case is pending decision by the *ERC*.

TMO

On March 4, 2013, *MERALCO* signed an Interconnection Agreement with *TMO* for their 243 *MW* generating facility at the Navotas Fish Port Complex, Navotas City, which is an interconnection at *MERALCO*'s Grace Park-Malabon 115 *kV* line. *TMO* is an embedded generator. *TMO* shall construct at its own cost, operate and maintain the 115 *kV* line connecting its generating facility to *MERALCO*'s system. *TMO* and *MERALCO* subsequently signed a Supplement to the Interconnection Agreement dated July 3, 2014 covering the construction of a second line from the connection point at the Grace Park-Malabon 115 *kV* line to the *TMO* switchyard.

On September 27, 2013, *MERALCO* signed a *PSA* with *TMO* for the output of the barge-mounted, bunker oil-fired diesel engines moored at the Fish Port Complex in Navotas, Manila. On September 30, 2013, *MERALCO* filed an application with the *ERC* for the approval of the *PSA*. In an Order dated November 4, 2013, the *ERC* granted the prayer for provisional authority. After hearing and submission of the required documents, including the *FOE*, the case is now submitted for decision.

On December 17, 2014, *MERALCO* and *TMO* entered into an Amendment to the *PSA* based on the power situation outlook for 2015 and 2016 issued by the *NGCP* that the reserve capacity will be below the Contingency Reserves due to the maintenance shutdowns and forced outages of major power plants in Luzon. The amendment to the *PSA* was filed for approval with the *ERC* on

January 21, 2015. In an Order dated April 6, 2015, the *ERC* approved the amendment in the *PSA* between *MERALCO* and *TMO* with modification. In an Order dated July 1, 2015, the *ERC* clarified that the provisional approval, while not specifically modifying nor stating any condition with respect to the implementation of the outage provisions of the amendment, covers the increase in outage allowance and the minor change in operating procedures.

On June 16, 2015, *MERALCO* received the Omnibus Motion for Partial Reconsideration and Deferment of Implementation of the Order dated April 6, 2015; Urgent Resolution of the Application; and Confidential Treatment filed by *TMO*.

In an Order dated April 5, 2016, the *ERC* ruled that the provisional authority granted to *MERALCO* and *TMO* is extended unless revoked or made permanent. On June 10, 2016 and July 5, 2016, respectively, *MERALCO* and *TMO* filed a Motion for Clarification of the *ERC* Order dated April 5, 2016. Said motions are still pending decision by the *ERC*. On January 3, 2017, *MERALCO* filed a Manifestation with Motion informing the *ERC* of the extension of the term of the *PSA* from June 26, 2017 to June 25, 2018. In an Order dated June 6, 2017, the *ERC* noted *MERALCO*'s Manifestation and Motion and confirmed one (1) year extension of the *PSA*. *MERALCO* and *TMO* were further directed to strictly comply with the provisions of *ERC* Resolution No. 1, Series of 2016, in particular, the one (1) time limit for renewal of the *PSA*. As at February 26, 2024, the contract term has expired and the case is pending decision by the *ERC*.

SBPL

On September 26, 2019, *MERALCO* and *SBPL* began implementation of the *PSA* which was approved by the *ERC*, subject to the *ERC*'s subsequent issuance of a certificate of compliance to replace the provisional authority to operate. The *PSA* is for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

To address the *SC* Decision in *Alyansa Para sa Bagong Pilipinas, Inc. vs. ERC, et al.* (G.R. No. 227670, 3 May 2019) that effectively required all *PSA* applications for *ERC* approval filed on or after June 30, 2015 to undergo *CSP*, which includes the 2016 20-year *PSA* between *MERALCO* and *PEDC*, a *CSP* was conducted in 2021 to cover the 70 *MW* required contract capacity of *MERALCO* for contract period ending January 25, 2037. The same capacity was won by *PEDC* under the new 15-year *PSA* with *MERALCO* ("*2021 PEDC PSA*"). The application for approval of the new *PSA* with *PEDC* was filed on January 22, 2022. Through a "Notice of Resolution" dated February 23, 2022, the *ERC* granted provisional authority to implement the *2021 PEDC PSA*, and on April 1, 2022, the *2021 PEDC PSA* was implemented by *MERALCO* and *PEDC*.

On March 18, 2022, *PEDC* issued to *MERALCO* a Notice of Change in Circumstance, claiming that the Ukraine-Russia conflict had a significant negative financial impact to *PEDC* due to the price spike in coal prices and if the current situation continues, *PEDC*'s losses will be massive and ruinous unless an adjustment in contract price pursuant to the *2021 PEDC PSA* is implemented. Thus, on April 13, 2022, *PEDC* (joined by *MERALCO*) filed an *Urgent Motion for Contract Price Adjustment* with the *ERC*. Meanwhile, on April 22, 2022, *MERALCO* received *PEDC*'s Notice of Termination, effective six months thereafter, or until October 22, 2022. After the lapse of October 22, 2022, with the Urgent Motion for Contract Price Adjustment still pending with the *ERC, PEDC* has continued with its obligations under the *2021 PEDC PSA*. On December 4, 2022, *PEDC* sent to *MERALCO* a Notice of End of Supply, which formally informed *MERALCO* of *PEDC*'s decision to cease supply of energy beginning midnight of December 5, 2022, because without the *ERC*'s action on the Urgent Motion for Contract Price Adjustment, *PEDC* was already placed in severe financial stress and in

danger of breaching its financial covenants. On August 29, 2023, *MERALCO* received the *ERC*'s Decision dated March 8, 2023. In the Decision, the *ERC*, among other things: (a) granted the Urgent Motion for Contract Price Adjustment because it is an implementation/enforcement of the relevant provisions of the *PSA* and the Parties followed the Notice procedures for *CIC* laid down in Article 11.3 of the *PSA*; (b) allowed the recovery of *PEDC*'s actual fuel losses due to *CIC* from April 2, 2022 to September 25, 2022 amounting to ₱884 million, which is to be included in *MERALCO*'s true-up application. In addition, the *ERC* stated that "upon validation of the [*ERC*] with its records and the documents submitted by the [Applicants], it was verified that *PEDC*'s unrecovered amount due to the *CIC* is ₱1.2 billion from April 2, 2022 to December 4, 2022; (c) granted the termination of the *PSA*, effective upon the date of actual termination (i.e. December 5, 2022) because *PEDC*'s unrecovered amount for April 2 to 25, 2022 already reached ₱75 million, which is above the Threshold Levels provided in the *PSA* for the *CIC* claims; and (d) adopted the rates provisionally approved last February 23, 2022 as the final rate. As at February 26, 2024, *PEDC* has ceased its obligations under its *2021 PEDC PSA* with *MERALCO*.

On October 3, 2023, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC*. The Supplemental Application prayed that *MERALCO* be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*.

On January 16, 2024, *PEDC* filed a Motion for Clarification asking the *ERC* to issue an order declaring that the dispositive portion of the Decision dated March 8, 2023 to include a reference to losses from April 2, 2022 to December 4, 2022 in the amount of ₱ 1.2 billion. As at February 26, 2024, the *ERC* has yet to act on *MERALCO*'s and *PEDC*'s separate motions.

First Bulacan

On May 12, 2021, *MERALCO* and *First Bulacan* began implementation of the *PSA* which was approved by the *ERC*, subject to *ERC*'s subsequent issuance of a certificate of compliance to replace the provisional authority to operate. The *PSA* is for a period of 20 years from the start of commercial operations.

Solar Tanauan Corporation formerly Solar Philippines Tanauan Corporation ("*Solar Tanauan*")

On December 22, 2016, *MERALCO* signed a 20-year *PSA* with *Solar Tanauan* for the purchase of 50 *MW* of electric output from its solar plant in Tanauan, Batangas. On February 27, 2017, after conduct of a *CSP* wherein *Solar Tanauan* was declared as the winning power supplier, the application for approval of the *PSA* with *Solar Tanauan* was filed. In a Decision promulgated on February 28, 2020, the *ERC* approved the *PSA* with modification.

Solar Philippines Tarlac Phase 1

On October 6, 2017, after being declared the winning power supplier in a *CSP*, *MERALCO* signed a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac. The application for approval of the *PSA* with *Solar Philippines Tarlac* was filed on October 19, 2017. Hearings have been completed and parties await *ERC* resolution on *Solar Philippines Tarlac*'s opposition to a consumer group's intervention, which shall prompt submission of case for final decision. Meanwhile, in an Order promulgated on June 8, 2018, the *ERC* granted Interim Relief to provisionally implement the *PSA*. On July 3, 2018, *Solar Philippines Tarlac* filed a Motion for Partial Reconsideration of the said Order. *MERALCO* and *Solar Philippines Tarlac* agreed on a way forward, subject to resolution of the Motion for Partial Reconsideration, and began implementation of the *PSA* on August 20, 2018. On July 13, 2018, *MERALCO* filed its *Comment with Opposition* in so far as the adjustment of the timelines under the

PSA is concerned. On November 26, 2018, a consumer group filed its *Comment with Opposition,* likewise with respect to *Solar Philippines Tarlac's* motion for the adjustment of the timelines under the *PSA.* In its Order dated January 23, 2019, the *ERC* partially granted the Motion for Partial Reconsideration filed by *Solar Philippines Tarlac* and allowed the 2% annual escalation under the *PSA*. On June 25, 2019, the *ERC* promulgated its Order leaving the adjustment of the timelines set under the *PSA* to the discretion of *MERALCO* and *Solar Philippines Tarlac.* Meanwhile, the 20-year term of the *PSA* began on commencement date last August 20, 2018. As at February 26, 2024, the parties are awaiting *ERC's* final decision on the Joint Application.

FNPC

Following conduct and completion of a *CSP*, *MERALCO* confirmed effectivity of the *PSA* with *FNPC* dated December 13, 2017, for the purchase of 414 *MW* electric energy generated by the San Gabriel Gas Plant beginning *ERC* approval. As at February 26, 2024, the contract term has expired. A joint application for approval of the *PSA* with *FNPC* was filed on March 19, 2018. Pursuant to an *ERC* Order granting interim relief, on June 26, 2018, *MERALCO* and *FNPC* began implementing the *PSA*. On July 13, 2022, *MERALCO* received the *ERC* Decision approving the joint application subject to certain modifications and conditions. On July 28, 2022, *FNPC* filed a motion seeking reconsideration and to hold in abeyance the implementation of the *ERC* Decision. As at February 26, 2024, further *ERC* action remain pending on the *FNPC*'s Motion for Reconsideration and to Hold in Abeyance the Execution of the *ERC* Decision.

Solar Philippines Tarlac Phase 2

On February 22, 2019, after being declared the winning power supplier in a *CSP*, *MERALCO* signed a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac. The application for approval of the *PSA* with *Solar Philippines Tarlac* was filed on March 18, 2019. As at February 26, 2024, the case is pending decision by the *ERC*.

