

2021 ANNUAL REPORT

BAVIAN IHAN

More Power to Serve
the Nation





Our Cover

Meralco engineers monitor the disaster-stricken area, gathering valuable data on where, what, and how Meralco can immediately respond to the ensuing crisis. This is *bayanihan*.

Mahal namin ang aming kapwa at kababayan. Sa lahat ng oras, handa kaming tumugon, tumulong, at maglingkod.



KALINGA:

More Life to Sustain the Filipino

Sustainability is core to Meralco. It is at the heart of all we do and all we aim to be, as we continue powering our customers and communities, preserving and protecting our planet, nurturing our people, and ensuring prosperity for all.



MALASAKIT:

More Hope to Empower Communities

Heart-warming initiatives of One Meralco Foundation kindle hope for the underserved and unserved communities that need the benefits of electrification for their households, environmental sustainability for their surroundings, and responsible citizenship for members of their families.



Go Digital

Together, let us reduce our carbon footprint. Meralco reports will be primarily available in PDF format through our website and via email. We are gearing up for more interactive content through our website by next year. Printed reports may be sent to you by request. More information about Meralco is available at www.meralco.com.ph.



With the largest private sector electric distribution utility in the Philippines as our core business, Meralco aims to provide our customers with the best value solutions

reliably affordably superbly sustainably.

We celebrate 118 years of service in 2021, and we are committed to powering our nation and empowering our people today and for generations to come.



About this Report

This Annual Report presents the accomplishments of Meralco and its subsidiaries amid the challenges of 2021.

This report is best read in conjunction with its accompanying reports:

Kalinga, the 2021 Sustainability Report which presents Meralco's heightened efforts across its four focus areas: Power, Planet, People, Prosperity.

Malasakit, the 2021 Annual Report of the One Meralco Foundation (OMF) which provides details on its initiatives and accomplishments.

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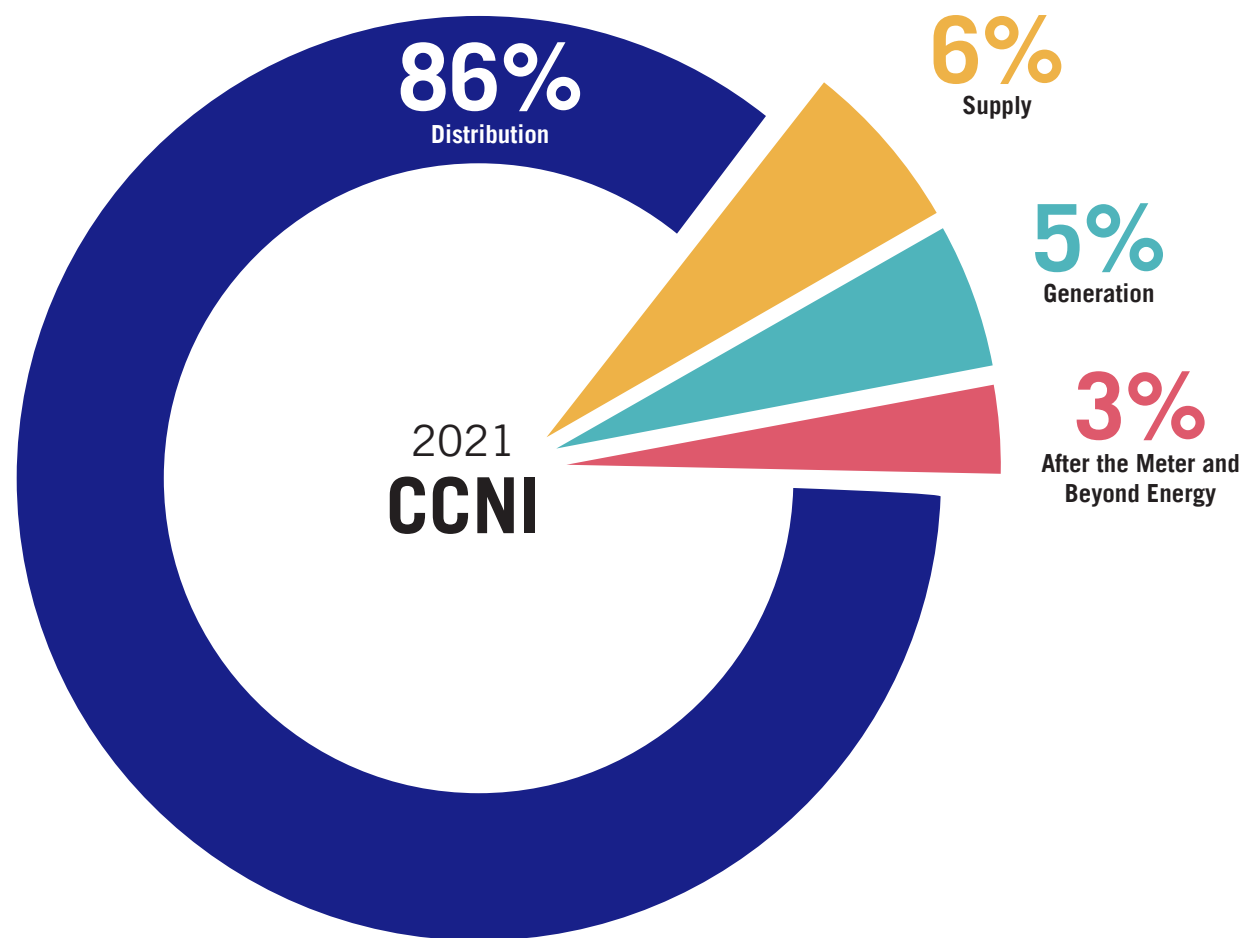
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Our Business

The stability of One Meralco to weather crises like the ongoing pandemic comes from the diversity of our business as well as our alliance with the Metro Pacific and JG Summit groups. To truly power our nation and empower our people, we aim to remain relevant by continuously innovating to serve our customers excellently, offering solutions within the energy ecosystem (generation, supply, distribution, after the meter), and even to related businesses beyond energy.



Distribution

The distribution utilities of One Meralco saw 6% higher energy sales of 46,073 GWh and 4% increase in customer count in 2021 vs 2020.



118 years of distributing electricity, servicing from Bulacan to Quezon with CCNI of PhP 21.18 billion servicing 7.4 million customers



Operating in Clark Special Economic Zone and the sub-zone in Pampanga with CCNI contribution to Meralco of PhP 156.7 million servicing 2,567 customers



* Managed through Comstech



SHIN CLARK

Generation

Our power generating arm, MGEN delivered 13,691 GWh of power with CCNI contribution to Meralco of PhP 1.2 billion driven by its investment portfolio



Supply

Servicing electricity to the contestable market with double digit growth in 2021



After the Meter



Beyond Energy



Financial and
Operational Highlights



FINANCIAL INFORMATION (in Million PhP, Except per Share Data)	2017	2018	2019	2020	2021
Revenues					
Sale of electricity	275,172	295,389	310,098	267,946	309,238
Sale of other services	7,384	9,065	8,217	7,358	9,309
TOTAL	282,556	304,454	318,315	275,304	318,547
Expenses					
Purchased power	214,558	232,102	241,032	204,420	224,915
Operating expenses	25,567	25,885	27,195	25,812	31,723
Depreciation and amortization	7,520	7,827	8,730	8,555	12,499
Interest and other financial charges (income) - net	(658)	(798)	(1,662)	(729)	1,531
Core net income	20,213	22,408	23,832	21,711	24,608
Reported net income	20,384	23,017	23,285	16,316	23,498
EBITDA	34,474	37,165	40,977	29,847	43,411
Earnings Per Share					
Core earnings per share	17.93	19.88	21.14	19.26	21.83
Reported earnings per share	18.09	20.42	20.66	14.48	20.85
Cash dividends declared per common share	18.23	13.38	16.06	15.09	12.88
Market price per share at end of year	328.60	380.00	317.00	292.00	295.20
Other Financial Information					
Utility plant generation plant and others	133,874	139,846	151,441	163,009	225,779
Interest-bearing long-term financial liabilities	26,670	26,588	17,860	16,771	61,834

