



MERALCO

Power On

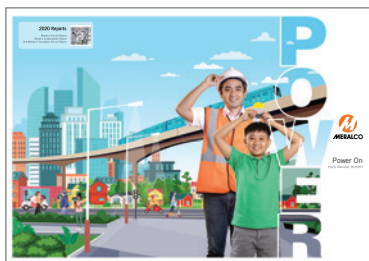
2020 ANNUAL REPORT

Our Cover

A Meralco engineer stands by a schoolboy in navigating an urban landscape that Meralco energized. 2020 was a year that challenged us like no other, but Meralco kept the power on, collaborating with government and private partners. May the light inside us, and the values that guide us, be the force that takes us to a new and better normal. *Tayo ang tagapaghatid ng liwanag.*

Our Reports

The Manila Electric Company (Meralco) is providing three (3) annual reports—the first, Power On, covers the Distribution Utility and its Subsidiaries; the second, Live Life, is its Sustainability Report; and the third, Give Hope, is that of its social responsibility arm, One Meralco Foundation (OMF).



Power On

Power On shows Meralco's commitment to service excellence – bringing light and uninterrupted power to homes, businesses and COVID-19 vital facilities while streamlining its operations and executing a digital transformation to elevate customer experience as the Company navigates towards the new normal.



Live Life

Live Life captures One Meralco's pledge to embed sustainability at the core of its business, presenting the Group's earnest efforts across Power, People, Planet, and Prosperity, in support of its Powering the Good Life sustainability agenda.



Give Hope

Give Hope presents One Meralco Foundation's initiatives that ignited hope to communities it served – responding to the COVID-19 pandemic with urgency and focusing on its social development programs: household and school electrification, energy education, environmental sustainability, and responsible citizenship.



Meralco is the largest private sector electric distribution utility in the Philippines. It covers 36 cities and 75 municipalities, with a franchise area of 9,685 square kilometers. This coverage is just 3% of the land area of the Philippines, but accounts for 55% of the country's electricity output. Celebrating 118 years of service in 2021, the Company is committed to providing reliable and affordable energy.

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About this Report

This Annual Report presents the accomplishments of Meralco and its subsidiaries amidst the challenges of 2020.

Aligned with its mission and commitment to sustainability, Meralco successfully kept the lights on for its customers, communities, and country. Partnering with government and other companies, it helped survive the pandemic, focused on energizing COVID-19 treatment centers and vaccine storage facilities.

And as a 118- year old company that has weathered upheavals and calamities, it continued to be a guiding light to bring us to a new normal while delivering results for all its stakeholders.



FINANCIAL INFORMATION (in Million PhP, Except per Share Data)	2016	2017	2018	2019	2020
Revenues					
Sale of electricity	249,206	275,172	295,389	310,098	267,946
Sale of other services	7,975	7,384	9,065	8,217	7,358
TOTAL	257,181	282,556	304,454	318,315	275,304
Purchased power	189,853	214,558	232,102	241,032	204,420
Operating expenses	24,935	25,567	25,885	27,195	25,812
Depreciation and amortization	7,312	7,520	7,827	8,730	8,555
Interest and other financial income, net of interest and other financial charges	(737)	(658)	(798)	(1,662)	(729)
Core net income	19,583	20,213	22,408	23,832	21,711
Reported net income	19,176	20,384	23,017	23,285	16,316
EBITDA	34,049	34,474	37,165	40,977	29,847
Core earnings per share	17.37	17.93	19.88	21.14	19.26
Reported earnings per share	17.01	18.09	20.42	20.66	14.48
Cash dividends declared per common share	25.08	18.23	13.38	16.06	15.09
Market price per share at end of year	265.00	328.60	380.00	317.00	292.00
Utility plant and others	128,814	133,874	139,846	151,441	163,009
Interest-bearing long-term financial liabilities	28,872	26,670	26,588	17,860	16,771

OPERATING INFORMATION	2016	2017	2018	2019	2020
Customer Accounts (in Thousands)					
Residential	5,537	5,812	6,086	6,339	6,575
Commercial	486	500	514	528	541
Industrial	10	10	10	11	11
Streetlights	5	5	5	5	5
TOTAL	6,038	6,327	6,615	6,883	7,132
Energy Sales (in GWh)					
Residential	12,444	13,060	13,555	14,589	16,488
Commercial	15,867	16,597	17,463	18,483	14,766
Industrial	11,697	12,309	13,156	13,659	12,176
Streetlights	134	136	139	140	142
TOTAL	40,142	42,102	44,313	46,871	43,572
System Loss (in %)					
Meralco	6.35	5.91	5.67	5.54	6.08
CEDC	3.59	2.14	2.77	2.15	2.10

We Kept the Power On.

To our fellow shareholders,

The year 2020 was one of great adversity and challenge for the world, our beloved country, and for us in One Meralco.

The year started with the Taal Volcano eruption in January that blanketed 20 square kilometers of land area with ash fall that took the lights out for a few days in parts of our Laguna and Cavite franchise areas.

With the onset of the COVID-19 pandemic in March, the country was placed in an unprecedented lockdown, disrupting nearly every facet of life. Infections and deaths climbed; businesses struggled to survive; and as months passed, many were forced to shut down.

The outlook was dim, with no light at the end of the tunnel.

If COVID-19 wasn't enough, three major typhoons affected the Meralco franchise area in the latter part of the year – Typhoon Quinta (international name Molave), Super Typhoon Rolly (international name Goni) and Typhoon Ulysses (international name Vamco) affecting up to 6.2 million customers (92% of Meralco customers), and up to 626 operational circuits (87% of Meralco's circuits).

#KeepingTheLightsOn became our battle cry as our leadership and people dug deep to mobilize and focus on our mission to deliver power to the center of the country's commerce, industry, and government.

Our message at that time: this situation calls for the light within each one of us to be a beacon of reliability and hope.

We hailed the heroism of our employees who stood by us at the onset of the pandemic. There were more than 700 employees in critical posts who lived inside Meralco premises; 2,521 were skeletal force employees who braved the commute daily despite the restrictions brought by the general lockdown of March 15 to May 15, 2020. Another 2,631 employees were on a work from home (WFH) arrangement, all hands on deck, to ensure that Meralco ran like clockwork. "*Tagapaghatid ng Liwanag*," an appellation our employees have long embraced, took on a more significant meaning.



2,521

SKELETAL EMPLOYEES



2,631

EMPLOYEES
WORK FROM HOME

The flipside of this year of great adversity was the show of strength and fortitude from within Meralco's ranks. Along with the Metro Pacific Group, we were among those in the forefront of the private sector response to the crisis. We partnered with the government and other private institutions to scale up COVID-19 initiatives in the country and supported national efforts for public safety and well-being. And our people responded with a multitude of small acts of heroism, adding up to show Meralco's heart for this country and the medical frontliners fighting the pandemic.

One Meralco Foundation (OMF) stepped up to the challenge. It implemented programs which were focused on helping the most vulnerable – the health workers and the marginalized. OMF also carried on with its core activities – energizing low-income communities in its franchise area, launching school electrification programs to power off-grid schools, supporting energy education, and implementing projects that support sustainability, youth development, and disaster response.

The pandemic also strengthened our resolve to embed sustainability in our business; to make it core to all we do. We work to preserve our planet, empower our people, power our communities, and create prosperity for all, in this generation and those in the future. These imperatives took on greater significance against the backdrop of the health crisis.

The approach that we took to address COVID-19 was a use case of inclusivity, caring for our people, and serving society as a whole.

To focus our strengths and resources to outcomes that mattered the most, we supported and promoted 11 of the 17 United Nations Sustainable Development Goals (SDG), foremost of which is SDG 7: affordable and clean energy.

Our 2020 annual reports are therefore aptly titled "Power On" for Meralco; "Live Life" for Sustainability, and, "Give Hope" for OMF. In such a challenging environment, we anchored ourselves to our purpose and our values – responding to the crisis with urgency and *malasakit*, as we continue to provide energy for all, always.

Our COVID-19 Response: Protecting Our Employees and Standing By Our Customers

With the uncertainty that the pandemic brought, we were certain of priority one: the well-being of all our employees, while ensuring service delivery for all customers.

In line with this, we invested in secure virtual networks and cloud-based technologies to enable work arrangements for our employees. We transitioned from having a fixed work schedule and fixed work areas to accommodate shifting and WFH.

Our employees were regularly tested, supplied with the necessary personal protective equipment (PPEs), provided with shuttle services, and given supplements to boost their immunity. A "Code Light" bot that allowed daily declaration of health provided our medical team with a dashboard of the health of the work force, and medical services were on tap for affected employees. A 24/7 COVID-19 Hotline was also set up to provide online medical consultation, symptoms screening, and contact tracing by health professionals in partnership with designated safety officers.

Meanwhile, all office buildings and work premises were refurbished to meet, if not exceed, standards of the government's Inter Agency Task Force (IATF) on COVID-19. Screening at entrances, alcohol stations, protective barriers, and regular workplace cleaning and disinfection were all put in place. Substantial investments were made in the air-conditioning and ventilation systems, with high-efficiency particulate air (HEPA) filters, ultraviolet (UV) lights, and air purifiers installed to ensure indoor air quality for all Meralco facilities. In selected areas, sensors were also installed to show employees that the air in their work environment was safe.

With our employees assured, we initiated partnerships with government and the private sector on scaling up efforts in the fight against COVID-19. Since the start of the pandemic in March 2020, more than 90 government offices, public and private hospitals, temporary quarantine centers, testing laboratories, dormitories, and other essential facilities were energized.

Some notable facilities included the 525-bed Solaire-PAGCOR Mega Quarantine Center at Bagong Nayong Pilipino in Paranaque City, the 300-bed Mega Quarantine Center at the Philippine Arena Complex in Bocaue, Bulacan, and the 112-bed temporary COVID-19 Health Facility at Ninoy Aquino Stadium in Manila City.

Thirty container vans at the Cultural Center of the Philippines Complex in Pasay City were converted as shelters for locally stranded individuals. Meralco also installed additional facilities to energize mortuary freezers of East Avenue

Medical Center, Loyola Memorial Chapels & Crematorium and Arlington Memorial Chapels, both in Quezon City.

We also quickly energized the government's partner in manufacturing ventilators for COVID-19 patients, Kinpo Electronics Philippines Inc., in Sto. Tomas, Batangas.

We proactively conducted inspection, clearing and testing of electric distribution facilities serving vital institutions including sites converted by the government, in partnership with various private entities. Covered were temporary treatment centers such as the World Trade Center, Philippine International Convention Center (PICC), Quezon Institute, Philippine Sports Complex, and Rizal Memorial Coliseum, among others.

Electricity bills for three (3) mega quarantine centers in Metro Manila – World Trade Center, PICC, and the Ninoy Aquino Stadium, were

sponsored in partnership with South Luzon Thermal Energy Corporation (SLTEC) and San Miguel Corporation Global Power Foundation.

Further, Meralco through OMF, donated the distribution component of the electricity bills of three (3) lodging facilities in Pasig City there were used as isolation centers for residents.

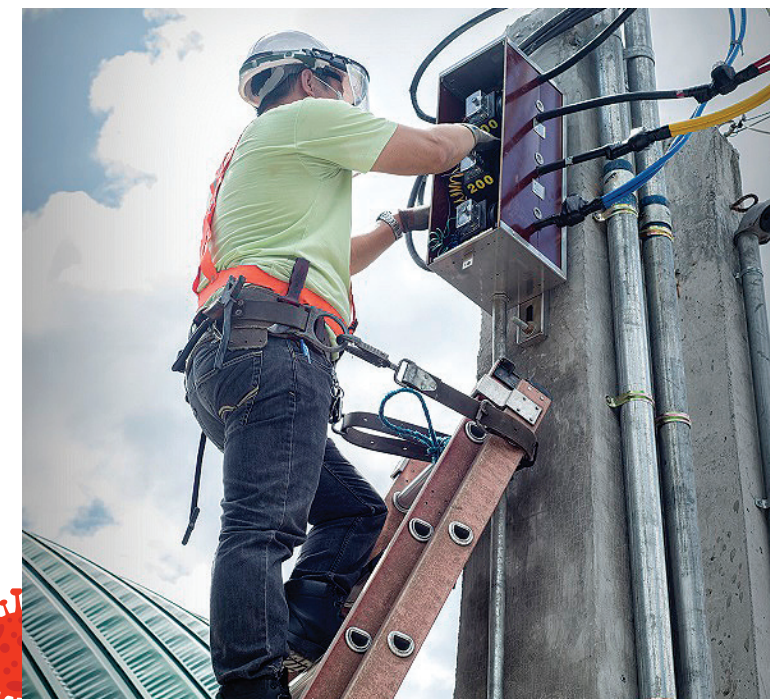
For all customers, Meralco acted quickly and decisively. With the significant reduction in demand, we invoked the force majeure provision in our Power Supply Agreements (PSAs) for the duration of the lockdown to reduce fixed costs and avoid charges from the temporary suspension of supply contracts. This resulted in PhP2.4 billion of generation charge savings to our customers.

Our implementation of new PSAs from a successful Competitive Selection Process (CSP) conducted in 2019 also resulted in significantly lower generation costs, and PhP8.4 billion estimated savings to customers.

For Business customers, Meralco suspended the implementation of the Guaranteed Minimum Billing Demand (GMBD) since March 2020 to ease the burden on business customers with demand-based billing. PhP3.2 billion was waived, benefiting nearly 95,000 business customers.

With all these efforts we undertook in behalf of customers, the average retail rate of electricity went down 10% or 91 centavos from the PhP8.87 per kWh registered in 2019 to PhP7.96 per kWh in 2020. This translated to PhP14.0 billion worth of savings to customers.

But we knew that even this was not enough. With the lockdowns, many businesses closed, and many lost their jobs. Working with the





PhP3.2B WAIVED
FROM THE SUSPENSION OF
GMB, BENEFITING NEARLY
95,000 CUSTOMERS

whole industry and our regulators, service disconnection and other bills management activities for all customers were suspended until December 31, 2021. This disconnection moratorium was further extended until January 31, 2021 (for customers consuming 200 kWh and below) and until March 31, 2021 for lifeline customers with an average consumption of 100 kWh and below.

Unpaid bills during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ) for all customers were also converted into monthly installments, payable from four (4) to six (6) months depending on the consumption group. A 30-day grace period for the payment of these bills was later provided.

With consumer behavior rapidly shifting to digital channels, we adapted by improving our online infrastructure. We offered a secure means to transact via Meralco Online – reducing friction by shouldering the convenience fee charged by third party payment gateway providers. Payments made through Meralco Online during the lockdown from March 15 through May 31 amounted to PhP1.75 billion, 211% higher than the preceding three (3) months. The count of transactions similarly grew to 399,600, 118% higher.

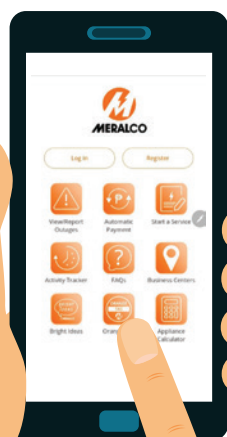
With monthly installment plans and regular bills converging in the second half of 2020, customer queries on their bills grew. We reinforced all customer care channels through additional agents and employee volunteers, increasing capacity 12x— from 373 (pre-ECQ) to 2,760 customer service front liners at its peak. This allowed for a 24/7 response to customer inquiries and concerns that were received through our hotline, SMS, email, and official social media accounts.

Proactive, omni-channel communication campaigns were sustained throughout. On TV and radio, infomercials specific to the May and June bills were aired, with positive results. Newspapers and tabloids also guided customers.

Meralco Advisory was on air every month to explain rate changes, and Meralco's Facebook and Twitter accounts were running full throttle with easy to understand posts and video explainers on frequently asked questions which were also on Meralco's website. Customers in our database also received e-mail and SMS notifications. Customers who visited Meralco Business centers were also presented with video explainers and posters.

Leveraging on the learnings during the pandemic, we rolled out pilot projects to enhance customer experience. The Virtual Customer Assistant (VCA) gives customers the option of video conferencing with a Meralco customer care representative who is working off-site; an Online Customer Appointment (OCA) portal enables customers to schedule their visit to participating Meralco business centers; and a campaign to solicit contact details allows Meralco to do proactive SMS notifications to advise customers with account specific bill information, payment reminders, and outage alerts. We also set in motion a revamp of the electric bill set for implementation in 2021. The revamped bill will include historical consumption and an enumeration of payments already made versus amounts still due, among other features that customers need.

“With consumer behavior rapidly shifting to digital channels, we adapted by improving our online infrastructure.”



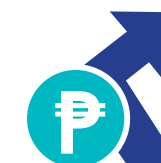
235,721

NEW RESIDENTIAL ACCOUNTS
IN 2020



7.1M

MERALCO CUSTOMER BASE
GREW BY 4%



PhP20.8B

CAPEX REACHED
3% HIGHER THAN 2019

Resilience Amidst Market Disruptions (Financial and Operational Results)

COVID-19 was a blight on people and also on the economy, which fell into recession for the first time in 29 years, with the gross domestic product (GDP) contracting by 9.5%, while inflation for the year inched up to 2.6%. Restrictions on mobility and business operations adversely affected economic activity. The manufacturing and services sectors experienced steep contractions of 9.5% and 9.1%, respectively. Household spending declined by 7.9%, reined in by lower OFW remittances. This was aggravated by the stronger peso which appreciated by 5.6% to PhP48.04 per USD at the end of 2020 from PhP50.74 at the end of 2019.

Consolidated energy sales volume declined to 43,572 GWh or 7% lower than the 46,871 GWh recorded for 2019. With the lockdown that allowed WFH and Online Distance Learning (ODL) arrangements, residential sales increased by 13%. However, the rise could not offset the decline in commercial sales, down 20% with offices, malls, hotels, and retail establishments drastically reducing their operations during the quarantine and were slow in recovering in the second half.

Industrial volume was also lower, down 11%, dovetailing economic activity. The Food, Beverage, and Packaging sectors were badly hit. Industrial volumes inched up gradually towards the end of 2020 as manufacturers started to operate. Consumer demand drove Semiconductor production, and government efforts to catch-up on infrastructure projects helped Construction.

Thus, the sales mix changed significantly from 2020 versus 2019. Residential sales in 2020 accounted for 38%, Commercial at 34% and Industrial at 28% of the total volume, a significant shift from the 2019 shares of 31%, 39% and 29%, respectively.

Meralco's customer base grew by 4%, ending the year with a total of 7.1M customer accounts and consistent with the five-year CAGR of 4%. Of note is the over-indexed growth of residential customers in the provinces of Cavite, Quezon and parts of Batangas which are under Meralco's franchise area. Their combined growth accounted for more than 40% of the total 235,721 new residential accounts in 2020. The over-indexed growth of these parts of Meralco's franchise area has been observed for the last five (5) years years, driven by mid-to low-cost housing and the expansion of businesses in those areas.

Meralco's peak demand decreased by 2% from 7,740 MW in 2019 to 7,614 MW in 2020. Similarly, the non-coincident peak demand in Luzon decreased by 2% from 11,344 MW to 11,103 MW.

Our Consolidated Core Net Income (CCNI) reached PhP21.7 billion, around 9% lower than the PhP23.8 billion in 2019. Reported Net Income stood at PhP16.3 billion, lower by 30% versus 2019. Core Earnings Per Share was PhP19.26 in 2020 while Reported Earnings Per Share was PhP14.48.

Capital Expenditures (CAPEX) in 2020 reached PhP20.8 billion, 3% higher than 2019. Since July 2015, Meralco has been steadily implementing its lined up Fourth Regulatory Period (4RP) CAPEX Projects filed with the ERC. This is geared towards improving network and service delivery and ensuring safety and reliability in the franchise area with disaster hardening imperatives.

For the 13th consecutive year, Meralco's system loss rate outperformed the prescribed regulatory system loss cap which was set at 7.0% in 2020, against which we achieved 6.08%.

“For the 13th consecutive year, Meralco’s system loss rate outperformed the prescribed regulatory system loss cap which was set at 7.0% in 2020.”

However, this achievement was 0.54 percentage points higher than what was achieved in 2019 (5.54%) mainly due to the shift in energy consumption mix towards the Residential segment which has a higher technical loss because power is served at the secondary voltage level.

Achieving a system loss rate significantly lower than the current regulatory cap translated to cumulative savings to customers of PhP48.0 billion since 2008, translating to an average of PhP0.10 per kWh. It has also enabled Meralco to return PhP9.3 billion worth of pilferage recoveries to customers. These results underscore the Company’s commitment to provide efficient electric service by minimizing electricity theft and ensuring the optimal use of distribution facilities.

Meralco’s financial performance is reflected in the continued strength of its balance sheet. Cash and cash equivalents as of year-end was PhP50.9 billion, excluding investment in debt securities, financial assets, and other cash placements.

The total interest-bearing debt is slightly lower at PhP40.1 billion at the end of 2020, of which PhP25.3 billion is due to mature within 2021.

Meralco’s 2020 results can be considered remarkable in the context of the adverse circumstances. Because of quick and decisive actions, the investments in network automation and customer-facing applications, the spirit and resilience of our people, and the partnerships with government, the private sector, and the energy industry, we pulled through. The focus was on what will benefit customers that in the end will deliver the top line results and drive the country’s economy.

Subsidiaries re-energize

Amid the unprecedented circumstances, our major subsidiaries were re-energized with bigger strategic missions.

Bayad will reinvent itself as a force in online transactions, building on its core as a brick and mortar payments channel with the biggest biller base. Radius will break ground by offering fiber internet to the small and medium businesses (SMB). MGen will expand its footprint as a generation company that is helping the country transition to renewable energy.

Bayad

In 2020, Bayad set the stage for its reinvention with its own branded online transaction portal. With its equity in the traditional over-the-counter market, Bayad set its sights on capturing the growing digital market, spurred by WFH arrangement and the pandemic.

For its base business, traffic at bayad centers dipped during the lockdown but saw recovery in transaction volumes during the 4th quarter of 2020 – registering a daily average of 293,000, a 4% quarter-on-quarter growth and

the highest in 2020. Growth in payment transactions via digital channels was noted, with the total daily average rising over 2.5x to 86,000 transactions in the fourth quarter versus 34,000 in the first quarter.

Bayad also strengthened its biller base to 357 from 330 in 2019. With combined onsite and online payment platforms, it ended 2020 with over 45,000 customer touchpoints and over 90 million payment transactions.

Bayad consolidated revenues in 2020 amounted to PhP1.7B, with CCNI of PhP15.9M.

Radius

Our telecommunications arm Radius continued to cement its position in the Philippines as one of the leading data, internet, cloud and managed services providers in the country. From servicing top corporations in the last 20 years, Radius now expanded to small and medium business (SMB) and consumer segments.

For its maiden offering for the SMB and consumer segments, Radius launched RED Fiber internet that offers high-speed internet connection bundled with HD-quality IPTV content. Meanwhile, for the wholesale and corporate segments, Radius launched high capacity data service, Optical Transport Network Suite (OTN) and Security Information and Event Management (SIEM) products. Radius also launched cost-effective, secured data connectivity variants such as IP-VPN Lite and Wireless VPN Network services for small branches.

On the overall network expansion, Radius opened two regional offices in Clark and Cebu and upgraded its core network capacity to 100GB, and commissioned seven (7) new Optical Line Terminal nodes in the key metro cities; rolled-out 264 kilometers of core fiber; completed 30 additional co-locations sites, ten (10) nodes and three (3) data centers.

Internationally, Radius has also established its second point of presence (POP) in Equinix DC, Singapore, complementing their first POP at Mega-I Data Center, Hongkong – allowing them to achieve fully redundant connectivity in the internet.

MGen

Our generation unit, MGen, has fulfilled its commitment to be the pioneer of high efficiency, low emission (HELE) technology for coal-fired power plants in the Philippines, with the inauguration of San Buenaventura Power Limited (SBPL) in September 2019. The plant was fully operational throughout 2020.

The plant delivered 3,070 GWh of energy with an average plant availability of over 82% and contributed almost PhP1.0 billion to the Meralco CCNI in its first full year of operations.

On December 23, 2020, MGen signed Share Purchase Agreements with the Beacon Power Holdings, Inc. and JG Summit Holdings, Inc. (JG Summit) to acquire their respective 56% and 30% holdings in Global Business Power Corporation (GBPC) – a company that owns and operates 973 MW and 152 MW of coal and diesel plants in Visayas and Mindanao

islands, respectively. The transfer is expected to deliver scale and operational synergy to both GBPC and MGen, and enable these companies to provide ample and reliable supply of power to distribution utilities, electric cooperatives and other customers at competitive rates. At closing date (March 31, 2021), MGen owns 100% of GBPC.

In the 1st quarter of 2021, MGen will inaugurate its 50 MWac solar power plant in San Miguel, Bulacan. This will be the first of several solar power plants that will be operated by MGen under its renewable energy arm MGen Renewable Energy, Inc. (MGreen). This is part of Meralco and MGen’s commitment to help the country transition from fossil fuels to renewable energy and build up to 1,500 MW of utility-scale renewable energy (RE) projects in the next five (5) to seven (7) years. This is also coupled with a commitment to source at least 1,500 MW of Meralco’s power requirements from renewable energy sources in the next five (5) years.

Delivering Value to Stakeholders

Total cash dividends declared out of our 2020 CCNI amounted to PhP12.52 per share or a payout of 65% of the CCNI. This consisted of the interim regular cash dividend of PhP4.697 per share and a final cash dividend of PhP7.824 per share. For 2020, cash dividend yield reckoned on the 2020 year-end share price of PhP292.00 was at 5%. Meralco ended 2020 with a market capitalization of PhP329.1 billion. The performance for 2020 provided very good returns to 41,943 Meralco shareholders.

Meralco was also ready and steadfast in helping communities affected by natural calamities beyond its franchise area

Pursuing 100% Electrification

We continued to pursue full electrification efforts of the franchise area especially those in communities that are in legal, right-of-way (ROW) and occupancy issues. We work with local government units (LGUs), barangay officials, and private property owners to finally let the light in for these communities. Under our Meralco Electrification Program (MEP), we ended 2020 with 99.94% of households in our franchise area energized.

Also an integral part of MEP is bringing power to off-grid communities. In 2020, we continued our electrification efforts in Cagbalete Island, Quezon with the construction of an additional 1.4 MWdc solar photovoltaic (PV) with 2 MWh battery storage microgrid system, enough to power the whole island once it comes online in 2021. This will benefit over 600 households and all 11 resorts in the area.

Steadfast in Service

There were 21 major weather disturbances that affected the Philippines in 2020, eight (8) of which directly affected Meralco's franchise area.

Typhoon Ulysses (international name: Vamco) hit on November 12, 2020, affecting 626 operational circuits and 6.2 million customers. The resiliency of the electric distribution system and the prompt response of Meralco reduced this number to less than half within

24 hours and operations at the primary distribution level, except for the badly damaged part of the franchise area, were back to normal operations within 48 hours.

When Taal Volcano erupted on January 12, we deployed 1,036 linemen, employees, and contractors, and over 30 pressure washers and 300 trucks to clean out the ash from transformers, insulators and wires in various municipalities in Cavite and Laguna.

Meralco was also ready and steadfast in helping communities affected by natural calamities beyond its franchise area. We deployed power restoration teams to aid local electric cooperatives and companies in immediately restoring power services in affected areas. When Typhoon Rolly (international name: Goni) and Typhoon Ulysses (international name: Vamco) hit and caused severe damage to the Bicol Region last November, we mobilized over 200 power restoration personnel to its various provinces. This restoration effort was one of Meralco's biggest power restoration projects to date as it supported four (4) electric cooperatives and the National Grid Corporation of the Philippines (NGCP).

Keeping the Hope Alive for Our Community

In 2020, Meralco refocused its advocacy programs to aid those who were most vulnerable to the impact of the on-going health crisis: the health workers who

were fighting the disease on the frontlines, and the marginalized members of society who did not have the means to protect themselves and were most severely affected economically.

We started with our own. To support the service providers that we saw daily -- messengers, waiters, administrative staff -- we launched "A Day to Give" and "Share a Leave," providing an avenue for Meralco employees to donate the equivalent of one day's pay. The response was huge, making it the biggest-ever fundraiser in Meralco history, with close to PHP28.0 million collected.