SPI, AC Energy and SPPC – Baseload PSAs

On September 13, 2019, after being declared the winning power suppliers in a *CSP*, *MERALCO* signed three (3) *PSA*s for baseload capacity with *AC Energy* for 200 *MW*, *SPI* for 330 *MW*, and *SPPC* for 670 *MW*. On October 22, 2019, the joint applications for approval of these three (3) baseload *PSA*s were filed before the *ERC.* In its letters to *MERALCO,* all dated December 23, 2019, the *ERC* granted provisional authority to implement *MERALCO*'s three (3) *PSA*s for baseload capacity with *AC Energy, SPPC and SPI.* On January 30, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s *PSA* for baseload capacity with *AC Energy*. On March 16, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s *PSA*s for baseload capacity with *SPPC* and *SPI.* In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.*

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances, claiming that the worsening conflict between Russia and Ukraine and other geopolitical and economic factors related and/or emanating therefrom had impacted *SPI* and *SPPC*'s capability to perform their obligations under the respective *PSA*s in terms of unexpected increase in fuel cost. Thus, on May 12, 2022, *SPI* and *SPPC* (joined by *MERALCO*) filed Joint Motions for Price Adjustment with the *ERC*. On June 27, 2022 and July 22, 2022, *SPI*, *SPPC* and *MERALCO* filed motions for urgent resolution of the Joint Motion. On August 30, 2022, the *ERC* conducted a clarificatory hearing with *SPI, SPPC* and *MERALCO* to clarify several issues in connection with the

Joint Motions for Price Adjustment. On October 3, 2022, the *ERC*, voting 3-2, promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment. On October 5, 2022, *SPI* and *SPPC* notified *MERALCO* that it will continue with its obligations under their respective baseload *PSA*s with *MERALCO* under protest and without prejudice to their rights and remedies under pertinent laws and contract. On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the *ERC* Orders dated September 29, 2022. On November 25, 2022, the *CA* issued a *TRO* for the *SPPC* case, hence, after the *TRO* bond was posted by *SPPC*, on December 7, 2022, *SPPC* stopped accepting *MERALCO* nominations. On January 25, 2023, the *CA* issued a *WPI* for the *SPPC* case, which shall remain in effect until the main case is finally decided. Meanwhile, for the *SPI* case, on January 13, 2023, the *CA* denied *SPI*'s prayer for *TRO* and *WPI*. On February 10, 2023 and February 13, 2023, *ERC* and *MERALCO*, respectively, filed its Motion for Reconsideration of the *CA*'s issuance of *WPI* for the *SPPC* case. On April 3, 2023, the *CA* promulgated its Resolution denying the Motions for Reconsideration filed by *ERC* and *MERALCO* vis-à-vis the *CA*'s issuance of *WPI* for the *SPPC* case. On June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case. As of February 26, 2024, the Supreme Court has not issued a *TRO*/*WPI* or Resolution directing *MERALCO* to comment. On July 14, 2023, *MERALCO* received the *CA*'s (13th Division) Joint Decision dated June 27, 2023 (the "Joint Decision"). In the Joint Decision, the *CA*, among others: (a) annulled/set aside the *ERC* Orders which: (i) denied the Joint Motions for Price Adjustment and (ii) directed *MERALCO* to exhaust all options to preserve the *PSA*s; (b) granted *SPPC*'s and *SPI*'s Motions for Price Adjustment (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (c) made permanent the Preliminary Injunction issued in favor of *SPPC*. On July 17, 2023, *SPI* informed *MERALCO* of its position that the *CA*'s Joint Decision dissolving the *ERC* Order as immediately executory. Hence, for *SPI*, it will cease supply to *MERALCO* effective immediately. On the same day, *MERALCO* replied that it reserves its right to pursue available legal remedies and to ask *SPI* for time to seek replacement emergency power supply. On July 18, 2023, *SPI* informed *MERALCO* that is only amenable to grant a grace period of five (5) days, or until July 23, 2023, in order for *MERALCO* to seek replacement emergency power supply. Starting on December 7, 2022 and July 24, 2023, *SPPC* and *SPI*, respectively, have ceased supplying energy under its baseload *PSA*s with *MERALCO*. In a Resolution dated December 28, 2023, the *CA* denied the Motions for Reconsideration ("*MR*") filed by the and Respondent-Intervenor *NASECORE*. Finding no merit in the arguments, the *CA* ruled that the grounds raised by *ERC* and *NASECORE* in their respective *MR*s had already been thoroughly considered by the *CA* in its Joint Decision and it had clearly provided the basis for its rulings, thus, the *MR*s were denied.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* Notices of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform their obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. As at February 26, 2024, the change of circumstances claim is pending evaluation by *MERALCO*.

FGHPC, AC Energy and SPPC – Mid-merit PSAs

On September 16, 2019, after being declared the winning power suppliers in a *CSP, MERALCO* signed three (3) *PSA*s for mid-merit capacity with *FGHPC* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On October 22, 2019, the joint applications for approval of these three (3) *PSA*s were filed before the *ERC*. On January 30, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s *PSA* for mid-merit capacity with *AC Energy*. On March 16, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s other *PSA*s for mid-merit capacity with *FGHPC* and *SPPC*. In its Orders

dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.* As at February 26, 2024, the three (3) *PSA* applications are pending final decision by the *ERC.*

Excellent Energy Resources, Inc. ("EERI") and MPPCL - Baseload PSAs

On March 2, 2021, after being declared the winning power suppliers in a *CSP* for 1,800 *MW* baseload capacity from greenfield power plants was conducted, *MERALCO* signed two (2) *PSAs* with *EERI* with commercial operations date in December 2024 for 1,200 *MW*, and with *MPPCL* with commercial operations date in May 2025 for 600 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *MPPCL* and *EERI* were filed with the *ERC* on March 18, 2021 and March 24, 2021, respectively. On March 17, 2023, *MERALCO* received Notices of Termination from *EERI* and *MPPCL* informing *MERALCO* of their decision to terminate the *PSA*s effective fifteen (15) days from receipt of said notices. On April 14, 2023, *EERI* and *MPPCL* filed notices of withdrawal of their joint applications with the *ERC*, notifying the *ERC* that they intend to withdraw said joint applications, and (assuming without conceding that such notices are not deemed by the *ERC* sufficient to cause the withdrawal of said joint applications), praying that the *ERC* approve the withdrawal of the joint application. In its Order dated March 30, 2023, the *ERC* directed *MERALCO* to provide information to the *ERC* which includes, among other things, whether it had accepted or disputed the Notices of Termination. On April 23, 2023, *MERALCO* filed its Compliance with the *ERC*. On October 12, 2023, *MERALCO* received separate Orders from the *ERC* granting withdrawal of each of the Joint Applications. As at February 26, 2024, the Joint Applications are withdrawn.

Under the *PSA*s approved by the *ERC*, fixed capacity fees and fixed operating maintenance fees are recognized monthly based on their contracted capacities. The annual projection of these payments is shown in the table below:

Year	Contracted Capacity	Fixed Payment Amount
	(In Megawatt)	*(In millions)*
2024	1,857	₱33,704
2025	605	14,896
2026	1,153	28,614
2027	1,463	35,975
2028-2032	6,925	162,797

TSPI

On October 24, 2022, following two (2) failed *CSP*s*, MERALCO* executed a *PSA* with *TSPI* for 850 *MW* Renewable Energy mid-merit capacity with commercial operations dates in February 2026 for 600 *MW* and February 2027 for 250 *MW.* On February 15, 2023, the joint application for approval of *MERALCO*'s *PSA* with *TSPI* was filed with the *ERC.* On August 10, 2023, *MERALCO* received the *ERC*'s Notice of Resolution granting final authority to implement the *PSA,* subject to certain conditions and modifications. On December 12, 2023, *MERALCO* received a copy of *ERC*'s formal Decision dated August 8, 2023. The *PSA* is for a period of 20 years from the start of commercial operations.

Interim Power Supply Agreements ("IPSAs")

On January 24, 2017, in view of the Malampaya shutdown that was to coincide with the scheduled outage of other plants, *MERALCO* signed an *IPSA* with Strategic Power Development Corporation ("*SPDC*") for the supply of 100 *MW* per hour of electric power from 0901H to 1000H and from 2001H to 2100H, and 150 *MW* per hour of electric power from 1001H to 2000H, from

January 28, 2017 until February 16, 2017. An application for approval of such *IPSA* was filed before the *ERC* on February 9, 2017. The said *IPSA* was effective immediately, on the condition that disallowances and penalties that the *ERC* may impose as a result thereof shall be for the account of *SPDC. MERALCO* and *SPDC*, in a letter agreement dated February 15, 2017, agreed to extend the term of the *IPSA* until March 25, 2017 under the same terms and conditions of the *IPSA*. On February 16, 2017, *MERALCO* and *SPDC* filed a Joint Manifestation with Motion with the *ERC* apprising the Honorable Commission of the extended term and praying that the same be duly considered and approved accordingly. The hearings on this case have been completed and *MERALCO* filed its *FOE* on July 21, 2017. As at February 26, 2024, the contract term has expired and *MERALCO* awaits the *ERC*'s final decision on the *IPSA.*

On April 15, 2019, with the *NGCP* forecast of voltage situations occurring for the weekdays of May up to the first half of June 2019 every time the Luzon peak demand exceeds 11,200 *MW*, *MERALCO* signed two (2) separate *IPSA*s with: (i) *MEI* for the purchase of 70 *MW* of electric power, subject to a net dependable capacity test, from April 26, 2019 to June 25, 2019, from *MEI's* Gas Turbine Power Plant in Navotas Fishport Complex, Navotas City; and (ii) *TMO* for the purchase of up to 200,000 *kW* contract capacity and associated energy, subject to restatement based on the results of capacity test, from April 26, 2019 to April 25, 2020, from *TMO*'s 242 *MW*-installed capacity, barge-mounted, bunker-fired diesel power generating and interconnection facilities in Navotas City. For the said *IPSA*s, *MERALCO* also received the *DOE'*s grant of exemption from the requirement for *CSP.* The applications for approval of said *IPSA*s were filed before the *ERC* on April 17, 2019. In accordance with the said *IPSA*s, with the filing of the joint applications and *DOE'*s exemption, the mutual obligations to sell and purchase power under said agreements were implemented beginning April 26, 2019. On July 1, 2019, *MERALCO* filed its Compliance with *FOE* on the *TMO IPSA* Joint Application. In addition, in light of the declarations of yellow and red alerts in the *Luzon* Grid by *NGCP, MERALCO* and *MEI* agreed to extend their *IPSA* until April 25, 2020. *MERALCO* also received the *DOE's* grant of exemption from the requirement for *CSP.* In a Letter Agreement dated January 28, 2020, *MERALCO* and *MEI* agreed on another extension of their *IPSA* from April 26, 2020 to June 25, 2020 in view of *DOE*'s forecast, presented to *MERALCO* in a meeting with the *DOE* on January 16, 2020, which showed red alert situation in the Luzon grid for the period from April to June 2020. *MERALCO* wrote *DOE* on January 29, 2020 to request for exemption from the requirement for *CSP* for said period. However, the *PSA* with *MEI* was not extended as the *DOE* did not issue any exemption to be able to further extend the *PSA*. Thus, on April 25, 2020, the *PSA* with *MEI* expired. On even date, the *PSA* with *TMO* also expired. As at February 26, 2024, the cases remain pending with the *ERC*.