OPERATING INFORMATION	2017	2018	2019	2020	2021
Customer Accounts (in Thousands)					
Residential	5,812	6,086	6,339	6,575	6,839
Commercial	500	514	528	541	555
Industrial	10	10	11	11	11
Streetlights	5	5	5	5	5
TOTAL	6,327	6,615	6,883	7,132	7,410
Energy Sales (in GWh)					
Residential	13,060	13,555	14,589	16,488	16,913
Commercial	16,597	17,463	18,483	14,766	15,234
Industrial	12,309	13,156	13,659	12,176	13,782
Streetlights	136	139	140	142	144
TOTAL	42,102	44,313	46,871	43,572	46,073
System Loss (in %)					
Meralco	5.91	5.67	5.54	6.08	5.85
Clark Electric	2.14	2.77	2.15	2.10	2.08

Message from our Chairman and from the President and CEO

To our fellow shareholders,

If 2020 was the year COVID-19 disrupted nearly every aspect of human life, 2021 was the year we learned to live with the virus. Individuals and families emerged from their homes to rejoin their offices and communities; digital and physical hybrids became feasible ways to work and to live; and Filipinos with their dogged determination fought not just to survive, but to thrive. What the Filipino people managed during these dark years has been nothing short of inspirational, and we are pleased to report that Meralco is both contributor and beneficiary in this story of recovery.

BAYANIHAN

BAYANIHAN¹ is the enduring Filipino value of helping one's neighbor in times of need, without expecting anything in return. And in 2021, we rediscovered its importance—

engaging in *bayanihan* with the Government and industry players, and *Bayanihan* through exceptional synergies among our employees. We deepened our partnership with Government and private institutions to make certain we were able to respond with efficiency and urgency to the evolving needs of our communities. We extended full assistance to communities beyond our franchise area that were affected by Typhoon Odette, swiftly deploying a 154-strong contingent, spread across the provinces of Cebu, Bohol, and Surigao del Norte. Our crew spent Christmas and New Year away from loved ones and braved surges of COVID-19 infection to ensure efficient restoration of electricity in these areas.

During an uncertain period, we anchored ourselves on these central strategic thrusts: increasing our accessibility to customers, ensuring the reliability of our service and integrity of our data, and building a more sustainable Meralco.

“What the Filipino people managed during these dark years has been nothing short of inspirational, and we are pleased to report that Meralco is both contributor and beneficiary in this story of recovery.”



¹ THE BAYANIHAN SPIRIT: DEAD OR ALIVE?
Gertrudes R. Ang
Philippine Quarterly of Culture and Society
Vol. 7, No. 1/2 (March-June 1979), pp. 91-93 (3 pages)
Published By: University of San Carlos Publications <https://www.jstor.org/stable/29791626>



The CUSTOMER at the core of what we do

Enhanced digitization, together with brick-and-mortar adjustments, helped simplify our transactions, which resulted in a 6-significant point increase in our Customer Satisfaction Index (CSI) to 8.10—up from 7.54 in the previous year.

In consideration of our customers' difficult financial situation, we suspended disconnection activities while offering Installment Payment Arrangements (IPAs). And once disconnection activities

resumed, we continued the availability of these IPAs. Such a measure risked greater losses, but these were actually recovered in the form of collections, with outstanding receivables reduced to PhP 30 billion in 2021 from PhP 47 billion in 2020.

We worked around various restrictions and lockdowns to implement critical network programs that helped minimize electricity theft and optimized the use of distribution facilities. This reduced system loss by 0.23 percentage points to 5.85%, compared with 6.08% in 2020—equivalent to about PhP 3.5 billion in total customer savings. For the

14th consecutive year, our system loss rate outperformed the prescribed regulatory system loss cap set at 6.5% in 2021.

We worked with private and public stakeholders and expanded our facilities to enable the Government's Public-Private Partnership (PPP) and Build Build Build (BBB) initiatives to move forward in the midst of the pandemic, while enabling a more resilient distribution network. Our Meralco Electrification Program (MEP) likewise powered 100% of the identified priority sites.



Accelerating DIGITAL Transformation

Another key lesson from the past two years has been the value of the digital pivot. In this regard, Meralco has kept up with the thrust of digitalization. We developed the Operations Platform and Telecommunications Integrated Command Center (OPTIC) to manage all our information, communication, and technology systems. This allowed a reduction in unplanned downtime, increased employee productivity, and enhanced delivery of service to our customers. It is the first of its kind amongst distribution utilities in the country.

We also implemented the Robotic Process Automation (RPA) to facilitate a more efficient processing of daily financial reconciliations including PhP 2.45 million billing discrepancy cases.

Creating shared and enduring value by providing energy for ALL, ALWAYS

Core to our sustainability agenda is the shift to clean and Earth-friendly energy. We began executing our long-term sustainability strategy (LTSS) marked by our just, orderly, and affordable transition to clean energy. Ultimately, we aspire and will drive to be coal-free by 2050.

This year, we also converted 6% of our fleet to electric vehicles through our Green Mobility Program, an early milestone as we aim for 25% electrification of our Distribution Utility fleet by 2030.

We also explored simple but important means by which we could help our wider communities.

We did our part in contributing to herd immunity against COVID-19, inoculating almost 100% of One Meralco employees, as well as many members of their households. Through our #Mbrace Program, we promoted gender diversity and inclusion in our organization. By the end of 2021, women accounted for more than 22% of our Distribution Utility (DU) employee base, over twice the average in the global energy sector.

Meanwhile, in **One Meralco Foundation** (OMF)'s report we see how *Malasakit* drove OMF to fulfill its mission to “spread the light,” especially amongst the marginalized. Through OMF, we collaborated with One Million Lights Philippines and our own Meralco Employees Fund for Charity, Inc. (MEFCI) to distribute free solar lights in three barangays in El Nido, Palawan—providing a cleaner, more environment-friendly, and safer alternative to generator sets and kerosene lamps to nearly 600 beneficiary families.

Finally, OMF's One for Trees (OFT) program planted over 130,000 new trees in 2021. A nursery of over 240,000 seedlings was also established in cooperation with host communities and organizations. Beyond reforestation, OFT provided a steady stream of income and dependable livelihood for the communities in these areas through agroforestry.

Enhancing revenues to provide STABILITY and enable EXPANSION

Meralco took part in the country's path to recovery by empowering and energizing customers across all segments, and it was this focus on excellence and service continuity that ultimately helped Meralco write its own recovery story in 2021.

“We worked with private and public stakeholders and expanded our facilities to enable the Government's PPP and BBB initiatives to move forward in the midst of the pandemic, while enabling a more resilient distribution network.”



Our Consolidated Core Net Income (CCNI) grew to PhP 24.6 billion, 13% higher than the PhP 21.7 billion recorded in 2020. Consolidated Reported Net Income improved by 44% to PhP 23.5 billion from PhP 16.3 billion in 2020 due to the absence of exceptional charges arising from the impairment recognized in 2020 on its investment in PacificLight Power Pte. Ltd. Core Earnings Per Share was PhP 21.8333, 13% higher than 2020.

