



MERALCO

Insider Trading Policy

(2014 Version)

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Subject: Introduction, Policy Statement and Definition of Terms		Sensitivity Classification: Company Use	

I. INTRODUCTION

Meralco (or the Company) is fully committed to comply with all the laws, rules and regulations related to its business operations including compliance with the Insider Trading rules prescribed under the Securities Regulations Code (SRC) of the Philippines or Republic Act No. 8799.

Last July 16, 2010, the Company released and implemented its Blackout Period/Restriction on Trading of Shares (or Policy) to guide the Company's and its subsidiaries' directors, officers' employees and their associates in the trading of Meralco shares.

As part of its commitment to ensure proper compliance with regulations and to align the Blackout Period policy with best practices, the same is being updated.

II. POLICY STATEMENT

It is the policy of the Company not to take undue advantage of material non-public information in dealing or trading Company shares while in possession of such information. Company **Insiders**, as defined in this policy, are persons who are considered to have knowledge of material facts or changes in the affairs of the Company which are not yet publicly disclosed. They shall abstain from disseminating such information or engaging in the trading (buying or selling) of the Company shares until clearance is given by the proper authority.

III. DEFINITION OF TERMS

For the purpose of this Policy, the following definition of terms shall apply:

1. **Insider** - covers any of the following persons in the Company or its subsidiaries:
 - a. All members of the Board of Directors;
 - b. All Key Officers as specified in the Company and its subsidiaries By-Laws and other similar corporate documents.
 - c. All Heads of Organizations and members of the Management Team
 - d. Consultants and Advisers of the Company
 - e. All other employees of the Company or its subsidiaries with regular access to material information which are not yet publicly disclosed.
 - f. All Secretaries and Executive Assistants of the above
 - g. Relatives of the above persons who are living in the same household with them.
2. **Material non-public information**¹ refers to any information which (a) has not been generally disclosed to the public and would likely affect the market price of the security after being disseminated to the public and the lapse of a reasonable time for the market to absorb the information; or (b) would be considered by a reasonable person important under the circumstances in determining his course of action whether to buy, sell or hold a security.

While it is not possible to define all categories of material information, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material in nature unless properly cleared by concerned authority. Such material information include, but are not limited to:

¹ As defined in Section 27.2 of the Securities Regulations Code

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- a. Financial results
- b. Projections of future earnings or losses
- c. News of a pending or proposed merger
- d. Change in the corporate structure such as a re-organization
- e. Acquisition/Divestitures/Joint venture
- f. Dividend declaration and changes in dividend policy
- g. Stock splits
- h. New significant equity investments or debt offerings
- i. Significant litigation exposure
- j. Major changes in key senior management positions
- k. Public or private sale of company securities

Note: *Either positive or negative information maybe considered material.*

3. **Relatives²** - refer to persons related up to the third degree, by consanguinity, affinity or legal adoption, including the spouse, parents, children (and their spouses) siblings, (and their spouses), nieces and nephews (limited to children of brothers or sisters) [and their spouses], grandparents, and aunts and uncles (limited to sisters or brothers of parents); and the common-law spouse and/or his relatives of up to the third degree, by consanguinity, affinity or legal adoption. For purposes hereof, Relatives shall include first cousins.
4. **Structured Disclosures³** – are the defined periodic reportorial requirements required by the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE) and the Philippine Dealing Exchange Corporation (PDEX)
5. **Unstructured Disclosures²** - any material fact or event that occurs, not covered by the structured reports, which would reasonably be expected to affect investors' decisions in relation to the trading of its securities.

IV. GENERAL RULES

A. BLACKOUT PERIOD

1. **Blackout Period** - the following shall be used as guide in determining the Blackout Period coverage:
 - Structured Disclosures - Ten (10) trading days before and two (2) trading days after the disclosure of structured reports.
 - Non-Structured Disclosures – Two (2) trading days after the disclosure of any material information other than the structured reports.
2. An **Insider** is enjoined from buying or selling, directly or indirectly, listed and publicly traded shares of Manila Electric Company (share code “MER”) within the Blackout Period.

² As defined in Meralco's Conflict of Interest Policy

³ Definition from PSE's Revised Disclosure Rules, Penalties and Fines Implementing Guidelines

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3. To avoid possible violation of the Blackout Period policy, an Insider may consult the Corporate Governance Office or the Office of the Compliance Officer prior to the trading of Company shares.
4. The Company's Compliance Officer is tasked to announce or disseminate Blackout period at least one week prior to the release of structured reports or one trading day for the unstructured reports.
5. The Company or its Subsidiaries Directors, Key Officers, Heads of Organizations, Consultants, Advisers, Secretaries, Assistants or any of their employees covered by this Policy shall be responsible for relaying the Blackout Period announcement to their Relatives for their guidance.