On September 28, 2021, in view of the Malampaya shutdown set for October 2021 that was to coincide with the scheduled outage of other plants, *MERALCO* signed a Contract for Supply of Electric Energy ("*CSEE*") with *PSALM* for the supply of 90 *MW* for the period of ten (10) months from September 26, 2021 to July 25, 2022. On even date, the *DOE* issued a Certificate of Exemption from *CSP* in favor of *MERALCO* for the *CSEE.* With the *DOE*'s grant of exemption from the requirement for *CSP*, the parties began implementation of the *CSEE* on September 29, 2021. The application for approval of the *CSEE* with *PSALM* was filed on December 29, 2021. As at February 26, 2024, the contract term has expired and the case is pending decision by the *ERC*.

On February 4, 2022, after being declared the winning power supplier in a *CSP*, *MERALCO* signed a 5-month *PSA* with *SPPC* for 170 *MW* contract capacity. The application for approval of *MERALCO*'s emergency *PSA* with *SPPC* was filed with the *ERC* on March 22, 2022. On July 25, 2022, the contract term has expired, thus, on September 2, 2022, *MERALCO* and *SPPC* jointly filed a Manifestation with the *ERC*, informing it of the expiration of the *PSA*'s contract term and that the application for approval of the *PSA* is already deemed moot. As at February 26, 2024, the contract term has expired and the *ERC* has not issued its final decision on this *PSA*.

On December 14, 2022, in connection with the sudden and unforeseen suspension of *MERALCO*'s baseload *PSA* with *SPPC* for 670 *MW* and after receiving from the *DOE* a Certificate of Exemption from the conduct of a competitive selection process ("*COE-CSP*") pursuant to the *DOE* Circular No. DC2021-09-0030 ("*2021 Revised CSP Circular*"), *MERALCO* signed a one (1)-month *PSA* with GNPower Dinginin Ltd. Co. ("*GNPD*"). The *GNPD* emergency power supply agreement ("*EPSA*") ("*1st GNPD EPSA*") was implemented on December 15, 2022 and filed with the *ERC* on April 5, 2023. Following *MERALCO*'s request for extension of the *1st GNPD EPSA*, given continued unavailability of contract capacity and non-delivery of associated energy under the *SPPC PSA* (since the *CA* granted a writ of preliminary injunction to replace the *TRO*), the parties executed another *EPSA* with *GNPD* dated February 3, 2023 ("*2nd GNPD EPSA*"), with term until 25 February 2023. The *2nd GNPD EPSA* was implemented on February 3, 2023 and filed with the *ERC* on April 13, 2023. As at February 26, 2024, the contract terms of the *1st and 2nd GNPD EPSA*s have expired and the cases remain pending with the *ERC*.

On April 29, 2023, *MERALCO* received via electronic mail, a copy of the *ERC* Order dated April 11, 2023 (the "*Show Cause Order*") alleging *MERALCO*'s purported violation of Sec. 2.2.1.2 of the *2021 Revised CSP Circular*. The purported violation is predicated on *ERC*'s unilateral finding that the generation rate under the *1st GNPD EPSA* and *2nd GNPD EPSA* is not equivalent to or lower than the latest *ERC*-approved generation tariff for the same or similar technology in comparable areas considering that *GNPD*'s *EPSA* rate is higher than the latest *ERC*-approved generation tariff for similar technology (coal) in *MERALCO*'s area. The *ERC* compared the said rate with the provisionally approved rate of the *2021 PEDC PSA* with *MERALCO* in *ERC* Case No. 2022-001RC. On May 15, 2023, *MERALCO* filed its Verified Explanation ("*Verified Explanation*") in compliance to the *ERC*'s Show Cause Order. *MERALCO* explained that: (i) The *COE-CSP* issued by the *DOE* not only exempted *MERALCO* from conducting a *CSP* for the *EPSA*s, but essentially certifies that the *DU* was able to meet the requisites for its issuance, thus, authorizing the *EPSA*s' immediate implementation; (ii) the immediate implementation of the *1st GNPD EPSA* and *2nd GNPD EPSA* is consistent with Section 2.2.1.2 of the *2021 Revised CSP Rules* considering that: (a) both the *EPSA*s' cooperation periods are within the one (1) year period limitation; (b) the *EPSA*s were contracted to address an emergency situation; and (c) the *EPSA*s are equivalent to or lower than the latest *ERC*-approved generation tariff for same plant offered for the *EPSA*, which is actually the practice being observed by the *ERC* in approving *PSA*s as shown in previous Orders issued for other *PSA*s; (iii) the *ERC*'s use of the *2021 PEDC PSA* rate, which was released on the *ERC*'s online Database of Generation Rates after the Show Cause Order was issued and after the expiration of the terms of the *EPSA*s, is not comparable to the *EPSA* rates given the stark differences in circumstances.

On March 24, 2023 and April 11, 2023, in light of the injunction issued by the *CA* which suspended implementation of *MERALCO*'s *PSA* with *SPPC* for 670 *MW* contract capacity, and after receiving from the *DOE* a *COE-CSP* pursuant to the *2021 Revised CSP Circular, MERALCO* signed an *EPSA* with *SPPC* for 480 *MW* capacity and *TLI* for 370 *MW* capacity, respectively. The applications for approval of the *EPSA*s with *SPPC* and *TLI* were both filed on July 27, 2023. As at February 26, 2024, the hearings have been concluded and the case is pending decision by the *ERC*.

In light of the *CA*'s Joint Decision, and the cessation of the *SPI PSA* on July 24, 2023, *MERALCO*'s bilateral power supply contracts portfolio was reduced by 330 *MW* starting July 24, 2023. Prior to this, starting on July 17, 2023, *MERALCO* sent out requests for proposals to various power suppliers in order to address the 330 *MW* bilateral contract capacity deficit. On July 20, 2023, the only offer received was from *SPPC*. On August 7, 2023, *MERALCO* and *SPPC* executed an *EPSA.* The application for approval of the *EPSA* with *SPPC* was filed on September 25, 2023. As at February 26, 2024, hearings have been concluded and the case is pending decision by the *ERC*.

Clark Electric

Sem-Calaca

On August 28, 2020, *Clark Electric* conducted a *CSP* for the procurement of 20 *MW* of baseload power supply for a contract term of ten (10) years commencing on December 26, 2020. *Sem-Calaca* was selected as the winning bidder for submitting the least cost bid.

On October 26, 2020, *Clark Electric* executed a *PSA* with *Sem-Calaca*, the power generation company which owns, operates and maintains the 600 *MW* Batangas Coal-Fired Thermal Power Plant located in Calaca, Batangas. On October 30, 2020, *Clark Electric* and *Sem-Calaca* filed a Joint Application with Motion for Confidential Treatment of Information and Prayer for Provisional Authority for the approval of their *PSA*. Accordingly, the *ERC* has set the expository presentation and pre-trial conference on March 4 and 11, 2021, respectively.

On January 25, 2021, *Clark Electric* and *Sem-Calaca*, jointly filed an urgent ex-parte motion for the issuance of provisional authority to implement the *PSA*. On March 1, 2021, the *ERC* granted the provisional authority to implement the *PSA* between *Clark Electric* and *Sem-Calaca*.

On February 23, 2022, the *ERC* granted an Interim Relief upon the expiration of the provisional authority.

SPDC

On August 28, 2020, *Clark Electric* conducted a *CSP* for the procurement of its 25 *MW* of mid-merit power supply requirement for a contract term of five (5) years commencing on December 26, 2020. *SPDC* was selected as the winning bidder for submitting the least cost.

On October 23, 2020, *Clark Electric* executed a *PSA* with *SPDC* for the supply of 25 *MW* contract capacity and associated energy beginning December 26, 2020. The *PSA* was jointly filed by *Clark Electric* and *SPDC* on October 28, 2020 with Motion for Confidential Treatment of Information and Prayer for Provisional Authority for the approval of their *PSA*. Thus, the expository presentation and pre-trial conference was set by the *ERC* on March 9 and 16, 2021, respectively.

On January 25, 2021, *Clark Electric* and *SPDC*, jointly filed an urgent ex-parte motion for the issuance of provisional authority to implement the *PSA*. The provisional authority was granted by the *ERC* through its Order which was promulgated on June 11, 2021.

On February 23, 2022, the *ERC* granted an Interim Relief upon the expiration of the provisional authority.

TransCo/NGCP

Clark Electric executed a Transmission Service Agreement on December 26, 2013 with *NGCP* for the provision of necessary transmission services in accordance with the *OATS* rules for five (5) years until December 25, 2023. This was renewed for another five years until December 25, 2028.

Supply and Equipment Loan Agreement with Shell

Panay Power Corporation ("*PPC*") has a Supply and Equipment Loan Agreement with Shell, whereby Shell will supply *PPC*'s total requirements of petroleum products at prices based on the formula indicated in the agreement. The agreement also provides that Shell will install at *PPC*'s premises the equipment and facilities for the storage and servicing of products purchased at no cost to *PPC*. The agreement is effective for 15 years until 2013. As *PPC* has not utilized the contracted quantity, agreement was renewed for another five years or until the contracted quantity is fully utilized. Under the new agreement, pricing is subject to semi-annual review. As at February 26, 2024, the termination of the contract is ongoing discussion.