Distribution

Our consolidated distribution energy sales volume, inclusive of 558GWh from Clark Electric Distribution Corporation (Clark Electric), increased to 46,073 GWh—6% higher than the 43,572 GWh recorded for 2020. Meralco's customer base grew by 4%, ending the year with a total of 7.4 million customer accounts, consistent with the six-year CAGR of 4%.

Power Generation

Collectively, our generation units delivered 13,691 GWh of power in 2021, representing a 6% increase in energy sales vs 2020, driven mainly by portfolio expansion.

The full acquisition of Global Business Power and the commercial operations of BulacanSol added a total net capacity of 1,025 MW. MGen also acquired an additional 30% interest in PacificLight Power (PacificLight) in Singapore, increasing MGen's total interest to 58%.

With all these developments, our power generation business ended 2021 with a capacity of 2,251 MW and contributed PhP 1.2 billion to Meralco's CCNI, significantly higher than the PhP 435 million recorded in 2020.

Non-Electric Subsidiaries

We continue to build value for our customers via our various business units and subsidiaries across all areas of expertise including telecommunications, digital payment services, engineering, construction, logistics, and manpower services.

Our **MIESCOR Group** delivered PhP 5 billion in revenues driven by the strong performance of its telecommunications business segment and the growth of its subsidiaries. Our telecommunications arm, **Radius**, significantly expanded its presence in Metro Manila, Bulacan, Cavite, Laguna, Cebu, and Clark in Pampanga. **Bayad** expanded its network, reaching 355 billers by end-2021, with PhP 267 million in gross transaction value, a 45% increase vs 2020. In addition, Bayad App booked PhP 39.2 billion in bills payment transactions.

Providing Consistent and Dependable Returns to Stakeholders

Amid the uncertain global health environment, our combined efforts enabled Meralco to deliver excellent returns for our stakeholders, through a final cash dividend declared of PhP 15.28 per share, reflecting a payout ratio of 70% of Core Income, payable to all shareholders of record as of March 30, 2022.

ONWARDS TO A BETTER AND A BRIGHTER TOMORROW FOR ALL

Indeed, 2021 became a story of recovery for Meralco. But we still have quite a journey ahead of us.

Moving forward, we will expand to new areas through microgrids and solar home systems. Beyond improving the efficiency of our existing plants, our generation business will increase investments in renewables and harness technology to accelerate our energy transition. Meanwhile our distribution businesses will continue to help customers make the most of renewable energy. As One Meralco, we intend to respond swiftly to the evolving and growing needs of our customers, our communities, and our planet.

The ambition of Meralco leadership is enabled by the talent, work ethic, and selflessness of Meralco employees. The future we envisage will be shaped by our greatest asset—the women and men of Meralco, who have continuously placed the customers at the core of their work, and who have enabled the growth of our company as well as our nation.

We thank the members of the Meralco Board of Directors for their continued support, guidance, and governance; and our Management Team and our employees for their dedication. We also thank our shareholders and customers for their continued trust. Looking ahead, we remain even more steadfast in powering a brighter tomorrow for all—"by spreading the light."

(signed)

Manuel V. Pangilinan
Chairman of the Board

(signed)

Ray C. Espinosa
President and Chief Executive Officer

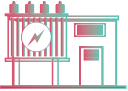


Performance Highlights


2,800+
Decision makers engaged through 22 Power Up Live webinars


278,000+
New customers energized

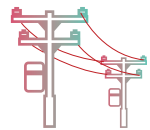

154-STRONG
Contingent deployed across Cebu, Bohol and Surigao del Norte to provide assistance to areas affected by Typhoon Odette


18
Substation-related major Electric Capital Projects (ECP) completed


580,000
Installment Payment Arrangements (IPA) offered, amounting to roughly PhP 10.4 billion


Deployed the Robotic Process Automation (RPA) which automates manual, tedious, and repetitive tasks to help augment our workforce


Implemented agile, customer-focused digital infrastructure and continuous enhancements in our internal processes to make all transactions easy, safe and reliable


5.85%
System loss rate, way below the ERC cap of 6.5% in 2021

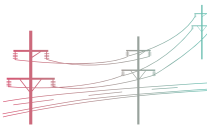

60+
Vital medical institutions energized


100%
Electrification rate reached for priority sites


46,073 GWh
Achieved energy sales


8.10
Customer Satisfaction Index (CSI) score, 6-Pt. Improvement vs 2020


Rated by Social Bakers (Twitter and Facebook) as the only socially-devoted Filipino company in the top 10 industrial category


1,483
Poles relocated for major PPP and BBB projects

To improve customer experience:



Implemented posting of payments in real time



Launched the meter reading app and real time payment validation before disconnection app



Suspended disconnection activities in areas under ECQ, MECQ and granular lockdowns.



Key Industry Trends



The EIU Country Forecast stated that “domestic demand will grow faster in 2022, helped by adjustment of households and companies to pandemic conditions, with sizeable government spending continuing to support the economy.” The report also noted that “goods exports growth should accelerate, given sustained demand in major markets including the US and China, damage to the services sector, especially tourism, will prevent a full recovery of exports.”

Social and Health Concern

According to the EIU's December 2021 Philippine Country Forecast, "it will take until early 2023 for the actual size of the economy to expand beyond its pre-pandemic level." Tightening of COVID-19 restrictions is expected to be re-imposed intermittently in 2022 due to the emergence of new coronavirus variants, such as Omicron. However, the EIU expects that the dampening effect of restrictions on domestic demand should diminish over time.

<https://www.worldbank.org/en/publication/east-asia-and-pacific-economic-update>
EIU - Economist Intelligence Unit

Energy Industry Realities

Global Energy Price Surge

World Bank: The Philippines is vulnerable to the impact of the Russia-Ukraine war since it is a net importer of fuel.

Risks to economic growth

- Inflation due to higher prices for energy and commodities may dampen household consumption, which accounts for around 70% of the Philippine economy.
- Increase in generation cost due to higher WESM charges with the tighter supply conditions during summer months, increase in Malampaya natural gas and coal prices reflecting the movement of international fuel prices, use of liquid fuel as an alternative fuel source with reduced Malampaya gas supply starting March 2021, and the Peso's depreciation.

<https://www.worldbank.org/en/publication/east-asia-and-pacific-economic-update>
<https://www.bworldonline.com/top-stories/2022/04/06/440529/world-bank-trims-philippine-growth-outlook-for-2022-on-ukraine-war/>

Our Strategic Framework

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

Values

Customer Centricity, Innovation, Sustainability, Excellence, Integrity, Malasakit, Bayanihan

Our Response - Excellence

Revenue Enhancement and Expansion

Drive revenue growth through expansion of services and operational efficiencies

Customer Centricity

Delight our customers through improved service operations and enhanced customer care across all touchpoints.

Digital Transformation

Accelerate business value by driving technology-enabled transformation

Sustainability

Continue embedding sustainability in strategy and operations through distinctive focus on POWER, PLANET, PEOPLE, and PROSPERITY

Growth Platforms

Develop and grow New Energy Businesses

Strengthen and expand the Core Distribution Business

Profitably compete in Retail Electricity Supply

Build the Power Generation Portfolio

Drive the expansion of Subsidiaries & Affiliates

Key Performance Indicators (KPIs)

Consolidate Core Net Income (CCNI)

Customer Satisfaction Index (CSI)

Energy Sales

System Loss

Greenhouse Gas (GHG) Emissions and Waste



OUR PERFORMANCE

BAVANIHAN

Working together
to serve our customer

With the customer at the core
of what we do, we work
hand in hand with
government institutions
to hasten nation-building,
pivoting to digital solutions
to elevate customer experience,
and paving the path
to a more sustainable Meralco.