B. Trading Of Directors And Key Officers Of The Company (Excluding Subsidiaries)

Section 23 of the Securities Regulations Code prescribed that a director or an officer of the issuer of the security, shall file, at the time either such requirement is first satisfied or within ten (10) days after he becomes such a beneficial owner, director, or officer, a statement with the SEC and to the PSE and the PDEX (if the security is listed for trading) of the amount of all equity securities of such issuer of which he is the beneficial owner, and within ten (10) days after the close of each calendar month thereafter, if there has been a change in such ownership during such month.

Likewise. Section 13 of The PSE's Revised Disclosure Guidelines required the disclosure of the direct and indirect ownership of its directors and principal officers of the Company securities (or shares) within (2) trading days after in any of the following circumstances:

1. The Issuer's securities is first admitted in the Official Registry of the Exchange;
2. Director is first elected or an Officer is appointed; or
3. Any acquisition, disposal, or change in the shareholdings of the Directors and Officers.

All Directors and Key Officers of the Company shall submit their accomplished Statement of Changes in Beneficial Owners given the above mentioned circumstances not later than one (1) trading day after the event occurrence to the Compliance Officer.

In any of the above circumstances, the concerned Company Director or Key Officer shall immediately accomplish the Statement of Changes in Beneficial Ownership or SCBO (see Annex A) and submit the same to the Stockholders Affairs Office for review and validation. The validated SBO shall be submitted to the Office of the Compliance Officer not later than one (1) trading day after the occurrence of the event.

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The Compliance Office shall ensure that the accomplished SBO shall be submitted within two (2) trading days after the event occurrence.

C. CONSEQUENCES OF NON-COMPLIANCE

Violation of this Policy shall be subject to disciplinary action, without prejudice to any civil or criminal proceedings which the Company or regulators may file for violation of existing laws.

Insider	Disciplinary Action
Directors	As prescribed by Manual of Corporate Governance
Officers and Employees	Reprimand to dismissal, as prescribed in Company's Code on Right Employee Conduct or COREC
Subsidiaries	As prescribed by Subsidiaries' Policy

Insider trading under the law may be subject to penalty for damages or fine and /or imprisonment which includes the following:

1. Section 61 of the Securities Regulation Code (SRC) provides that, "any insider, who violates Section 27.1 (Insider's Duty to Disclose When Trading) and any person in the case of a tender offer who violates Subsection 27.4 (a)(i), or any rule or regulation thereunder, by purchasing or selling a security while in possession of material information not generally available to the public, shall be liable in a suit brought by any investor who, contemporaneously with the purchase or sale of securities that is the subject of the violation, purchased or sold securities of the same class unless such insider, or such person in the case of a tender offer, proves that such investor knew the information or would have purchased or sold at the same price regardless of disclosure of the information to him.
2. Section 73 of the SRC imposes a criminal penalty of a fine of P50,000.00 to P 5,000,000.00 or imprisonment of 7 to 21 years. If offender is a corporation, the penalty may be imposed upon the responsible officers.
3. Section 2 of the Revised PSE Disclosure Guidelines prescribes the penalty for non-compliance with the requirement for Non-Structured Disclosures to the Company (as the Listed Company), which include the submission of the Statement of Beneficial Ownership within a 12-month period, as follows:
 - a. First Violation P50,000.00
 - b. Second Violation of a similar nature P75,000.00
 - c. Third Violation Suspension of trading of the issue for a period of one (1) month
 - d. Fourth Violation shall be a Ground for delisting

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An additional fine of P1,000.00 shall be imposed for each trading day during which the offense continues until and including the day on which the violation is rectified. Failure to pay within one (1) month from the imposition of the penalty and any additional fine imposed will result in the suspension of trading of the securities of the Listed Company.

The Company shall have recourse against the Insider for monetary penalties assessed by regulators for violation of insider trading rules.

V. EFFECTIVITY

This policy was approved for implementation by the Board of Directors effective December 1, 2014.

All existing policies, systems, practices, and related implementing guidelines concerning the same matters covered by this Policy, including Blackout Period/Restriction on Trading of Shares issued last July 16, 2010, are deemed revoked and superseded by this Policy. In the event of any inconsistency between the Policy and guidelines contained in this document and the terms of other existing systems, practices, and related implementing guidelines, this Policy shall prevail.

Signed by:



MR. MANUEL V. PANGILINAN
Chairman of the Board



MR. OSCAR S. REYES
President/CEO