Long-term Coal Supply Agreements ("CSA")

In order to ensure that there is an adequate supply of coal to operate the power plants, the following operating plants entered into several long-term contracts with local and foreign coal suppliers:

PEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Sakti Nusantara Bakti	Indonesia	2022 - 2026	ICI4	275,000 MT
PT Bayan Resources, TBK	Indonesia	2023-2024	GNewC and ICI4	220,000 MT
PT Kideco Jaya Agung	Indonesia	2021 - 2025	GNewC	110,000 MT
Samsung C&T Corporation	Indonesia	2020 - 2024	GNewC Index	110,000 MT
Trafigura Asia Trading PTE, Ltd	Indonesia	2023 - 2024	ICI4	55,000 MT 2023;165,000 MT 2024
Bulk Trading	Indonesia	2023-2024	Fixed price	220,000 MT
Semirara Mining and Power Corporation	Local	Annual Contract	Fixed Price	200,000 MT
Galaxy Energy and Resources Co. PTE, Ltd.	Indonesia	2020 - 2023	ICI4	110,000 MT
Vitol Asia PTE Ltd	Indonesia	2021-2023	GNewC	110,000 MT

CEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2021 - 2025	GNewC	385,000 MT
PT Antang Gunung Meratus	Indonesia	2020 - 2025	GNEWC	275,000 MT
PT Adaro Indonesia	Indonesia	2020 - 2024	GNewC Index with cap @USD 50	165,000 MT
PT Kideco Jaya Agung	Indonesia	2021 - 2025	GNewC	110,000 MT
RWood Resources DMCC	Indonesia	2021 - 2025	GNewC	55,000 MT
Semirara Mining and Power Corporation	Local	Annual Contract	Fixed Price	200,000 MT

TPC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Kideco Jaya Agung	Indonesia	2021 - 2025	GNewC	110,000 MT
RWood Resources DMCC	Indonesia	2021 - 2025	GNewC	110,000 MT
PT Antang Gunung Meratus	Indonesia	2021 - 2025	GNewC	55,000 MT
Galaxy Energy and Resources Co. PTE, Ltd.	Indonesia	2020 - 2023	ICI4	55,000 MT
Semirara Mining and Power Corporation	Local	Annual Contract	Fixed Price	200,000 MT

GESC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Bayan Resources, TBK	Indonesia	2023-2024	GNewC and ICI4	110,000 MT
Trafigura Asia Trading PTE, Ltd	Indonesia	2023	ICI4	55,000 MT
Bulk Bayan Resources, TBK	Indonesia	2023-2024	Fixed Price	220,000 MT

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project ("*Cagbalete Microgrid Project*")

On July 23, 2019, *MERALCO* inaugurated the first phase of its power microgrid in Cagbalete Island, Quezon Province as part of its continuing initiative of rural energization using sustainable energy. The microgrid is a hybrid generating plant that features a 60 *kW PV* system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

On May 31, 2019, *MERALCO* filed an application dated May 29, 2019 to implement the proposed *Cagbalete Microgrid Expansion Project* to allow *MERALCO* to serve the rest of the residents in Cagbalete Island. The *Cagbalete Microgrid Expansion Project* with an estimated cost of ₱219 million, will utilize a scaled-up hybrid generation system by similarly using solar photovoltaic ("*PV*") panels, diesel generators and lithium-ion battery storage as main components. Hearings have been completed and *MERALCO* filed its *FOE* on August 15, 2019. In an Order dated August 27, 2020, the *ERC* requested additional information regarding the *Cagbalete Microgrid Expansion Project*. *MERALCO* filed its Compliance on October 15, 2020. On November 20, 2020, *MERALCO* filed another Manifestation reiterating the urgency of immediately implementing the *Cagbalete Microgrid Expansion Project*. On May 12, 2021, *MERALCO* filed a Manifestation with Urgent Motion for Resolution to urge the *ERC* to resolve the instant Application. On May 19, 2021, *MERALCO* submitted the letter from the Office of Municipal Mayor of Mauban, Quezon Province which certified that no generation company has applied to the Municipality of Mauban to secure a permit in order to build and operate an electricity generating facility in the island of Cagbalete. On May 31, 2021, *MERALCO* filed a Supplemetal Submission and Very Urgent Motion for Resolution to urge the *ERC* to resolve the instant Application. As at February 26, 2024, *MERALCO* is awaiting further action by the *ERC*.

Lease Agreement with CDC

On June 23, 2004, *Clark Electric* entered into a lease agreement with *CDC* for the lease of land and structures for the period of 18 years beginning July 2005, renewable for 25 years upon mutual agreement of both parties.

Beginning July 2004, as stated in the lease agreement, *CDC* charges guarantee fees equivalent to ₱0.05 per *kWh* sold for the first eight (8) years, ₱0.075 per *kWh* for the next four (4) years, and ₱0.12 per *kWh* for the succeeding six (6) years.

IMC with PELCO II

On February 12, 2014, *Comstech* entered into an *IMC* with *PELCO II* for a period of 20 years. *PELCO II* is an electric cooperative with franchise to distribute electric power in certain municipalities of Pampanga.

Pursuant to the *IMC*, *Comstech* shall render technical and management services for the operation, maintenance and management and improvement of *PELCO II*'s electric distribution. As consideration for its technical, consultancy and management services, *Comstech* is entitled to a performance-based remuneration and management fee based on a certain percentage of the operating revenues of *PELCO II*.

Agreement and Registration with PEZA

MERALCO has a concession agreement with *PEZA* for 25 years, whereby *MERALCO* has been contracted to operate the distribution system of *CEZ* beginning May 26, 2014.

MERALCO executed a tripartite agreement with *PEZA* and *TLI* for the billing and settlement of the supply of power from *TLI* to *CEZ* and its locators. On December 19, 2023, *MERALCO* issued a Notice of Award to *TLI* for the 24 *MW* baseload supply of *CEZ* for a period of one (1) year from December 26, 2023 to December 25, 2024 ("Additional Term"). The terms of the award will be documented through a Transition Power Supply Agreement. The tripartite agreement is likewise extended until December 25, 2024.

On December 29, 2014, *MERALCO* secured its Certificate of Registration No.10-01-U from *PEZA*, which confirms *MERALCO* as an Ecozone Utilities Enterprise at the *CEZ*.

Joint Venture Agreement with New Clark City

On April 3, 2019, *Shin Clark* signed a Joint Venture Agreement with the *BCDA* for the construction, operation and maintenance of the electric distribution system in New Clark City.

Shin Clark completed the construction of Phase 1A of the Interim Electrical Distribution facilities, which consists of (i) a 33 *MVA*, 69 *kV*-13.8 *kV* interim substation; (ii) 2.2 kilometers of 13.8 *kV* overhead lines; and (iii) 1.5 kilometers of 13.8 *kV* underground line.

On September 15, 2021, *BCDA* secured the endorsement from the Governance Commission for Government Owned and Controlled Corporation for the incorporation of *Shin Clark Power*, the joint venture company. On May 10, 2022, the *SEC* approved the incorporation of *Shin Clark Power*. In a Decision dated March 22, 2023, received on July 5, 2023, *Shin Clark Power* was granted a *CPCN* by the *ERC* to operate as a *DU* until September 2044.

31. Earnings Per Share Attributable to Equity Holders of the Parent

Basic and diluted earnings per share are calculated as follows:

	2023	2022	2021
		(In millions except per share amounts)	
Net income attributable to equity holders of the Parent (a)	**₱38,023**	₱28,431	₱23,498
Weighted average common shares outstanding (b)	**1,127**	1,127	1,127
Per Share Amounts:			
Basic and diluted earnings per share (a/b)	**₱33.74**	₱25.23	₱20.85

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to common shareholders of the parent by the weighted average number of common shares outstanding during the year. There are no potential dilutive common shares in 2023, 2022 and 2021.

There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

32. Other Matters

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On May 12, 2016, the *ERC* issued Resolutions No. 10 and 11, Series of 2016, which:

1. Provided for mandatory contestability. Failure of a contestable customer to switch to *RES* upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) *MW* and June 26, 2017 for at least 750 *MW*) shall result in the physical disconnection from the *DU* system unless it is served by the supplier of last resort ("*SoLR*"), or, if applicable, procures power from the *WESM*;

2. Prohibits *DU*s from engaging in the supply of electricity to the contestable market except in its capacity as a *SoLR*;

3. Mandates Local *RES*s to wind down their supply businesses within a period of three (3) years;

4. Imposes upon all *RES*s, including *DU*-affiliate *RES*s, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

5. Prohibits *RES*s from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On November 29, 2017, the *DOE* issued two (2) *DOE* Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of *RCOA* for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of *RCOA* for *RES* in the Philippine Electric Power Industry. The *DOE* Circulars became effective on December 24, 2017.

Under the *DOE* Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under *RCOA*-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 *kW to* 749 *kW* for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 *kW* for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014.

Retail Aggregation

On June 16, 2022, the *ERC* issued Resolution No. 04, Series of 2022 entitled "*A Resolution Adopting the Rules for the Electric Retail Aggregation Program."* Under said Resolution, the aggregation of the electricity requirements of end-users, whose total monthly average peak demand is at least 500 *kW*, is allowed to accommodate a wider consumer base availing of the benefits of *RCOA* to further promote competition in the Competitive Retail Electricity Marktet. Implementation of such aggregation shall become effective by December 26, 2022. Meanwhile, industry stakeholders are clarifying certain provisions in the Resolution to allow for the smooth implementation of Retail Aggregation.

Pre-Emptive Mitigating Measure in the WESM

In December 2014, in its Resolution No. 20, Series of 2014, the *ERC* adopted and established a permanent pre-emptive mitigation measure in the *WESM*. The *ERC* set a cumulative price threshold ("*CPT*") amounting to an average spot price of ₱9,000 per *MWh* over a rolling 7-day period or 168-hour trading interval. Once this *CPT* for said period is breached, it triggers the imposition of a price cap amounting to ₱6,245 per *MWh*. The price cap shall be imposed until after a determination that succeeding *GWAP* rolling average is already below the *CPT*. The pre-emptive measure has taken effect beginning January 9, 2015.

The imposition of the mitigating measure was questioned by the Philippine Independent Power Producers Association ("*PIPPA*") in the *RTC*-Pasig through a Petition for Declaratory Relief with Application for *TRO* and/or Writ of Preliminary Injunction. The Petition prayed for, among others, that the *ERC* Resolutions pertaining to the secondary cap mechanism be declared void *ab initio*. The original petition was subsequently amended to reflect the promulgation of the subsequent *ERC* resolutions extending the effectivity of the *WESM* price cap. On July 21, 2014, *MERALCO* filed its Motion for Leave to Intervene and to Admit Attached Comment in Intervention. The *RTC-Pasig* admitted *MERALCO's* intervention and comment in its Order dated October 28, 2014. However, in a

Motion for Leave to Admit Supplement Petition, *PIPPA* moved for leave to file a supplemental petition to include *ERC* Resolution No. 20, Series of 2014 which provides for a permanent mitigating measure in the *WESM*. In an Order dated May 5, 2015, the *RTC*-Pasig denied the Motion for Leave to File and Admit Supplemental Petition. *PIPPA* filed a Motion for Partial Reconsideration which was denied by the *RTC*-Pasig in its Resolution dated September 10, 2015. *PIPPA* filed a Petition for Certiorari with the *CA*. The *CA* denied the Petition for Certiorari in its Decision dated June 9, 2017. *PIPPA* filed a *MR* dated July 19, 2017. In a Resolution dated August 16, 2017, the parties were directed to file their comments to the *PIPPA*'s *MR*. *MERALCO* has filed its comment on the *MR*. On April 4, 2018, the *CA* rendered a resolution denying the *MR* filed by *PIPPA*.