*Gamit ang makabagong
teknolohiya,
nakikipagtulungan ang
Meralco sa pamahalaan
at sa iba't-ibang sektor ng
lipunan para maisulong
ang pambansang
kaunlaran at maiangat ang
pamumuhay ng aming mga
pinaglilingkuran, patungo
sa likas-kayang Meralco.*



Meralco's recovery in 2021 is hinged on the excellent execution, regardless of the challenging environment, of the four-point strategy introduced in 2019.

1. Drive revenue growth through the expansion of services and operational efficiency
2. Delight our customers through improved service operations and enhanced customer care across all touchpoints
3. Accelerate business value by driving technology enabled transformation
4. Continue embedding sustainability in strategy and operations through distinctive focus on power, planet, people, and prosperity

We applied our expertise in energy and engineering to innovate processes and develop solutions fueled by our customer insights and creativity. We remain committed to power lives and livelihood, regardless of the situation, with a view towards our responsibility for the future.

Enhancing revenues to provide Stability and enable Expansion

For 2022, MGen and GBP will focus on building renewable energy capacity through its subsidiary MGen Renewable Energy, Inc. (MGreen).

Meralco's portfolio continuously evolves to respond to the changing needs of our customers. As a critical utility responsible for the National Capital Region, we are cognizant that our franchise area is the lifeblood of the country's economic and societal progress and we strive to ensure our stability while exploring other avenues to serve our customers through our subsidiaries, affiliates and other business units.



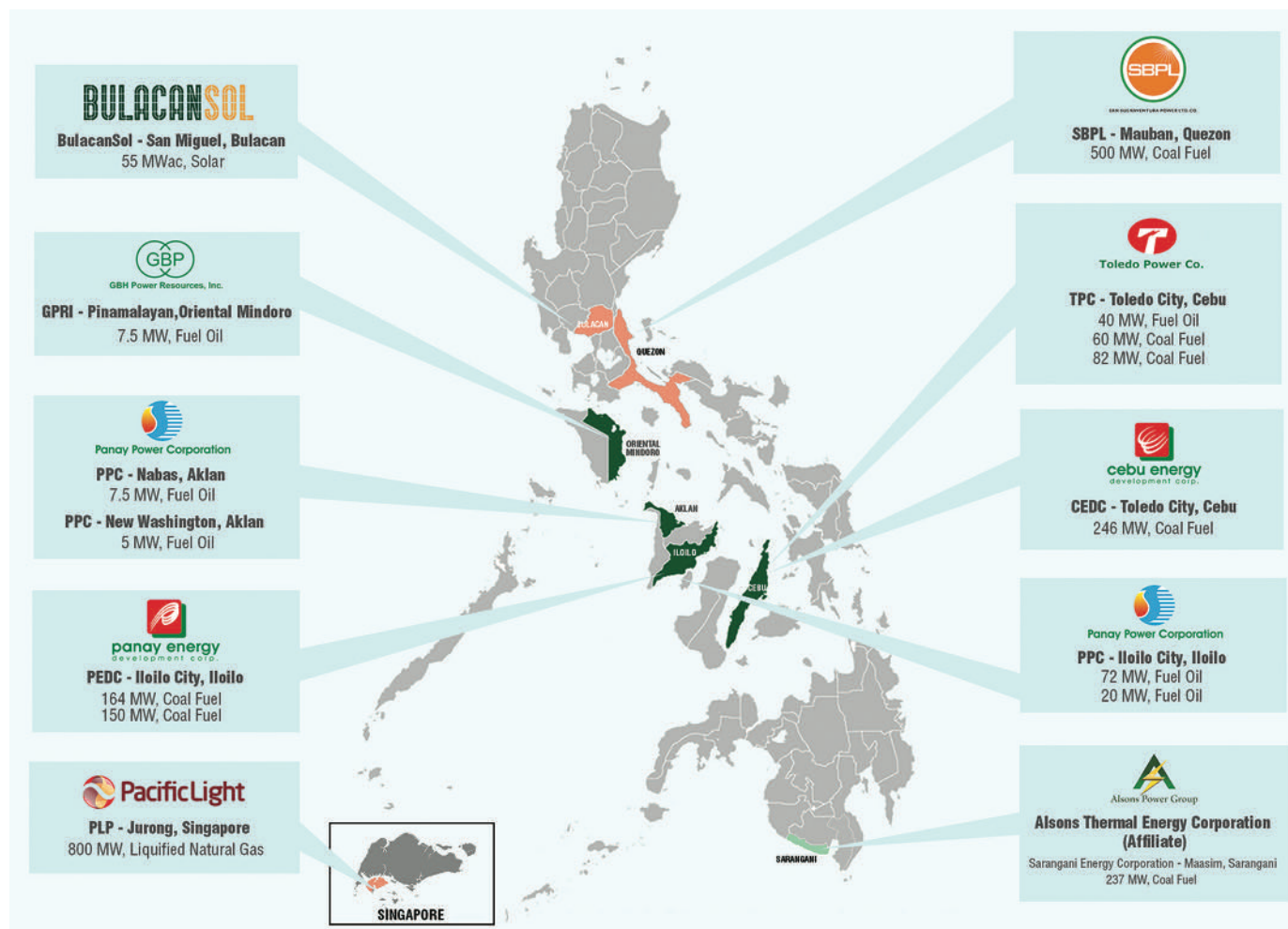
Generation

Meralco's generation business experienced a good year in 2021.

March witnessed the first milestone when Meralco's power generation company, Meralco Power Gen (MGen), fully acquired Global Business Power Corporation (GBP). This acquisition helps address the Philippines' growing energy demand through a diverse power generation portfolio of up to 3,000 MW to provide the country with sufficient, reliable, and cost-competitive energy supply.

The second milestone was the commercial operations of BulacanSol in May. The 55-MWac plant in San Miguel, Bulacan remains to be the country's largest single operating solar plant and is positioned to significantly contribute to Meralco's renewable energy capacity target of 1,500 MW in 5-7 years.

Meralco PowerGen Corporation



Meralco PowerGen Corporation (MGen)

MGen supports the country's transition to a sustainable future by providing sufficient, reliable and cost-competitive energy supply. As of end-December, MGen has a total power generation capacity of 2,251 MW (net) and contributed PhP 1.2 billion to Meralco's CCNI, significantly higher than the PhP 435.0 million the previous year. This was mainly driven by the contributions of San Buenaventura Power Ltd. Co. (SBPL) and PacificLight Power Pte. Ltd. (PacificLight).

MGen Renewable Energy, Inc. (MGreen)

MGreen is a wholly owned subsidiary of MGen, established to serve as Meralco's platform for investments in utility-scale renewable energy (RE) projects. MGreen aims to develop and operate clean and green power plants across multiple technologies, including solar, wind, and hydropower. MGreen will lead One Meralco's drive to build an RE portfolio of up to 1,500 MW of attributable capacity by 2027. MGreen's 55-MWac plant PowerSource First Bulacan Solar, Inc. (BulacanSol) in San Miguel, Bulacan, the country's largest single operating solar plant, began its commercial operations in May 2021 and delivered 67 GWh of solar energy to Meralco for the year. During this period, it had an average plant availability of 89%. To further support MGreen's RE portfolio, three (3) additional solar plants are expected to commence operations in the latter part of 2022 up to early 2023. These are: 75-MWac facility in Baras, Rizal, 68-MWac facility in Ilocos Norte, and 45-MWac facility in Cordon, Isabela.