We focused on the frontliners. Through the OMF, we donated PPEs for more than 6,000 medical frontliners in vital facilities, including 26 COVID-19 referral hospitals, among them the Philippine General Hospital (PGH), Lung Center of the Philippines, East Avenue Medical Center, Philippine Heart Center, Rizal Medical Center and Las Pinas General Hospital.

To aid frontliners in going to work during the stoppage of mass transportation during the ECQ, eSakay dispatched its electric jeepneys and together with the Department of Transportation, opened special routes that strategically pass through hospitals in the cities of Pasig, Makati, San Juan, Manila and Mandaluyong which benefited a total of 76,364 passengers during its 15-week implementation.



Hospital equipment were also donated to the East Avenue Medical Center's newly opened Center for Emerging and Re-Emerging Infectious Diseases (CERID) Facility to increase its capacity in handling COVID-19 cases. In December, a molecular laboratory to enable the conducting of rapid transcriptase-polymerase chain reaction (RT-PCR) tests was turned over to the EAMC.

We also contributed to communities. OMF distributed 7,856 food packages to street dwellers and low-income families in 31 municipalities and cities in Metro Manila a week after the implementation of the lockdown. Grocery gift certificates were also provided in partnership with the Philippine Disaster Resilience Foundation (PDRF) and Caritas Manila.

Continuing to Light Up Communities

Through OMF, Meralco pursued the electrification of low-income communities in the franchise area under the Household Electrification Program. 6,999 low-income households in informal settlements and relocation sites were connected to the grid in 2020.

Meralco also energized more off-grid schools using solar PV technology through its school electrification program. For more than 10 years now, the advocacy has provided a minimum of 1-kilowatt solar PV systems to 260 schools without electricity across the country.

For the "One for Trees" program which was launched in 2019, Meralco, through the help of the Green Earth Heritage Foundation, continued to provide sustainable livelihood to its tree caretakers through agroforestry.



Learn more about our OMF initiatives in the Corporate Social Responsibility portion of this Annual Report (page 46)

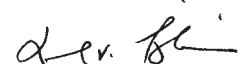
Keeping The Lights On, towards a "better normal"

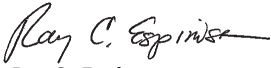
We express our gratitude to the members of the Meralco Board of Directors for their guidance, vision and governance; our Management Team and our employees for their *malasakit* and spirit of bayanihan. Their efforts, harnessed at the most trying of times, made these

results possible. We came out of this crucible of trials and challenges that was 2020, stronger and even more steadfast in service.

We also thank our shareholders and customers for their continued trust.

Powering the customer, the community, and the country continues to be Meralco's solemn duty, and we pledge to adapt our services and hand-hold customers in this journey for a better normal.


Manuel V. Pangilinan
Chairman of the Board


Ray C. Espinosa
President and Chief Executive Officer

Power On

The pandemic and calamities in 2020 disrupted many lives, and may have temporarily dampened spirits, but it only strengthened our resolve to “power on”. Driven by a genuine concern for all customers, we responded to the call of the times: a safe and seamless service enabled by digital solutions, while providing reliable power to homes and businesses. Underpinning that service is the commitment to Sustainability: that in all that we do, we work to preserve our planet, to empower our people, to power our communities, and to create prosperity for all.

99.94%
Reached 99.94% electrification rate.



Social Bakers rated Meralco as the only socially-devoted Filipino company in the Top 10 of the Industrial category for most of 2020 because of its Facebook and Twitter accounts.

System Loss rate at 6.08%, way below the ERC cap of 7.0% in 2020.



MERALCO MOBILE

Meralco Online reached 2,157,393 active accounts, nearly 6x versus 2019



Powered over
249,000
new customers

Piloted the Virtual Customer Assistant (VCA) and the Online Customer Appointment (OCA)

Decreased average electricity rate by 10% or 91 centavos. This is among Meralco's lowest rates in the past 3 years.

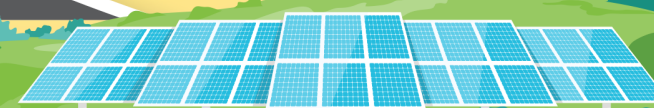
Mobilized a work force of 200 to help electric cooperatives and NGCP in the Bicol region affected by Typhoons Rolly and Ulysses.



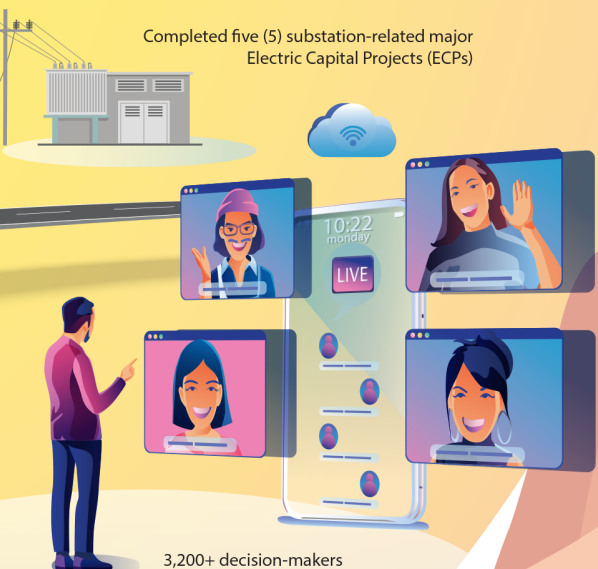
Backed BBB with 831 poles relocated for projects of the DPWH

Deployed a work force of 1,036 men and 300 trucks to areas affected by the Taal Volcano eruption.

Added 1.4MW DC solar PV with 2 MWh battery storage in Cagbalete Island to power 600 households and 11 resorts by 2021.



Completed five (5) substation-related major Electric Capital Projects (ECPs)



3,200+ decision-makers engaged thru 25 Power Up Live Webinars.

Responding with Malasakit

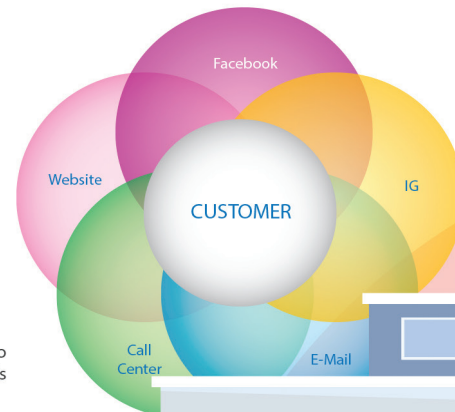
With the unprecedented impact of the COVID-19 pandemic on everyone, our guiding light was our values, and among them, malasakit.

Keeping employees safe was the first priority, so we could be of service to our customers, communities, and country. We then moved with orchestrated efforts, partnering with government and private institutions, in cash and in kind, prioritizing frontliners and the marginalized.

2020 tested our resolve and resilience. And we powered through.



Launched the "Code Light" chatbot and a 24/7 COVID Hotline to ensure safety and well-being of employees



Sustained proactive, omni-channel communications to customers



Distributed 7,856 food packages to street dwellers and low-income families in 31 municipalities



Provided employees with PPEs, supplements, shuttle services and regular testing



Energized more than 90 vital institutions

Helped sponsor the electricity bills for three (3) mega quarantine centers in Metro Manila

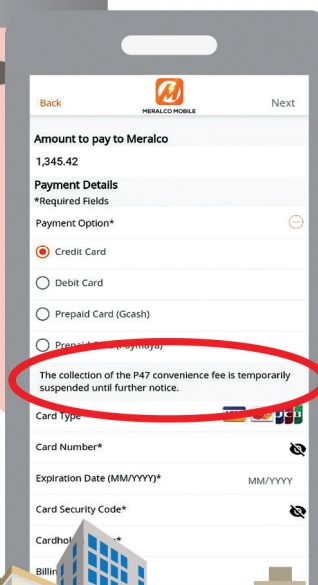


Provided transportation to 76,364 frontliners thru the partnership of eSakay, OMF, DOTr and LGUs

Donated PhP59.3M to hospitals and NGOs



Shouldered nearly PhP75M convenience fees for 2.2M Meralco Online payment transactions



Offered 4-6 months installment payment arrangements for ECQ and MECQ bills

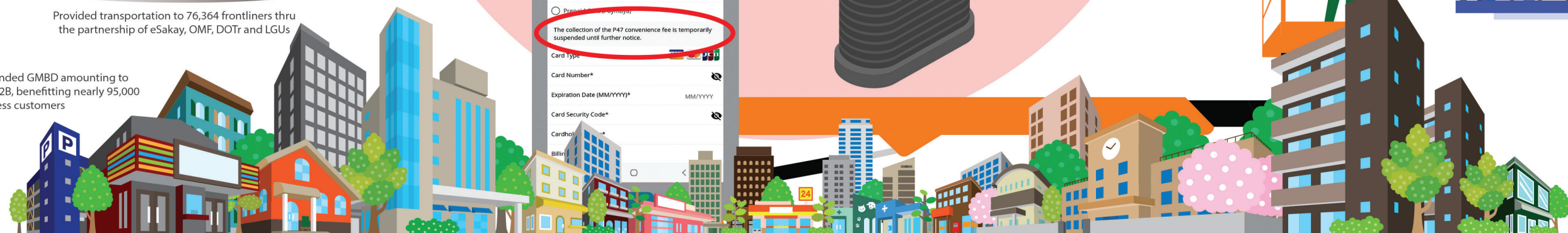


Installed protective barriers, HEPA filters, UV lighting, and air quality monitors in our facilities

Housed 32 frontliners from The Medical City, Pasig in the Meralco Compound



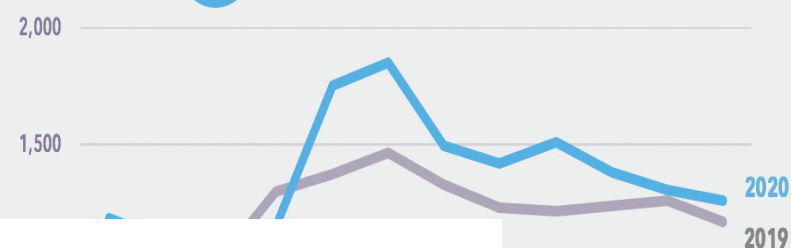
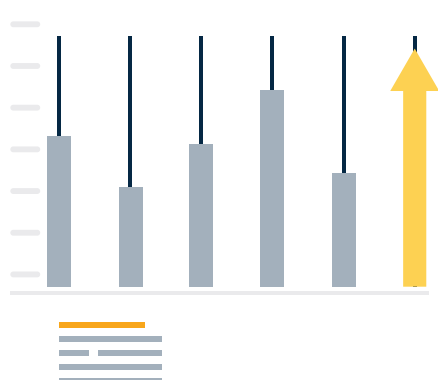
Suspended GMBD amounting to PhP 3.2B, benefitting nearly 95,000 business customers



DECEMBER 2020 DU ENERGY SALES PROFILE AND DRIVERS



RESIDENTIAL



▲ 8%, YoY
▲ 13%, YTD

Oct Nov Dec

Laguna

▲ 13%, YoY
▲ 15%, YTD

Rizal

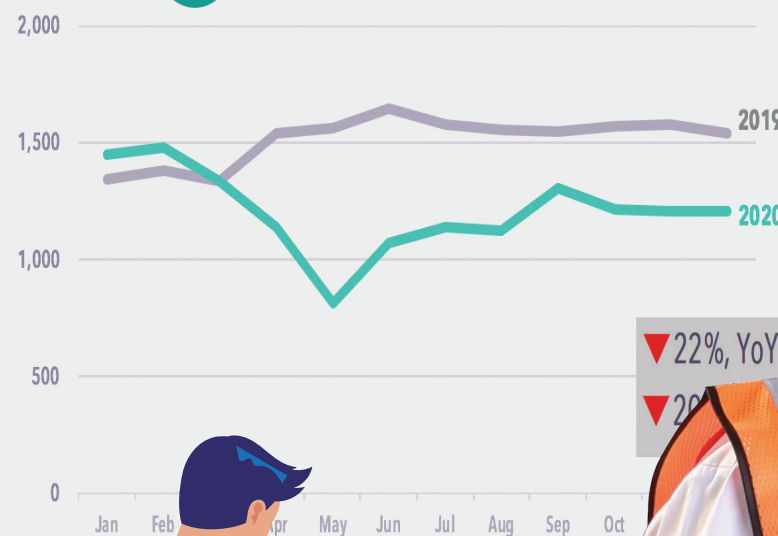
▲ 13%, YoY
▲ 16%, YTD

Cavite

▲ 16%, YoY
▲ 18%, YTD



COMMERCIAL



▼ 22%, YoY
▼ 20%, YTD

Jan Feb Mar Apr May Jun Jul Aug Sep Oct

Real Estate

▼ 20%, YoY
▼ 18%, YTD

Educ

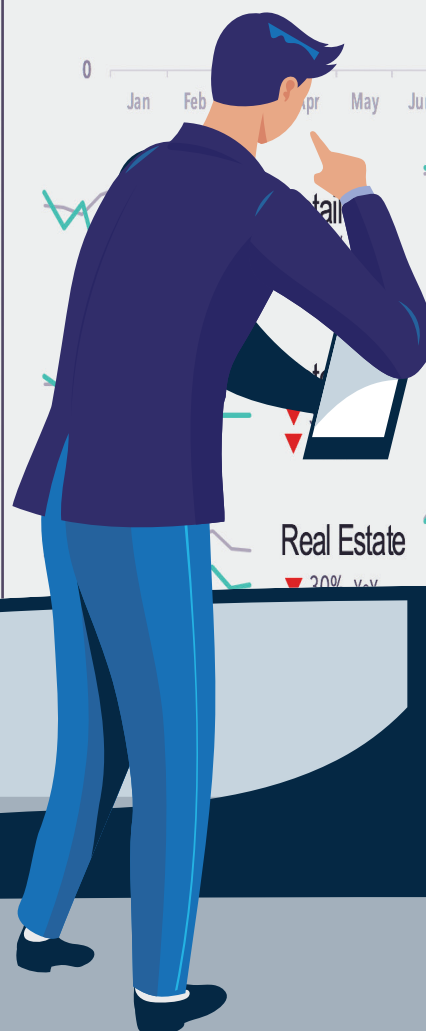
▼ 6%, YoY
▼ 5%, YTD



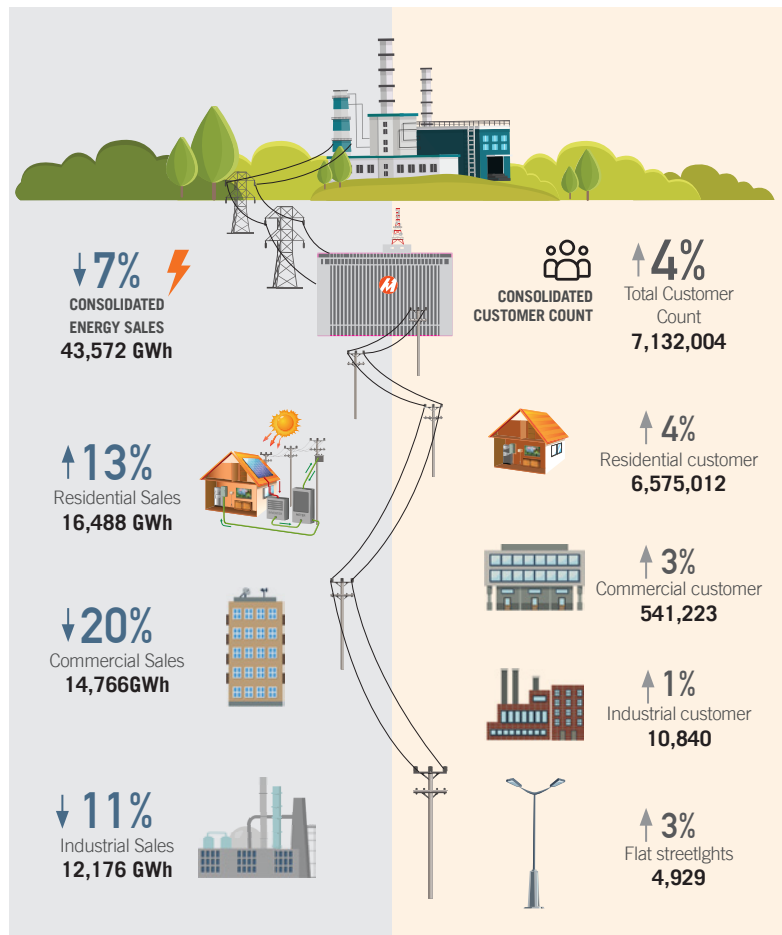
INDUSTRIAL



Powering the nation as
we navigate towards the
better normal



Energy Sales and Customer Count



Consolidated energy sales volumes, inclusive of Clark Electric Distribution Corporation (“Clark Electric”), were at 43,572 GWh, 7% lower compared to 2019. This is largely due to the COVID-19 pandemic which significantly reduced economic activity.

There was a significant shift in the sales volume mix, with Residential sales accounting for 38%, Commercial 34% and Industrial 28% of the total volume, from the 2019 shares of 31%, 39% and 29% respectively.

Consumption growth in the Residential segment could not offset the decline in the commercial and industrial sectors. As the government enforced restrictions on mobility, economic activity and demand for power also declined. Commercial volumes dropped by 20% to 14,766 GWh in 2020 from 18,483 GWh in 2019 with hotels and retail trade the hardest hit as foot traffic to malls, hotels and other retail establishments drastically declined.

The Industrial segment registered an 11% decrease to 12,176GWh in 2020 from 13,659 GWh in 2019, with Food and Beverage, Packaging and Chemicals being the hardest hit. Recovery began during the latter part of the year as consumer demand drove Semiconductors, and government efforts to catch-up on infrastructure projects helped stimulate the Construction sector.

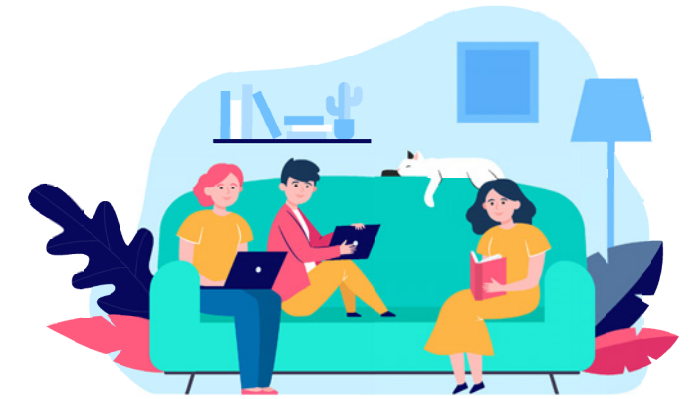
The decline in energy sales volume was exacerbated by three (3) typhoons that ravaged the franchise area. Typhoon Quinta (international codename “Molave”), which hit the franchise area from October 25 – 26, 2020 resulted in unrealized sales of over 19 GWh with 28% of Meralco circuits affected. Super Typhoon Rolly made landfall on November 1, 2020 and downed 36% of Meralco circuits resulting in 21 GWh of unserved volume. Less than two weeks after, Typhoon Ulysses struck, affecting 87% of total circuits. Total unrealized sales during Typhoon Ulysses was 77 GWh.

Consolidated customer count reached more than 7.1 million, or a 4% increase over the previous year for an additional 249,000 new accounts compared with 2019. Residential customers grew the most at 4% to 6,575,012, accounting for 92% of the total. New residential customers totaled 235,721 accounts.

The number of Commercial customers went up by 3% to 541,223, accounting for 8% of the total. Industrial customer count slightly increased by 1% to 10,840, which is less than 1% of the total.

There were 4,929 flat streetlights, which made up less than 1% of the total.

Operating Performance



Meralco succeeded in its 2020 hashtag “Keeping the Lights On” despite the challenges brought by the COVID-19 pandemic, with a system reliability performance that is an all-time best since it entered the Performance-Based Regulation (PBR) of the Energy Regulatory Commission (ERC).

The average number of sustained interruptions experienced by a customer in 2020, measured by the System Average Interruption Frequency Index (SAIFI), is down to 1.50 times, a 15% improvement from 1.77 in 2019.

Another measure of Meralco’s system reliability performance is the System Average Interruption Duration Index (SAIDI), representing the average duration of power interruptions a customer experiences in a year. 2020 SAIDI was at 163.00 minutes, a 13% improvement from last year’s performance, and another all-time best performance for Meralco.

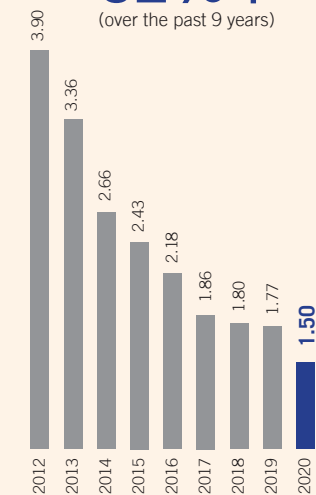
These measures mean that on the average, Meralco customers had fewer and shorter cumulative electric service interruptions for 2020.

For the past nine (9) years, SAIFI steadily improved by 62% while SAIDI was better by 60%.

For the 13th consecutive year, Meralco outperformed the prescribed regulatory system loss cap. In 2020, Meralco’s system loss rate was at 6.08%. Although higher than the previous year’s 5.54%, it was well below the regulatory system loss cap of 7.0%. This decrease was due mainly to the shift in energy consumption to the higher loss-to-serve residential customers.

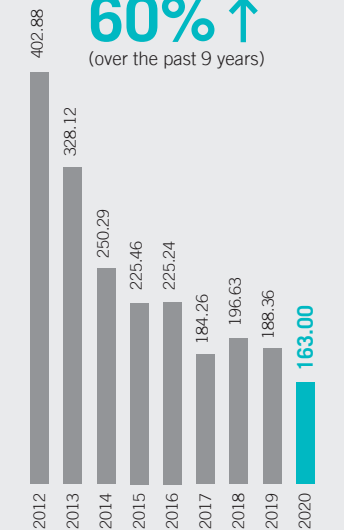
Total SAIFI improvement

62% ↑
(over the past 9 years)



Total SAIDI improvement

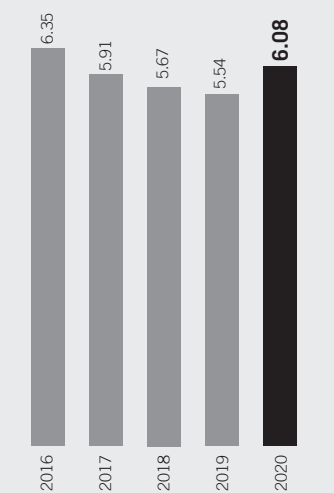
60% ↑
(over the past 9 years)



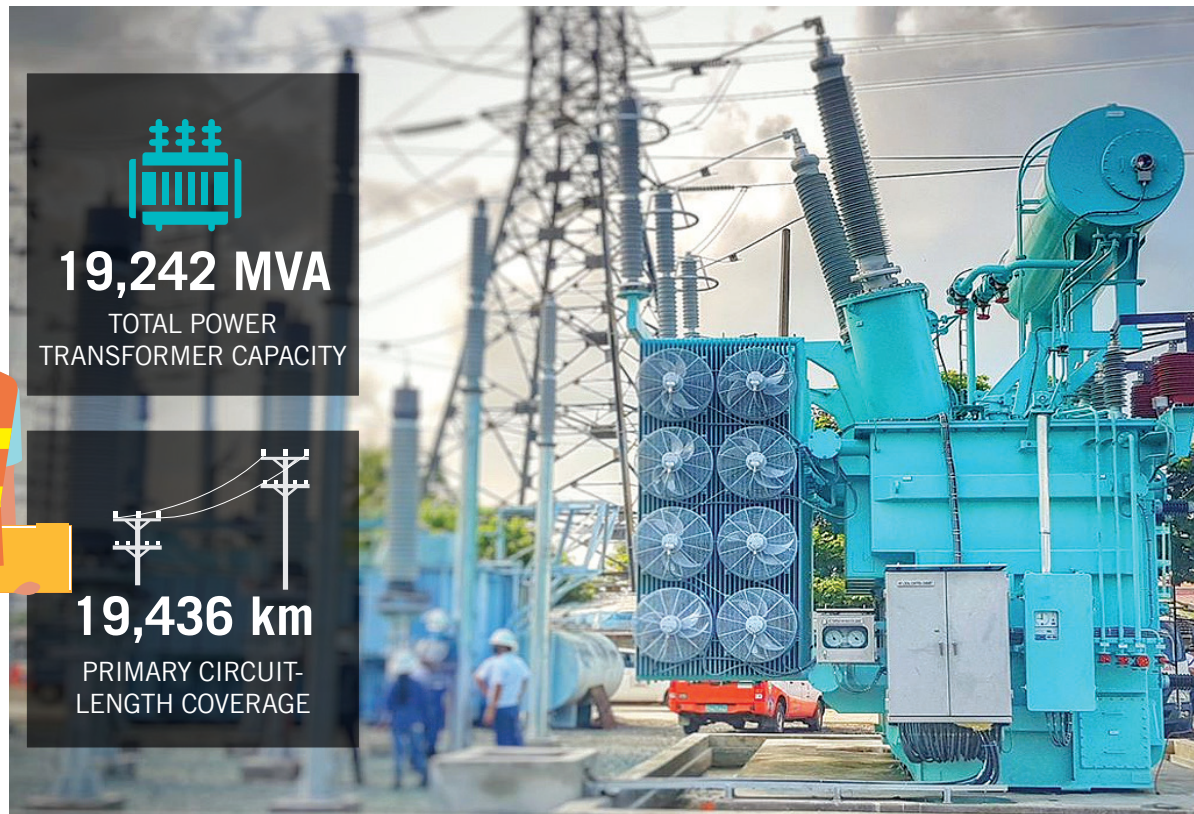
The implementation of various levels of community quarantine also hampered the movement of utility personnel, limiting execution of loss-reduction activities.

Achieving a system loss rate significantly lower than the 2020 regulatory cap translated to savings of Php3.2 billion or 8 centavos per kWh which also helped mitigate the financial difficulties experienced by our customers during the pandemic. In the last 13 years, Meralco’s system loss performance has resulted in a total of Php48 billion or an average savings of 10 centavos per kWh. This is on top of the cumulative return of about Php9.3 billion worth of pilferage recoveries for customers. These results underscore the Company’s commitment to provide efficient electric service by minimizing electricity theft and ensuring the optimal use of distribution facilities.

System Loss (%)



Capital Expenditures



Expansion of Malolos Substation 3rd 150 MVA power transformer bank

Meralco's Capital Expenditures (CAPEX) are geared to provide the best service to customers. Working with public and private stakeholders, Meralco expands its facilities to dovetail government development plans while enabling a more resilient distribution network capable of achieving higher levels of performance in spite of natural calamities.

Despite the challenges in 2020 due to lockdown restrictions Meralco still implemented PhP20.8 billion CAPEX, 3% higher than in 2019.

Meralco completed five (5) substation-related major Electric Capital Projects (ECPs) in 2020 including the two (2) delivery point substations: Malolos at 150 MVA, and Tayabas at 300 MVA.

Meralco also completed three (3) capacity expansion projects for NAIA, Valencia and Grace Park substations. The sub-transmission system was further strengthened with the construction of two (2) new 115 kV lines, the San Jose-Camarin and the San Mateo-Diliman-Marikina lines, and the uprating of Amadeo-Gateway-FCIE line. In addition to the substation and sub-transmission

projects, Meralco replaced the old control house and protection and control equipment at North Port substation as part of its equipment renewal program.

These major capital projects were complemented by 56 other projects, mainly involving the upgrading and flexibility improvement of our primary distribution lines.

By the end of 2020, the total power transformer capacity was 19,242 MVA, while primary circuit length covered 19,436 kilometers within the Meralco franchise area.

Backing Build, Build, Build

Meralco has always supported the government's "Build, Build, Build" (BBB) projects and made sure that these were immediately implemented.

Overcoming permit requirements from various private and public entities, Meralco relocated or cleared its electric lines so that BBB was continuous, and electricity was up whenever, wherever it was needed.