On September 29, 2015, the *WESM* Tripartite Committee issued a Joint Resolution further extending the interim offer price cap of ₱32,000 per *MWh* until December 31, 2015. In its Joint Resolution No. 3, Series of 2015, the *WESM* Tripartite Committee resolved to set the *WESM* offer price cap at ₱32,000 per *MWh* and the *WESM* offer price floor of negative ₱10,000 per *MWh* effective January 2016, provided that an annual review shall be undertaken considering the relevant costs assumptions at the time of review.

On December 7, 2015, the *RTC*-Pasig rendered a Decision dismissing the Petition for Declaratory Relief. The *MR* filed by *PIPPA* was denied in a Resolution dated June 16, 2016. *PIPPA* appealed the *RTC*-Pasig Decision with the *SC*. *MERALCO* has filed its comment thereto. *PIPPA* filed a Consolidated Reply on July 17, 2017. As at February 26, 2024, the case is pending before the *SC*.

On May 9, 2017, the *ERC* issued Resolution No. 4, Series of 2017, entitled, "A Resolution Adopting Amendments to the Pre-emptive Mitigating Measure in the *WESM*". They adopted a recalculated cumulative price threshold level of ₱1,080,000 and a shorter five (5)-day (120-hour) rolling average period. This is equivalent to ₱9,000 per *MWh* over said period.

The *ERC* has expressed its intent to further amend the pre-emptive mitigating measure in the *WESM* to increase consumer safety nets against price spikes. The highlight of the amendments would be the lowering of the rolling average period from five (5) days to three (3) days, and the regional/island imposition of the Secondary Price Cap mechanism when the grid interconnection is on outage. In its Resolution No. 7, Series of 2021, promulgated on July 28, 2021, the *ERC* shortened the rolling average period to seventy-two (72) hours and approved the regional/island imposition of the Secondary Price Cap mechanism.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued "Guidelines in the Registration of Electric Power Generation Facilities/Utilities/Entities Operating Inside the Ecozones" and "Guidelines for the Supply of Electric Power in Ecozones" ("*Guidelines*"). Under these Guidelines, *PEZA* effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DU*s which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The *Guidelines* are the subject of an injunction case filed by the *DU*s in *RTC*-Pasig.

On February 4, 2015, the *RTC*-Pasig issued an Order setting a clarificatory hearing on April 15, 2015. During the said hearing, *MERALCO* manifested that it previously filed a Motion to Withdraw as plaintiff on the basis of letter agreements between *MERALCO* and *PEZA*, which is pending before the *RTC*-Pasig. *MERALCO* submitted the Tripartite Agreement among *PEZA*, *PEPOA* and *MERALCO* for approval of the *RTC*-Pasig. In a Decision dated July 3, 2015, the *RTC*-Pasig approved the Compromise Agreement between *PEZA*, *PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC*-Pasig dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC*-Pasig.

Purchase of Subtransmission Assets ("*STAs*")

On April 17, 2012, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 4 contract to sell with the *ERC*. On April 22, 2013, the *ERC* issued a Decision on *MERALCO*'s joint application for the acquisition of the Batch 4 contract to sell. On June 21, 2013 and July 3, 2013, *MERALCO* and *TransCo* filed a Motion for Partial Reconsideration and *MR*, respectively, regarding the exclusion of certain facilities for acquisition.

On May 22, 2014, *MERALCO* and *TransCo* received an *ERC* Order dated May 5, 2014 denying *MERALCO* and *TransCo*'s Motions. On June 5, 2014, *MERALCO* filed a clarificatory motion and a *MR* of the May 5, 2014 *ERC* Order, which was denied by the *ERC* through an Order dated June 16, 2014. On October 10, 2014, *MERALCO* filed a Motion to Reopen Proceedings for the reception of new evidence to support *MERALCO*'s position on the acquisition of excluded *STA*s. The Motion was heard by the *ERC* on October 17, 2014. After the parties have submitted their respective comments and pleadings, the *ERC* conducted another hearing on February 23, 2015.

In an Order dated March 4, 2015, the *ERC* considered but denied the new and substantive allegations in *MERALCO*'s Motion to Reopen Proceedings. *MERALCO* then filed a Petition for Review with the *CA* to question the Orders of the *ERC*. In a Decision dated August 12, 2016, the *CA* dismissed the Petition. On September 17, 2016, *MERALCO* filed a *MR*. In an Amended Decision dated September 15, 2017, the *CA* granted *MERALCO*'s *MR* and approved the sale of the Dasmarinas-Abubot-Rosario 115 *kV* line and Rosario substation equipment in favor of *MERALCO*. *NGCP* filed a *MR* (of the Amended Decision) dated October 4, 2017. In a Resolution dated May 31, 2018, the *CA* denied the *MR*. *NGCP* filed a Petition for Review with the *SC*.

On March 20, 2015, *MERALCO* filed a case for "Interpleader with Consignation and Specific Performance" against *TransCo* and the Municipality of Labrador, Pangasinan ("*Labrador*") with the *RTC*-Pasig, praying for the *RTC*-Pasig to (i) accept and approved the consignation of the amount of ₱194.1 million; (ii) declare *MERALCO* to have paid in full the purchase price of the sale of *TransCo*'s assets; (iii) direct *TransCo* to execute the corresponding Deeds of Absolute Sale; and (iv) direct *Labrador* and *TransCo* to interplead their respective claims. On April 14 and 20, 2015, *Labrador* and *TransCo* filed their respective Motions to Dismiss on the ground of impropriety of the filing of the Interpleader and on the ground of *litis pendentia*. *MERALCO* received an Order from *RTC*-Pasig granting the Motions to Dismiss of both *TransCo* and *Labrador*. *MERALCO* filed a *MR* which was denied by the *RTC*-Pasig. *MERALCO* appealed the Decision with the *CA*, which granted the appeal, and remanded the interpleader case to the trial court for proper disposition. The *CA* decision already attained finality as of May 25, 2018.

TransCo and *MERALCO* executed the Deeds of Absolute Sale ("*DOAS*") on December 10, 2020, covering the Batch 2 and Batch 4 *STA*s. Hence, *MERALCO* has acquired and is in full possession of these assets. In a letter dated Octobre 26, 2021, *NGCP* likewise confirmed that, with the turn-over of these assets, the corresponding Connection Charges and Residual Sub-Transmission Charges ("*CC/RSTC*") of *MERALCO* starting the December 2021 billing month will be correspondingly adjusted.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next scheduled hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 ("*RE* Act"), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

On February 5, 2014, the *ERC* released the *FiT-All* disbursement and Collection Guidelines ("*FiT Guidelines*") to supplement the *FiT* Rules. This set of guidelines will govern how the *FiT-All* will be calculated using the formulae provided. It will also outline the process of billing and collecting the *FiT-All* from the electricity consumers, the remittance to a specified fund, the disbursement from the *FiT-All* fund and the payment to eligible *RE* developers.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per *kWh*	Approved Rate per *kWh*	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	₱0.2278	₱0.0983	November 23, 2020
2021	₱0.1881	₱0.0983	August 17, 2022
2022	₱0.3320 or ₱0.3165 (alternative rate in consideration of *Covid-19*)	₱0.0364	August 30, 2022
2023	₱0.2382	–	Pending final decision

On December 23, 2014, *MERALCO* received a copy of a Petition for Prohibition and Certiorari filed with the *SC* against the *ERC*, *DOE, TransCo*, *NREB* and *MERALCO*. The Petition seeks (i) the issuance of a *TRO* and/or *WPI*, and after giving due course to the Petition, a Writ of Prohibition to enjoin the respondents from implementing the *FiT-All*, the *FiT* Rules and *FiT* Guidelines; and (ii) the annulment of the *FiT* Rules and *FiT* Guidelines. With the parties' submission of their respective memoranda, the case is now pending decision. As at February 26, 2024, the said petition is pending with the *SC*.

In a Decision dated October 6, 2015, the *ERC* set the Wind *FiT* at ₱7.40 per *kWh. MERALCO* filed a *MR* on the Decision. As at February 26, 2024, the *MR* is pending further action of the *ERC*.

On September 29, 2016, Alternergy Wind One Corporation, Petrowind Energy, Inc. and Trans-Asia Renewable Energy Corporation filed a Petition to Initiate Rule-Making to adjust the Wind *FiT* rate of ₱7.40 per *kWh* to ₱7.93 per *kWh*. *MERALCO* filed an intervention in the case. The hearing on the Petition was set on January 6, 2017. *MERALCO*'s motion on the propriety of the petition has been submitted for the resolution of the *ERC*. As at February 26, 2024, the said petition is ongoing and remains pending with the *ERC*.

On May 26, 2020, through Resolution No. 6, Series of 2020, the *ERC* issued the *FiT* adjustments for the years 2016, 2017, 2018, 2019 and 2020 using 2014 as the base year for the *CPI* and foreign exchange adjustments, pursuant to Section 2.10 of the *FiT* Rules. The said *FiT* adjustments are to be recovered for a period of five (5) years.

In its Decision dated November 28, 2020, the *ERC* set the modified *FiT2* rate to be applicable from January 1, 2018 to December 31, 2019. The modified Run of River ("*ROR*") Hydro *FiT2* rate is ₱5.8705 per *kWh* while for Biomass *FiT2*, the rate is ₱6.19 *kWh*.

On November 16, 2022, the *ERC* issued Resolution No. 12, Series of 2022, "*A Resolution Adopting the Suspension of the Collection of Feed-in-Tariff Allowance (FiT-All)*", approving the temporary suspension in the collection of the *FiT-All* for a period of three (3) months, starting the December 2022 until the February 2023 billing months. According to the *ERC*, the *FiT-All* balance as of November 7, 2022, inclusive of the Cost Recovery Revenue ("*CRR*") collections in November 2022, shows a healthy fund balance that can sufficiently cover the *FiT-All* payment requirements for three (3) months, assuming the same average *CRR* collection. On February 22, 2023, *ERC* issued Resolution No. 02, Series of 2023, extending the temporary suspension in the collection of the *FiT-All* for six (6) months, starting the March 2023 to August 2023 billing months. On August 4, 2023, *ERC* further extended the suspension in the collection of *FiT-All*, through Resolution No. 11, Series of 2023, starting September 2023 until otherwise lifted by the *ERC* in the event that the *FiT-All* fund shall be deemed insufficient to cover the monthly fund requirements. Finally, on January 16, 2024, *ERC* issued Resolution No. 1, Series of 2024, "*A Resolution Adopting the Lifting of Suspension of the Collection of FiT-All*", resolving to lift the suspension on the collection of the *FiT-All*, and to resume the collection of *FiT-All* starting the billing month of February 2024.

Renewable Portfolio Standards (RPS)

In accordance with the *RE* Act, the *DOE* issued Department Circular No. DC2017-12-0015 "Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the *RPS* Rules on December 22, 2017. In compliance with the *RPS* Rules, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*'s computation of its requirements, as well as plans to comply with the requirements. *MERALCO* intends to fully comply with its *RPS* obligations while minimizing the rate impact to its customers.