San Buenaventura Power Limited (SBPL)

SBPL, the pioneer of high efficiency, low emissions (HELE) coal technology in the Philippines, delivered 3,234 GWh of energy in 2021 with an average plant availability of 89% through its 455-MW (net) supercritical coal-fired plant in Mauban, Quezon. In 2021, SBPL noted a 44% reduction in plant downtime which resulted in a 21% increase in revenue. SBPL's full year CCNI was PhP 2.6 billion.

Global Business Power Corporation (GBP)

In March 2021, MGen fully acquired GBP. GBP has ownership in coal and oil plants with a net capacity of 970 MW, of which 800 MW are contracted under Power Supply Agreements (PSAs) with captive and contestable customers and Ancillary Services Procurement Agreements (ASPs). GBP delivered 4,931 GWh in 2021 with full year CCNI of PhP 512.0 million.

PacificLight Power Pte. Ltd. (PacificLight Power)

In July 2021, MGen acquired an additional 30% interest in PacificLight Power, bringing its combined direct and indirect interests to 58%. The 800-MW liquefied natural gas facility in Jurong Island, Singapore is the only power plant registered under the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change (UNFCCC) and Verified Carbon Standard (VCS) in Singapore. In 2021, PacificLight Power delivered a total of 5,459 GWh of energy, an 11% increase from the previous year, with CCNI amounting to \$59.2 million or PhP 2.2 billion.

MGen has a total power generation capacity of 2,251 MW (net) and contributed PhP 1.2 billion to Meralco's CCNI, significantly higher than the PhP 435.0 million the previous year. This was mainly driven by the contributions of San Buenaventura Power Ltd. Co. (SBPL) and PacificLight Power Pte. Ltd. (PacificLight Power).



Retail Electricity (RES)

Meralco companies engaged in RES saw double digit growth in energy sales in 2021 despite the challenges brought about by the pandemic. They supplied stable and reliable electricity to the contestable market while ensuring that they uphold the customer service standards that is expected of an entity of Meralco.

MPower

As one of Meralco's Local Retail Electricity Suppliers (LRES), MPower serves the country's top 620+ corporations. Lauded for its unparalleled expertise, MPower has exhibited retail excellence for the last nine (9) years evidenced by its strong market leadership, serving nearly 30% of the country's total Competitive Retail Electricity Market (CREM) in MW demand and a contract renewal rate of 90%. MPower also manages a diversified supply portfolio across Luzon and is actively expanding its share of solar and wind energy sources to complement conventional sources of power.

MPower posed an 11% growth and sold 6,308 GWh of energy to the contestable market. MPower was awarded with a Gold in Zuellig's Supplier Sustainability Awards, besting other international nominees, for its efforts on environmental conservation and nation-building. Programs highlighted include its partnerships that generated a Php 1.2 million grant to support public school modular learning and its continuous reforestation efforts through CommuniTrees.

620 +
TOP CORPORATIONS IN
THE COUNTRY WERE
SERVED BY MPOWER

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

Meralco's first affiliate RES operating in both Luzon and the Visayas, Vantage Energy was established in 2017 and currently ranks 6th in market share in the CREM. It supplies energy to contestable markets where Retail Competition and Open Access (RCOA) is in effect. In the past few years, Vantage Energy's retail portfolio has grown significantly, with 19% growth in the last year, ably serving the energy needs of over 140 partners. Adhering to its mission to provide the same stable, reliable, and quality service outside the Meralco franchise area, Vantage Energy is recognized as an emerging RES of choice in the CREM nationwide.

In 2021, Vantage Energy sold 822 GWh of energy to the contestable market. Vantage Energy advocates for quality education and has provided significant contributions to public schools through its Back-To-School Donation Drives through printing equipment and materials, headphones, and hard drives to teachers and students. Vantage Energy also received stakeholder recognition in the Department of Education's Garbo Sa Danao Awards in March for its efforts to uphold quality education for all.

*In 2021,
Vantage Energy
sold 822 GWh
of energy to
the contestable
market.*

Distribution Utility

Bouncing back from the pandemic, the distribution utilities of the Meralco group delivered higher energy sales and higher customer count in 2021 versus 2020. Delivering reliable and accessible power to customers from all segments, we took decisive action to serve with passion and compassion, bravely remaining open year-round even when most establishments were closed, opening new channels to reach and be reached by customers, extending differentiated strategies to sustain the power ecosystem while being sensitive to the individual plight of our customers from the business, residential and government sectors.

Consolidated distribution utility energy Sales volumes, including Clark Electric Distribution Corporation (Clark Electric), increased by 6% vs 2020, at 46,073 GWh. Meanwhile, consolidated customer count reached more than 7.4 million, or a 4% increase over the previous year for an additional 278,077 new accounts compared with 2020.

Residential customers grew the most at 4% to 6,838,755, accounting for 89% of the total. New residential customers totaled 263,743 households.

The number of Commercial customers went up by 3% to 555,463, accounting for 7% of the total. Industrial customer count slightly increased by 0.2% to 10,861, which is less than 1% of the total.

There were 5,002 flat streetlights, which made up less than 1% of the total.

Manila Electric Company (Meralco)

As the largest private sector electric distribution utility in the country, the franchise area of MERALCO is the seat of economic, political and social activity in the country

36 cities
75 municipalities

7.4M customers

- Roughly 25% of Phil population
- 50% of GDP
- 60% of manufacturing output

With **3%** of Philippine land area we account for **55%** of the country's electricity output

In our care:
6.8M households
565k businesses
and the National Capital Region

Meralco distribution energy sales volume increased to 45,515 GWh or 6% higher than the 43,067 GWh recorded in 2020 driven by sustained residential consumption, ramp-up in commercial volume amid more relaxed quarantine restrictions, and strong industrial rebound within the franchise area.

Residential sales accounted for 37%, while Commercial and Industrial sales accounted for 33% and 30%, respectively.

In spite of a decrease in consumption at the 2nd half of the year attributed to the increased mobility of vaccinated individuals, the Residential segment still registered a 3% increase in sales volume to 16,906 GWh in 2021 from 16,479 GWh in 2020 due to the continued work-from-home and remote learning set-ups.

Commercial sales volumes also went up by 3% to 14,950 GWh in 2021 from 14,490 GWh due to the ramp-up of vaccination activities and ease in restrictions, as well as higher foot traffic and relaxed rules for minors that drove demand in the retail, restaurants, public transport, and hospitality sectors.

The Industrial segment, meanwhile, returned to pre-pandemic levels, with a highest growth of 13% recorded. Industrial sales volumes in 2021 increased to 13,517 GWh from 11,958 GWh in 2020 due to the strong performance of the semiconductor industry amid high demand for microchips, electronic parts, and devices, as well as higher operational output in the Construction related (cement and steel), food and beverage, and plastics industries.

Operating Performance

As the country looked ahead to bounce back quickly from the pandemic, Meralco remained committed to continue delivering reliable, dependable, and consistent service to pave the way for a brighter tomorrow for all. Consistent with this goal, we intensified our reliability improvement programs including system and storm-hardening measures and system requirement electric capital projects to improve its system reliability performance further in 2021. This enabled Meralco to record all-time best performances for these metrics since the implementation of the Performance-Based Regulation (PBR) of the Energy Regulatory Commission (ERC).