Collaborating with the various stakeholders from the private sector, project proponents, general contractors, and various government agencies, Meralco was a partner for progress for the country and the communities that directly benefitted from BBB.

Notable projects in 2020 included the relocation of 1,485 poles to clear the way for the construction of Skyway Stage 3, MRT-7, LRT-1 Extension, NLEX-Harbour Link (C3-R10), PNR North 1 and CALAeX. In addition, a total of 831 poles were relocated for the road widening projects of the Department of Public Works and Highways (DPWH).

Skyway Stage 3 Project

Meralco Electrification Program (MEP)

Meralco was able to energize 99.94% of all households in Meralco's franchise area within 2020. It installed 208 kms of distribution lines on 5,151 poles

and 436 distribution transformers with total capacity of 15,015 kVA, to energize a total of 261 sites benefitting 11,354 households.

In 2021, Meralco aims to energize a further 240 sites targeting 9,004 households to bring it even closer to achieving 100% electrification.



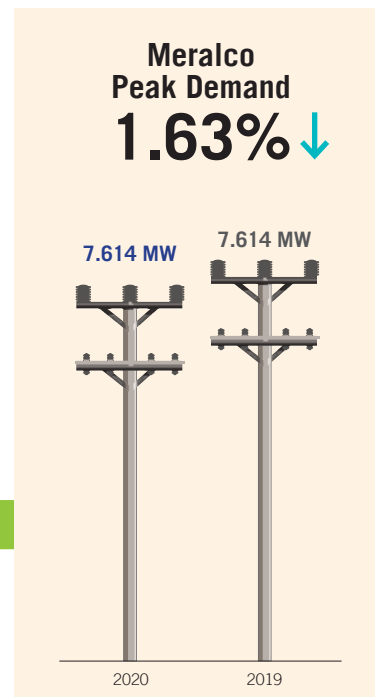
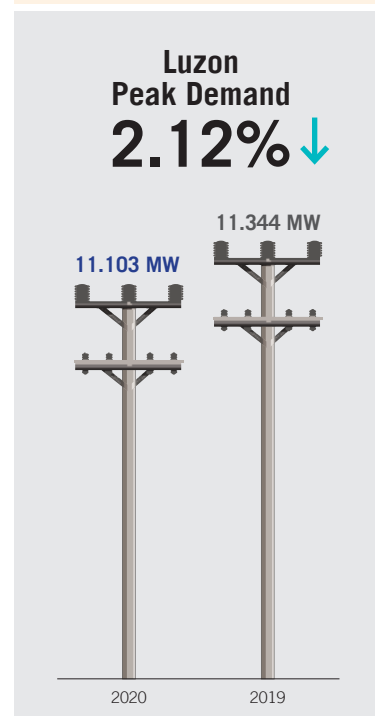
Power Supply and Demand



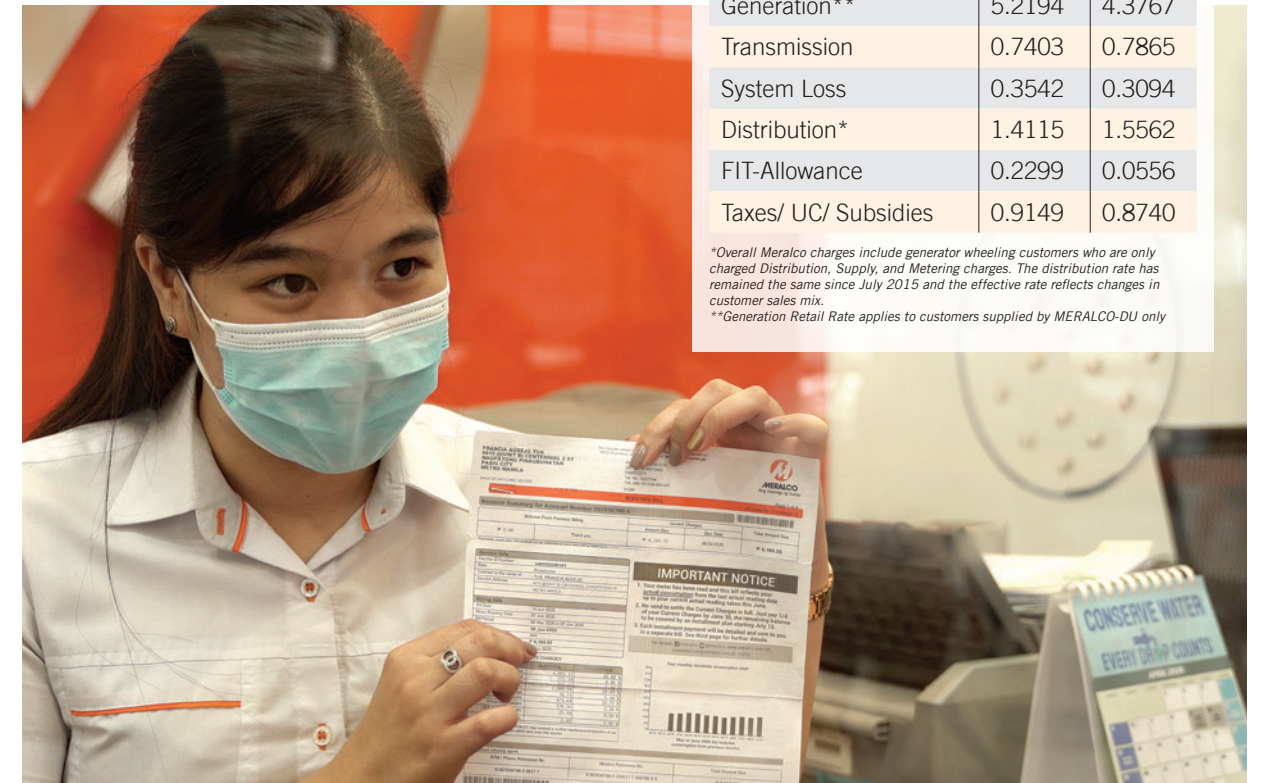
Meralco's peak demand decreased by 2% from 7,740 MW in 2019 to 7,614 MW in 2020. The non-coincident peak demand in Luzon also decreased by 2% to 11,103 MW from 11,344 MW. Both the peak demand for Meralco and Luzon were recorded prior to the community quarantine.

To cover its future demand requirements starting 2024, Meralco held a Competitive Selection Process (CSP) from October 2020 to February 2021 in accordance with the Department of Energy (DOE) Department Circular No. DC2018-02-0003. The Terms of

Reference for the 20-year Power Supply Agreement (PSA) for the supply of 1,800 MW (net) greenfield baseload capacity beginning December 2024 was technology agnostic and pro-consumer with the requirement to limit the pass-through of fuel costs and use of proven plant technology for baseload operation. After the successful conduct of the CSP, the PSAs were awarded to power suppliers that will use liquefied natural gas and coal. Once implemented, the new PSAs are expected to bring down the generation charge and result in annual savings of about PhP20 billion for Meralco customers.



Meralco Customer Bill



	2019	2020
Average Rate	8.8702	7.9584
Generation**	5.2194	4.3767
Transmission	0.7403	0.7865
System Loss	0.3542	0.3094
Distribution*	1.4115	1.5562
FIT-Allowance	0.2299	0.0556
Taxes/ UC/ Subsidies	0.9149	0.8740

*Overall Meralco charges include generator wheeling customers who are only charged Distribution, Supply, and Metering charges. The distribution rate has remained the same since July 2015 and the effective rate reflects changes in customer sales mix.

**Generation Retail Rate applies to customers supplied by MERALCO-DU only

In 2020, the overall average retail rate of electricity decreased by 10% to PhP7.96 per kWh from an PhP8.87 per kWh average rate in 2019.

The generation charge in 2020 averaged PhP4.38 per kWh and remained the single largest component of the customer bill, accounting for 55% of the total. It decreased by 16% from its 2019 level due to,

(a) the implementation of new PSAs from the successful CSPs conducted in 2019 that resulted in customer savings of about PhP8 billion;

(b) the reduction in the Wholesale Electricity Spot Market (WESM) prices resulting from lower demand for power with the imposition of lockdowns; and

c) the invocation of force majeure with claims amounting to PhP2.4 billion that reduced fixed costs and avoided charges from the temporary suspension of mid-merit supply contracts recently approved by the ERC. The decreased generation charge also reflects the peso appreciation and lower fuel prices in 2020.

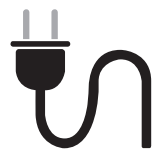
The Feed-in Tariff Allowance (FIT-All) rate, which accounts for 1% of the total, also decreased by 76% to PhP0.06 per kWh from a PhP0.23 per kWh average in 2019 due to the implementation of a lower FIT-All rate starting February 2020, and the suspension of FIT-All collection for the months of April and May 2020 as approved and directed by the ERC.

The reduction in other bill components offset the increase in the average transmission charge.

Meralco's distribution charge was unchanged in 2020, as it had been since July 2015. However, starting March 2021 Meralco implemented the Distribution Rate True-Up (DRTU) refund upon receiving provisional authority from the ERC to refund PhP13.9 billion over a period of 24 months or until the amount is fully refunded. The refund, which represents the difference between the actual and ERC-approved interim rate from July 2015 to November 2020, appeared in customer bills as a separate line item starting in their March 2021 bills.

Customer Service

During the pandemic which hampered operations on all fronts and stretched our people, processes, and platforms to perform beyond their limits, Customer Service was vulnerable to taking a back seat to the continuity of electric service. But we believed that both were equally important.



PhP 2.4B

GENERATION
CHARGE SAVING FOR
CUSTOMERS



PhP 3.2B

WAIVED FROM THE SUSPENSION
OF GMBD, BENEFITING NEARLY
95,000 CUSTOMERS



EXTENDED
DISCONNECTION
MORATORIUM

At the onset of the lockdown, Meralco led an industry-wide effort to provide a lifeline to its customers via lower rates, bill payment extensions, and expanded channels to enable safe and more convenient transactions.

First, Meralco invoked the force majeure provision in our PSAs, thus saving PhP2.4 billion of generation charge for customers.

Second, the Company temporarily suspended the implementation of the Guaranteed Minimum Billing Demand (GMBD) to ease the payment burden of business customers with demand-based billing. Total amount waived was PhP3.2 billion, benefiting a total of 94,966 business customers, 92,301 of which were small and medium enterprises.

Finally, Meralco collaborated with the entire industry and our regulator to extend payment terms for all customers. In accordance with the ERC Advisories released

on April 15, May 5, and May 22, 2020, a disconnection moratorium was implemented that was further extended until January 31, 2021 (for customers consuming 200 kWh and below) and until March 31, 2021 for lifeline customers with an average consumption of 100 kWh and below.

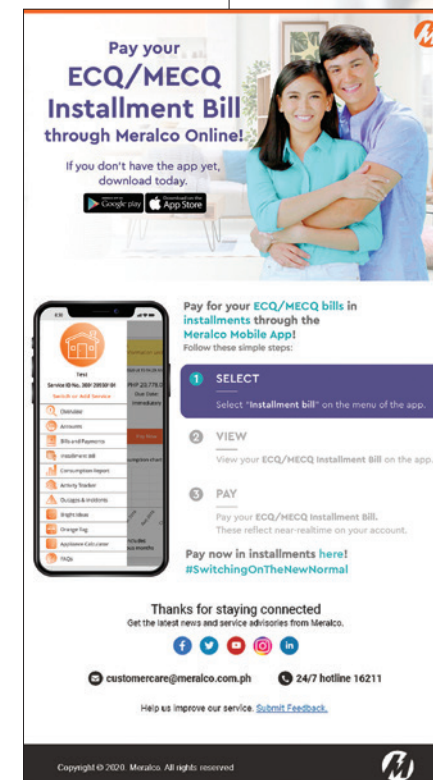
Unpaid bills during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ) for all customers were also converted into monthly

installments, payable from four (4) to six (6) months depending on the consumption group. A 30-day grace period for the payment of these bills was later provided.

Further, starting July 15, 2020, Meralco also made a one-time refund of the meter reading costs not incurred during the ECQ/MECQ period amounting to PhP71.7 million.



We're
#KeepingTheLightsOn
for your business



Meralco Online

Meralco's objective is to deliver a customer experience that is simple, fast, and convenient. Learning from the pandemic, a new dimension emerged: safety. Physical safety against the virus, as well as digital security when transacting online.

For customers, Meralco also wanted a seamless omni-channel experience across all touchpoints from business centers to live agents, with emphasis on self-service channels such as the app, website, and social media. The Company also wanted to drive value by implementing a proactive service model and providing comprehensive, timely communications on the "moments that matter".

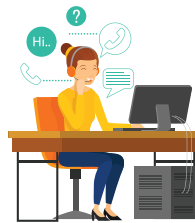
Meralco Online (MO) was a beacon of service for customers, surging to 2,157,393 active accounts by the end of 2020 (an average of 147,699 new registrations monthly). Its hero functionality was Online Payment which rang up 2,604,551 payment transactions amounting to PhP11.7 billion. Outage Reporting was also useful, with 142,774 outage reports coursed online.

Meralco reduced friction on MO even more by temporarily shouldering the convenience fees charged by third party payment partners starting March 16. This amounted to nearly PhP75 million from 1.9 million payment transactions.

Customer Care and Communications

Customer care channels were also ramped up to dovetail demand with additional agents and employee volunteers (via the “Operation Brotherhood”), allowing for a 24/7 response to customer inquiries and concerns from the call and text hotline, email, and official social media accounts. At the height of the pandemic, Meralco increased its customer call center seats by 1,580. Today, Meralco has a total of 433 contact center agents working on voice and digital platforms.

Aiming to reach customers at their preferred channels, 49 out of the 56 Business Centers re-opened on May 7, 2020 to accept customer transactions and payments. Prior to the re-opening, safety protocols in accordance with the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) guidelines were implemented



1,580

CALL CENTER SEATS



433

CONTACT CENTER AGENTS

– all frontline employees were tested and each business center was fully equipped with all the necessary installations such as acrylic barriers, alcohol dispensers, foot mats, and stickers to guide customers to abide by social distancing rules. Indoor air quality was also periodically checked.

Further, proactive, omni-channel communications were sustained throughout 2020. Personalized letters were sent out to all customers to explain their accumulated bills.

On TV and radio, infomercials specific to the May and June bills were aired. Newspapers and tabloids also guided customers. Meralco Advisory was on air every month on rate changes, and Meralco’s Facebook and Twitter accounts were running full throttle with easy to understand posts and video explainers on frequently asked questions which were also on Meralco’s website. Customers who visited Meralco business centers would find educational videos and posters.



Customer Centricity Transformation Program (CCTP)

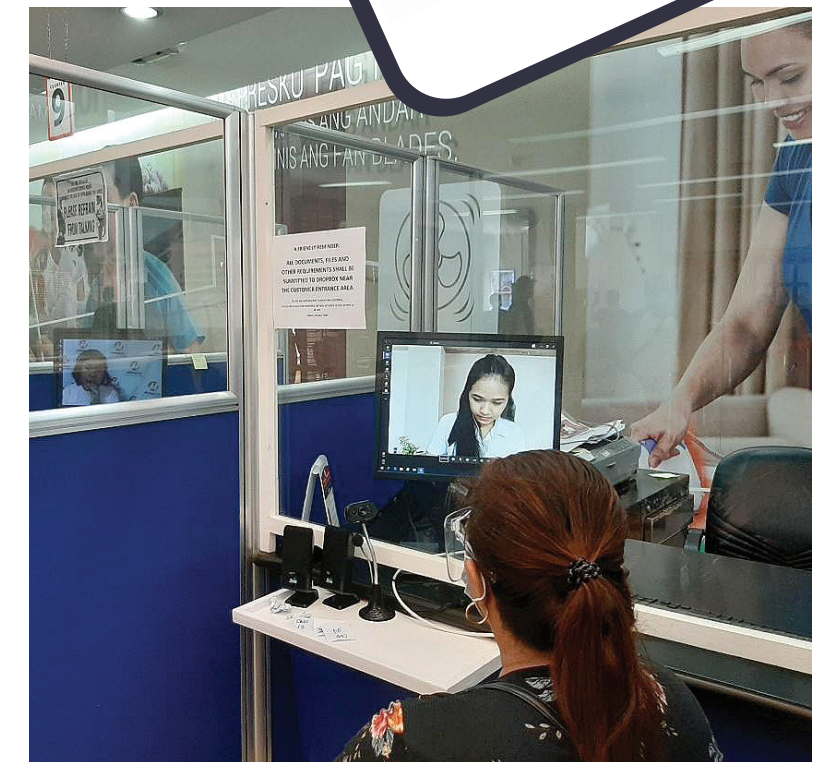
Meralco also launched a Customer Centricity Transformation Program (CCTP) with several pilot projects to further improve its service given the learnings from the pandemic.

Customers sought options when seeking service: high touch by visiting a business center or low touch, self-service with digital fronts. But across the customer journey, access was key. Thus, we conceived of access points and piloted them in 2020: The Virtual Customer Assistant (VCA) and the Online Customer Appointment (OCA). VCA gave customers the option of video conferencing with a Meralco customer care representative who was off-site, while OCA allowed customers to schedule their visit to participating Meralco business centers.

Customers also wanted improvements in their billing statements and in receiving advisories. To provide more information and greater transparency, Meralco updated the bill format planned for implementation in 2021. This new format will include 24 months of historical consumption and an enumeration of payments already made versus amounts still due. Meralco also started soliciting customer contact details to provide proactive notices on bills, payments, and outages.

And based on global research standards, Meralco also conceived the Customer Experience Index or CXi. It measures how the needs of customers were met, the ease of the experience, and the level with which they were valued. The CXi is expected to be implemented in 2021 and will reflect Meralco’s efforts in achieving customer service.

In 2020, Meralco made strides in achieving and measuring our ambitions for a better customer experience.



Social Media and Website

Meralco's website and social media sites on Facebook, Twitter, YouTube, and Instagram were reliable sources of timely information during the pandemic.

Meralco kept its website updated close to real time with advisories and FAQs. The number of visitors to the site increased six (6) times in 2020 compared to 2019.

Social Media was front and center in ensuring that customers were updated on the latest bulletins. In 2020, followers of Meralco's Facebook page grew by 75% to 1.4 million followers from 0.8 million the prior year. Its Twitter account grew to 2.197 million followers in 2020 versus 2.172 million in 2019, reflecting the flat follower growth globally. The Meralco Facebook and Twitter pages were the number one utility brand in the country in 2020 as its posts helped address customer queries on billing, payments, and operations, with a net positive sentiment at +3%. SocialBakers, a global social media analytics company that monitors social media performance, recognized Meralco in its "Top 10 Most Socially Devoted" industrial brands globally for most of 2020. Meralco was consistent in being the only socially-devoted Filipino company in the Top 10 of the Industrial category for most of 2020.

Facebook was the go-to channel in 2020, based on the cumulative reach of Meralco's Facebook posts, totaling 137 million, double its 2019 reach of 61 million. Meralco's #KeepingTheLightsOn Facebook posts provided customers with operational updates regarding Meralco operations during the ECQ. The posts had an average organic unpaid reach of 3.0 million users, over 200 times higher than the Facebook default organic reach at 14

thousand, which showed customers' need for regular, accurate and reliable information.

Meralco's Instagram account, with 16K followers, up from 6K in 2019, continued to highlight Meralco's initiatives on Sustainability, advised customers on Bright Ideas tips, and provided timely messages through moment marketing. Skewed towards millennials, Meralco's Instagram account hoped to inform, inspire, and create affinity among younger customers.

Meralco is also present in LinkedIn to remain connected with the business community by providing

solutions to pressing concerns that ensure safety and business continuity. Aside from being visible to commercial leaders, Meralco's presence in LinkedIn also create possibilities for the new crop of engineers and executives to consider career opportunities with the company.

Over-all, Meralco's social media platforms became occasions to hand-hold customers in navigating the new and better normal, providing timely, accurate and useful information, and guidance.

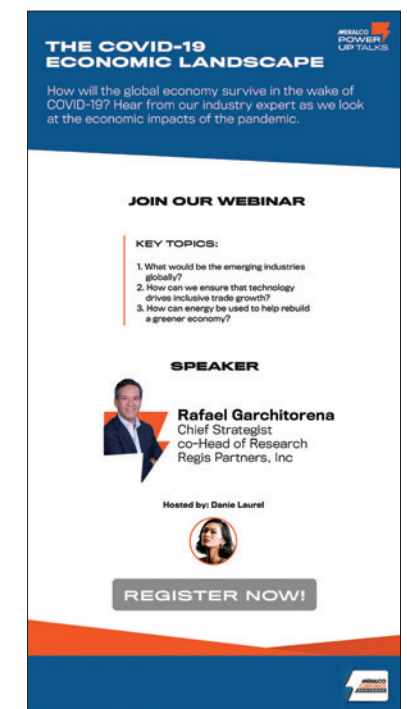


Power-Up Forum, Live Webinars

The Power Up Forum (PUF) has been successful in offering our services and solutions and to update customers on the latest developments in the energy industry. Topics included the Energy Efficiency and Conservation Law, Retail Competition and Open Access, power supply forecasts, renewable energy, and indoor air quality solutions. PUFs were previously in function rooms, but became fully digital in 2020. The event is in partnership with various trade associations and business organizations and was renamed Power Up Live (PUL).

Meralco organized 25 PUL webinars for business customers, reaching over 3,200 owners and decision makers. Another eight (8) were held for residential customers and were well-attended by members of homeowner associations.

In 2020, these PUL webinars were especially important in informing customers about Meralco's initiatives. Among these include the waiving of the guaranteed minimum billing demand (GMBD), the moratorium on disconnections, the guidelines and implementation of installment payment arrangements, various bill explainers and available payment channels, and measures to be energy efficient while working from home.



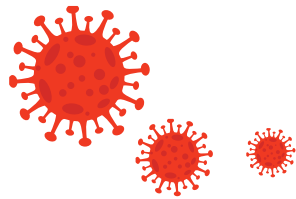
Cultivating Workplace Excellence

Malasakit at the Heart of Service

Malasakit has been in the DNA of Meralco for decades, and this was manifested in 2020 by its 5,815-strong employee workforce tasked to #KeepTheLightsOn during a year battered by several strong typhoons and the global pandemic. While they were not the frontliners against COVID-19, they were certainly

a power behind them, ensuring that LGUs, hospitals, and emergency facilities had reliable power, doing the heavy lifting of putting up lines where there were none, and employing technical know-how where there were existing facilities but needed review to ensure reliability and redundancy. They braved going out and working 24x7 out of a sense of duty to support the frontliners and the sick they cared for.





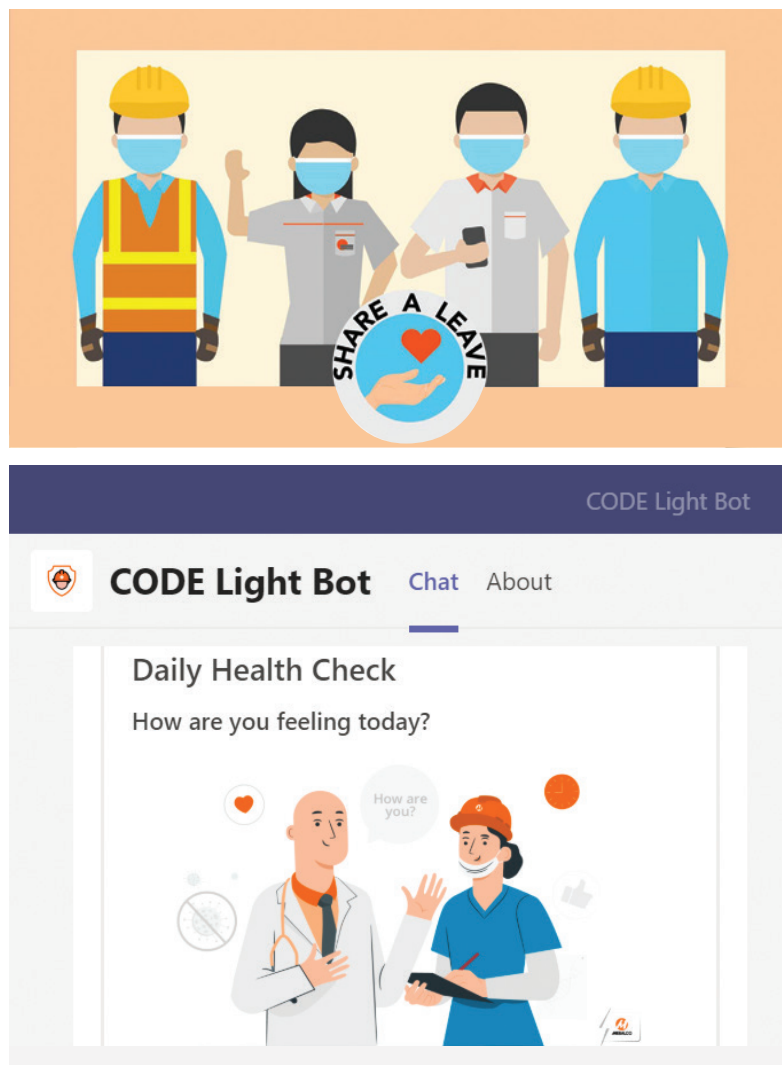
Protecting our People at the Frontline

Meralco's people were its priority with their health, wellness, and safety of paramount concern when linemen, customer care representatives, engineers and other office support groups were on-site or off-site doing their jobs.

During the Enhanced Community Quarantine (ECQ), more than 700 employees were housed on-site with complete provisions for food and lodging to ensure continuity of operations.

At the outset, daily online health checks were done through the "Code Light" bot for regular employees, as well as an online health declaration for service providers and visitors. Both enabled Meralco to monitor and screen for any COVID-19 symptoms. A 24/7 COVID-19 Hotline was also set-up by the Corporate Wellness Center to provide online medical consultation, symptoms screening, and contact tracing by health professionals in partnership with designated safety officers. Rapid testing was also implemented for all on-site employees and co-located contractors as part of entry screening, while re-testing protocols were done to monitor for possible asymptomatic cases.

As part of work re-entry, all office buildings and work premises were prepared with the installation of protective barriers, conduct of regular workplace cleaning and disinfection as well as improvements in air-flow through the air-conditioning and ventilation systems. The implementation of social distancing measures, reduction of office density, and management of foot traffic were



also strictly enforced. Necessary work paraphernalia and cloud-based collaboration tools were also provided, as well as onsite hand disinfectants, provision of employee shuttle services and vitamins.

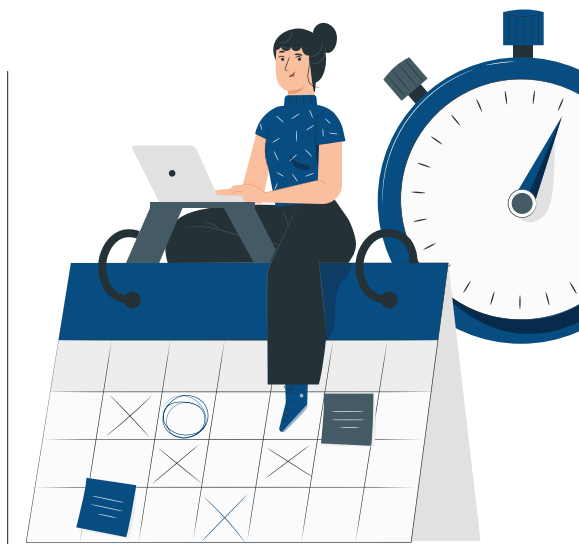
Meralco's service providers faced a tough year with limited projects due to the declaration of the ECQ in Metro Manila. Responding with

true *malasakit*, the "A Day to Give" and "Share a Leave" programs were launched. This enabled Meralco employees to donate the monetary equivalent of their daily salary and/or leaves and raised nearly PhP28 million to help more than 6,490 contracted workers who were all trusted partners of Meralco.

"The Better Normal" Workplace

Online meetings continue in "the better normal" as well as the continued provision of Personal Protective Equipment (PPEs) based on work type and exposure. Work arrangements such as flexible hours, shifting, and work-from-home were adopted based on business requirements. As an additional requirement by the DOLE-DTI, the Company submitted and implemented the COVID-19 Occupational Safety Hazard Program to prevent and control the spread of infection in the workplace. Likewise, a Workplace Accident/Illness Report (WAIR COVID-19) was accomplished by each operating facility and submitted to DOLE for monthly monitoring.