On March 10, 2021, *MERALCO*'s registration in the Renewable Energy Market ("*REM*") as a Mandated Participant was approved by *PEMC*. On June 30, 2022, the *DOE* issued Department Circular No. 22-06-0019 "Declaring the Interim Commercial Operations of the Renewable Energy Market ("*REM*").

Green Energy Option Program (GEOP)

Pursuant to the *RE* Act, the *DOE* issued Department Circular No. DC2018-07-0019 "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program Pursuant to the Renewable Energy Act of 2008" or the *GEOP* Rules on July 18, 2018. On April 22, 2020, the *DOE* also issued Department Circular No. DC2020-04-0009, "Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers under the GEOP" as a supplement to the *GEOP* Rules.

On August 19, 2021, the *ERC* issued Resolution No. 08, Series of 2021 "A Resolution Adopting the Rules for the Green Energy Option Program (*GEOP*)". The rules became effective on September 3, 2021. As of December 31, 2023, *MERALCO* has already processed the switching of two hundred thirteen (213) customers to *GEOP*.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*'s petition for the recovery of *NPC*'s stranded contract costs portion of the universal charge ("*UC-SCC*"). Accordingly, *PSALM* is hereby authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.

In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another reversal to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the colletion of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the *ERC* dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DU*s to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid".

By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DU*s.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DU*s' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DU*s' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at December 31, 2023, *MERALCO* has already installed 10,832 meters and energized 8,554 net metering customers.

Interruptible Load Program ("*ILP*")

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*'s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 "A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program", *DOE* Circular No. DC2015-06-0003 "Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program" and *ERC* Resolution No. 3, Series of 2019 "A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules".

As at December 31, 2023, there are 105 companies with a total committed de-loading capacity of 530.10 *MW* that have signed up with *MERALCO*, *MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. The hearing on the application was conducted on October 6, 2015. In an Order dated October 12, 2015, the *ERC* directed *MERALCO* to submit additional documents in support of its application which *MERALCO* complied with. However, due to changes in the financial climate which may affect the terms and conditions of any financial borrowings, *MERALCO* has filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*'s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at February 26, 2024, the *ERC* has yet to resolve *MERALCO*'s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. Hearings have been completed and *MERALCO* filed its *FOE*. On January 21, 2021, *MERALCO* filed its Manifestation with Urgent Motion to Resolution. *MERALCO* has filed a Motion to Withdraw the Application to align with the changes brought about by the amended Public Service Act. As at February 26, 2024, *MERALCO* is awaiting the resolution of the *ERC* of its motion.

CSP Requirement for PSAs

On February 9, 2018, the *DOE* published the *2018 DOE Circular*. Upon effectivity of the Circular, all prospective *PSA*s in grid and off-grid areas shall be procured through *CSP*. The *CSP* under the *2018 DOE Circular* involves publication of invitation to bid, pre-bid conference, bid evaluation, and pre-/post-qualification of winning bidder. Exemption from *CSP* may be granted by the *DOE* in certain instances.

*PSA*s that were granted exemption from *CSP* by reason of need for emergency supply shall be implemented by the *DU* immediately without prejudice to the evaluation and final decision of the *ERC*.

On April 3, 2023, the *DOE* issued an advisory on the moratorium on the issuance of Certificate of Exemption from the conduct of Competitive Selection Process ("*COE-CSP*") and review of the terms of reference for unsolicited proposals until the promulgation of the new *CSP* policy being drafted by the *DOE* in coordination with *ERC* and *NEA.*

On April 4, 2023, the *DOE* posted the draft *DOE Circular* on the new *CSP* policy, which among other things, proposed to streamline the conduct of the *CSP.* The draft *DOE Circular* stated, among other things, that all rules and regulations, or any portion thereof, that are inconsistent with said draft *Circular* are repealed or modified accordingly. In particular, *DOE Circular* Nos. DC2015-06-0008, DC2018-02-0003, DC2021-09-0030 and DC2022-06- 0027. On April 25, 2023, *MERALCO* submitted its comments on the draft *DOE Circular.*

On July 19, 2023, the *DOE*'s new *CSP* policy under Department Circular No. DC2023-06-0021 ("*2023 CSP Circular*") took effect. The *2023 CSP Circular* requires issuance by *DOE* of a Certificate of Conformity and delegated to the *ERC* to issue within forty-five (45) days from effectivity the implementing guidelines for the conduct of the *CSP*, including a *PSA* template. It is also provided that *CSP*s shall be consistent with the latest and duly accepted Distribution Development Plan ("*DDP*") and posted Power Supply Procurement Plan ("*PSPP*") and shall be undertaken at least 2 years prior to expiration of the *PSA* or projected increase in demand. The previous *DOE CSP* Circulars under Department Circulars No. DC2015-06-0008, DC2018-02-0003, DC2021-09-0030 and DC2022-06-0027 shall be repealed upon effectivity of the *ERC*'s guidelines. In the transition, *DU*s with ongoing *CSP* activities and have been issued Certificate of Posting prior to effectivity of the 2023 Circular shall continue to observe the policy under DC2018-02-0003 and DC2021-09-0030.

On October 23, 2023, following public consultations and comments from concerned stakeholders, the *ERC* promulgated its *Resolution No. 16, Series of 2023 ("ERC CSP Guidelines").* The *ERC CSP Guidelines* provided for a maximum term of *PSA*s of ten (10) years for financial *PSA*s, fifteen (15) years for physical *PSA*s and thirty (30 years) for physical *PSA*s where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSA*s were also provided in the *ERC CSP Guidelines. DU*s may include additional contractual terms and conditions in their *PSA*s consistent with their terms of reference and

the *ERC CSP Guidelines.* Under the *ERC CSP Guidelines, t*he entire process of the *CSP,* including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.

Under the *ERC CSP Guidelines,* direct negotiation is allowed after at least two (2) failed *CSP*s. *CSP*s are considered ot have failed, when, during its conduct any of the circumstances exist:

i. All bidders are declared ineligible;
ii. Only one (1) bidder submitted a proposal;
iii. No proposal was received by the Bids and Awards Committee ("*BAC*") on bid submission deadline;
iv. No interest bidder purchased the bidding documents after the deadline set in the invitation to bid;
v. Offers of bidders failed to meet the requirements set under the terms of reference, as determined by the *BAC*; or
vi. In the event of refusal, inability, or failure of a winning bidder to enter into a *PSA* with the *DU* within the period provided for under the *ERC CSP Guidelines.*

Termination of the *PSA,* other than due to expiration of the term, now requires approval by the *ERC* under the *ERC CSP Guidelines.*

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided the following conditions are present:

i. The cooperation period of such *EPSA* shall have a maximum and non-extendible period of one (1) year from its execution;
ii. The interim rate to be charged under the *EPSA* shall be capped at the latest *ERC*-approved generation tariff for the plant, if available. Otherwise, it shall be capped at the latest *ERC*-approved tariff for the same technology. Such rates shall apply until the *ERC* issues its approval of the *EPSA;*
iii. The *DU* shall, within five (5) calendar days from the occurrence of the Force Majeure or Fortuitous Event, notify in writing the *ERC* and the *DOE,* as well as the *NEA* (in case of *EC*s) and the *NPC* (in case of Off-Grid areas), of such Force Majeure or Fortuitous Event which will require the emergency power supply; and
iv. The *DU* and the power supplier shall jointly file with the *ERC* the application for approval of the said *EPSA* in accordance with the timeline prescribed under the *ERC CSP Guidelines.*

Under the *ERC CSP Guidelines, DU*s shall blacklist a winning bidder in case such winning bidder fails or refuses to:

i. Execute the *PSA* resulting from a successful *CSP* without justifiable reason;
ii. Join in the pre-filing or filing of the application thereof; or
iii. Deliver the *DU*'s electricity supply requirements as provided for under the duly executed *PSA,* without justifiable reasons as provided under the *PSA* that is provisionally or finally approved by the *ERC.*

The following shall also be blacklisted by the *DU,* or by the *ERC* after due notice and hearing:

i. The power supplier in the *PSA* who is at fault in the termination of the *PSA* or the withdrawal of the application;
ii. The winning bidder who refuses to post performance bond without justifiable reason; and

iii. The winning bidder who charges the *DU* at a rate higher than the *ERC*-approved generation rate.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the "*Bayan Muna Petition*"). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSP*s of *MERALCO* and some electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*.

On March 3, 2021, *MERALCO* received a copy of the petition dated February 17, 2021 filed with the *SC* by representatives of various consumer groups led by the Power for People (P4P) Coalition (the "*P4P Petition*") against the *DOE* and *MERALCO's TPBAC*. The petition claims that the terms of reference for the 1,800 *MW* baseload *CSP* completed in March 2021 are unfavorable to the consumers and non-compliant with the *2018 DOE Circular* and that it would not result in the least cost of electricity. The *P4P Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation and/or nullify the 1,800 *MW* baseload *CSP* of *MERALCO*. In a Resolution dated March 18, 2021, the *SC* dismissed the *P4P Petition*. The *SC* held that the issues raised by *P4P* are factual in nature, which require the *SC* to inquire into wisdom of the terms of reference. Hence, the petition was deemed premature as *P4P* itself admitted that *DOE* has yet to act on its protest letter and the *ERC* has yet to determine reasonableness of the rates resulting from the *CSP*.

True-up Adjustments of Fuel and Purchased Power Costs ("TAFPPC") and Foreign Exchange-Related Costs ("TAFxA")

On June 20, 2017, the *ERC* issued a consolidated Decision in *ERC* Case Nos 2011-115 RC, 2012-067 RC, 2013-092 RC, 2014-098 RC and 2015-124 RC, a copy of which was received by *MERALCO* on December 29, 2017, authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration praying for the suspension of the Order and requesting that *MERALCO* be allowed to charge the recovery to all types of customers, regardless of whether they were covered or not during the relevant test periods. In February 2023, the amount was fully refunded. As at February 26, 2024, the *ERC* has yet to act on the Motion.

Clean Air Act

The Clean Air Act and the related *IRR* contain provisions that have an impact on the industry as a whole and to *TPC*, *PPC*, *GRPI*, *PEDC* and *CEDC* ("the Operating Subsidiaries of *GBPC*") in particular, that need to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Operating Subsidiaries of *GBPC*'s existing facilities, the Operating Subsidiaries of *GBPC* believe that they have complied with the provisions of the Clean Air Act and the related *IRR*.

Energy Regulation (ER) 1-94

Based on *ER 1-94* and the *IRR* of the *EPIRA*, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per *kWh* of energy generated and sold. The operating subsidiaries of *GBPC* accrue the required benefits to their host community (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position) prospectively from the date of effectivity of *ER 1-94*. Such amount accrued shall be remitted to the trust account of the *DU*s, subject to audit by the *DOE*.