The average number of sustained interruptions experienced by a customer in 2021, measured by the System Average Interruption Frequency Index (SAIFI), was reduced to 1.41 times, a 6% improvement of the performance in 2020.

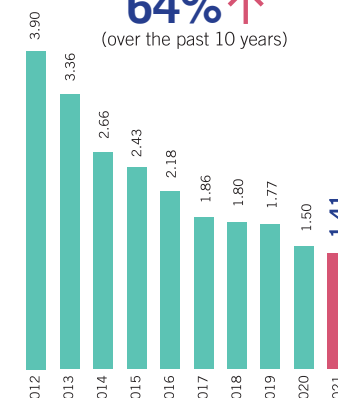
The System Average Interruption Duration Index (SAIDI), a metric which represents the average duration of power interruptions a customer experiences in a year, was at 138.77 minutes, a 15% improvement from SAIDI of 163.00 minutes in 2020.

These measures indicate that, on the average, Meralco customers had fewer and shorter service interruptions in 2021.

Over the past ten (10) years, SAIFI steadily improved by 64% while SAIDI improved by 66%.

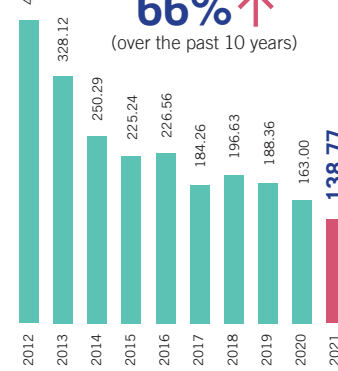
Total SAIFI Improvement

64% ↑
(over the past 10 years)



Total SAIDI Improvement

66% ↑
(over the past 10 years)



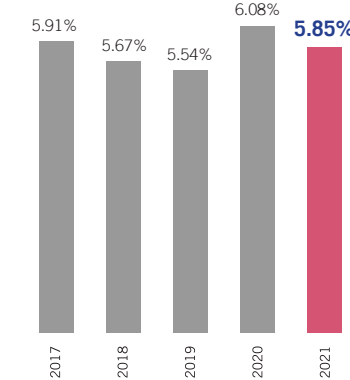
For the 14th consecutive year, Meralco outperformed the prescribed regulatory system loss cap.

In 2021, Meralco's system loss performance improved to 5.85%, a 0.23 percentage point improvement from the 6.08% system loss in 2020. This improvement was achieved through intensified execution of system loss reduction activities during the gradual easing of community quarantine restrictions and the increased share of energy consumption of the lower-loss-to-serve industrial and commercial customers as economic activities started to recover during the year.

The lower system loss rate compared with the 6.50% indicative regulatory system loss cap resulted in total customer savings of about PhP 3.5 billion or an average savings of PhP 0.08 per kilowatt-hour (kWh) in 2021.

To date, Meralco's system loss performance has resulted in a cumulative total savings of PhP 51.5 billion or an average savings of PhP 0.10 per kWh since 2008. This is on top of the cumulative return of PhP 9.57 billion worth of pilferage recoveries for customers.

System Loss (%)





PhP 27.5B CAPEX
3% HIGHER THAN 2020

Meralco completed 15 substation-related major Electric Capital Projects (ECPs) in 2021, including four (4) new substations.

Capital Expenditure (CAPEX)

Working with public and private stakeholders, we expanded our facilities to support government development plans, while enabling a more resilient distribution network capable of achieving higher levels of performance despite natural calamities.

In 2021, Meralco implemented a total of PhP 27.5 billion CAPEX in 2021, 3% higher than 2020.

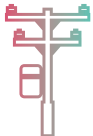
Meralco completed 15 substation-related major system requirement Electric Capital Projects (ECPs) in 2021, including four (4) new substations: MetPark, San Mateo, Binangonan, and Alagao Switching Station. Meralco also completed nine (9) capacity expansion projects for San Pablo, Pulilan, Light Industry and Science Park (LISP), Banawe, First Philippine Industrial Park (FPIP), Amadeo, Cainta, Silang and Cruz na Daan (CND) substations, and two (2) substation reliability improvement projects at Kamuning and Laguna International Industrial Park (LIIP) Substations.

In addition, Meralco replaced ageing power transformers at Tagaytay, Dolores, and Pamplona substations, completing the equipment replacement program.

The sub-transmission system was further strengthened with the uprating of Saog-Veinte Reales-Malinta 115 kV line.

These major ECPs were complemented by 87 other distribution line projects, mainly involving the upgrading and flexibility improvement of our primary distribution lines.

By the end of 2021, the total additional power transformer capacity was 1,144 MVA, while primary circuit



101 km
INCREASE IN PRIMARY
CIRCUIT LENGTH WITHIN
THE FRANCHISE AREA



1,144 MVA
ADDITIONAL POWER
TRANSFORMER CAPACITY

length increased by 101 kilometers within the Meralco franchise area.

Power Supply and Demand

Meralco's peak demand increased close to 3% from 7,614 MW in 2020 to 7,808 MW in 2021. The peak demand in Luzon also increased by 5% from 11,103 MW in 2020 to 11,640 MW in 2021. Both surpassed pre-pandemic peak levels of 7,740 MW and 11,344 MW in 2019, respectively.

Meanwhile, Meralco entered into two new Power Supply Agreements (PSAs) after the conduct of Competitive Selection Processes (CSPs), in accordance with the Department of Energy's (DOE's) CSP Policy.

First, in compliance with the Supreme Court's Decision in G.R. No. 22760 dated 3 May 2019, Meralco conducted a CSP for 70 MW (net) baseload capacity for contract period 26 January 2017 to 25 January 2037. The resulting Power Supply Agreement (PSA) was awarded in November 2021 to Panay Energy Development Corporation, which submitted the best bid among three bidders.

Meanwhile, following DOE's approval of the Terms of Reference to bid out 170 MW (net) of peaking supply for the summer of 2022, Meralco initiated a CSP on 23 December 2021. The resulting PSA is currently pending with the Energy Regulatory Commission (ERC).

Electricity Rates

	2020	2021
Average Rate	7.9584	8.2407
Generation**	4.3767	4.8154
Transmission	0.7865	0.7055
System Loss	0.3094	0.3144
Meralco*	1.5562	1.5778
FIT-Allowance	0.0556	(0.1386)
Taxes/ UC/ Subsidies	0.8740	0.8679

*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

The overall average retail electricity rate increased by 3.5% in 2021 to PhP 8.24 per kWh from PhP 7.96 per kWh in 2020.

The generation charge averaged PhP 4.82 per kWh in 2021 and remained the single largest component of the customer bill, accounting for 58% of the total. It increased 10% from its 2020 level due to higher WESM charges with the tighter supply conditions during summer months, increase in Malampaya natural gas and coal prices reflecting the movement of international fuel prices, use of liquid fuel as an alternative fuel source with reduced Malampaya gas supply starting March 2021, and the peso's depreciation.