Learning and Development too, shifted to the online platform with a mantra of #LearningNeverStops. A total of 112,246 training hours were provided covering 258 unique programs with an average of 19 hours of training per employee for the year. These programs covered competency upgrade, professional and leadership development, and safety and technical skills development. Programs on mental health and stress management were also implemented through the Working in the New Normal Series as well as more targeted and involved medical and psychological interventions in partnership with Cardinal Santos Medical Center. Orange Fit activities for employee engagement targeted total wellness: mind, body and spirit.



112,246

TRAINING HOURS WERE PROVIDED COVERING 258 UNIQUE PROGRAMS



Devoting Our Energies in Healing the World



Live Life

2020 saw a global health crisis threaten the lives and livelihood of millions across the country. COVID-19 brought unprecedented challenges, testing the robustness of the Philippine healthcare system and economy and pushing the resilience of the Filipino to its limit.

Amid the pandemic, One Meralco powered through and persevered in delivering life-giving energy, while helping protect the planet, safeguarding its people, and bringing prosperity to all its stakeholders.

As well, Meralco looked ahead and articulated its sustainability aspirations and plans through 2030 and beyond—charting its path towards a brighter and better normal.

Advancing Global Goals

In 2019, Meralco placed sustainability at the core of its strategy and operations as a company. It thus developed Powering the Good Life—its sustainability agenda rooted in the United Nations Sustainable Development Goals (UN SDGs).

As the Philippines' largest electric distribution utility, Meralco is uniquely positioned to contribute to UN SDG 7: Affordable and Clean Energy. However, through its other businesses and initiatives, One Meralco also promotes as many as 10 other SDGs.

Powering the Good Life is also marked by a distinctive focus on four (4) strategic pillars: Power, Planet, People, and Prosperity. Indeed, inasmuch as 2020 brought formidable hurdles, it also provided Meralco exceptional opportunities to amplify its efforts across the 4Ps, turning its sustainability agenda into earnest action.



Power: Providing Energy for All, Always

As power is vital particularly during a pandemic, Meralco ensured that it kept the lights on for its more than 7 million customers. It also worked round-the-clock to provide stable electricity service especially to those in the thick of the battle against COVID-19—hospitals, community health centers, and temporary treatment facilities.

Despite the constraints of community quarantine, Meralco was undeterred in providing

energy for all, always. Through the Meralco Electrification Program, the Company brought power to 99.94 percent of households within its franchise area. It also expanded its reach in the remote island of Cagbalete in Quezon Province by starting to build 1.4 MW of additional solar PV and battery storage capacity, set to benefit the entire community of over 600 households and 11 resorts.

The Group also accelerated its transition to clean energy through its commitment to source 1,500 MW of its power requirements from renewable sources in the next five (5) years. In addition, its 50-MW solar farm in San Miguel, Bulacan, which is expected to be commissioned in 2021, jumpstarted One Meralco's drive to build up to 1,500 MW of clean energy projects through 2027.

Planet: Protecting and Preserving Mother Earth

Environmental stewardship remained top-of-mind for One Meralco. In 2020, it established and closely monitored greenhouse gas (GHG) emissions as a top corporate performance indicator and subsequently implemented initiatives to reduce its carbon footprint and waste.

Through the Green Mobility Program, which aims to electrify the Group's vehicle fleets, Meralco rolled out 59 electric motorcycles used by field representatives in their activities such as meter inspections. Beginning 2021, the Company will further deploy

close to 70 electric cars, vans, pick-ups, and motorcycles across its Business Centers and Sector Offices, replacing their traditional internal combustion engine counterparts.

In 2020, Meralco also worked to reduce its own electricity consumption under the Resource Conservation and Efficiency Program. The Company replaced its lighting fixtures with LED alternatives and upgraded its heating, ventilation, and air conditioning (HVAC) systems.

The waste management efforts of Meralco were also heightened in 2020 with the launch of its Race to Zero Waste (RZW) Program.

The amount of the Company's waste diverted away from landfills increased to 55% from only 17% percent in 2019. Furthermore, a key initiative under RZW, #HealthWithoutHarm established measures for the safe and responsible disposal of infectious COVID-19 waste, such as face masks, face shields, and gloves.

Lastly, Meralco accelerated the use of plant-based ester oil in its distribution transformers. Ester oil, which is biodegradable, recyclable, and non-toxic, is currently used in more than eight thousand pad-mounted distribution transformers. Moving forward, 100% of Meralco's new distribution transformers will use this eco-friendly oil.





People: Nurturing Sustainability from Within

Employees are the driving force behind Powering the Good Life. Meralco delivered its services effectively and efficiently to its millions of customers, notwithstanding COVID-19, through the grit and *malasakit* of its people.

Throughout 2020, One Meralco prioritized the safety and health of all its employees. The entire workforce was provided with personal protective equipment (PPE) and work-from-home arrangements were encouraged to keep employees safe from the virus, while ensuring service continuity. In the workplace, strict health protocols were issued and implemented to minimize the risk of infection, and protective measures and equipment were installed to safeguard employees and customers alike.

In addition, One Meralco developed and launched CODE Light Bot, an online daily health and work reporting tool for employees, helping manage and minimize COVID-19 incidents within the Company's ranks.

Furthermore, the Orange Fit program continued to foster the holistic well-being of the workforce. Online exercise sessions and free medical consultations and counselling were made available to address employees' physical, mental, emotional, and spiritual needs.

2020 was also the year when Meralco cemented its commitment towards building a more gender-diverse and inclusive workplace by becoming among the first Filipino companies—and the only one from the energy sector—to sign the United Nations Women's Empowerment Principles.

Prosperity: Creating Better Lives for All

Improving the lives of all its stakeholders—customers, communities, and constituents—is what gives Meralco's work greatest meaning.

To help ease the economic burden brought about by the pandemic, Meralco invoked force majeure provisions in its Power Supply Agreements (PSAs) during the months of community quarantine, which resulted in generation savings of PhP2.4 billion for customers. The Guaranteed Minimum Billing Demand (GMBD) charge was also waived in 2020, which led to almost PhP3.2 billion savings for nearly 95,000 business customers. In addition, Meralco suspended service disconnections and extended flexible payment terms to all customers.

Meralco Online remained accessible 24/7 to support customers, enabling them to view and pay their bills as well as report outages and concerns anytime, anywhere. Customers were further empowered with the introduction of new digital touchpoints (such as the Virtual Customer Assistant and the Online Customer Appointment system) and with the launch of the 10-digit Customer Account Number (CAN), making bills payment easier and more convenient.

Beyond servicing its customers, Meralco was also at the forefront, helping the most vulnerable and in greatest need. Apart from providing PPEs and food packages to frontliners, the Company converted one of its buildings to a temporary accommodation facility for health workers and deployed electric vehicles to ferry over 76 thousand essential personnel to and from healthcare centers, at no cost. Moreover, through the "A Day to Give" and "Share a Leave" initiatives, One Meralco employees collectively raised nearly PhP28 million in cash donations, benefitting over six thousand contracted staff and marginalized communities.

Lighting the Path to a Brighter Normal

While 2020 may have been the darkest year in recent times, it also allowed One Meralco to let its light shine brightest.

Yet, the work towards a better normal has only just begun.

Recognizing that sustainability is indeed the only path towards a brighter future, Meralco has defined its long-term sustainability aspirations in two horizons.

In the decade ahead, One Meralco commits to serve the country's growing energy demand with greener power to propel the Philippines' rise to becoming a

top emerging economy. Looking towards 2050, the Group aspires to transition to Net Zero and position itself as a sustainability leader in the energy sector. Meralco aims to achieve these goals while promoting the well-being of communities, with electricity as an enabler to power the good life for all.

Forging ahead, One Meralco will continue to deliver enduring and meaningful value to all it serves through energy—uplifting lives today and for generations to come.



Lighting a Better Path for Tomorrow Through Hope



Give Hope

While ensuring that its customers enjoy safe and reliable access to electricity, Meralco sustained its corporate social responsibility (CSR) programs that addressed the immediate needs especially of marginalized communities in its franchise area and beyond.

COVID-19 Crisis Response

As the nation and the rest of the world fought the war against COVID-19, Meralco refocused its advocacy programs to aid those who were most vulnerable: the health workers fighting the disease on the frontlines, and the marginalized members of society who felt the brunt of the economic effects of the crisis and did not have the means to protect themselves.

For them, the most immediate need when ECQ was imposed was personal protective equipment or PPEs. Meralco's CSR arm, One Meralco Foundation (OMF) thus donated PPEs for more than 6,000 medical frontliners in vital facilities, including 26 COVID-19 referral hospitals. Among the major hospitals that benefited were Philippine General Hospital (PGH), Lung Center of the Philippines, East Avenue Medical Center, Philippine Heart Center, Rizal Medical Center, and Las Piñas General Hospital.

Meralco also donated 2,040 liters of ethyl alcohol to 21 hospitals, and to the Armed Forces of the Philippines (AFP) for soldiers who were stationed at checkpoints and quarantine facilities.

Since mass transportation came to a halt during the ECQ, traveling within Metro Manila was challenging for frontline workers. To fill the gap, Meralco's electric transport solutions subsidiary, eSakay, dispatched its electric

jeepneys, and together with the Department of Transportation, opened special routes strategically passing through hospitals in the cities of Pasig, Makati, San Juan, Manila, and Mandaluyong. For its part, OMF provided the wages of 35 eSakay jeepney drivers. In a span of 15 weeks, the free service transported a total of 76,364 passengers.

Together with OMF, the biggest and widest multi-channel payment platform in the Philippines, Bayad launched "From Farmers

to Frontliners," an initiative to help augment the income of local vegetable farmers while providing nutritious food to frontline workers and the marginalized. More than five (5) tons of fresh produce were procured from farmers in Barangay Batan, Kabayan, Benguet at the time when most of their traditional markets were closed. These were turned over to the kitchens of 11 hospitals (served to at least 9,403 hospital employees), LGUs (5,695 frontliners), and temporary shelters set up by local governments to house homeless families.



In partnership with South Luzon Thermal Energy Corporation (SLTEC) and San Miguel Corporation Global Power Foundation, Meralco sponsored the electricity bills of three (3) mega quarantine centers in Metro Manila namely, the World Trade Center, Philippine International Convention Center (PICC), and the Ninoy Aquino Stadium. The Company also donated the distribution charge component of the electricity bills of three (3) lodging facilities in Pasig City that served as isolation centers for residents required to undergo mandatory quarantine.

To bolster the government's national action plan to Test, Trace, and Treat (Task Force T3), Meralco donated 10,000 rapid antigen test kits to the Department of Energy (DoE), 520 to the National Transmission Corporation (TransCo), and 1,640 to

the local government of Pasig City. These enabled them to check on the status of their employees so that service to the community continued.

To increase the capacity of the East Avenue Medical Center (EAMC) to handle COVID-19 cases, Meralco donated hospital equipment to this government hospital for its newly opened Center for Emerging and Re-Emerging Infectious Diseases (CERID) facility. In December, it turned over a molecular laboratory to the EAMC to enable it to conduct rapid transcriptase-polymerase chain reaction (RT-PCR) tests to detect the presence of the coronavirus in suspected cases.

Apart from frontliners, economically struggling families living in the margins also needed intervention, especially during the lockdown period, when many daily wage

workers lost their jobs as businesses and industries either closed down or dramatically reduced their operations.

Within a week after the lockdown was announced, OMF began distributing food packages to street dwellers in Metro Manila and to low-income families in the Meralco franchise area. A total of 7,856 food packages were distributed in 31 municipalities and cities.

Meralco also partnered with the Philippine Disaster Resilience Foundation (PDRF) and Caritas Manila to provide grocery gift certificates to underprivileged families in Metro Manila. Employees of the Company, most of whom were working from home, contributed to the initiative by donating through the "Help from Home" campaign. It raised more than PhP2.81 million.





6,999

LOW INCOME HOUSEHOLDS
ENERGIZED THROUGH
THE HOUSEHOLD
ELECTRIFICATION PROGRAM

Household Electrification

Despite the pandemic, Meralco pursued the electrification of low-income communities in its franchise area, realizing that their need for electricity had become even more critical with work and study from home.

Under OMF's household electrification program, 6,999 low-income households in informal settlements and relocation sites

were connected to the grid in 2020. These families did not have access to electricity for years due to legal impediments such as lack of tenure (in the case of informal settlers), or due to technical limitations (usually in the case of relocation sites). With the synergy of OMF, Meralco's business centers and network sectors, and local government units, 55,899 low-income families in the Meralco franchise area had benefited from the program in the past nine (9) years.

School Electrification and Energy Education

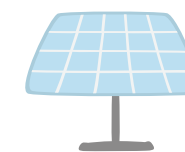
Due to the health crisis, the Department of Education (DepEd), adopted blended learning as an alternative to face-to-face instruction. Under this scheme, students were provided multiple opportunities to continue their education while staying at home. To facilitate this, the schools were tasked to mass-produce and distribute modules to their students and make available learning materials through digital channels. This set up was a challenge especially for schools in remote communities in the Philippines that do not have access to electricity.

Determined to help, Meralco energized more off-grid schools using solar photovoltaic (PV) technology through its school electrification program. For more

than 10 years now, the advocacy has provided a minimum of 1-kilowatt solar PV systems to 260 schools without access to electricity across the country.

Meralco employees, through the Meralco Employees' Fund for Charity, Inc. (MEFCI), also contributed to the program by donating multimedia equipment (LED TV, laptop, scanner/printer machine) to every school energized.

The electrification of 15 more schools in the provinces of Samar and Masbate in 2020 allowed teachers to use computers to access learning materials over the internet, and reproduce them so their students could study remotely. They no longer had to travel great distances or cross perilous waters to prepare and submit their reports in the mainland since they now had 24-hour access to electricity.



260

OFF-GRID PUBLIC
SCHOOLS ENERGIZED
USING SOLAR POWER





Environmental sustainability

In 2019, Meralco launched a sustainable reforestation campaign called “One for Trees” to contribute to the protection of Philippine forests and watersheds. Apart from nurturing trees, the program aimed to provide livelihood to its tree caretakers through agroforestry.

Even if the implementation of the program -- the planting of new trees -- was hampered by the community quarantine during the first three (3)

quarters of the year, the program continued to indirectly help the tree farmers’ livelihood through the value of the crops they planted the previous year.

With the help of Meralco’s reforestation partner, GreenEarth Heritage Foundation, the farmers were able to harvest the leaves of the moringa (malunggay) trees they planted over a year ago and sell them as powdered tea. They also grew organic vegetables near Meralco’s trees -- some for their own

consumption, while the majority were sold in Metro Manila markets.

Meralco’s funding for the tree nurturing program also allowed GreenEarth to provide temporary jobs to construction workers in San Miguel, Bulacan who were out of work during the lockdown. They helped construct concrete rainwater harvesting tanks and bamboo stacks in preparation for the next batch of trees to be planted through the program.

Disaster Response

Outside of the COVID-19 crisis, Meralco helped communities recover from disasters. Throughout 2020, OMF provided assistance to

2,086 families rendered homeless by fires, 19,983 families displaced by typhoons, and 3,074 families evacuated during Taal Volcano eruption.





CUSTOM DESIGNED
BACKPACK CONTAINING
PPEs to **2,596** PUBLIC
SCHOOL TEACHER

Employee Giving and Volunteerism

Throughout the Meralco organization, employees play an important role in the company's CSR efforts by donating their time, talent, and treasure for various projects.

In preparation for the opening of the new academic year, Meralco launched a back-to-school campaign called "Teacher Frontliner" to recognize the role of teachers as education frontliners, and to help protect them from COVID-19.

Employees of Meralco and its subsidiaries raised more than

PhP1.38 million to provide a custom-designed "Teacher Frontliner" backpack containing PPEs face masks, face shields, and alcohol to 2,596 public school teachers in the Meralco franchise area.

Meralco employees also donated to various disaster response initiatives such as the response to the eruption of Taal Volcano in Batangas, and the onslaught of typhoons Rolly, and Ulysses. Last Christmas, they also participated in the "Tuloy Pa Rin Ang Pasko" campaign, which provided noche buena (food) packs to more than a thousand beneficiaries across the Meralco franchise area.



Youth Development

To achieve its long-term dream of a brighter future for the Philippines, Meralco invests in the development of the youth through programs that enhance their talents and skills, and inspire them to aim for excellence.

In 2020, the Company recognized the academic achievement of 279 dependents of Meralco employees through the annual MVP Academic Achievement Awards (MVP AAA). Hailed as top achievers were 69 students -- those who won in the previous year and maintained their stellar performance in the current year. Meralco also inspired future Filipino scientists by supporting DepEd's "National Science and Technology Fair," a gathering

of the best young scientists and innovators from various science high schools throughout the country. The Company awarded 13 outstanding projects that either focused on addressing energy issues or innovatively used energy for practical potential purposes in other industries.

Onward to a Sustainable Future

Despite the difficult times, Meralco remained committed to delivering high-quality service to its customers and ensuring that no one is left behind as it helps build a brighter and more sustainable future for the Filipino people.





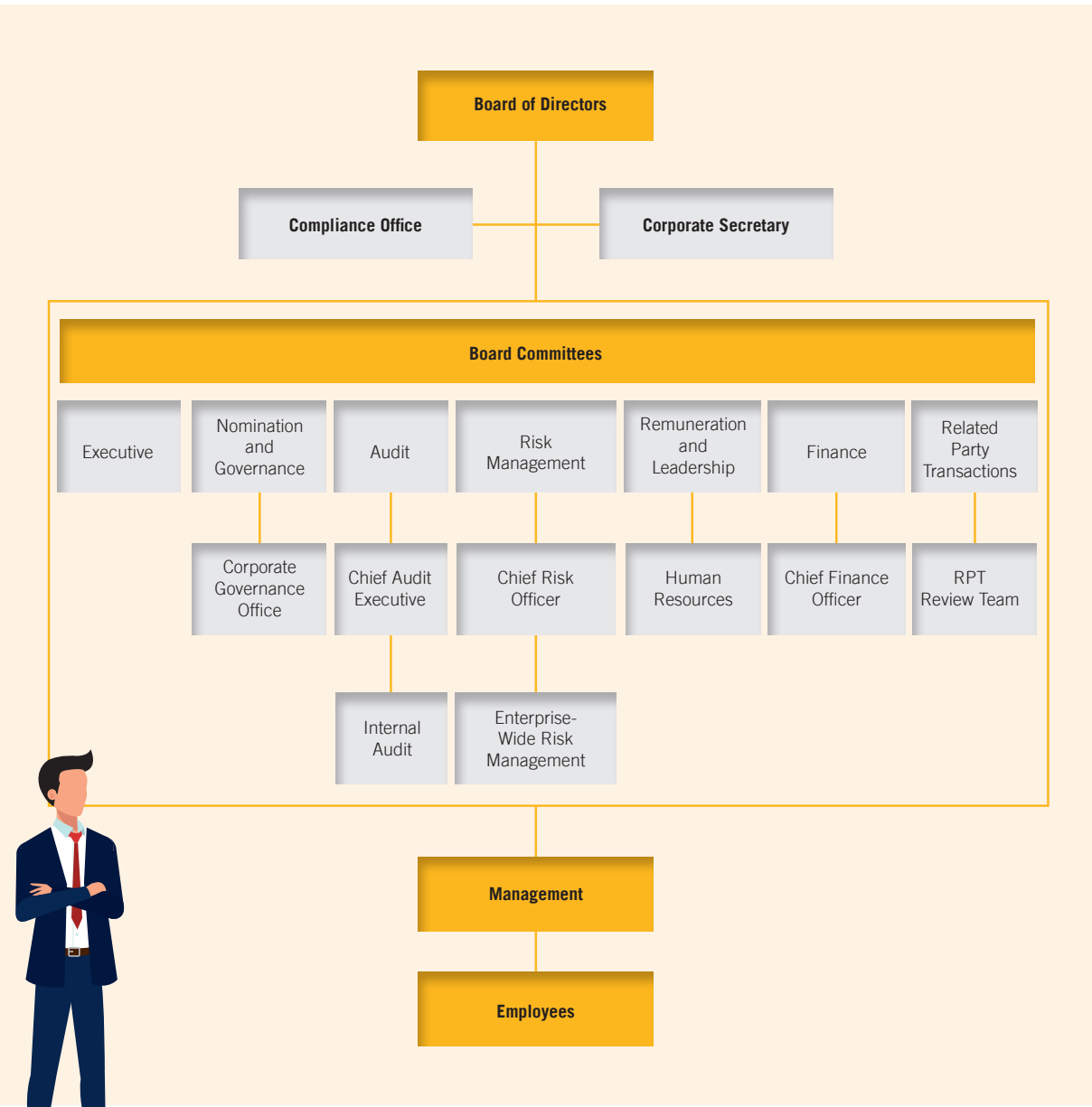
Governance in “The Better Normal”

The global pandemic brought about by COVID-19 has ushered an unprecedented new reality that challenged the foundation of every company’s business operations. Health protocols and concomitant governmental restrictions imposed to combat the spread of the virus disrupted every business organization’s ability to timely deliver products and services to its customers and perform deliverables to its various stakeholders.

Despite this, Meralco (the “Company”) remained steadfast in its mission to keep the lights on for all

its stakeholders. Through clear strategic guidance and oversight by the Board of Directors and effective management framework and interdependence between and among line organizations, Meralco was able to respond, recover, and thrive in this crisis.

Truly, Meralco’s effective business continuity and resiliency plans and strategies, coupled with remarkable digital and technological infrastructure, have been the key drivers in the Company’s successful crisis response and management. However, it is the Company’s strong governance framework that significantly contributed to the Company’s quick recovery and ability to thrive in the new normal.



Amidst the operational and regulatory challenges of the pandemic, the Company has always ensured its full compliance with the corporate governance code, rules, and regulations promulgated and enforced by the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE), Philippine Dealing & Exchange Corp. (PDEX), and other relevant regulatory bodies.

The Company has also continued to adopt or strengthen its policies and programs that are aligned with the best corporate governance practices 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):

Governance Policies and Practices	Details
Policy against Bribery and Corruption	The Company's Anti-Bribery and Corruption Policy formalizes its stand against corrupt practices and emphasizes the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption.
Lead Independent Director	To reinforce board independence, the Board of Directors (Board) appointed Independent Director, Ret. Chief Justice Artemio V. Panganiban, as Lead Independent Director.
Alternative Dispute Resolution Mechanism	In resolving intra-corporate disputes between the Company and its stockholders, the Company may resort to alternative modes of dispute resolution as may be agreed upon with the adverse party, such as but not limited to arbitration, mediation, conciliation, early neutral evaluation and mini-trial.
Board Charter	The Board Charter sets its purposes, authority, duties, responsibilities, structure, and procedures.
Guidelines on Board Meetings through Teleconferencing and Videoconferencing	The Board Charter includes the provision for guidelines on Board meetings through teleconferencing and videoconferencing.
Related Party Transactions Policy	The Related Party Transactions Policy was amended to include thresholds of Related Party Transactions (RPT) for disclosure and approval of the RPT committee, the treatment of <i>de minimis</i> transactions and those that are recurring or infrequently occurring and the required approval by non-related party shareholders on certain RPTs. The Policy likewise provides guidelines on the review, approval and reporting of material RPTs which amount to ten percent (10%) of the Company's total assets in accordance with SEC
Acceptance of Directorship in another Company	Directors are required to notify the Company's Board before accepting a directorship in another company.
Board Assessment Supported by External Facilitator	Good Governance Advocates and Practitioners of the Philippines (GGAPP) was engaged by Meralco as an external facilitator to assess the effectiveness of board evaluation process. GGAPP is an association of good governance advocates and practitioners from various publicly listed companies, the public sector and other organizations who have come together to promote and assist in the development of good governance in the country.
Acceptance of Nomination to the Board from Minority Shareholders	The Nomination and Governance Committee (Nom&Gov) shall receive all letters nominating candidates for election, as directors/ independent directors from stockholders, including minority stockholders, on or before the record date for the annual stockholders' meeting (ASM).
Periodic Meetings of Non-executive Directors	The non-executive directors shall have separate periodic meetings with the external auditor and respective heads of internal audit, compliance and risk functions, without any executive director(s) present to ensure that the proper checks and balance are in place within the corporation. The meetings should be chaired by the lead independent director or an independent director.
Sustainability Reporting	The Company has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability and adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.

The Company also utilized innovative ways in reaching out to its stakeholders in these challenging times.



To better serve its stockholders, the Company introduced its enhanced Stockholders Electronic Registration and Voting Express (SERVE). SERVE is an online facility that allows the Company's stockholders to register, 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 released the Online Ethical Climate Survey to its employees in September 2020. The project aims to assess the effectiveness of ethics-related objectives, programs and activities of the Company, and support the Board of Directors and Management in the formulation and implementation of its future Corporate Governance programs and initiatives.

As a testament to the Company's good corporate governance, the ASEAN Capital Markets Forum recognized Meralco as one of the 135 ASEAN Asset Class Awardees, together with 18 other Philippine Publicly-Listed companies (PLCs), based on the 2019 ACGS regional assessment.

This award aims to brand ASEAN PLCs with good corporate governance practices as an asset class to attract foreign investments.



Related to this, the Institute of Corporate Directors, acting as the domestic ranking body, awarded Meralco with Three Golden Arrows for its remarkable governance structure, programs and practices in the 2019 regional assessment wherein Meralco attained a score of 106.87.

A. Role of Stakeholders

A.1 RESPECTING THE RIGHTS 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, fair treatment, and complete 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 Suppliers' Business Conduct Policy and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts.

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.

More comprehensive reports on the Company's Sustainability and CSR efforts are found in separate publications; specifically, Meralco's 2020 Sustainability Report and One Meralco Foundation's 2020 Annual Report.

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.

A.2 PERFORMANCE-ENHANCING MECHANISMS FOR EMPLOYEES

Employee Development Programs

Training programs and other developmental interventions are implemented to enable employees 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 2020, the average training man-hours is at 19 hours per person.

Compensation Philosophy/Principles

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 636 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 20 candidates who, subject to the realization of their development plans, could become management committee members within the next five (5) years.

**Corporate Governance Office
Manila Electric Company (Meralco)**

8th Floor, Lopez Building
Ortigas Avenue, Barangay Ugong
Pasig City, Philippines 1605

Tel: (+632) 1622 2798
Mobile: (+63) 9209484787
Email: cgo.staff@meralco.com.ph

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics (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. In 2020, 100% of the Company directors, senior management and employees complied with the Corporate Governance disclosure requirements.

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 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.

Talent Management and Developmentw	Program Description
Me in 21	Training courses that ensure continuous development of individual contributors, first-line, and mid-level managers of the organization
Breakthroughs and New Frontiers	
Meralco Power Innovators	A management trainee program for future leaders and technical experts in the organization
Energy Talent and Competency Program	Program to fast-track competency development of highly-critical talents in the Company
LEVEL-Up Program/ LEAD-Up	Programs to enhance the personal effectiveness of linemen and develop leadership and supervisory capabilities of leadmen and foremen

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).

The foregoing policies are available to all stakeholders through the Company's website (www.meralco.com.ph).

A.3 EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS' RIGHTS AND MEANS OF COMMUNICATION OF ILLEGAL OR UNETHICAL PRACTICES BY EMPLOYEES

The e-Report Mo (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.

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 2020, 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.

B. Respecting the Rights of 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 MCG.

B.1 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 in 2020:

Declaration Date	Record Date	Payable Date	Rate per Share
February 24, 2020	March 20, 2020	April 15, 2020	PhP 10.395
July 27, 2020	August 20, 2020	September 15, 2020	PhP 4.697

B.2 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 in absentia or through remote communication.

B.3 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 27, 2020. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 15, 2020, 41 days prior to the ASM date of May 26, 2020. 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 2020 ASM was held on Tuesday, May 26, 2020, at 10:00 AM at the Meralco Theater, Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. In light of the COVID-19 pandemic, the Company conducted its first virtual ASM via live broadcast of the proceedings through 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 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 27, 2020 for submission of proposed

agenda and nomination of qualified candidates on or before March 6, 2020. The agenda and nominees were approved by the Board during its meeting on January 27, 2020 and March 30, 2020, respectively.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 957,350,974 shares or approximately 84.94% 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 remote communication and to cast their votes for the agenda items online.