33. Notes to Consolidated Statements of Cash Flows

	2023			2022		
	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable
			(Amounts in millions)			
Balance at beginning of year	**₱74,342**	**₱29,491**	**₱2,878**	₱61,834	₱28,834	₱2,021
Payments	**(8,498)**	**(3,239)**	**(21,691)**	(18,676)	(2,263)	(17,213)
Availments	**2,803**	**1,331**	**–**	32,537	2,920	–
Dividend declarations	**–**	**–**	**22,032**	–	–	18,070
Preferred stock redemption	**(2)**	**–**	**–**	(3)	–	–
Additions to debt issue cost	**–**	**–**	**–**	(735)	–	–
Amortization of debt issue cost	**195**	**–**	**–**	128	–	–
Effect of consolidation of *SPNEC (Note 3)*	**3,096**	**–**	**–**	–	–	–
Amortization of fair value adjustment on interest-bearing long-term financial liabilities on the acquisition of *GBPC*	**(73)**	**–**	**–**	(743)	–	–
Balance at end of year	**₱71,863**	**₱27,583**	**₱3,219**	₱74,342	₱29,491	₱2,878

34. Event After the Financial Reporting Date

On February 26, 2024, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱11.235 a share to all shareholders of record as at March 27, 2024, payable on April 24, 2024.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule A: Financial Assets
As at December 31, 2023
(Amounts in Millions Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Cash and cash equivalents:				
Cash in banks	not applicable	29,892	29,892	86
Cash equivalents	not applicable	52,685	52,685	2,253
Trade and other receivables:				
Electricity sold	not applicable	33,131	33,131	-
Energy generated	not applicable	5,453	5,453	-
Service contracts	not applicable	555	555	-
Nontrade receivables	not applicable	6,251	6,251	-
Debt securities at amortized cost:				
Government securities	various	11,551	11,551	382
Private debt securities	various	5,840	5,840	243
Financial assets at FVOCI:				
Corporate bonds	various	2,255	2,255	206
Ordinary and club shares	various	2,120	2,120	-
Other financial assets:				
Advance payments to a supplier	not applicable	425	425	-
Short-term investments	not applicable	11	11	-
		150,169	**150,169**	**3,170**

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule C: Accounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2023
(Amounts in Millions Pesos)

Name of Related Party	January 1, 2023	Additions	Collections	Others	Amount written off	Current	Noncurrent	December 31, 2023
Corporate Information Solutions, Inc.	5	1,885	(28)	-	-	1,862	-	1,862
Meralco Industrial Engineering Services Corporation	16	222	(7)	-	-	231	-	231
Comstech Integration Alliance, Inc.	126	10	(32)	-	-	104	-	104
Radius Telecoms, Inc.	-	102	(9)	-	-	93	-	93
Meralco Energy Inc.	5	72	-	-	-	77	-	77
Meralco Financial Services Corporation	15	45	-	-	-	60	-	60
MSpectrum, Inc.	7	38	(5)	-	-	40	-	40
Miescor Logistics, Inc.	23	8	(4)	-	-	27	-	27
Miescor Builders, Inc.	6	11	(1)	-	-	16	-	16
MRAIL, Inc.	10	-	(6)	-	-	4	-	4
Vantage Energy Solutions and Management, Inc.	5	6	(10)	-	-	1	-	1
eSakay, Inc.	5	-	(4)	-	-	1	-	1
	223	**2,399**	**(106)**	**-**	**-**	**2,516**	**-**	**2,516**

MANILA ELECTRIC COMPANY AND SUBSIDIARIES

Schedule D: Interest Bearing Long-term Financial Liabilities

As at December 31, 2023

(Amounts In Million Pesos)

Title of issue and type of obligation	Interest Rate	Amount authorized by indenture	Amount shown under "Current portion of interest-bearing long-term financial liabilities" in the Consolidated Statement of Financial Position	Amount shown under "Interest-bearing long-term financial liabilities - net of current portion" in the Consolidated Statement of Financial Position
Fixed Rate Loans	4.50%-7.14%		7,057	37,368
Floating Rate Loans	*6.54-7.50%*		1,084	25,697
Redeemable Preferred Stock	*10.0000%*		1,465	-
Total			9,606	63,065
Less Unamortized debt issue cost			15	793
Balance at the end of the year			**9,591**	**62,272**

Note: The number of periodic payments of the fixed rate loans are disclosed in Note 17 - Interest-bearing Long-term Financial Liabilities in the Consolidated Financial Statements.

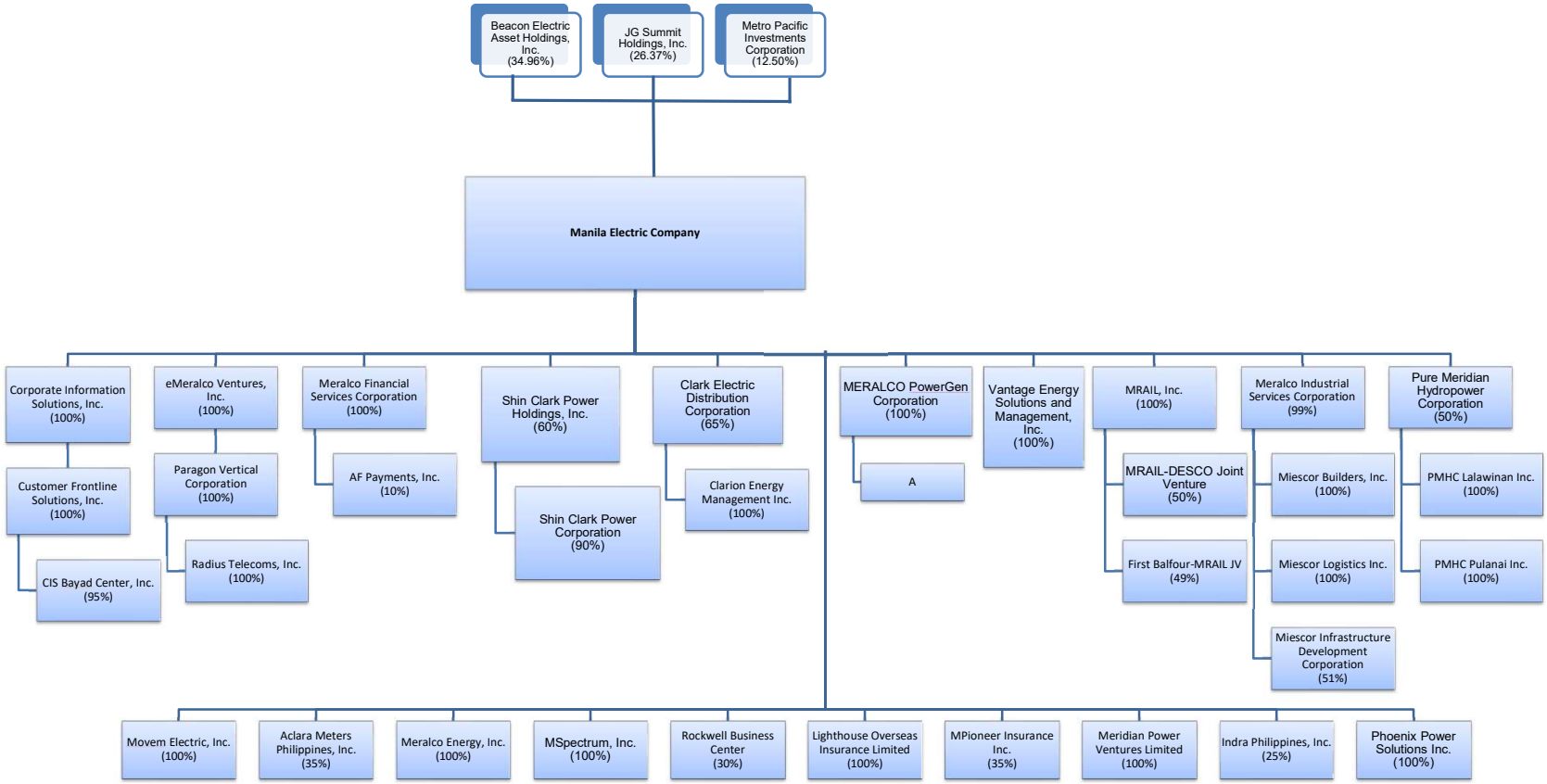
MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule G. Capital Stock
As at December 31, 2023
(Amounts in millions)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	1,250	1,127	-	832	1	294

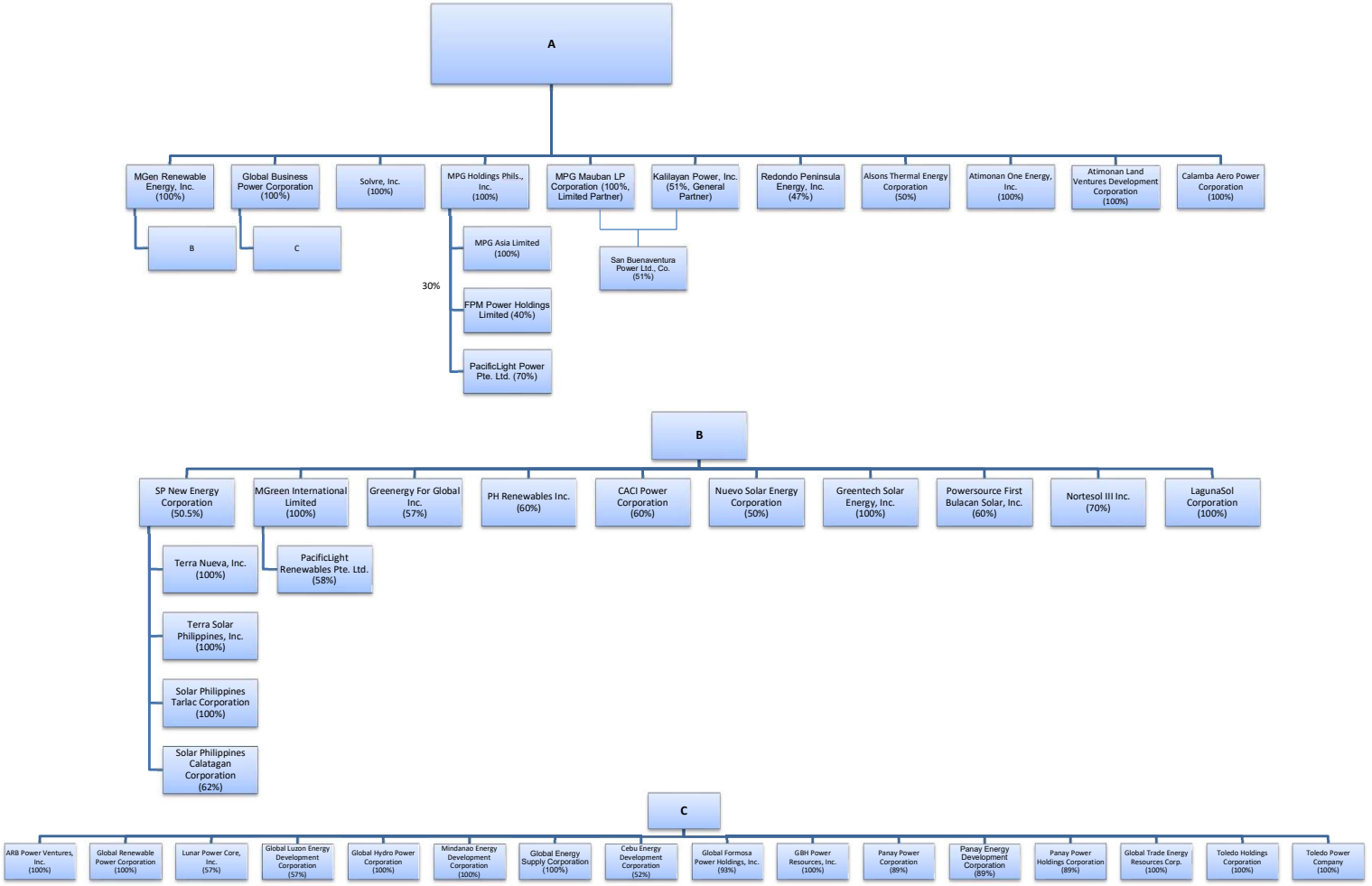
MANILA ELECTRIC COMPANY
Schedule H: Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2023
(Amounts in millions)