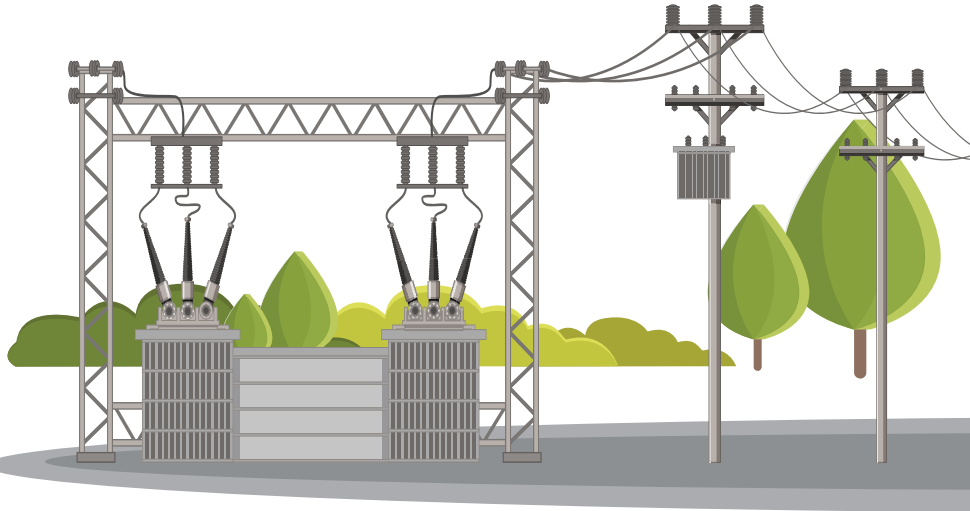
The impact of higher generation charges was partly offset by Meralco's implementation of the Distribution Rate True-Up (DRTU) beginning March 2021. The ERC provisionally approved Meralco's proposal to refund the difference between the actual distribution charge and the ERC-approved interim distribution rate from July 2015 to November 2020. The DRTU is equivalent to PhP 13.9 billion and appears as a separate line item in customers' bills.

As of year-end 2021, 41% of the total amount has been refunded and the implementation is expected to run until December 2022.

Clark Electric Distribution Corporation (Clark Electric)

The Clark Special Economic Zone (CSEZ), the site of the former U.S. Clark Air Base is served by Clark Electric. This was transformed into a premier economic zone comprising the Clark Freeport Zone (CFZ) and contiguous subzones. Clark Electric aspires and strives to transform 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.

In 2021, Clark Electric's energy sales volume grew by 10% to 558 GWh in 2021 from 505 GWh in 2020. Industrial sales volumes within the franchise area grew 22% amid the gradual resumption of business operations of locators. Distribution revenues were also up by 5% to PhP 527.3 million, thus, enabling Clark Electric to contribute PhP 156.7 million to Meralco's CCNI.



After the Meter Services

In keeping with Meralco's thrust to provide end-to-end energy solutions to customers, subsidiaries enhanced their products and solutions in 2021 to address the growing needs of customers. Renewed focus was given to energy efficiency, renewable energy and sustainable solutions that enable customers to save on operating costs while caring for the environment.

Meralco Energy, Inc. (MServ)

One of the largest Electrical, Mechanical, Fire Protection, and Plumbing (MEPF) contractors and energy service companies (ESCO) in the Philippines, MServ's revenues increased by 30% to PhP 1.5 billion in 2021. This is driven by a 57% increase in loadside construction revenue attributed to the geographical expansion of its Low Voltage business which covers key projects in Cebu.

"Spectrum helps you with Net Metering to make it seamless. I got everything I wanted with the least hassle possible."

**– Ilac Diaz
on Spectrum's
Solar Rooftop Solutions**

MSpectrum, Inc. (Spectrum)

Established in 2016 as part of Meralco's thrust to promote renewable energy solutions, Spectrum provides earth-friendly, affordable, and safe solar energy solutions. Spectrum aims to be a trusted solar provider of choice with a total installed capacity of 43 megawatt-hour (MW) across 343 solar projects nationwide. What started as business-to-business service has expanded to serving the solar needs of the general public and even the Philippine government. As one of the subsidiaries bearing the flag of Meralco's sustainability agenda, Spectrum strives to spread awareness and initiatives that will help guide the Filipino people towards a greener and cleaner future.

In 2021, Spectrum segmented their services into four categories: (1) Solar for Home for residential customers, (2) Solar for Business for commercial customers, (3) Microgrid for off-grid customers and Utility Scale EPC for large scale projects, and (4) Operations and Maintenance for existing renewable energy installations. Going forward, Spectrum will also explore other renewable energy sources and technologies such as battery energy storage systems.

Spectrum has partnered with a globally renowned supplier for microinverter technology, Enphase, to become its exclusive distributor in the Philippines.



eSakay, Inc. (eSakay)

Advancing the future of electric vehicles (EV) in the Philippines, eSakay offers and integrates a wide range of EV solutions (from electric cars, vans, buses, jeeps, and shuttles to micromobility units such as electric motorcycles and kick scooters) serving private and public institutions. eSakay's green mobility solutions likewise include the supply, operation, and maintenance of EV charging infrastructure. eSakay also continues to support the Department of Transportation's (DOTr) Public Utility Vehicle Modernization Program (PUVMP), which aims to promote

cleaner public transport options and provide stable livelihoods for thousands of public utility drivers and operators across the country.

In 2021, eSakay recorded PhP 99.0 million revenues a 128% increase versus the previous year, driven by growth in its electric vehicle and charging station deployments, complemented by operational efficiencies. eSakay was also instrumental in rolling out pioneering programs on electric mobility, such as the implementation of Meralco's Green Mobility Program and the first-of-its-kind Home Check Program for electric vehicle clients of Porsche Philippines.

In 2021, eSakay booked PhP 99.0 million revenues, a 128% increase versus the previous year.



Beyond Energy

Twenty twenty-one was a year of innovation for these subsidiaries, exhibited through transformation and ensuring relevance to the changing environment and changing customer landscape.



Meralco Industrial Engineering Services Corporation (MIESCOR)

A subsidiary of Meralco, Miescor operates Miescor Builders, Inc. (MBI) and Miescor Logistics, Inc. (MLI), specializing in providing design and engineering, procurement, and construction (EPC), and operations and maintenance services to its clients. With its unsurpassed experience and expertise, and manpower strength of over 9,000, it is now on its way to becoming one of the leading engineering and construction companies in the country – serving the biggest names in the power and telecommunications industry.

MIESCOR is PCAB AAAA certified for general engineering building, foundation work, structural steelwork, electrical work, mechanical work, and communication facilities, while its subsidiaries, MBI and MLI, are PCAB AAA, and PCAB AA certified respectively. MIESCOR also holds a triple ISO certification for Quality Management Systems, Environmental Systems, and Occupational Safety and Health.

While most sectors were badly hit by the pandemic last year, MIESCOR braved and defied the challenges as it moved towards success. In 2021, MIESCOR generated Php 5 billion worth of revenues driven by its multiple EPC grid interconnection projects, the boom of its telecommunications business segment, and the growth of its subsidiaries.

Radius Telecoms, Inc. (Radius)

Meralco's telecommunications arm, Radius, ventured beyond its core business of data, internet, and managed services to provide cloud-related services, Software-Defined Wide Area Network (SD-WAN) solutions, and Security as a Service (SECaaS), offerings that provide clients ease and flexibility in monitoring and offerings that provide vulnerabilities in their business operations.

Radius serves carrier, enterprise, residential, and MSME customers. Radius' RED Fiber ended 2021 with 17,442 subscribers in Metro Manila, Bulacan, Cavite, Laguna, Cebu and Clark in Pampanga.

In 2021, Radius continued its strategic business expansion by enhancing its focus on digital innovation and service offerings beyond its physical network footprint. It also launched its Optical Transport Network (OTN) that maximizes its current network capacity to support high-bandwidth requirements, especially with the emergence of hyperscalers (multinational companies that provide cloud, networking, and internet services at scale).

Radius booked Php 1.5 billion revenues in 2021, a 4% increase versus the previous year.