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, 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.

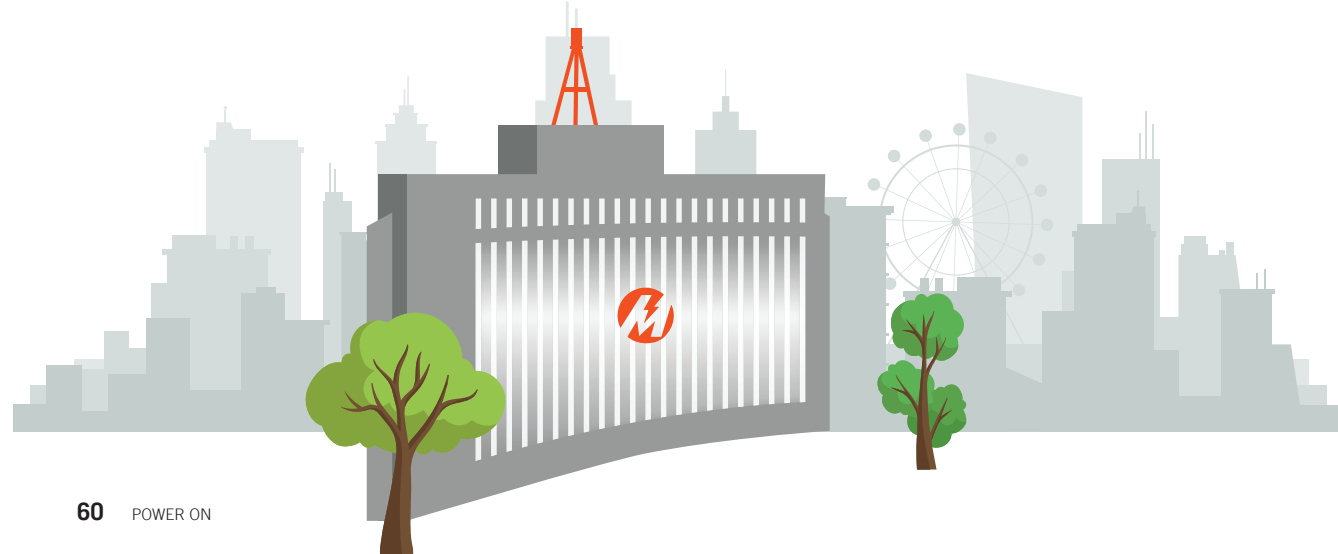
The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

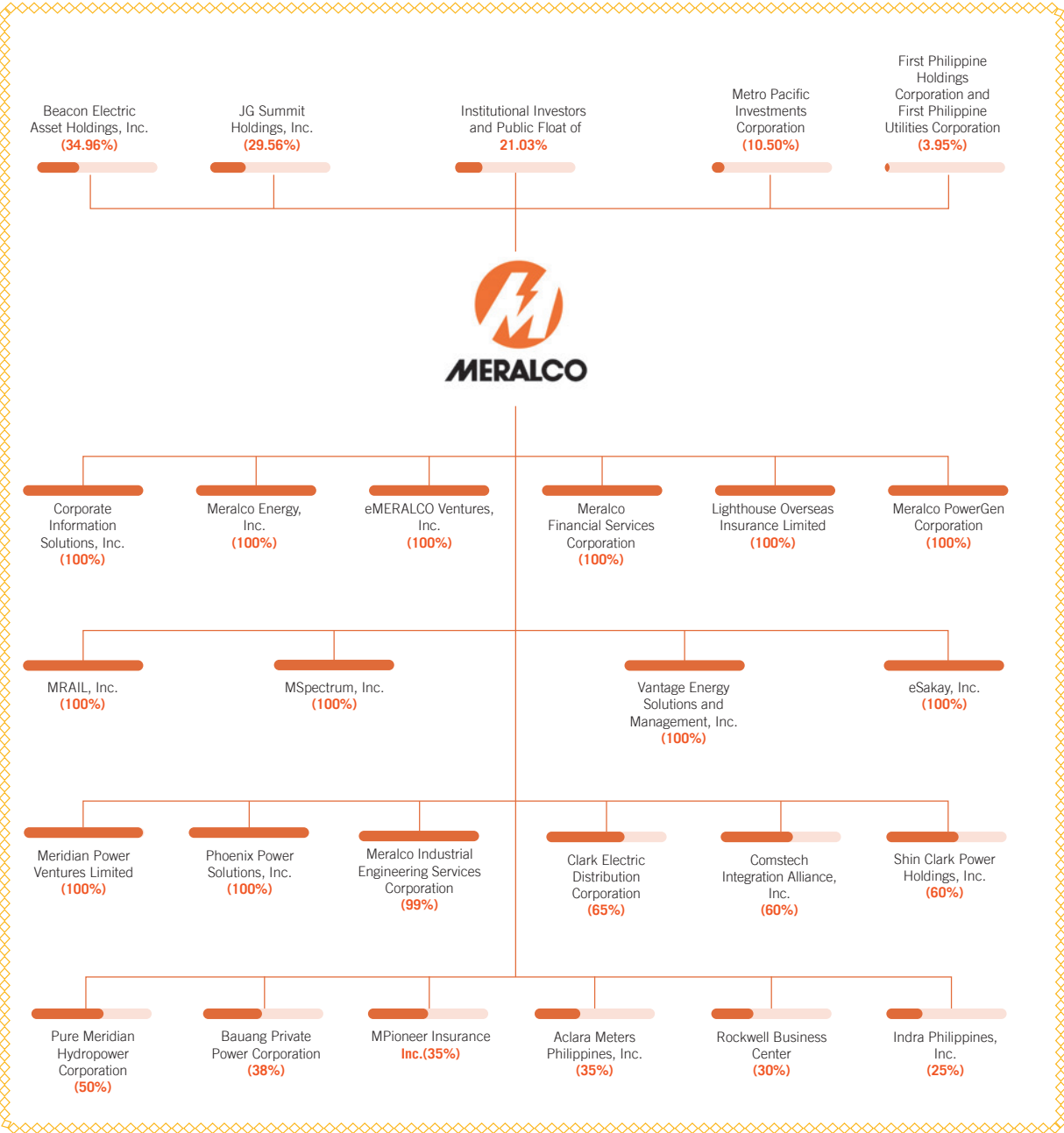
B.4 RIGHT TO APPROVE MERGERS AND ACQUISITIONS

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.

B.5 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, 2020 was disclosed to the SEC, PSE, and PDEx on January 11, 2021, where approximately 79.03% of the Company shares are held by principal and strategic shareholders, and the remaining 20.97% shareholdings are held by directors, officers, employees, the government, other corporations, and other individuals. 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 Meralco.

C. Equitable Treatment of Shareholders

C.1 SHARES AND VOTING RIGHTS

The Company has only one (1) classification of shares (common shares), with each share entitled to one (1) vote.

C.2 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.

C.3 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.

C.4 RELATED PARTY TRANSACTIONS (RPTS) BY DIRECTORS AND KEY EXECUTIVES

Related Party Transactions (RPT) Policy

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. The Policy provides for materiality thresholds, i.e., de minimis, significant, material RPTs including SEC material RPTs which constitute at least 10% of the Company's assets based on the latest audited financial statement.

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 22 to the Consolidated Financial Statements.

In 2020, there was no case of insider trading or policy violations involving directors and officers of the Company, and 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.

C.5 PROTECTING MINORITY SHAREHOLDERS FROM ABUSIVE ACTIONS

The Company's policies embody an utmost respect to the right of the minority stockholders while pursuing corporate interest. Salient provisions are:

- 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 22 of the consolidated financial statements
- Disinterested stockholders decide on all RPTs which require stockholders' approval

D. Responsibilities of the Board

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 implementation of the Company's business objectives and strategy, and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

The Board is mandated to enhance stockholder value by fostering the long-term success of the Company and sustaining its competitiveness and profitability in a manner consistent with the Company's vision, mission, and corporate objectives.

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
- Bayanihan

The Board promulgated the Company's Revised Manual of Corporate Governance (MCG) which mandates the Board to formulate and to annually review 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).

The Board, in its regular meeting held on January 27, 2020 as part of the Board's assessment of the Company's performance in the past year, reviewed and confirmed the vision, mission, and corporate strategic objectives of the Company. In the same meeting, the Board also 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.

Notably, the MCG 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 MCG.

The MCG 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. Pursuant to the SEC Memorandum Circular No. 19, Series of 2016, otherwise known as the "Code of Corporate Governance for Publicly-Listed Companies," the Board approved a Revised Manual of Corporate Governance on April 24, 2017.

D.1 COMPOSITION

The Company has a diverse Board consisting of eleven (11) directors, majority of whom are non-executive directors while two (2) are Independent Directors (ID), namely, Ret. Chief Justice Artemio V. Panganiban and Mr. Pedro E. Roxas.

The Nomination and Governance Committee (Nom&Gov) reviews the nomination, selection, and composition of the Board pursuant to the Nomination and Election Policy. Additionally, it affirms that its members have a proper mix of qualifications, background, experience, independence, and skills needed to effectually perform its responsibilities in accordance with the Board Diversity Policy. The Policy promotes diversity to encourage critical discussion and foster a balanced decision in the attainment of the Company's strategic objectives and sustainable development. The Policy likewise provides for measurable objectives for implementing its board diversity and for reporting on progress in achieving its objectives.

The Nom&Gov ensures that independent decision-making is encouraged, and that no individual director dominates decision-making. The non-executive directors actively participate in discussions at the Board and Board Committee levels, as well as with Management.

D.2 INDEPENDENT DIRECTORS

On March 20, 2020, the Nom&Gov assessed the profiles of the directors and found that the independent, non-executive directors are indeed independent of 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 are reasonable and do not hinder in any way the performance of their duties to the Company.

The Board designated Ret. Chief Justice Panganiban as a lead independent director to perform the following functions:

- To serve as intermediary between the Chairman and the other directors when necessary;
- To convene and chair meetings of the non-executive directors; and
- To contribute to the performance evaluation of the Chairman, as required.

D.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 to oversee the performance of the Board and its directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and likewise espouse.

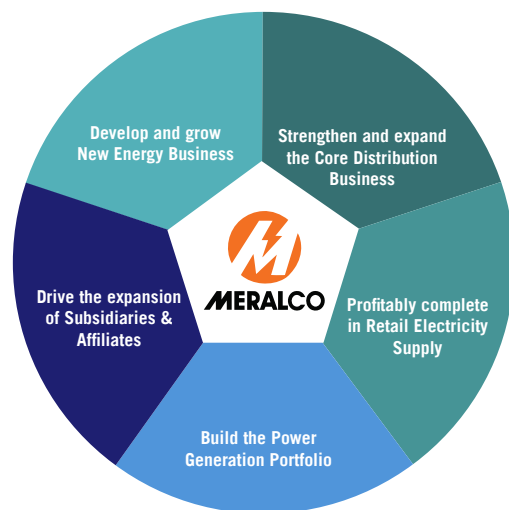
Together with President and CEO, Atty. Ray C. Espinosa, the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses 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 MCG, which is accessible at the Company's website.

D.4 MEETINGS AND MAJOR ACCOMPLISHMENTS

The Board reviews and approves major projects, policy decisions, annual budgets, major investment funding, and major restructuring of core businesses on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company.

The Board jointly plans meeting dates at the start of the calendar year, meets regularly once a month, and holds special meetings as may be required.

MERALCO STRATEGIES AND GROWTH PLATFORMS



- 1 Revenue Enhancement and Expansion
- 2 Customer-Centricity
- 3 Digital Transformation
- 4 Sustainability

2020 ASM and Board Meeting Attendance			
Director	Designation	Annual Stockholders' Meeting	Board and Organizational Meetings
Manuel V. Pangilinan	Chairman	Present	15/15
Lance Y. Gokongwei	Director	Present	15/15
Ray C. Espinosa ¹	Director	Present	15/15
James L. Go	Director	Present	15/15
Jose Ma. K. Lim	Director	Present	13/15
Elpidio L. Ibañez	Director	Present	15/15
Anabelle L. Chua	Director	Present	15/15
Artemio V. Panganiban ²	Independent Director	Present	13/15
Pedro E. Roxas	Independent Director	Present	15/15
Victorico P. Vargas	Director	Present	15/15
Frederick D. Go	Director	Present	14/15

¹ President and CEO

² Lead Independent Director

In 2020, the Board's major accomplishments included the following:

Major Projects/Policy Decisions

- Evaluation of compliance to the SEC Revised Code of Corporate Governance
- Approval of the Integrated Annual Corporate Governance Report (I-ACGR)
- Review and approval of the Revised Finance Committee Charter
- Conduct of the 2020 ASM
- Screening of nominees to the Board
- Approval of 2021 schedule of Board meetings
- Review and approval of the appointment of the Chief Commercial Officer, Head of Supply Chain Management, and Head of Corporate Communications
- Review and approval of the board committee composition
- Evaluation of compliance to ERC requirements
- Review and approval of business separation and unbundling plan reports
- Review and approval of public-private partnerships
- Approval of construction, development, and commissioning of substation assets
- Review and approval of power generation projects, interim power supply agreements (IPSAs) and power supply agreements (PSAs), technical services agreements, pole relocation projects, and other local and international business initiatives
- Approval of Audited Financial Statements
- Evaluation of incumbent external auditor and nomination of external auditor for 2020

- Approval of report of external auditors covering the Company's Audited Financial Statements
- Approval of dividend declaration
- Review and approval of material RPTs
- Enterprise performance evaluation and assessment
- Performance assessment of the Board, Board Committee, and President and CEO
- Review and approval of executive promotions, rightsizing policy and succession planning
- Review and approval of employee performance management plan
- Review and approval of supply contracts in excess of Php50 million

Business Plan and Annual Budgets

- Review and approval of the 2021 budget
- Monitoring of investment committee report
- Review and approval of corporate strategic objectives
- Monitoring of the implementation of corporate strategies
- Review of forecast of subsidiaries' projects

Major Investment Fundings

- Infusion of equity to subsidiaries
- Renewal of credit lines, credit facilities, and bonds

In 2020, the Company's non-executive directors met seven (7) times without the presence of an executive director. The agenda in these meetings were the Management's reports, corporate governance directions, reports of the internal and external auditors, and the performance assessment of the President and CEO.

A.5 CORPORATE SECRETARY AND COMPLIANCE OFFICER

All Board members have direct and independent access to the Corporate Secretary, the Compliance Officer and Management who regularly attend trainings on corporate governance.

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 the Company's Compliance Officer and Senior Vice President, Atty. William S. Pamintuan, who has the duties to monitor, review, evaluate and ensure the compliance by the corporation, its officers and directors with the relevant

laws, rules and regulations and all governance issuances of regulatory agencies and report violations thereof to the Board and recommend 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.

A.6 BOARD COMMITTEES

The Board has formed various Board Committees, namely Executive Committee (ExCom), Audit Committee (AuditCom), Risk Management Committee (RMC), Nom&Gov, Remuneration and Leadership Development Committee (RLDC), Finance Committee (FinCom), and Related Party Transactions Committee (RPTCom). The Board has delegated specific responsibilities to each of these Committees. These Committees had been formed and are guided by their respective committee charters.

2020 Board Committee Meeting Attendance							
	FINANCE	AUDIT	RMC	RPT COMM	NOM& GOV	RLDC	ExCom
Manuel V. Pangilinan ¹	N/A	N/A	N/A	N/A	N/A	5/5	1/1
Lance Y. Gokongwei	10/13	N/A	N/A	N/A	N/A	5/5	1/1
Ray C. Espinosa	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James L. Go	13/13	6/6	2/2	3/3	5/5	N/A	1/1
Frederick D. Go	N/A	6/6	2/2	3/3	5/5	N/A	N/A
Jose Ma. K. Lim ²	N/A	6/6	2/2	2/3	4/5	N/A	1/1
Elpidio L. Ibañez	13/13	N/A	N/A	N/A	N/A	N/A	N/A
Anabelle L. Chua ³	13/13	6/6	2/2	3/3	5/5	N/A	N/A
Artemio V. Panganiban ⁴	N/A	6/6	2/2	3/3	N/A	N/A	1/1
Pedro E. Roxas ⁵	13/13	6/6	2/2	3/3	5/5	5/5	N/A
Victorico P. Vargas	13/13	N/A	N/A	N/A	N/A	5/5	N/A

¹ Chairman, Executive Committee and Remuneration and Leadership Development Committee

² Chairman, Risk Management Committee

³ Chairman, Finance Committee

⁴ Chairman, Audit Committee; Independent Director

⁵ Chairman, Nomination and Governance Committee; Chairman Related Party Transactions Committee; Independent Director

The functions, authority and responsibilities of each Board committee and their accomplishments are as follows:

A. Executive Committee (ExCom) is composed of five (5) directors, one (1) of whom is an independent director. The ExCom may act, by majority vote of all its members, on such specific matters within the competence of the Board, as may be delegated to it under the By-Laws, or upon a majority vote of the Board, subject to the limitations provided by the Corporation Code.

B. Remuneration and Leadership Development Committee (RLDC) is composed of four (4) directors, one (1) of whom is an independent director. The duties and responsibilities of RLDC as defined in its charter include assistance to 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.

The RLDC held four (4) meetings in 2020 and accomplished the following:

- Approval of candidates for rank conferment to Chief Commercial Officer and Vice President
- Review of performance evaluation plan results
- Review of merit increase programs
- Review of annual incentive plan
- Presentation and review of proposed succession planning programs

The RLDC recommends to the Board, for the approval of the shareholders, a framework of remuneration for directors and Management, including the President and CEO.

Details of 2020 Board Remuneration (in PhP)			
	Remuneration for Board Meetings Attended in 2020	Remuneration for Committee Meetings Attended in 2020	TOTAL
EXECUTIVE DIRECTOR			
Ray C. Espinosa	₱1,960,000	-	₱1,960,000
NON-EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱1,960,000	₱120,000	₱2,080,000
Lance Y. Gokongwei	₱1,960,000	₱360,000	₱2,320,000
Anabelle L. Chua	₱1,960,000	₱648,000	₱2,608,000
James L. Go	₱1,960,000	₱648,000	₱2,608,000
Frederick D. Go	₱1,820,000	₱360,000	₱2,180,000
Elpidio L. Ibañez	₱1,960,000	₱312,000	₱2,272,000
Jose Ma. K. Lim	₱1,680,000	₱312,000	₱1,992,000
Victorico P. Vargas	₱1,960,000	₱432,000	₱2,392,000
INDEPENDENT DIRECTORS			
Pedro E. Roxas	₱1,960,000	₱768,000	₱2,728,000
Artemio V. Panganiban	₱1,680,000	₱264,000	₱1,944,000
TOTAL INDEPENDENT DIRECTORS	₱3,640,000	₱1,032,000	₱4,672,000
GRAND TOTAL	₱20,860,000	₱4,224,000	₱25,084,000

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until June 27, 2021. 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 & Property Damage Defense Costs, Health & Safety Costs, Gross Negligence Manslaughter Defense Costs and Environmental Violation (Defense Costs Including Civil and admin Fines).

For the President 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.

The Company's directors receive per diem fees for their attendance to Board and Board Committee meetings. Each director is entitled to a per diem allowance of PhP140,000 for every board meeting attended and PhP24,000 for every committee meeting.

Remuneration of Key Management and Employees

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 RLDC.

The top five (5) key officers of the Company have received an aggregate remuneration of PhP225M. For more information on the aggregate total remuneration paid to all key officers, please refer to the discussion entitled Compensation of Key Management Personnel in the Notes to Consolidated Financial Statements.

Advisers/Consultants to Remuneration and Leadership Development Committee

Meralco engaged a human resources consultancy firm to assist in the areas of employee engagement, and compensation and benefits management.

C. Nomination and Governance Committee (Nom&Gov)

The Nom&Gov is composed of five (5) directors with an independent director as chair. The duties and responsibilities of Nom&Gov as reflected in its charter include screening qualified nominees for election as directors, assessing the independence of directors, introducing improvements on Board organization and procedures, setting-up of mechanisms for performance evaluation of the Board and Management, and providing programs for continuing education of the Board.

The Nom&Gov undertakes the process of identifying the qualification of directors aligned with the Company's strategic directions. It reviews and recommends to the Board the appointment

of members to the Board Committees. The process involves identifying, reviewing, and recommending potential candidates to the Board for consideration.

The Nom&Gov has put in place a formal and transparent process for the nomination of new Directors to the Board. Stakeholders who have identified suitable candidates submit the Nomination and Acceptance Letters, Full Business Interest Disclosure Forms and curriculum vitae of such candidates to the Nom&Gov for discussion and review on or before the deadline set by the Nom&Gov.

These candidates are sourced from the business network of Board members and from professional search firms such as the Institute of Corporate Directors (ICD), or from shareholders. The Company's Corporate Secretary, Atty. Simeon Ken R. Ferrer is also an ICD Fellow. These candidates should be skilled in core competencies such as strategic planning, business expertise, and industry knowledge.

The shareholders elect the directors during the ASM held every last Tuesday of May.

The Company sends out a formal letter setting the responsibilities of the duly elected director. The new director will then attend an onboarding program facilitated by the CGO.

The Nom&Gov held five (5) meetings in 2020 and performed the following:

- Reviewed the results of 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 compliance to the Revised ASEAN Corporate Governance Scorecard (ACGS)
- Reviewed and endorsed Meralco's Integrated Annual Corporate Governance Report (I-ACGR) for 2019
- Reviewed and approved the Revised Finance Committee Charter
- Discussed the implementation of electronic voting in absentia for the 2020 ASM, CG Disclosures App, and Project One Meralco Governance
- Reviewed the results of the Ethical Climate Survey

- Reviewed the e-Report Mo Statistics
- Facilitated the annual CG enhancement and continuing education programs
- Conducted the onboarding orientation for the new director, Mr. Frederick D. Go

D. Audit Committee (AuditCom)

The AuditCom consists of two (2) independent directors, and four (4) non-executive directors, one of whom, Ms. Annabelle Chua has over twenty (20) years of experience in the areas of accounting, corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. for ten (10) years. The AuditCom is chaired by the lead independent director.

The AuditCom had six (6) meetings in 2020 with the following accomplishments:

Internal Control

- Obtained management's assurance on the adequacy and effectiveness of the Company's internal control system and noted Management's Control Policy
- Evaluated the effectiveness of the internal control system of the Company
- Reviewed and discussed updates on fraud investigations, recoveries from losses and appropriate actions of the Management.

Financial Reporting

- Reviewed the Unaudited Consolidated Quarterly Financial Statements and the Audited Consolidated Annual Financial Statements of the Company
- Endorsed for Board approval the Audited Consolidated Financial Statements of the Company

Audit Process

- Assessed the independence, performance, and effectiveness of the External Auditors, SGV & Co. CPAs (SGV) taking into consideration their credibility, competence, ability to understand complex related party transactions, and the adequacy of their quality control procedures. Based on this assessment, SGV was re-nominated by the Committee to the Board as the External Auditors of the Company with the assurance that the lead audit partner complies with Rule 68 of the Securities Regulation Code on rotation of External Auditors.

- Held an executive session with the External Auditor without the presence of Management.
- Reviewed and approved the audit plan, scope of work and proposed fees of SGV for audit and non-audit services.
- Reviewed and approved the annual Internal Audit Plan, the related key performance indicators, and all subsequent changes to the Internal Audit Plan, as needed.
- Discussed and dissected the results of audits reported by the Chief Audit Executive in her quarterly reports to the Committee.
- Monitored Management's timely implementation of appropriate corrective actions to address the audit issues and recommendations of Internal Audit and the External Auditor.
- Assessed Internal Audit's performance for the preceding year.
- Assessed the performance of the Subsidiaries' Audit committees
- Reviewed the Internal Audit and Audit Committee Charters on an annual basis for any updates or changes.

Compliance

- Reviewed and assessed Management's processes of monitoring compliance with laws and regulations through Internal Audit.
- Reviewed and assessed subsidiaries' and associate companies' processes of monitoring compliance with laws and regulations.
- Obtained updates on the status of compliance as well as the remaining challenges confronting the Company, as they relate to the requirements of the ERC, the SEC and other regulators concerned with environment and safety, labor, and others.

E. Risk Management Committee (RMC)

The RMC consists of two (2) independent directors and four (4) non-executive directors. It assists the Board in its oversight role on the risk management process. The following activities were accomplished by RMC:

- Reviewed management's top business risks and discussed ongoing risk treatments
- Reviewed the Enterprise-Wide Risk Management (EWRM) Plans
- Considered Management's short-to medium-term plans to EWRM integration in the annual strategic planning activities to institutionalize risk management functions at the subsidiaries and to develop a risk reporting dashboard that will facilitate reporting and monitoring of top risks and mitigation plans

- Reviewed the effectiveness and certified the adequacy of the Company's risk management system

The Board of Directors, through the RMC, institutes a framework of prudent and effective controls which enables risks to be identified, assessed, and managed accordingly.

F. Finance Committee (FinCom)

The FinCom is composed of six (6) directors, one (1) of whom is an independent director, with the Chief Finance Officer (CFO) as ex-officio member. It reviews the financial operations of the Company and matters regarding major purchase contracts, and acquisition and/or divestment of investments, businesses or ventures.

In its 12 meetings in 2020, its major accomplishments were:

- Review and approval of all service and supply contracts in excess of PhP50M
- Review of Unaudited Quarterly Consolidated Financial Statements and Audited Annual Consolidated Financial Statements
- Treasury updates
- Declaration of final cash dividend
- Renewal of credit lines and bonds
- Review and approval of cash optimization strategy
- Review and approval of PSAs and any changes or issues regarding their execution
- Review and approval of annual budget and medium-term business plan and forecast
- Review of Meralco directors' and officers' insurance policy
- Review additional capital call, surety bonds, capital infusions for subsidiaries
- Review of special payment agreements
- Review of equity call
- Review of investments
- Review and endorsement of the renewal of Wholesale Electricity Spot Market surety bond for the retail electricity supply transactions

G. Related Party Transactions Committee (RPTComm)

The RPTCom consists six (6) directors, two (2) of whom are independent directors. It assists the Board in reviewing material/significant RPTs to determine whether they are in the best interest of the Company and shareholders, and ensure that all RPTs of the Company are conducted in fair and at arms' length terms. The following activities were accomplished by the RPTComm in 2020:

- Discussed the implementation of the Revised RPT Policy
- Reviewed and endorsed material and significant RPTs for the Board's approval.

A.7 ORIENTATION AND CONTINUING EDUCATION PROGRAMS

The Board of Directors ensures that the Company complies with all relevant laws, regulations, and endeavor to adopt best business practices. Towards this end, 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 via online platform the 14th Annual Corporate Governance Enhancement Session (ACGES) on September 25, 2020, entitled "Lessons from a Pandemic: The MPIC Hospital Group COVID-19 Experience and Best Practices; and "How to Lead Courageously During a Crisis." The ACGES covered four (4) hours of governance training and was accredited by the SEC.

2020 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS

Director	Program	Resource Person/ Name of Training Institution
MANUEL V. PANGILINAN ANABELLE L. CHUA RAY C. ESPINOSA FREDERICK D. GO ELPIDIO L. IBAÑEZ JOSE MA. K. LIM VICTORICO P. VARGAS RET. CHIEF JUSTICE ARTEMIO V. PANGANIBAN PEDRO E. ROXAS	MVP Group 14 th Annual Corporate Governance Enhancement Session: Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices; and How to Lead Courageously During a Crisis	Dr. Saturnino P. Javier, M.D. Makati Medical Center Dr. Nancy F. Koehn, Ph.D. Harvard Business School
LANCE Y. GOKONGWEI	MVP Group 14 th Annual Corporate Governance Enhancement Session: Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices	Dr. Saturnino P. Javier, M.D. Makati Medical Center
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.	

A.8 BOARD, COMMITTEE AND CEO PERFORMANCE 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 on February 24, 2020, through employment of the following assessment forms, with the following processes and criteria:

1. Board Self-Assessment - each director assessed the board performance individually and as a whole based on the following categories:
 - a) Board structure and qualifications
 - b) Board duties and responsibilities
 - c) 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.