Unappropriated retained earnings, as adjusted to available for dividends declaration as at January 1, 2023		₱ 21,366
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting year		22,033
Unappropriated retained earnings, as adjusted		(667)
Add: Net income during the year		26,326
Less: Unrealized income recognized in the profit or loss during the reporting year (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		394
Add: Unrealized income recognized in the profit or loss in prior reporting year but realized in the current year (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents		408
Adjusted net income		25,673
Add: Non-actual losses recognized in profit or loss during the reporting year (net of tax)		
Impact of discounting on certain liabilities	650	
Depreciation of revaluation increment on utility plant and others	226	876
Less: Others items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of deferred tax assets		1,870
Unapproriated retained earnings available for dividend declaration as at December 31, 2023		₱ 24,679

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2023



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2023



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule of Financial Soundness Indicators
As at December 31, 2023, 2022 and 2021

	2023	2022	2021
Current Ratio[1]	0.70 : 1.00	0.75 : 1.00	0.86 : 1.00
Acid ratio [2]	0.62 : 1.00	0.66 : 1.00	0.76 : 1.00
Solvency Ratio[3]	0.15 : 1.00	0.13 : 1.00	0.12 : 1.00
Debt to Equity Ratio[4]	0.81 : 1.00	0.95 : 1.00	0.95 : 1.00
Asset to Equity Ratio[5]	4.79x	4.74x	5.08x
Interest Coverage Ratio[6]	9.47x	9.84x	9.26x
Profit margin Ratio[7]	0.09x	0.07x	0.07x
Return on Equity [8]	0.31x	0.26x	0.25x
Return on Assets[9]	0.06x	0.05x	0.05x
EBITDA Margin[10]	14.73%	12.20%	14.61%

[1] Current ratio is measured as current assets divided by current liabilities.

[2] Acid ratio is measured as current assets minus inventory and prepayments divided by current liabilities.

[3] Solvency ratio is measured as net income plus non-cash expenses divided to total liabilities.

[4] Debt to equity ratio is measured as total debts divided to total equity attributable to equity holders of the parent.

[5] Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of the parent.

[6] Interest coverage ratio is measured as earnings before interest and taxes, divided by total interest and other financial charges.

[7] Profit margin ratio is computed by dividing net income attributable to equity holders of the parent with total revenues.

[8] Return on equity is measured as net income attributable to equity holders of the parent with total equity attributable to equity holders of the p

[9] Return on assets is measured as net income attributable to equity holders of the parent with total assets.

[10] EBITDA margin is measured as EBITDA divided by total revenues.

EBITDA is measured as net income excluding depreciation and amortization, impairment of noncurrent assets, interest and other financial charges, interest and other financial income, equity in net earnings or losses of associates and joint ventures, foreign exchange gains or losses, mark-to-market gains or losses, provision for income tax and other non-recurring gains or losses, if any.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age, and a resident of 1203 Acacia Street, Dasmariñas Village, Makati City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of MANILA ELECTRIC COMPANY (MERALCO) and have been its independent director since 2008.
2. I am affiliated with the following listed companies or organizations:

Company/Organization	Position/Relationship	Period of Service
GMA Network, Inc.	Independent Director	2007 to present
GMA Holdings, Inc.	Independent Director	2009 to present
Petron Corporation	Independent Director	2010 to present
Asian Terminals, Inc.	Independent Director	2010 to present
PLDT, Inc.	Independent Director	2013 to present
JG Summit Holdings, Inc.	Independent Director	2021 to present
RL Commercial REIT, Inc.	Independent Director	2021 to present
Jollibee Foods Corporation	Non-Executive Director	2012 to present
Metropolitan Bank and Trust Co.	Senior Adviser	2007 to present
Bank of the Philippine Islands	Member, Advisory Council	2016 to present
DoubleDragon Properties Corp.	Adviser	2014 to present
MerryMart Consumer Corp.	Adviser	2020 to present
For my full bio-data, log on to my personal website: cjpanganiban.com		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MERALCO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not related to any director, officer or a substantial shareholder of MERALCO.
5. To the best of my knowledge, I am not the subject of any criminal or administrative investigation or proceeding pending in court.
6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of MERALCO of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this MAR 0 8 2024 day of March 2024.

ARTEMIO V. PANGANIBAN
Affiant

SUBSCRIBED AND SWORN to before me this MAR 0 8 2024 day of March 2024, affiant personally appeared before me and exhibited to me his Passport with Passport Number P0388884B issued by the Department of Foreign Affairs in Manila on January 24, 2019 and valid until January 23, 2029.

Notary Public

ATTY. CRISTOPHER B. ARPON
Notary Public
For and in Pasig, Pateros and San Juan
Appointment No.152 (2023-2024) February 20, 2023
At Pasig City until December 31, 2024
Roll No. 41620/IBP No. 371222 12/21/2023 RSM Chapter
PTR No. 1704414 1/9/2024 Pasig City
MCLE No. VIII-0003630 04/14/2028
8th Floor, Lopez Bldg., Ortigas Avenue, Pasig City

Doc. No. 90;
Page No. 19;
Book No. IX;
Series of 2024.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, PEDRO O. ROXAS, Filipino, of legal age, and a resident of No. 6 Ipil Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of MANILA ELECTRIC COMPANY (MERALCO).

2. I am affiliated with the following listed companies or organizations:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
1. Roxas Holdings, Inc	Chairman	1982 - Present
2. Roxas & Company, Inc	Executive Chairman	1995 - Present
3. Roxaco Land Corporation	Executive Chairman	1995 - Present
4. Club Punta Fuego, Inc	Chairman	1995 - Present
5. MERALCO	Independent Director	May 2, 2010 - Present
6. CEMEX Holdings, Inc	Independent Director	June 3, 2016 - Present
7. OONA Insurance Corp	Independent Director	March, 2018 - Present
8. MPIC	Independent Director	2021- Present
9. SP New Energy Corporation	Independent Director	2024

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MERALCO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director, officer, or a substantial shareholder of MERALCO.

5. To the best of my knowledge, I am not subject of any criminal of administrative investigation or proceeding pending in court.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of MERALCO of any changes in the above-mentioned information within five (5) days from its occurrences.

Done this MAR 0 7 2024 day of March 2024.

PEDRO O. ROXAS
Affiant

MAR 0 7 2024

SUBSCRIBE AND SWORN to before me this ____ day of March 2024, affiant personally appeared before me and exhibited to me his Philippine Passport No. P0388893B issued by DFA Manila on 24 January 2019.

Doc. No. 119;
Page No. 25;
Book No. XXIV
Series of 2024.

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 10073904; 01-02-2024; Makati City
IBP Lifetime No. 013595; 12-27-2013; LC

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LYDIA BALATBAT ECHAUZ,** Filipino, of legal age, and a resident of 836 Torres Street, Barangay Addition Hills, Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of MANILA ELECTRIC COMPANY (MERALCO).

2. I am affiliated with the following listed companies or organizations:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
D&L Industries, Inc.	Independent Director	2017 to Present
Pilipinas Shell Petroleum Corp.	Independent Director	2017 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MERALCO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director, officer, or a substantial shareholder of MERALCO.

5. To the best of my knowledge, I am not subject of any criminal of administrative investigation or proceeding pending in court.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of MERALCO of any changes in the above-mentioned information within five (5) days from its occurrences.

Done this 7th day of March 2024.

LYDIA B. ECHAUZ
Affiant

MAR 07 2024

SUBCRIBED AND SWORN to before me this _____ day of March 2024, affiant personally appeared before me and exhibited to me her Tax Identification Number 118-039-639-000 issued by the Bureau of Internal Revenue (BIR) as her competent evidence of identity.

Notary Public
ATTY. MADELYN C. DEGOS SANTOS
NOTARY PUBLIC
Appointment No. 138 (2023-2024)
Pasig, San Juan and Pateros
Roll No. 64977 IBP No. 371237; 12/21/2023; RSM Chapter
PTR No. 1705888; 01/18/2024; Pasig City
MCLE Compliance No. VII-0001999; 05 December 2019
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City

Doc. No. 90;
Page No. 19;
Book No. IX;
Series of 2024.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S

CERTIFICATION

I, WILLIAM S. PAMINTUAN, of legal age, Filipino, in my capacity as the duly elected and incumbent Assistant Corporate Secretary of MANILA ELECTRIC COMPANY ("MERALCO"), a corporation duly organized and existing under Philippine laws, with principal office at the Lopez building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, and with SEC Reg. No. PW-102, do hereby certify under oath that MERALCO has no directors or officers, connected with any government agencies or instrumentalities.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of MERALCO at Pasig City, Philippines, on this _____ day of MAR 21 2024.

WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBCRIBED AND SWORN to before me this _____ day of MAR 21 2024 2024 in Pasig City; affiant exhibited to me Taxpayer Identification Number (TIN) 146-473-562 issued by the Bureau of Internal Revenue (BIR) as his competent evidence of identity.

Doc. No. 122;
Page No. 26;
Book No. IX;
Series of 2024.

ATTY. CRISTOPHER B. ARPON
Notary Public
For and in Pasig, Pateros and San Juan
Appointment No.152 (2023-2024) February 20, 2023
At Pasig City until December 31, 2024
Roll No. 41620/IBP No. 371222 12/21/2023 RSM Chapter
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