On the assessment forms, the Board gives its opinions and suggestions or identifies special issues of interest about its performance or different aspects of the Company's operation.

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.	<ul style="list-style-type: none"> • S-Factor Indicators <ul style="list-style-type: none"> - 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 Corporate Governance Office (CGO) sends these assessment forms to every director, collects the completed forms, prepares a summary report and submits it to the Nom&Gov Committee and the Board as an agenda item for acknowledgment and discussion

E. DISCLOSURE AND TRANSPARENCY**E.1. TRANSPARENT OWNERSHIP STRUCTURE**

The following stockholders directly own more than 5% of the Company's (MER) shares as at December 31, 2020.

Name of Shareholder and Beneficial Owner	Total Shares	% to Total Share
Beacon Electric Asset Holdings, Inc.	394,059,235	34.96%
JG Summit Holdings, Inc.	333,189,397	29.56%
Metro Pacific Investments Corporation	118,364,807	10.50%
TOTAL	845,613,439	75.02%

E.2 ENTERPRISE-WIDE RISK MANAGEMENT

Enterprise Risk Management (ERM) allows the Company and its subsidiaries to enhance its stakeholder value through the creation of a risk governance structure and adoption of mechanisms that manage existing and emerging risks effectively. It also aims to enhance the ability of the Company and its subsidiaries to take on additional risks accompanying new growth opportunities. The following are the key enterprise risks of the Company: Regulatory and Compliance risks, Strategic and Corporate Risks, Financial Risks, and Operational Risks.

E.3 ECONOMIC, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INFORMATION

The Company is committed to the cause of protecting the environment and mitigating the adverse impact of climate change and strictly monitors its business activities and operations to ensure sustainable development and safeguard the quality of life of society, communities, and the environment in the areas where it operates.

E.4 DIRECTORS’ AND OFFICERS’ DEALINGS IN COMPANY SHARES

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2020								
NAME	JANUARY 1, 2020	BUY	SELL	DECEMBER 31, 2020	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
Directors								
1. Manuel V. Pangilinan	40,000	15,000	-	55,000	55,000	-	55,000	0.00%
2. Anabelle L. Chua	11,060	5,000	-	16,060	16,060	-	16,060	0.00%
3. Ray C. Espinosa	46,000	-	-	46,000	46,000	-	46,000	0.00%
4. James L. Go	10,110	179,340	-	189,450	189,450	-	189,450	0.02%
5. Frederick D. Go	30	-	-	30	30	-	30	0.00%
6. Victorico P. Vargas	1,000	2,917	-	3,917	3,917	-	3,917	0.00%
7. Lance Y. Gokongwei	5,010	-	-	5,010	5,010	-	5,010	0.00%
8. Jose Ma. K. Lim	45,010	5,000	-	50,010	50,010	-	50,010	0.00%
9. Elpidio L. Ibañez	15,263	5,000	-	20,263	20,263	-	20,263	0.00%
10. Artemio V. Panganiban	1	-	-	1	1	-	1	0.00%
11. Pedro E. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.00%
Officers								
12. Simeon Ken R. Ferrer	767	-	-	767	767	-	767	0.00%
13. Roberto R. Almazora	93,082	-	-	93,082	93,082	-	93,082	0.01%
14. Ronnie L. Aperoch	14	-	-	14	14	-	14	0.00%
15. William S. Pamintuan	-	-	-	-	-	-	-	-
16. Rogelio L. Singson	-	-	-	-	-	-	-	-
17. Betty C. Siy-Yap	-	-	-	-	-	-	-	-
18. Maria Luisa V. Alvendia	-	-	-	-	-	-	-	-
19. Edgardo V. Carasig ¹	-	-	-	-	-	-	-	-
20. Ferdinand O. Geluz ¹	12,877	2,000	2,000	12,877	12,877	-	12,877	0.00%
21. Victor Emmanuel S. Genuino ²	-	-	-	-	-	-	-	-
22. Melanie T. Oteyza	-	-	-	-	-	-	-	-
23. Jose Ronald V. Valles ¹	-	3,000	3,000	-	-	-	-	-
24. Antonio M. Abuel, Jr.	10,427	-	-	10,427	10,427	-	10,427	0.00%
25. Ireneo B. Acuña	18,355	-	-	18,355	18,355	-	18,355	0.00%
26. Ferdinand C. Alejandro ³	8,952	-	-	-	-	-	-	-
27. Patrick Dave B. Bacani	-	-	-	-	-	-	-	-
28. Roque D. Bacani	-	-	-	-	-	-	-	-
29. Bennette D. Bachoco	-	-	-	-	-	-	-	-
30. Joseph Allan C. Baltazar	-	-	-	-	-	-	-	-

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2020								
NAME	JANUARY 1, 2020	BUY	SELL	DECEMBER 31, 2020	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
31. Rita D. Bantigue ⁴	-	-	-	-	-	-	-	-
32. Benjamin U. Cusi	24,050	-	-	24,050	24,050	-	24,050	0.00%
33. Jenevi L. Dela Paz	-	-	-	-	-	-	-	-
34. Ma. Cecilia M. Domingo	945	300	-	1245	1245	-	1245	0.00%
35. Lawrence S. Fernandez	4,500	-	-	4,500	4,500	-	4,500	0.00%
36. Jose Mari P. Melendres ⁵	-	-	-	-	-	-	-	-
37. Maria Carmela T. Migriño	-	-	-	-	-	-	-	-
38. Richard O. Ochava ⁴	-	-	-	-	-	-	-	-
39. Charina P. Padua	37,609	-	-	37,609	37,609	-	37,609	0.00%
40. Raymond B. Ravelo	-	-	-	-	-	-	-	-
41. Glen S. San Pedro ⁶	-	-	-	-	-	-	-	-
42. Jose S. Reyes, Jr.	8,727	100	-	8,827	8,827	-	8,827	0.00%
43. Froilan J. Savet	8,435	-	-	8,435	8,435	-	8,435	0.00%
44. Jose Antonio T. Valdez	-	-	-	-	-	-	-	-
45. Manuel Lorenzo L. Tuason ⁷	22,180	-	-	-	-	-	-	-
46. Maria Zarah R. Villanueva-Castro	-	-	-	-	-	-	-	-
47. Agapito R. Zaldarriaga ⁶	-	-	-	10,369	10,369	-	10,369	0.00%
48. Ma. Cynthia C. Soluren	11,575	-	-	11,575	11,575	-	11,575	0.00%
Total	436,979	217,657	5,000	628,873	628,873	-	628,873	0.05%

1 Appointed First Vice President effective January 1, 2020
2 Resigned effective August 31, 2020
3 Retired effective August 31, 2020
4 Appointed Vice President effective January 1, 2020
5 Retired effective December 31, 2020
6 Appointed Vice President effective December 1, 2020
7 Retired effective June 30, 2020

E.5 AUDIT

Internal Audit
Meralco Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that align to the key strategies and risks across the Group’s business and are 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.

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 the 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 the 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.

Meralco's Internal Audit (IA) is headed by the 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, Chartered Management Accountant, Registered Electrical Engineers and others with Certification in Control Self-Assessment and Certification in Risk Management Assurance.

CONSOLIDATED EXTERNAL AUDITOR'S FEES* (in million PhP)		
	2020	2019
Financial Statements Audit	9.8	8.9
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC	0.7	0.6
Note: The fees for non-audit services did not exceed those for audit services.		

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 26, 2020.

E.6 MEDIUM OF COMMUNICATION

Quarterly Reports

The Company reports its quarterly and full year financial results through the SEC, PSE and PDEx to provide the shareholders, the investors, and the public a balanced and informed assessment of the Company's performance, position, and prospects.

Quarterly Reports: <http://www.meralco.com.ph/investor-relations/quarterly-reports>
Financial Results: <http://www.meralco.com.ph/investor-relations/financial-results>
Annual Reports: <http://www.meralco.com.ph/investor-relations/annual-reports>

Investors' Briefings/Media Briefings

The officers of the Company, led by the Chairman and the President and CEO, with the CFO, Investor Relations Office and other officers, present information on performance results, business progress, industry trends, impact of external factors, and regulations to shareholders, analysts, investors, and media every quarter during the investors' briefing and teleconference, as well as the media briefing. Presentation materials used in these meetings are posted on the Company's website to ensure comprehensive information dissemination to all stakeholders and investors, including those who were not able to participate in the briefings.

Schedule of Events: <http://www.meralco.com.ph/investor-relations/calendar-of-events>
Press Releases: <http://www.meralco.com.ph/investor-relations/press-releases>

Company Website

The Company website provides information on its products and services as well as the following corporate governance information:

Section	Link
Business Operations	http://biz.meralco.com.ph/ http://corporatepartners.meralco.com.ph/ http://www.meralco.com.ph/news
Financial Statements/Reports	http://www.meralco.com.ph/investor-relations/financial-results http://www.meralco.com.ph/investor-relations/quarterly-reports
Materials provided in briefings to analysts and media	http://www.meralco.com.ph/investor-relations/press-releases
Shareholding Structure	http://www.meralco.com.ph/about-us/meralco-shareholding-structure
Group Corporate Structure	http://www.meralco.com.ph/about-us/organizational-structure
Downloadable Annual Report	http://www.meralco.com.ph/investor-relations/annual-reports
Notice of ASM	http://www.meralco.com.ph/company-disclosures/notice-of-annual-or-special-stockholders-meetings
Minutes of ASM	http://www.meralco.com.ph/company-disclosures/minutes-of-all-general-or-special-stockholders-meetings
Company's By-Laws and Articles of Incorporation	http://www.meralco.com.ph/about-us/articles-of-incorporation-and-by-laws

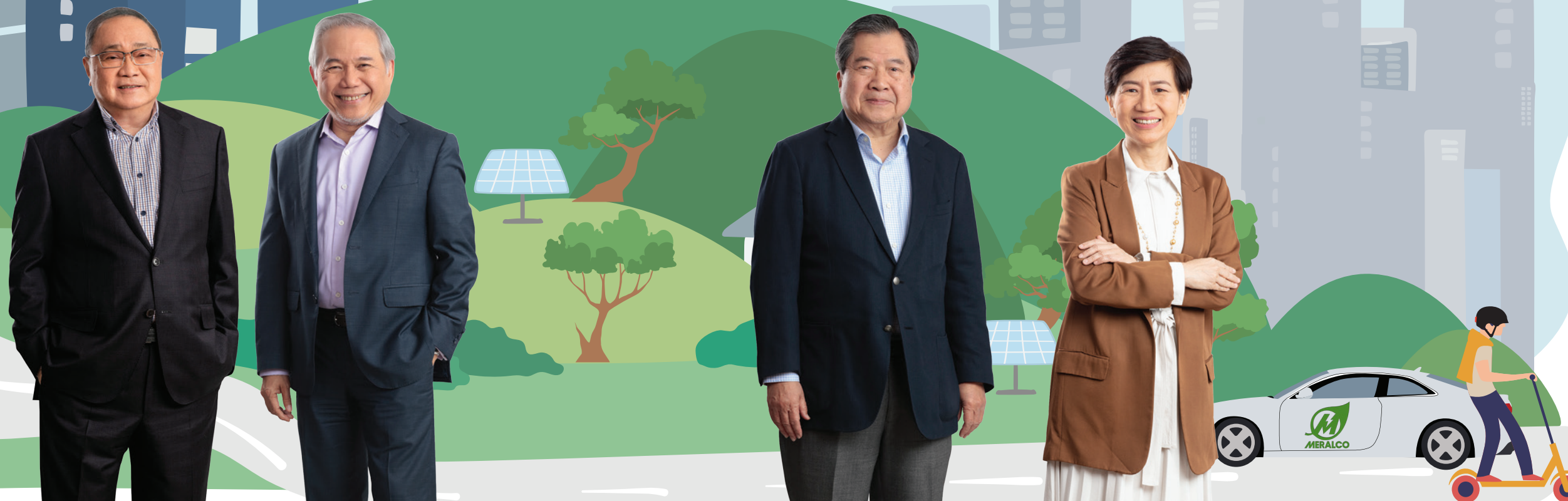
E.7 TIMELY FILING/RELEASE OF ANNUAL/QUARTERLY FINANCIAL REPORTS

The Company's 2020 Audited Financial Statements were released on February 28, 2020, 59 days after financial year-end. The true and fair representation of the Annual Financial Reports was affirmed by the Board through the Chairman, President and CEO, and CFO of the Company on the Statement of Management's Responsibility section of this Annual Report. This can be accessed at the Company website.

E.8 INVESTOR RELATIONS

Meralco's Investor Relations Office regularly communicates relevant and timely information about the Company to both current and potential investors, to analysts, fund managers, potential business partners and the general public.





MANUEL V. PANGILINAN

RAY C. ESPINOSA

JAMES L. GO

ANABELLE L. CHUA

BOARD OF DIRECTORS

MANUEL V. PANGILINAN, 74

Chairman (since May 29, 2012)
President and CEO (July 1, 2010-May 29, 2012)

Director (since May 26, 2009)

Mr. Pangilinan is the Chairman, President and CEO of PLDT Incorporated, and the Chairman of Smart Communications, Inc. He is also Chairman of listed companies including Metro Pacific Investments Corporation* and Philex Mining Corporation*, and of non-listed companies including Beacon Electric Asset Holdings Inc., PLDT Communications and Energy Ventures Inc., Landco Pacific Corporation, Medical Doctors, Inc., Colinas Verdes Corporation, Davao Doctors Inc., Riverside Medical Center, Inc., Our Lady of Lourdes Hospital, Asian Hospital, Inc., Maynilad Water Services, Inc., Mediaquest, Inc., TV5 Network Inc., Manila North Tollways Corporation, and MERALCO PowerGen Corporation. He is also the Vice Chairman of Roxas Holdings Inc.* Mr. Pangilinan graduated with a Bachelor of Arts degree in Economics, *cum laude* from the Ateneo de Manila University and a Masters in Business Administration from Wharton School of Finance and Commerce, University of Pennsylvania, where he was a Procter & Gamble Fellow.

RAY C. ESPINOSA, 65

Director (since May 26, 2009)
President and CEO (since May 28, 2019)

Atty. Ray Espinosa is a member of the Board of Directors of PLDT Inc.*, Metro Pacific Investments Corporation*, Roxas Holdings, Inc.*, and also an independent director of Lepanto Consolidated Mining Company (Lepanto)* and Maybank Philippines, Inc. He is a director of Smart Communications, Inc., MERALCO PowerGen Corporation, TV5 Network, Inc., and Signal TV Inc. He is the Chairman of the Philstar Daily, Inc. and BusinessWorld Publishing Corporation, Chairman of the Audit Committee of Lepanto and Chairman of the Risk Management Committee of Maybank Philippines. He is a Senior Advisor to the President and CEO of PLDT Inc. He is also a trustee of the Beneficial Trust Fund of PLDT. Mr. Espinosa joined First Pacific in June 2013 as Associate Director. Mr. Espinosa has a Master of Laws degree from the University of Michigan Law School and is a member of the Integrated Bar of the Philippines. He was a partner of SyCip Salazar Hernandez & Gatmaitan from 1982 to 2000, a foreign associate at Covington and Burling (Washington D.C., USA) from 1987 to 1988, and a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and 1989. He ranked first in the 1982 Philippine Bar examination.

JAMES L. GO, 79

Director (since December 16, 2013)

Mr. Go is the Chairman of JG Summit Holdings, Inc.* and Cebu Air, Inc.*, and Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation*. He is the Chairman Emeritus of Robinsons Land Corporation*, Universal Robina Corporation*, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc.* and is a director of PLDT Inc.*, United Industrial Corporation Limited*, Marina Center Holdings, Inc., Hotel Marina City Private Limited. He is a Trustee and the President of Gokongwei Brothers Foundation, Inc. Mr. Go received his Bachelor of Science degree and his Master of Science degree in Chemical Engineering from the Massachusetts Institute of Technology.

ANABELLE L. CHUA, 60

Director (since May 31, 2016)

Ms. Chua, is Chief Financial Officer, Senior Vice President and Chief Risk Management Officer of PLDT Inc.* and is also concurrently the Chief Financial Officer of Smart Communications, Inc. (January 2006- May 2015 & January 2021-Present). She served as Treasurer of PLDT Inc.* until May 2015.

Ms. Chua is a director of Beacon Asset Holdings, Inc., PLDT Communications and Energy Ventures, Inc., Smart Communications, Inc., Digital Telecommunications Philippines, Inc., ePLDT, Inc., Philippine Telecommunications Investment Corporation, Voyager Innovations, Inc., PayMaya, Mediaquest Holdings, Inc., Signal TV, Inc., TV5 Network, Inc., and PhilStar Daily, Inc. Further, Ms. Chua is a member of the Board of Trustees of the PLDT-Smart Foundation and PLDT Beneficial Trust Fund. She is also a member of the Board of Directors of the Philippine Stock Exchange, Inc.*, and Securities Clearing Corporation of the Philippines.

Prior to joining PLDT in 1998, Ms. Chua was a Vice President at Citibank, N.A. where she worked for 10 years and she has over 30 years experience in the areas of corporate finance, treasury, financial control and credit risk management. She graduated from the University of the Philippines with a Bachelor of Science Degree in Business Administration and Accountancy, *magna cum laude*.

**Publicly Listed Companies



BOARD OF DIRECTORS

FREDERICK D. GO, 51

Director (since November 25, 2019)

Mr. Go is the President and Chief Executive Officer of Robinsons Land Corporation* and Altus Property Ventures, Inc.* He is the Group General Manager of Shanghai Ding Feng Real Estate Development Company Limited, Xiamen Pacific Estate Investment Company Limited, Chengdu Ding Feng Real Estate Development Company Limited, and Taicang Ding Feng Real Estate Development Company Limited. Mr. Go is the Chairman of Luzon International Premier Airport Development Corporation and is the Vice Chairman of the Board of Directors of Robinsons Bank Corporation and of the Philippine Retailers Association. He also serves as a director of Cebu Air, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, and Cebu Light Industrial Park. Mr. Go received a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

LANCE Y. GOKONGWEI, 54

Director and Vice Chairman (since December 16, 2013)

Mr. Gokongwei is the President and Chief Executive Officer of JG Summit Holdings, Inc.*, and Cebu Air, Inc.* He is the Chairman of Universal Robina Corporation*, Robinsons Retail Holdings, Inc.*, Robinsons Land Corporation*, Altus Property Ventures, Inc.*, Robinsons Bank Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is a director of Oriental Petroleum and Minerals Corporation* and United Industrial Corporation Limited. He is a member of the Board of Trustees and Chairman of Finance Committee, Ateneo de Manila University. He is the Chairman and a Trustee of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Science degree in Finance and his Bachelor of Science degree in Applied Science from the University of Pennsylvania, summa *cum laude*.

ELPIDIO L. IBANEZ, 70

Director (since May 29, 2018)

Mr. Ibanez is a director of First Philippine Holdings Corporation (FPH)*. He served as President and Chief Operating Officer of FPH from 1994 to 2015. He earned his Bachelor of Arts in Economics degree from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines.

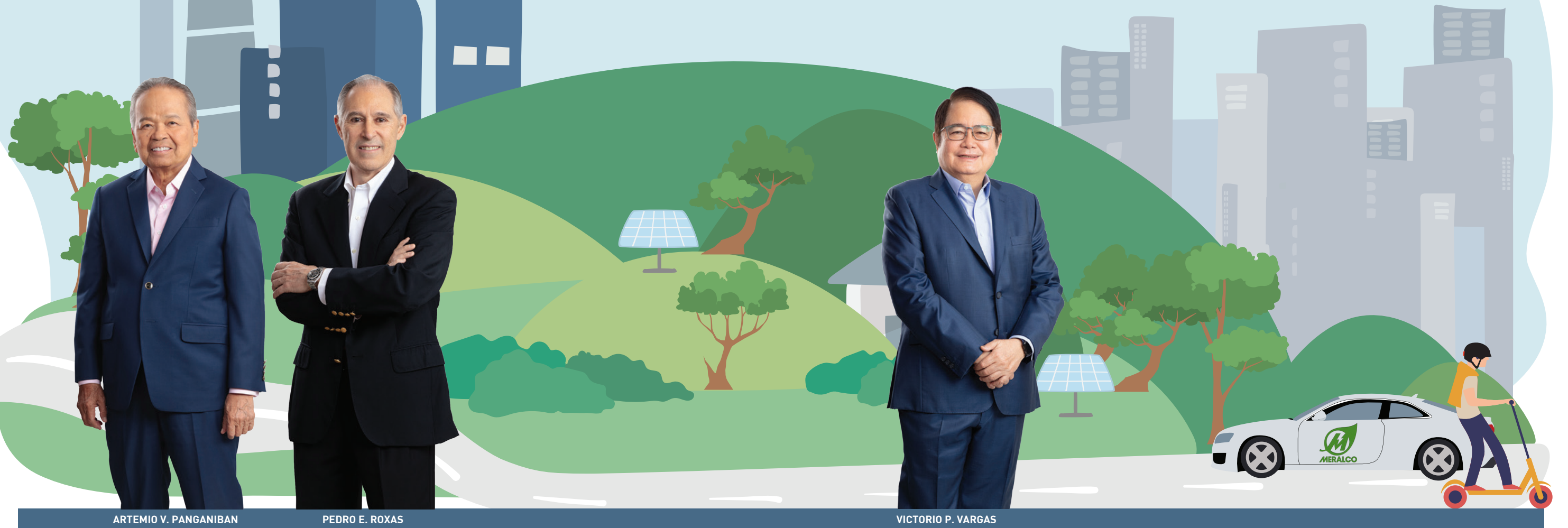
JOSE MARIA K. LIM, 69

Director (since May 29, 2012)

Mr. Lim is the President and CEO of Metro Pacific Investments Corporation* (MPIC). He was appointed President and CEO in 2006 and is currently a director of MPIC's subsidiaries and affiliate companies namely, Manila Electric Company*; MERALCO PowerGen Corporation; Beacon Electric Asset Holdings Inc.; Global Business Power Corporation; Metro Pacific Tollways Corporation; NLEX Corporation; Cavite Infrastructure Corporation; Easytrip Services Corporation; Cebu Cordova Link Expressway Corporation; AIFTollroads Holdings, Thailand; Maynilad Water Services Inc.; MetroPac Water Investments Corporation; Cagayan de Oro Bulk Water Inc.; Metro Pacific Iloilo Water Inc., Metro Iloilo Bulk Water Supply Corporation; Metro Pacific Dumaguete Water Services Inc.; Eco-System Technologies International Inc., BOO Phu Ninh Water Treatment Plant Joint Stock Company; Metropac Movers Inc.; Light Rail Manila Corporation; AF Payments Inc; Metro Pacific Hospital Holdings Inc.; Medical Doctors, Inc. (owner and operator of Makati Medical Center); Cardinal Santos Medical Center (Colinas Verdes Hospital Managers Corporation); Manila Doctors Hospital Inc; Metro Pacific Investments Foundation; and Pacific Global Aviation Inc. Mr. Lim serves as Chairman

of Indra Philippines; Nusantara, Jakarta Indonesia; and Metpower Venture Partners Holdings Inc. He is also a Trustee of the Asian Institute of Management and Asia Society of the Philippines and an advisory board member of the Ateneo Graduate of School of Business. Mr. Lim has received various awards relating to Corporate Governance and Investor Relations and most recently, he was accorded the Triple A award from Asian Institute of Management for his excellent performance in his field of profession. He is a founding member of the Shareholders Association of the Philippines and an active member in various business organizations.

**Publicly Listed Companies



BOARD OF DIRECTORS

(RET.) CHIEF JUSTICE

ARTEMIO V. PANGANIBAN, 84

Independent Director (since May 27, 2008)

Mr. Panganiban is a retired Chief Justice of the Supreme Court of the Philippines. He was concurrently Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy. He is currently an Independent Director of Petron Corporation*, First Philippine Holdings Corporation*, PLDT, Inc.*, Metro Pacific Investments Corporation*, Robinsons Land Corporation*, GMA Network, Inc.*, GMA Holdings, Inc.*, Asian Terminals, Inc.*, Metro Pacific Tollways Corporation, Asian Hospital, Inc. and TeAM Energy Corporation. He is also a Non-executive director of Jollibee Foods Corporation*, Senior Adviser of Metropolitan Bank and Trust Company*, Member of the Advisory Council of the Bank of the Philippine Islands*, Adviser of Double Dragon Properties Corporation* and Merry Mart Consumer Corporation*. He is likewise a columnist for the Philippine Daily Inquirer and Chairman, President, Trustee or

Adviser of several foundations, including the Foundation for Liberty and Prosperity, Manila Metropolitan Cathedral-Basilica Foundation, Metrobank Foundation, Tan Yan Kee Foundation as well as Chairman of the Asean Law Association (Philippine Chapter), Chairman Emeritus of the Philippine Dispute Resolution Center, Inc. and member of the Permanent Court of Arbitration in The Hague, Netherlands. Chief Justice Panganiban holds a Bachelor of Laws degree, *cum laude*, from the Far Eastern University and was awarded the degree of Doctor of Laws (Honoris Causa) by the University of Iloilo, Far Eastern University, University of Cebu, Angeles University and Bulacan State University. He placed sixth in the Philippine Bar Examinations in 1960.

PEDRO E. ROXAS, 64

Independent Director (since May 25, 2010)

Mr. Roxas is the Chairman of Roxas Holdings Inc.* and of Roxas and Company, Inc.* He is concurrently a director and the President of Fundacion Santiago, director of Brightnote Assets Corporation, Chairman of Club Punta Fuego Inc., Chairman of Roxaco Land Corporation, and Chairman of Philippine Sugar Millers Association, and an independent director for BDO Private Bank, Cemex Holdings Phil. Inc.*, PLDT, Inc.*, and Mapfre Insular Insurance Corporation. Mr. Roxas holds a Bachelor of Science degree in Business Administration from the University of Notre Dame in Indiana, USA.

VICTORICO P. VARGAS, 69

Director (since May 28, 2019)

Mr. Vargas is currently an associate director of the First Pacific Company, Hong Kong, and heads the Business Transformation Office of the PLDT Group. Prior to this, he was the President and Chief Executive Officer of Maynilad Water Services, Inc. He is a director of Smart Communications, Inc., PLDT Global Corporation, PLDT Subic Telecom, Inc., and PLDT Clark Telecom, Inc., President of the Board of Trustees of the First Pacific Leadership Academy, trustee of the MVP Sports Foundation, PLDT- Smart Foundation, Inc., and Ideospace Foundation; and President of the PhilPop Music Fest Foundation. Mr. Vargas is the immediate past President of the Philippine Olympic Committee and is currently a member of the Board of Directors of the said organization. Mr. Vargas is currently the President of the Association of Boxing Alliances in the Philippines and was a former member of the Executive Committee of the Asian Boxing Confederation. He is Chairman of the Philippine Basketball Association for

seasons 2017-present. He is also a former Vice Chairman of the Samahang Basketbol ng Pilipinas. Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas, Bachelor of Science degree in Psychology. He was awarded diplomate by the People Management Association of the Philippines (PMAP). Mr. Vargas carries with him over 40 years of seasoned experience and excellent track record in human resources, organization development and business transformation, all earned from distinguished corporate leaders in the business community such as Pepsi Cola Bottling, Colgate Palmolive Phil., Citibank, NA (both in Manila and in Southeast Asia).

**Publicly Listed Companies



MARIA LUISA V. ALVENDIA

RONNIE L. APEROCHO

ROQUE D. BACANI

EDGARDO V. CARASIG

FERDINAND O. GELUZ

WILLIAM S. PAMINTUAN

CORPORATE OFFICERS & ADVISOR

MARIA LUISA V. ALVENDIA, 57

First Vice President
Chief of Staff & Supply Chain Advisor

Ms. Alvendia is the Chief of Staff of MERALCO's President and CEO. She also performs the role of Supply Chain Advisor. Prior to joining MERALCO, she was the Chief of Staff to the Chief Corporate Services Officer of PLDT/SMART. She was also the former Group Head of PLDT and SMART Supply Chain Planning and Procurement and Director of Philippine Institute of Supply Management. She led various Supply Chain process improvements and system implementation for different companies and has international procurement experience. A certified Purchasing Manager, Ms. Alvendia holds a Bachelor of Science degree in Psychology at the University of the Philippines, Diliman.

RONNIE L. APEROCHO, 52

Senior Vice President
Head, Networks

Mr. Aperocho also serves as the President and CEO of Meralco Energy Inc (MSERV), MRail Inc. and Meralco Industrial Engineering Services Corporation (MIESCOR), and the Chairman of the Board of Directors of its two (2) subsidiaries, namely, Miescor Logistics Inc. (MLI) and Miescor Builders Inc. (MBI). He is also a member of the Board of Directors of Aclara Meters Philippines, Inc. (formerly General Electric Philippines Meter and Instrument, Inc), Clark Electric Distribution Corporation (CEDC), MGen Renewable Energy Inc. (MGREEN), Radius and MSpectrum, Inc.

He sits in the Board of Trustees of the Meralco Power Academy (MPA) and One Meralco Foundation (OMF). He holds a Bachelor of Science degree in Electrical Engineering from Mindanao State University and topped the 1991 Electrical Engineering Board Exams. A registered Professional Electrical Engineer (PEE) and ASEAN Chartered Professional Engineer (ACPE), he holds a Masters Degree in Business Administration from J.L. Kellogg School of Management of Northwestern University/ The Hong Kong University of Science and Technology.

ROQUE D. BACANI, 45

Vice President
Head, Information, Communication,
Technology & Transformation

Mr. Bacani is concurrently the Chief Information Officer of CIS Bayad Center Inc and the Chief Technology Advisor of Radius Telecomms. He has over 20 years of experience in the field of information technology and telecommunications, gaining extensive knowledge in enterprise data management and has successfully led the delivery of organization-wide data strategy, data analytics platform and operating models.

He held key leadership positions in different technology disciplines from strategy formulation, digital transformation, cloud migration, large-scale project management, multi-vendor systems integration, end-to-end software development, enterprise service delivery and technology operations.

Prior to joining MERALCO, he held 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 PLDT Group Big Data startup company and wholly owned subsidiary. He holds a Bachelor of Science degree in Industrial Engineering from Polytechnic University of the Philippines.

EDGARDO V. CARASIG, 55

First Vice President
Head, Human Resources and Corporate
Services

Mr. Carasig is currently the Chairman of the Board of Customer Frontline Solutions. He is also a member of the Board of Directors of MIESCOR, Miescor Builders, Inc., Miescor Logistics, Inc., MRail, Inc., CIS Bayad Center, Inc. and Philippine Institute of Industrial Engineers. He is also a Trustee of Meralco Pension Fund and Meralco Power Academy. Mr. Carasig is an accomplished Human Resource Executive, who has expertise in the development of HR strategies aligned with strategic business goals. He has experienced working with senior management teams in developing HR strategic business plans and serving as proactive business partner with multi-disciplined executives. His executive level HR background includes Implementation of Business Restructuring Program, Labor & Employee Relations, Performance Management, Organizational Development, Compensation & Benefits Planning and

Shared Services Systems Organizational Set-up and Management. He holds a Bachelor of Science degree in Industrial Management Engineering, minor in Mechanical Engineering from the De La Salle University. He took the Certificate Course in Career Development and Management from the Ateneo de Manila University and attended the Program for International and Strategic Management from the Ateneo Graduate School.

FERDINAND O. GELUZ, 56

First Vice President and Chief Commercial
Officer Head, Customer Retail Services (since
August 4, 2020)*

Mr. Ferdinand O. Geluz is the First Vice President and Chief Commercial Officer of Meralco's Customer Retail Services since August 2020. He is also the President and Chief Executive Officer of MSpectrum, Inc. He is on the Board of Directors at One Meralco Foundation, Inc. (OMF), MSpectrum, Inc., Miescor Logistics Inc. (MLI), Miescor Builders Inc. (MBI), Radius Telecoms Inc., Corporate Information Solutions, Inc. (CIS), CIS Bayad Center, Inc. (CBCI), Customer Frontline Solutions, Inc. (CFS), ESakay, Inc. (ESI), Meralco Energy Inc. (MSERV), Clark Electric Distribution Corporation (CEDC), Aurora Managed Power Services, Inc. (AMPSI), Paragon Vertical Corporation (PVC), Pure Meridian Hydropower Corporation (PMHC), PMHC Lalawan Inc., PMHC Pulanai Inc., and Aclara Meters Phils., Inc. He previously held the position of First Vice President and Head of Meralco's Supply Chain and Logistics Management from July 2018- July 2020,

managing Supply Chain (Strategic Sourcing/ Vendor Management, Procurement and Materials Management), Facilities Engineering and Security Services for Manila Electric Company.

He holds a Bachelor of Science Electrical Engineering from the University of the Philippines (Diliman). Mr. Geluz is a Registered Electrical Engineer and was recipient of the 2019 Professional Degree Award in Electrical Engineering UP Alumni Engineers Inc. / UP College of Engineering.

*succeeded Mr. Victor S. Genuino, First Vice President Head, Customer Retail Services and Corporate Communications, who served until August 3, 2020

WILLIAM S. PAMINTUAN, 59

Senior Vice President
Chief Legal Counsel
Assistant Corporate Secretary
Compliance Officer and Head, Legal and
Corporate Governance Office
Data Protection Officer

Atty. Pamintuan is the Corporate Secretary of MERALCO PowerGen Corporation, Atimonan One Energy, Inc., Calamba Aero Power Corporation, Kalilayan Power, Inc., MPG Mauban LP Corporation, MPG Asia Ltd., Redondo Peninsula Energy, Inc., St. Raphael Power Generation Corporation, First Pacific Leadership Academy, Inc., MRAIL, Inc., Meralco Industrial Engineering Services Corporation, MGen Renewable Energy, Inc., NortesolIII, Inc. and LagunalSol Corporation. He also serves as Director of Atimonan Land Ventures Development Corporation, MPG

Holdings Phils., Inc., Radius Telecoms, Inc., MSpectrum, Inc., Pure Meridian Hydropower Corporation, Comstech Integration Alliance, Inc., Meridian Atlantic Light Company Ltd., PMHC Pulanai Inc., PMHC Lalawan Inc., Aurora Managed Power Services, Inc., eSakay, Inc., M Pioneer Insurance, Inc., Aclara Meters Philippines, Lighthouse Overseas Insurance Limited, E-Meralco Ventures, Inc., Paragon Vertical Corporation and Meralco Energy, Inc. He is a trustee of Meralco Pension Fund and Meralco Power Foundation, Inc. He is a former Trustee of Shareholders' Association of the Philippines, Inc. He is a Vice Chair of MAP Energy Committee. 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.; and General Manager of Digitel Crossing, Inc. He is the incumbent Assistant Corporate Secretary of Cebu Pacific, Inc. He is also a member of the board of directors of the University of the Philippines Alumni Association (UPAA) and Board Governor of the UP Vanguard, Inc.. He is a member of the Management Association of the Philippines (MAP), Integrated Bar of the Philippines (IBP) and Philippine Bar Association (PBA). Atty. Pamintuan holds a Bachelor of Arts degree in Political Science and a Bachelor of Laws degree from the University of the Philippines.



RAYMOND B. RAVELO

ROGELIO L. SINGSON

JOSE RONALD V. VALLES

BETTY C. SIY-YAP

SIMEON KEN R. FERRER

CORPORATE OFFICERS & ADVISOR

RAYMOND B. RAVELO, 43
Vice President
Chief Sustainability Officer

Mr. Ravelo is concurrently the President and CEO of eSakay, Inc. He is also a Director on the Boards of eSakay, Inc., MSpectrum, Inc., MGreen, Inc., and Powersource First Bulacan Solar, Inc. He previously served as Meralco's Head of Strategy and Business Development from 2011 to 2019 as well as 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 & Company's Washington DC office where he led 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 Masters 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.

ROGELIO L. SINGSON, 72
Senior Vice President

Mr. Singson is the President and Chief Executive Officer of MERALCO PowerGen Corporation (MGen). He is also the President of Atimonan One Energy, Inc., Atimonan Land Ventures Development Corporation, MPG Mauban LP Corporation and MGEN Renewable Energy, Inc. He is the Chairman of Kalilayan Power, Inc., PowerSource First Bulacan Solar, Inc. and NORTESOL III, Inc. He serves as Director of Calamba Aero Power Corporation, MPG Holdings Phils., Inc., Redondo Peninsula Energy, Inc., Shin Clark Power Holdings, Inc. and Lagunasol Corporation. He is a Trustee of the One Meralco Foundation and a member of the Board of Trustees of De La Salle University. Prior to joining MGen, Mr. Singson served as the President and Chief Executive Officer of Light Rail Manila Corporation. Mr. Singson completed a full six (6)-year term (July 2010 to June 2016) as Secretary of the Department of Public Works and Highways (DPWH) where he led the Good Governance and Anti-Corruption Program, and the implementation of major infrastructure projects nationwide. Before he was appointed DPWH Secretary in 2010, Mr. Singson was President and Chief Executive Officer of Maynilad Water Services for three (3) years. Among his previous positions in the private and public sectors were as Senior Vice President for Project Development of Citadel Holdings, Inc.,

and as Chairman and President of Bases Conversion and Development Authority from 1998 to 2002. In June 2016, Mr. Singson was conferred the Order of Lakandula with the rank of Grand Cross (Bayani) and received other significant awards and recognitions, including the Outstanding Exemplar in Government Service Award from Bulong Pulungan; Lifetime Distinguished Achievement Award from the UP Alumni Association; and the Outstanding Manilan Award for Public Service. He was also one of the recipients of the Outstanding Filipino Awards for Government/Public Service and was named the Most Distinguished Alumnus by the UP Alumni Engineers in November 2011. He holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines, Diliman. Mr. Singson is a covenanted member of Ang Ligaya ng Panginoon Community

JOSE RONALD V. VALLES, 50
First Vice President
Head, Regulatory
Management Office

Atty. Valles is a Director of Clark Electric Distribution Corporation. He holds a Bachelor of Science in Commerce Major in Management of Financial Institutions degree from the De La Salle University, a Bachelor of Laws degree from San Beda College, and a Master's degree in Business Economics from University of Asia and the Pacific ("UA&P"). 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. He is currently teaching at UA&P – School of Law and Governance, Institute of Law.

BETTY C. SIY-YAP, 59
Senior Vice President
Chief Finance Officer
Chief Risk Officer

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., Atimonan One Energy Inc., MERALCO PowerGen Corporation, among others. She is a Trustee of the Meralco Pension Fund, One Meralco Foundation, Inc., and Treasurer of First Pacific Leadership Academy, Inc. and MVP Sports Foundation, Inc. She is also the President of Lighthouse Overseas Insurance Limited. She was recently appointed as a member of the Board of Trustees of Immaculate Conception Academy. She was 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.

SIMEON KEN R. FERRER, 64
Corporate Secretary

Atty. Ferrer is the Corporate Secretary of two public companies, Century Peak Metals Holdings Corporation and Commonwealth Foods, Inc. He is also a director or officer of other corporations. He is a Senior Partner at SyCip Salazar Hernandez & Gatmaitan, where he heads the Corporate Services Department. SyCipLaw is ranked as a top tier firm by Chambers Global, Chambers Asia Pacific, Asia-Pacific Legal 500, Asialaw Profiles, and IFLR1000, among others. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association. A Fellow of the Institute of Corporate Directors, Atty. Ferrer is a SEC-accredited lecturer on corporate governance. 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

One Meralco: Creating Enduring Value Through Energy and Beyond

As it evolves towards becoming a more sustainable enterprise, One Meralco continues to grow and enhance its business portfolio while strengthening its sustainability agenda and initiatives across the Distribution Utility, its business units, and subsidiary companies. The Group has pioneered and integrated sustainable strategies and solutions into the wide range of services it offers—including energy, electric transport, telecommunications, digital payment services, engineering, logistics, and manpower services—all to help create better and more prosperous lives for millions of Filipinos, today and for generations to come.

Energy Value Chain

Manila Electric Company (Meralco)

Meralco is the largest electric distribution utility in the Philippines, servicing the entire areas of Metro Manila, Bulacan, Cavite, and Rizal as well as numerous cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. Meralco's coverage spans 9,685 square kilometers, reaching over 7.1 million residential, commercial, and industrial customers.

As the country's largest private power distributor, Meralco continues to contribute to the Philippines' sustainable growth by providing electricity to government offices, central business districts, educational and health institutions, and industrial parks. It partners with government agencies and industry players to deliver high-quality service while ensuring compliance with rates approved by the Energy Regulatory Commission (ERC). As energy drives economies and provides ways to alleviate poverty, Meralco pursues the provision of accessible and reliable power at a fair and reasonable cost, especially to the unserved and underserved communities who need it most.

Meralco PowerGen Corporation (MGen)

MGen seeks to address the Philippines' growing energy demand by building its diverse power generation portfolio of up to 3,000 MW to provide the country with sufficient, reliable, and cost-competitive energy supply. Notable power generation assets in its portfolio include the San Buenaventura Power Ltd. Co. (SBPL) power plant, which pioneered the use of high-efficiency, low-emissions (HELE) coal technology as well as investments in clean energy through its subsidiary MGreen.

MGen Renewable Energy, Inc. (MGreen)

MGreen is a wholly owned subsidiary of MGen, established to serve as Meralco's platform for investments in the utility-scale renewable energy space. MGreen aims to develop and operate clean and green power plants across multiple technologies, including solar, wind, and hydropower, with a target installed capacity of up to 1,500 MW by 2027.

Vantage Energy Solutions and Management, Inc. (Vantage Energy)

Vantage Energy is Meralco's first affiliate Retail Electricity Supplier (RES) which operates in Luzon and Visayas. Vantage Energy began commercial operations in February 2017, supplying the energy requirements of contestable markets across the country where Retail Competition and Open Access (RCOA) is in effect. In its first three years of operations, its retail portfolio grew significantly, ably serving the energy needs of over 50 customers. Adhering to its mission to provide stable, reliable, and quality electricity service, Vantage Energy is recognized as an emerging RES of choice in the CREM nationwide.

MSpectrum, Inc. (Spectrum)

Established in 2016 as part of Meralco's thrust to promote renewable energy solutions, Spectrum commits to economic, social, and environmental sustainability by providing earth-friendly, affordable, and safe solar-based energy products and services. Spectrum has taken market leadership in the industry with a total installed capacity of 39 MW across 261 solar projects nationwide. Spectrum recently launched three new verticals complementing its core commercial and industrial rooftop business: Spectrum Home for residential customers, operations and maintenance services for existing renewable energy installations, and microgrid solutions for off-grid customers. Going forward, Spectrum will also explore other renewable energy sources and technologies, such as wind and battery energy storage systems.

Clark Electric Distribution Corporation (Clark Electric)

Clark Electric is the grantee of a franchise to distribute power in the Clark Special Economic Zone (CSEZ), site of the former U.S. Clark Air Base that was transformed into a premier economic zone comprising the Clark Freeport Zone (CFZ) and contiguous subzones. Clark Electric aspires and strives to transform the CSEZ into a leading powerhouse for industry, aviation, export business, and higher learning as well as into Central Luzon's hub for leisure, entertainment, and gaming.

Comstech Integration Alliance, Inc. (Comstech)

Comstech operates the Pampanga II Electric Cooperative (PELCO II) under an Investment Management Contract (IMC), serving the city of Mabalacat and the municipalities of Guagua, Lubao, Bacolor, Sta. Rita, Sasmuan, and Porac in Pampanga. PELCO II seeks to be the trusted energy partner for local government units in Pampanga to enable and advance the province's development and growth spurred by new commercial and industrial locators within its franchise area. In addition, PELCO II sustains communities by providing electricity to resettlement areas in Sta. Lucia, Pio, Palmayo, Madapdap, Mawaque, Camachile, and Wenceslao, where many of the victims of the 1991 Mount Pinatubo volcanic eruption have rebuilt their lives.

Shin Clark Power Holdings, Inc. (Shin Clark)

Meralco holds a 60 percent stake in Shin Clark, with the remaining shares held by Axia Power Holdings Philippines Corporation (a wholly owned subsidiary of Marubeni Corporation), KPIC Netherlands BV (a wholly owned subsidiary of Kansai Electric Power, Inc.), and Chubu Electric Power Co., Inc. The consortium is responsible for the financing, development, operation, and maintenance of a smart electric distribution system over 9,450 hectares of land in New Clark City (NCC) in Capas, Tarlac, through a Joint Venture Agreement with the Bases Conversion and Development Authority (BCDA). It collaborates with the BCDA to achieve its vision of showcasing NCC to the world as the first smart, sustainable, and disaster-resilient metropolis in the Philippines. In line with its objectives, Shin Clark completed an interim substation with an underground distribution system, energizing the NCC sports complex in time for the 2019 Southeast Asian Games. Shin Clark targets to provide reliable and affordable energy to almost one million customers by 2024.

Energy-Related Service

Meralco Energy, Inc. (MServ)

MServ is one of the country's largest electromechanical contractors. It is a one-stop shop for engineering, procurement, and construction (EPC) and urban services as well as for energy efficiency solutions. MServ delivers reliable, value-engineered end-user facilities for critical structures, including substations, powerhouses, and low-voltage facilities. Through the provision of innovative solutions in energy management, building automation, and safety and security as well as the installation of wastewater treatment systems, MServ helps customers not only achieve operational efficiency and savings but also contribute to environmental sustainability. MServ is an AAA Philippine Contractor Accreditation Board (PCAB)-licensed company and a DOE-accredited energy service company.

CIS Bayad Center, Inc. (Bayad)

Providing more than 40 thousand payment touchpoints and powering the bills payment facilities of leading online and mobile applications, Bayad is the Philippines’ largest multi-channel payment platform. To promote financial inclusion in the country, Bayad has expanded its bills payment platform to include financial services such as remittance, prepaid loading, airline ticketing, loan payout, and ATM cash withdrawal as well as insurance and medical reimbursements. Bayad’s recent foray into the financial technology (fintech) space through Bayad Online and the Bayad App is a testament to its continuous push for innovation, aligned with its underlying mission to elevate the financial experience of Filipinos.

Bayad also provides outsourced tellering and customer services to over 800 client sites nationwide through its subsidiary Customer Frontline Solutions (CFS).

eSakay, Inc. (eSakay)

eSakay brings the future of electric vehicles (EV) into the country, promoting sustainable and eco-friendly mobility through its integrated solutions and services. eSakay offers private and public sector customers a broad range of EV options, from electric cars, vans, buses, jeeps, and shuttles to micro-mobility units such as electric motorbikes and kick scooters. eSakay’s green mobility solutions also include the supply, operation, and maintenance of EV charging infrastructure complementing its EV deployments.

As well, eSakay continues to actively support sustainable transport initiatives, such as the Department of Transportation’s (DOTr) Public Utility Vehicle Modernization Program (PUVMP), which seeks not only to promote cleaner transport alternatives to the Philippine commuting public but also to provide stable livelihood for the many Filipinos who operate and maintain public transport routes.

Infrastructure Service

Meralco Industrial Engineering Services Corporation (MIESCOR)

MIESCOR is one of the Philippines’ leading providers of electromechanical works, engineering, distribution utility, and technical services. Operating throughout the country and in other parts of the world, it handles complex and logistically challenging projects in the telecommunications, energy, and water utility sectors.

The PCAB placed MIESCOR in the AAAA category, the highest category for general engineering building, foundation work, structural steelwork, electrical work, mechanical work, and communication facilities. The DOE and the Safety and Health Association of the Philippine Energy Sector have also recognized MIESCOR’s strong focus on the safety and health of its workers.

MIESCOR has two subsidiaries: MIESCOR Builders, Inc., which offers general engineering, electrical, civil and mechanical services, and MIESCOR Logistics, Inc., which provides logistics services in construction, maintenance management, transport, and manpower.

Radius Telecoms, Inc. (Radius)

Radius operates one of the largest end-to-end fiber optic networks in the country. The Company serves a wide array of enterprises spanning several industries, including banking, manufacturing, telecommunications, business process outsourcing, and retail.

Radius actively and continuously grows its operations beyond Meralco’s franchise area through network expansions in Clark, Pampanga in 2019 and in Cebu in 2020, with plans to further expand in Iloilo and Bacolod in 2021. Through its network upgrade, Radius now has a core network capacity of 100 GB, twice that in 2019, increasing its capabilities to support the digital transformation and rising bandwidth requirements of Philippine enterprises. Internationally, Radius has presence in Singapore and Hong Kong.

In 2020, Radius embarked on a major business expansion focused on digital innovation and service offerings beyond its physical network footprint. The Company has also ventured beyond its core business of data, internet, and managed services to provide cloud-related services and Software-Defined Wide Area Network (SD-WAN) solutions. Moreover, Radius will launch a bundled IPTV and broadband internet service in collaboration with Signal TV in April 2021.

MRail, Inc. (MRail)

MRail is a prime provider of maintenance and asset renewal services to railway ecosystems across the Philippines. Sumitomo Corporation, Light Rail Transit Authority (LRTA), and Light Rail Manila Corporation (LRMC) are among the company’s major clients. MRail also rehabilitated and restored three diesel mechanical unit locomotives of the Philippine National Railways in 2015. Having completed the design and construction of maintenance pits as well as the installation of the embedded rail system in the heavy maintenance section inside the LRT Line 1 depot, it is currently rehabilitating the Rectifier Substation of LRT Line 1. With its expertise and experience in rolling stock, power supply, overhead catenary, and track systems, MRail serves as an accredited service provider of the Philippine government with a Category B PCAB license and ISO 9001:2015 certification.

Support Service

Lighthouse Overseas Insurance Limited (LOIL)

LOIL, a wholly-owned subsidiary of Meralco and captive insurer, is registered as a Class 1 insurer under The Bermuda Insurance Act 1978 and Related Regulations. LOIL was incorporated in Bermuda in 2007 and received its license to operate in the territory in 2008. Together with MPioneer Insurance Inc., a non-life insurance affiliate of Meralco, LOIL plays a major role in Meralco’s business risk management model. LOIL serves as the vehicle to reinsure the distribution utility’s major catastrophic risk exposures.

Meralco Financial Services Corporation (Finserve)

Finserve is a wholly-owned subsidiary of Meralco. It owns and manages a row of commercial spaces. It is also a minority equity partner in AF Payments, Inc., which is engaged in the issuance and distribution of contactless payment cards and attendant non-rail businesses.

For the Year Ended December 31, 2020

The Audit Committee was established by the Board of Directors in 1999 to assist the Board in fulfilling its oversight responsibilities to the Shareholders in the following areas:

- Integrity of the Company's financial statements and the financial reporting process;
- Appointment, remuneration, independence and performance of Internal Audit and of the independent External Auditor; and the integrity of the audit processes;
- Effectiveness of the system of internal controls, enterprise risk management, and corporate governance processes;
- Compliance with applicable legal, regulatory and other reporting requirements; and
- Year-End reporting for the approval of the Board and for its inclusion in the Company's Annual Report

The Audit Committee performed its duties and responsibilities in accordance with its Charter, following leading practices in corporate governance and in compliance with the Corporate Governance Code for publicly-listed companies issued by the Philippine Securities and Exchange Commission (SEC). The Audit Committee is composed of two (2) independent non-executive directors, Mr. Artemio V. Panganiban, who sits as the Chairman, and Mr. Pedro E. Roxas, and four (4) non-executive directors namely, Ms. Anabelle L. Chua, Mr. Frederick D. Go, Mr. James L. Go, and Mr. Jose Ma. K. Lim. All the members of the Committee have professional qualifications and adequate background in business, finance, law, management and accounting.

The Audit Committee held six (6) meetings for 2020. Individual attendance of members at the meetings of the Audit Committee during the year is presented in the Corporate Governance Report of Meralco. After each meeting, the Chairman of the Audit Committee submits a report to the Board of Directors on matters deliberated upon by the Committee for its information and approval. The Audit Committee, in the discharge of its functions and duties, carried out the following activities:

A. On Financial Reporting

- Reviewed, discussed with Management and approved the unaudited Consolidated Quarterly Financial Statements and the 2020 Audited Consolidated Annual Financial Statements of the

Company and its Subsidiaries, including Management's significant judgments and estimates with respect to the Company's financial statements and analysis of financial condition and results of operation.

The Committee also reviewed the External Auditor's Report on the audit of the 2020 Annual Financial Statements and discussed areas of audit emphasis including tax matters.

These actions were undertaken with the understanding that:

- Management has the primary responsibility for preparing the financial statements and the reporting process.
- The independent External Auditor, SGV & Co. (SGV), is responsible for expressing an opinion on the conformity of the Company's Audited Consolidated Financial Statements with the Philippine Financial Reporting Standards (PFRS).
- Reviewed and approved Management's Representation Letter before its submission to the External Auditor.

B. On Internal and External Audit Processes

- Assessed the independence, performance, effectiveness and qualifications of SGV taking into consideration its credibility, competence, ability to understand complex transactions and the adequacy of its quality control procedures. Based on this assessment, the Committee endorsed the re-appointment of SGV to the Board of Directors and the Shareholders as the independent External Auditor of the Company for the ensuing year.
- Reviewed and approved the audit plan and scope of work of SGV for the audit of the 2020 Annual Financial Statements.
- Reviewed and approved SGV's fees for all audit and audit-related services in Meralco and selected subsidiaries as endorsed by Management.
- Reviewed the Management Letter issued by SGV after the completion of the audit of the Financial Statements of the preceding year.
- Reviewed, discussed and approved the results of the SGV's external audit, its assessment of the Company's internal controls and the quality of the financial reporting process

- Held separate executive sessions with the Chief Audit Executive and SGV without the presence of Management.
- Reviewed and approved the Internal Audit Plan for CY2020, the related key performance indicators and all subsequent changes to the Internal Audit Plan, as needed.
- Reviewed and discussed the results of audits as reported by the Chief Audit Executive in her quarterly and year-end status reports to the Committee with respect to the evaluation of the system of internal controls, overall quality of the financial reporting process, risk management and governance.
- All audit activities performed by Internal Audit were conducted in conformance with the International Standards of the Professional Practice of Internal Auditing (ISPPIA) and the Code of Conduct of the Institute of Internal Auditors (IIA).
- Monitored Management's timely implementation of appropriate corrective actions to address the audit issues and recommendations of Internal Audit and the External Auditor.
- Reviewed and discussed the 2020 Internal Audit Annual Performance Report and assessed Internal Audit's performance for the preceding year.

C. On Internal Control and Compliance with Laws and Regulations

- Reviewed and discussed updates on fraud investigations, recoveries from losses and appropriate actions of the Management.
- Reviewed Management's mid-year and annual confirmation statement on the adequacy and effectiveness of the Company's internal control and risk management system, which was based on the annual risks & controls assessment validated by Internal Audit.
- Reviewed and evaluated the Company's internal control system based on the assessments completed by Internal Audit and SGV. The Committee is satisfied with the overall system in place and found this to be adequate and effective.
- Reviewed and monitored compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities. This includes reviewing the state of legal compliance with respect to labor laws & regulations and the reportorial requirements to regulatory agencies.

D. Others

- Performed self-assessments and reviewed the overall effectiveness of its performance vis-à-vis its Charter and the expectations of the Board of Directors, Management and Shareholders. The assessment showed full compliance with the requirements set forth in the Audit Charter and governance best practices.
- Briefings were given to the Committee on the performance of subsidiaries for CY2020 and provided an update about the developments in their strategic directions and overall results.
- Reviewed and approved the Audit Committee calendar for CY 2020.
- There were no changes to the Audit Committee and Internal Audit Charters for 2020. The review and updating of the charters were approved by the Audit Committee. The Audit Committee Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).

Based on the reviews undertaken, and discussions with Management and SGV, and subject to the limitations on the Committee's roles and responsibilities, the Audit Committee recommended to the Board of Directors the approval and inclusion of the Company's Audited Consolidated and Parent Company's Financial Statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2020 and the filing thereof with the Philippine Securities and Exchange Commission.

February 26, 2021

On behalf of the Audit Committee:



Retired Chief Justice ARTEMIO V. PANGANIBAN
Chairman, Audit Committee

Statement of Management’s Responsibility
for Consolidated Financial Statements

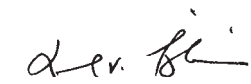
The Management of Manila Electric Company (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2020 and 2019, and for each of the three years ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, 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 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 of such audit.



MANUEL V. PANGILINAN
Chairman of the Board



RAY C. ESPINOSA
President and Chief Executive Officer



BETTY C. SIY-YAP
Chief Finance Officer

Independent Auditor’s Report



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR’S REPORT

The Board of Directors and the Stockholders
Manila Electric Company and Subsidiaries

Opinion

We have audited the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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 recognition

The Group’s revenues from the sale of electricity represent 97% 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 including the reasonableness of the estimated billings during the community lockdown; (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 IT systems involved in processing the billing transactions.

Notes 2, 22, 23, 29 and 31 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 Receivables

Under PFRS, the Group is required to estimate expected credit loss (ECL) for its financial assets, particularly its trade receivables which, as of December 31, 2020, represent 15% of the consolidated assets of the Group. Allowance for ECL and the provision for ECL as of and for the year ended December 31, 2020 amounted to P4,305 million and P1,933 million, respectively.

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), including the impact of coronavirus pandemic, in calculating ECL.

The disclosures in relation to allowance and provisions for ECL using the ECL model are included in Notes 5, 12 and 26 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models 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) checked 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, including the impact of the coronavirus pandemic.

Further, we checked the data used in the ECL models, such as the historical aging analysis and 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 reviewed the completeness of the disclosures made in the consolidated financial statements.

Retirement and other long-term post-employment benefits

The Group has defined retirement and other long-term post-employment benefits plans covering all regular employees. The valuation of the retirement benefits obligation involves a significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculations depend on certain assumptions, such as discount rates and future salary increases, which could have a material impact on the results. Thus, we considered this as a key audit matter.

Note 25 to the consolidated financial statements provides the relevant disclosures related to this matter.

Audit response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the external actuary, whose professional qualifications, capabilities and objectivity were also taken into consideration. We evaluated the key assumptions used by comparing the employee demographics and attrition rates against the Group’s human resource data, and the discount rate and mortality rate against external data. We inquired from management about the basis of salary increase rate and compared it against the Group’s historical data and future plans. Moreover, we reviewed the required disclosures in the consolidated financial statements.

Provisions and contingencies

The Group is involved in certain proceedings and claims for which the Group has recognized provisions for probable costs and/or expenses, which may be incurred, 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, 18, 21 and 28 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 financial statements and involved our internal specialist when necessary. 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 and contingencies in the Group’s 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, 2020 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, 2020 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
SEC Accreditation No. 1511-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2020,
November 27, 2020 valid until November 16, 2023
PTR No. 8534374, January 4, 2021, Makati City

March 1, 2021

Manila Electric Company and Subsidiaries

Consolidated Statements of Financial Position

		December 31	
	Note	2020	2019
(Amounts in millions)			
ASSETS			
Noncurrent Assets			
Utility plant and others	7 and 10	₱163,009	₱151,441
Investments in associates and interests in joint ventures	8 and 22	15,688	14,965
Investment properties	9	1,499	1,502
Deferred tax assets - net	27	28,943	23,440
Financial and other noncurrent assets	2, 10, 14, 25, 26 and 29	52,746	47,982
Total Noncurrent Assets		261,885	239,330
Current Assets			
Cash and cash equivalents	11 and 26	50,912	38,262
Trade and other receivables	12, 23 and 26	58,120	32,608
Inventories	13	5,484	4,558
Financial and other current assets	10, 14, 22 and 26	13,866	42,261
Total Current Assets		128,382	117,689
Total Assets		₱390,267	₱357,019
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Common stock	15	₱11,273	₱11,273
Additional paid-in capital		4,111	4,111
Equity reserve		(116)	(116)
Employee stock purchase plan	15	1,049	1,049
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("FVOCI")	10	324	227
Remeasurement adjustments on retirement and other post-employment liabilities	25	(3,822)	(193)
Share in remeasurement adjustments on associates' retirement liabilities	8	(13)	(12)
Cumulative translation adjustments of associates	8	6	762
Cumulative translation adjustments of subsidiaries		22	32
Treasury shares	15	(11)	(11)
Retained earnings	15	66,414	67,108
Equity Attributable to Equity Holders of the Parent		79,237	84,230
Non-controlling Interests		1,494	1,011
Total Equity		80,731	85,241
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	16, 24 and 26	14,809	12,745
Customers' deposits - net of current portion	17, 21 and 26	29,844	28,247
Long-term employee benefits	25	15,327	8,882
Provisions	18, 21 and 28	17,065	17,356
Refundable service extension costs - net of current portion	21 and 26	6,632	6,932
Deferred tax liabilities - net	27	316	84
Other noncurrent liabilities	2, 5, 7, 23 and 28	82,942	69,971
Total Noncurrent Liabilities		166,935	144,217
Current Liabilities			
Notes payable	20, 24 and 26	23,373	23,393
Trade payables and other current liabilities	15, 21, 22, 26 and 28	111,261	93,680
Customers' refund	2, 19 and 26	2,949	3,032
Income tax payable		3,056	2,341
Current portion of interest-bearing long-term financial liabilities	16, 24 and 26	1,962	5,115
Total Current Liabilities		142,601	127,561
Total Liabilities		309,536	271,778
Total Liabilities and Equity		₱390,267	₱357,019

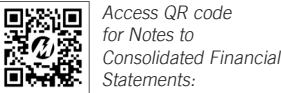
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for Notes to
Consolidated Financial
Statements:



Manila Electric Company and Subsidiaries

Consolidated Statements of Income

Years Ended December 31				
	Note	2020	2019	2018
(Amounts in millions, except per share data)				
REVENUES				
Sale of electricity	2, 6, 22, 23, 29 and 31	₱267,946	₱310,098	₱295,389
Sale of other services	22	7,358	8,217	9,065
		275,304	318,315	304,454
COSTS AND EXPENSES				
Purchased power	22, 23 and 29	204,420	241,032	232,102
Provision for probable losses and expenses from claims	2, 18 and 28	15,526	10,119	10,198
Salaries, wages and employee benefits	24 and 25	12,301	13,106	12,697
Depreciation and amortization	7, 9, 10 and 24	8,555	8,730	7,827
Contracted services		6,348	6,637	6,390
Taxes, fees and permits		1,069	1,118	901
Provision for expected credit losses ("ECL")	12 and 26	1,827	435	(178)
Other expenses	22 and 24	4,267	5,899	6,075
		254,313	287,076	276,012
OTHER INCOME (EXPENSES)				
Interest and other financial income	11 and 24	2,323	3,269	2,831
Interest and other financial charges	20 and 24	(1,594)	(1,607)	(2,033)
Equity in net earnings (losses) of associates and joint ventures	8	1,233	(1,486)	(725)
Foreign exchange gains (losses) - net		(839)	(508)	1,134
Others	2, 22, 29 and 31	301	1,008	896
		1,424	676	2,103
INCOME BEFORE INCOME TAX		22,415	31,915	30,545
PROVISION FOR (BENEFIT FROM) INCOME TAX	27			
Current		10,295	11,503	10,522
Deferred		(4,029)	(2,960)	(3,079)
		6,266	8,543	7,443
NET INCOME		₱16,149	₱23,372	₱23,102
Attributable To				
Equity holders of the Parent	30	₱16,316	₱23,285	₱23,017
Non-controlling interests		(167)	87	85
		₱16,149	₱23,372	₱23,102
Earnings Per Share Attributable to Equity Holders of the Parent	30			
Basic		₱14.48	₱20.66	₱20.42
Diluted		14.48	20.66	20.42

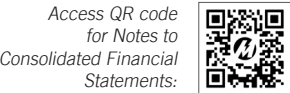


Access QR code for Notes to Consolidated Financial Statements:

Manila Electric Company and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31				
	Note	2020	2019	2018
(Amounts in millions)				
NET INCOME		₱16,149	₱23,372	₱23,102
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent years:				
Cumulative translation adjustments of associates		(756)	211	(599)
Cumulative translation adjustments of subsidiaries		(10)	(1)	8
Unrealized fair value gains (losses) on financial assets at FVOCI	10	100	507	(200)
Net other comprehensive income (loss) that will be reclassified to profit or loss in subsequent years		(666)	717	(791)
Items that will not be reclassified to profit or loss in subsequent years:				
Remeasurement adjustments on retirement and other post-employment liabilities	25	(5,186)	(5,327)	1,723
Income tax effect		1,557	1,599	(517)
		(3,629)	(3,728)	1,206
Unrealized fair value gains (losses) on equity securities at FVOCI		(3)	17	73
Income tax effect		–	(2)	(8)
		(3)	15	65
Share in remeasurement adjustments on retirement and other post-employment liabilities		(1)	(2)	–
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years		(3,633)	(3,715)	1,271
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		(4,299)	(2,998)	480
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		₱11,850	₱20,374	₱23,582
Total Comprehensive Income Attributable To				
Equity holders of the Parent		₱12,017	₱20,287	₱23,497
Non-controlling interests		(167)	87	85
		₱11,850	₱20,374	₱23,582



Access QR code for Notes to Consolidated Financial Statements:

Manila Electric Company and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years ended December 31, 2020, 2019 and 2018

	Equity Attributable to Equity Holders of the Parent													
	Common Stock (Note 15)	Additional Paid-In Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 15)	Unrealized Fair Value Gains (Losses) on Financial Assets at FVOCI/ (Note 10)	Re-measure- ment Adjust- ments on Retirement and Other Post- Employment Liabilities (Note 25)	Share in Re-measure- ment Adjust- ments on Associates' Retirement Liabilities (Note 8)	Cumulative Translation Adjust- ments of Associates (Note 8)	Cumulative Translation Adjust- ments of Subsidiaries	Treasury Shares (Note 15)	Unappro- riated Retained Earnings (Note 15)	Equity Attribut- able to Equity Holders of the Parent	Non-con- trolling Interests (Note 6)	Total Equity
(Amounts in millions)														
At January 1, 2020	₱11,273	₱4,111	(₱116)	₱1,049	₱227	(₱193)	(₱12)	₱762	₱32	(₱11)	₱67,108	₱84,230	₱1,011	₱85,241
Net income	—	—	—	—	—	—	—	—	—	—	16,316	16,316	(167)	16,149
Other comprehensive income (loss)	—	—	—	—	97	(3,629)	(1)	(756)	(10)	—	—	(4,299)	—	(4,299)
Total comprehensive income (loss)	—	—	—	—	97	(3,629)	(1)	(756)	(10)	—	16,316	12,017	(167)	11,850
Dividends	—	—	—	—	—	—	—	—	—	—	(17,010)	(17,010)	644	(16,366)
Appropriation of unrestricted retained earnings	—	—	—	—	—	—	—	—	—	—	—	—	6	6
At December 31, 2020	₱11,273	₱4,111	(₱116)	₱1,049	₱324	(₱3,822)	(₱13)	₱6	₱22	(₱11)	₱66,414	₱79,237	₱1,494	₱80,731
At January 1, 2019	₱11,273	₱4,111	(₱116)	₱1,049	(₱295)	₱3,535	(₱10)	₱551	₱33	(₱11)	₱61,922	₱82,042	₱845	₱82,887
Net income	—	—	—	—	—	—	—	—	—	—	23,285	23,285	87	23,372
Other comprehensive income (loss)	—	—	—	—	522	(3,728)	(2)	211	(1)	—	—	(2,998)	—	(2,998)
Total comprehensive income (loss)	—	—	—	—	522	(3,728)	(2)	211	(1)	—	23,285	20,287	87	20,374
Dividends	—	—	—	—	—	—	—	—	—	—	(18,099)	(18,099)	(32)	(18,131)
Additions to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	111	111
At December 31, 2019	₱11,273	₱4,111	(₱116)	₱1,049	₱227	(₱193)	(₱12)	₱762	₱32	(₱11)	₱67,108	₱84,230	₱1,011	₱85,241
At January 1, 2018	₱11,273	₱4,111	(₱126)	₱1,049	(₱160)	₱2,329	(₱10)	₱1,150	₱25	(₱11)	₱53,980	₱73,610	₱822	₱74,432
Net income	—	—	—	—	—	—	—	—	—	—	23,017	23,017	85	23,102
Other comprehensive income (loss)	—	—	—	—	(135)	1,206	—	(599)	8	—	—	480	—	480
Total comprehensive income (loss)	—	—	—	—	(135)	1,206	—	(599)	8	—	23,017	23,497	85	23,582
Dividends	—	—	—	—	—	—	—	—	—	—	(15,075)	(15,075)	(64)	(15,139)
Additional investment of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	2	2
Excess of acquisition cost of controlling interest over carrying value of additional minority interest	—	—	10	—	—	—	—	—	—	—	—	10	—	10
At December 31, 2018	₱11,273	₱4,111	(₱116)	₱1,049	(₱295)	₱3,535	(₱10)	₱551	₱33	(₱11)	₱61,922	₱82,042	₱845	₱82,887



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for Notes to
Consolidated Financial
Statements:

Manila Electric Company and Subsidiaries

Consolidated Statements of Cash Flows

	Note	Years Ended December 31		
		2020	2019	2018
		(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱22,415	₱31,915	₱30,545
Adjustments for:				
Provision for probable losses and expenses from claims - net	2 and 28	14,473	9,696	9,795
Depreciation and amortization	7, 9 and 10	8,555	8,730	7,827
Interest and other financial income	24	(2,323)	(3,269)	(2,831)
Interest and other financial charges	24	1,594	1,607	2,033
Equity in net losses (earnings) of associates and joint ventures	8	(1,233)	1,486	725
Others		1,676	222	(325)
Operating income before working capital changes		45,157	50,387	47,769
Decrease (increase) in:				
Trade and other receivables		(27,922)	(2,645)	(8,161)
Inventories		(926)	(746)	(482)
Financial and other current assets		184	(324)	(113)
Increase (decrease) in:				
Trade payables and other current liabilities		18,215	1,419	11,300
Customers' deposits		1,282	1,635	2,525
Customers' refund		(83)	(1,327)	(244)
Long-term employee benefits		1,573	2,220	(1,662)
Cash generated from operations		37,480	50,619	50,932
Income tax paid		(7,608)	(8,443)	(10,370)
Net cash flows provided by operating activities		29,872	42,176	40,562
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVOCI	10	(92,057)	(51,065)	(10,017)
Utility plant and others	7	(19,662)	(19,438)	(12,999)
Debt securities at amortized cost	10	(15,949)	(11,974)	(12,114)
Short-term investments		(5,472)	(37,957)	(19,337)
Intangible assets	10	(896)	(547)	(435)
Investments in associates and interests in joint ventures	8	(466)	(6,421)	(1,667)
Investment properties		–	(1)	(2)
Proceeds from maturity of:				
Financial assets at FVOCI		85,268	51,874	10,056
Debt securities at amortized cost		23,999	11,065	9,098
Short-term investments		23,680	41,618	–
Interest and other financial income received		2,657	3,395	2,570
Proceeds from disposal of utility plant and others		353	490	345
Dividends received from associates		475	546	476
Increase (decrease) in minority interest		651	69	(62)
Decrease (increase) in financial and other noncurrent assets		195	(2,047)	(1,666)
Net cash provided by (used in) investing activities		2,776	(20,393)	(35,754)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of notes payable	20	179	10,179	2,229
Availment of interest-bearing long-term financial liabilities	16	2,578	28	350
Disposal of non-controlling interest	3	–	–	10
Payments of:				
Dividends	15	(16,796)	(18,008)	(14,557)
Interest-bearing long-term financial liabilities	16	(3,669)	(8,712)	(424)
Interest and other financial charges		(1,446)	(1,620)	(1,563)
Notes payable		(199)	(283)	(2,419)
Increase (decrease) in other noncurrent liabilities		(938)	(1,831)	2,516
Net cash used in financing activities		(20,291)	(20,247)	(13,858)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,357	1,536	(9,050)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		38,262	36,471	45,937
NET UNREALIZED FOREIGN EXCHANGE GAINS (LOSSES)		293	255	(416)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	₱50,912	₱38,262	₱36,471

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Awards and Recognition

Stevie Awards- 2020 International Business Awards (Iba)	
Award	Title of Entry
Bronze	Meralco's 2019 Annual Sustainability Report
Bronze	Help from Home
Bronze	Free eShuttle for Frontliners
Bronze	From Farmers to Frontliners
Bronze	Empowering the People Through Partnership
Stevie Awards- 2020 Asia-Pacific	
Bronze	Energy Efficiency, a Mandate: Understand.Comply.Profit (A Meralco communication campaign)
Bronze	Power Club Online: Brighter Partnerships for Tomorrow

18TH QUILL AWARDS

Company of the Year (2nd Runner Up)

Top Award- Meralco Digital Press Conferences: Keeping Close with Media and Public Despite Social Distancing

Excellence Award-13
Merit Award- 18



56TH ANVIL AWARDS

Silver Anvil- 8

ASIA SUSTAINABILITY REPORTING RATING (ASRRAT)
Gold Rank

ASEAN CORPORATE GOVERNANCE SCOREBOARD (ACGS)
3-Golden Arrow Award
ASEAN Asset Class Award

2020 SUPPLIER SUSTAINABILITY AWARD (ZUELLIG PHARMA)
Bronze Award (Spectrum)

CORPORATE VISION MAGAZINE
Sustainable Business of the Year 2020 (Spectrum)

16TH SAFETY, HEALTH & ENVIRONMENT ASSOCIATION OF THE PHILIPPINES (SHAPES) CONFERENCE

Corporate Safety and Health Excellence Awards- 7 (Miescor)

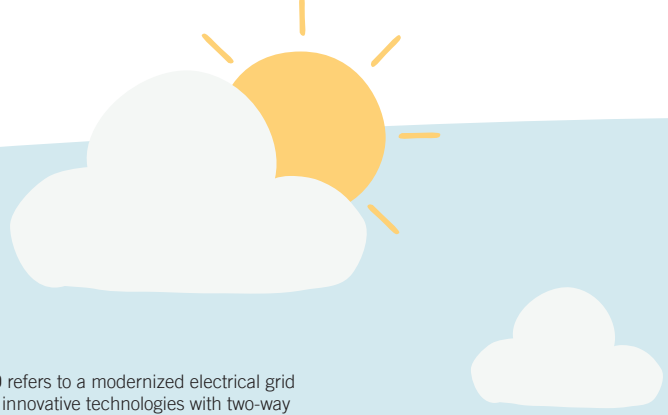
ISO Certification

Certification Of Environmental Management Systems		
Certified Entities	Certification Standard	Date of Certification
<ul style="list-style-type: none"> • Meralco Ortigas Center • Balintawak Sector • Valenzuela Sector • Plaridel Sector • Manila Sector • Rizal Sector • Pasig Sector • Parañaque Sector • Dasmariñas Sector • San Pablo Sector • Santa Rosa Sector • Sub-Transmission Services 	ISO 14001:2015 Environmental Management System	June 10, 2019

Certification of Occupational Health and Safety Management Systems		
Certified Entities	Certification Standard	Date of Certification
<ul style="list-style-type: none"> • Meralco Ortigas Center • Balintawak Sector • Valenzuela Sector • Plaridel Sector • Manila Sector • Rizal Sector • Pasig Sector • Parañaque Sector • Dasmariñas Sector • San Pablo Sector • Santa Rosa Sector • Sub-Transmission Services 	OHSAS 45001: 2018 Occupational Health and Safety Management System	June 10, 2019

Certification of Quality Management Systems		
Certified Entities	Certification Standard	Date of Certification
<ul style="list-style-type: none"> • Supply Chain Management • Procurement • Materials Management • Strategic Sourcing and Vendor Management • Supply Chain Process & Standards 	ISO 9001: 2015 Quality Management Systems	June 28, 2018

Accreditation of Calibration and Testing Laboratories		
Certified Entities	Certification Standard	Date of Certification
<ul style="list-style-type: none"> • Meter Testing Laboratory 	ISO/ IEC 17025: 2017 General Requirements for the Competence of Testing and Calibration Laboratories	July 8, 2019



Glossary of Terms

CONSUMER EXPERIENCE INDEX (CXI) seeks to measure transactional experience, at almost real time and on the different journeys like billing and payments, inquiry and complaints, service application and outage reporting and management. It allows us to measure effectiveness in meeting customer needs, the ease of transaction and if the customer felt valued during the transaction.

DISTRIBUTION CHARGE is the tariff component associated with the cost of developing, constructing, operating and maintaining the distribution system of Meralco, which delivers power from high voltage transmission grids to commercial and industrial establishments and residential end-users.

DISTRIBUTION SYSTEM refers to the system of wires and associated facilities of a franchised DU extending between: (a) the delivery points on the transmission or sub-transmission system or generating plant connection and (b) the points of connection to the premises of end-users.

DISTRIBUTION UTILITY (DU) refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with its franchise and the EPIRA.

ENERGY is the integral of the active power with respect to time, measured in watt-hour or multiples thereof. It is power derived from the utilization of physical or chemical resources, especially to provide light and heat or to work machines.

ENERGY EFFICIENCY AND CONSERVATION LAW or Republic Act No. 11285 which took effect on May 24, 2019, is a comprehensive energy efficiency and conservation policy that mandates the efficient and judicious use of energy resources and promote the development and utilization of both new and alternative sources of energy efficient technologies and systems.

ENERGY REGULATORY COMMISSION (ERC) is the independent, quasi-judicial regulatory body that was created pursuant to Section 38 of the EPIRA.

GENERATION CHARGE is the tariff component associated with the cost of Meralco's purchase of power from its suppliers ñ Independent Power Producers (IPPs), via Power Supply Agreements (PSAs) and the WESM.

GIGAWATT (GW) is the unit of electric power equal to 1,000,000,000 watts.

GIGAWATT HOUR (GWh) is the unit of electric energy equal to 1,000,000,000 watt-hours.

GRID is the high voltage backbone system of interconnected transmission lines, substations and related facilities, located in each of Luzon, Visayas and Mindanao, or as may be determined by the ERC in accordance with Section 45 (c) of the EPIRA.

GUARANTEED MINIMUM BILLING DEMAND (GMBD) is the minimum demand in kilowatts (kW) for business customers with contracted capacity of 5kW and above. It covers the development, operations and maintenance of the distribution system of Meralco from high-voltage transmission grids to commercial and industrial accounts. The GMBD of the customer is based on his load requirement and should be right-sized during contracting. This is in compliance with ERC rules.

HIGH EFFICIENCY, LOW EMISSIONS (HELE) technology are commercially available systems for fossil fuel fired power plants that reduces their greenhouse gas emissions by improving a power plant's efficiency. Improving efficiency increases the amount of energy that can be extracted from a single unit of fossil fuel resulting to less greenhouse gas emissions. HELE power plants have significantly reduced emissions of carbon dioxide (CO2), nitrogen oxides (NOx), sulphur dioxide (SO2), and particulate matter (PM).

KILOVOLT-AMPERE (kVA) is the practical unit of apparent power, equivalent to 1,000 volt-amperes.

KILOWATT (kW) is the unit of electric power equal to 1,000 watts.

KILOWATTHOUR (kWh) is the unit of energy equal to 1,000 watthours.

LOAD is the entity or electrical equipment that consumes or draws electrical energy.

LUZON GRID is the high voltage backbone system of interconnected transmission lines, substations and related facilities located in the island of Luzon.

MAINTENANCE is any activity intended to keep equipment in satisfactory working condition including tests, measurements, replacements, adjustments and repairs that are either corrective or preventive in nature.

MEGAWATT (MW) is the unit of electric power equal to 1,000,000 watts.

MEGA-VOLT AMPERE (MVA) is the practical unit of apparent power, equivalent to 1,000,000 volt-amperes

POWER is the average of the instantaneous power over one period of the electrical wave, measured in watts or multiples thereof.

RETAIL COMPETITION AND OPEN ACCESS (RCOA) was established with the promulgation of the Electric Power Industry Reform Act (EPIRA) or Republic Act No. 9136 in 2001. Retail Competition is the provision of electricity to End-users in the Contestable Market by Local and Retail Electricity Suppliers through Open Access, which is the system of allowing any qualified person the use of transmission, and/or distribution system and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC. Commercial operations of RCOA started on June 26 2013. This allows contestable customers (CCs) under the initial phase (average monthly peak demand of 1MW and above) to switch to their chosen Retail Electricity Supplier (RES) or Local RES on a voluntary basis. Presently, the RCOA allows contestable customers in the Luzon and Visayas grids.

SMART GRID refers to a modernized electrical grid that utilized innovative technologies with two-way and/or multi-way communication technologies, real time monitoring and control systems to; Improve overall reliability, power quality , security, efficiency and management of the electricity grid with full cybersecurity and interoperability; Allow suitable integration of bulk and flexible generation, distributed energy resources, micro-grids, and electric vehicles with management systems and; Empower customers with the provisions of timely information and control options through enhanced energy management systems.

SOLAR PHOTOVOLTAIC (PV) SYSTEMS refers to systems that convert sunlight into electrical energy. A basic solar PV system employs solar panels to supply usable solar power, and inverters to convert DC (Direct Current) power to AC (Alternating Current).

SUSTAINABLE DEVELOPMENT GOALS (SDGs) are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all" developed by the United Nations.

SYSTEM LOSS in a distribution system, is the difference between the electric energy input to the system and electric energy output from the system. It refers to technical and non-technical losses occurring in a distribution system during the conveyance of electricity to end-users.

SYSTEM LOSS CHARGE is the tariff component associated with the cost of technical and non-technical system losses. The maximum level of losses that may be recovered by private distribution utilities was set at 9.5% by Republic Act No. 7832 which was reduced to 8.5% starting 2010, as provided under ERC Resolution No.17, Series of 2008.

TRANSMISSION CHARGE is the tariff component associated with: a) the cost of delivery of electricity from generators, usually located in other provinces or in remote areas outside the DU's franchise area, to the distribution system of the DU such as Meralco, and b) charges for ancillary services procured by the transmission service provider, which is the NGCP.

UNIVERSAL CHARGE is the tariff component associated with the charge imposed on all electricity end- users as determined, fixed and approved by the ERC, pursuant to Section 34 of the EPIRA. It is remitted to the PSALM. At present, this includes the stranded contract costs of NPC, stranded debts of NPC, missionary electrification, and environmental charges. Other possible components of the Universal Charge which are yet to be resolved by the ERC are: a) Stranded Contract Costs of Distribution Utilities, and b) Equalization of the taxes and royalties applied to indigenous or renewable sources of energy vis-à-vis imported fuels.

WHOLESALE ELECTRICITY SPOT MARKET (WESM) is the market where trading of electricity is made and was established by the DOE pursuant to Section 30 of the EPIRA.

Investor Information

Transfer Agent

RCBC Stock Transfer, G/F Grepalife Building
221 Sen. Gil Puyat Avenue corner Pasong Tamo St., Makati City
Telephone numbers: +632 8894 9000 local: 3691,3692, 3693 and 3694
Email: jsbonoan@rcbc.com, josacruz@rcbc.com

Corporate Compliance Office (formerly Stockholder Affairs)

G/F Lopez Building, Ortigas Avenue Brgy. Ugong, Pasig City, 1605 Philippines
Telephone numbers: +632 8632 8884, +632 8632 8883, +632 8632 8765, +632 8632 8616, +632 1622 2183, +632 1622 2731
Fax No.: +632 8632 8885
Email: corporate.compliance@meralco.com.ph

Investor Relations Office

6/F Lopez Building, Ortigas Avenue, Brgy. Ugong, Pasig City, 1605 Philippines
Telephone Number: +632 1622 2950
Email: investor.relations@meralco.com.ph

Common Stock

The Company's common stock is listed on the Philippine Stock Exchange (Ticker: MER). The declassification of the Company's common stock removed the Class "A" and Class "B" classifications effective September 3, 2007.

The declassification does not entail a recall, a cancellation or a replacement of certificates previously issued.

All existing stock certificates, whether Class "A" or Class "B", remain valid. Shares are available to foreign investors up to a maximum of 40 percent of the outstanding capital stock.

2020 MERALCO ANNUAL REPORT
Meralco Customer Retail Services
Concept and Design: Studio 5 Designs, Inc.
Portraits: Wig Tysmans

ABOUT THE PAPER
The Meralco 2020 Annual Report cover is printed on FSC Certified, Green-e Certified, Carbon Neutral Plus paper.

The main pages of this report are printed on wood-free paper.

2020 Reports

Meralco Annual Report
Meralco Sustainability Report
One Meralco Foundation Annual Report