CIS Bayad Center, Inc. (Bayad)

As the pioneer and trusted brand in the outsourced payment collection service in the Philippines, Bayad aggregates a multitude of billers into a robust system that is now being used by over 100,000 physical touchpoints. Bayad is also used by leading digital and mobile platforms across the country.

In 2021, it aggressively expanded its biller network, collecting for over 500 biller brands from basic utilities such as electricity and water, cable and internet, to government contributions and loan

payments, school tuition fees, online shopping, insurance, and many others.

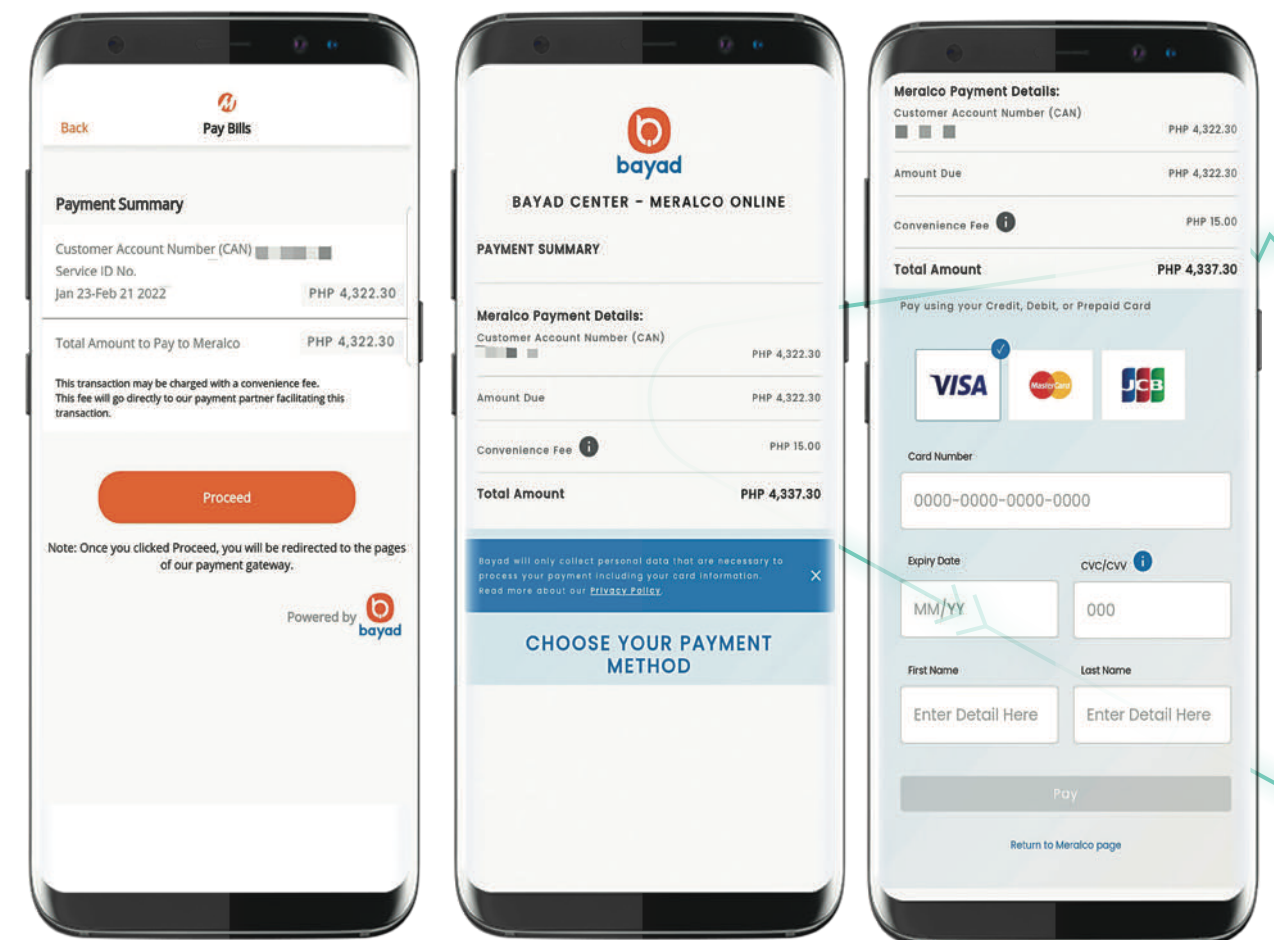
Bayad also onboarded over 1,200 franchisees and local partners, 29 new channel partners, over 100 million digital subscribers, and outsourced tellering and customer services to over 800 client sites nationwide through its subsidiary Customer Frontline Solutions, Inc.

Twenty twenty-one was a banner year for Bayad as it rebranded and introduced a "Bigger, Better, Younger" identity and image to the public, to resonate with the modern market of payors. It launched the Bayad App, which recorded over

120,000 downloads and booked Php 39.2 billion in bills payment transactions, and Bayad Online, a 24/7 web-based facility that recorded 42,206 registered users by the end of the year.

Bayad likewise introduced the Bayad Checkout, a premiere payment gateway solution that enables institutions and corporations to collect and accept payments online, reaching over Php 267.0 million in gross transaction value, a 45% increase versus 2020.

Through these efforts, Bayad ended the year with Php 1.9 billion in revenue, a 9% growth versus 2020.





Customers at the Core of what we do

The main challenge of 2021 was adapting to the customers' evolving needs while guiding them towards their journey to a sustainable recovery.

More than ever, as everyone grappled with the ongoing health crisis, we strived to deliver a higher level of customer experience through more and all channels and touchpoints. Employees, despite their own fears and personal challenges, were at the frontlines of our expanded access points, with expanded hours, and expanded roles.

Synergies. Partnerships. Collaborations. Customers and employees alike needed to be reassured that they were not alone.

Through proactive, transparent communications, responsive frontliners and updated processes, we witnessed a six (6) significant point improvement of our Customer Satisfaction Index (CSI). From our 7.54 CSI Score in 2020, we achieved 8.10 in 2021.

The recovery in CSI denotes an improvement in the Company's overall performance across its service attributes, namely service quality, rates, bill transparency, communication programs, complaints handling, meter reading and personnel.

Bill Relief and Service Continuity

Remaining cognizant of the challenges faced by the customers due to the pandemic, Meralco suspended disconnection activities in areas under ECQ, MECQ and granular lockdowns. Further, to ease the burden of customers, we offered Installment Payment Arrangements (IPAs) for those who are unable to pay in full. As of year-end 2021, we provided around 580,000 IPAs, amounting to roughly PhP 10.4 billion.

Aiming to reach our customers across all their preferred touchpoints, we implemented an agile, customer-focused digital infrastructure and continuous enhancements in our internal processes to make all transactions simple, fast and convenient.

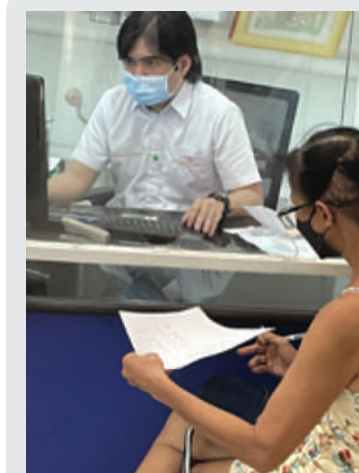
- For customers who preferred in-person interactions, Meralco Business Centers (BCs) remained open while adhering to the government's safety protocols. At the back end, we improved Contact Center Operations under our Customer Care Group via the optimization of a multi-channel workforce to sufficiently address customer concerns.

- We leveraged digital technology to enable additional customer touchpoints so that we can be accessible 24/7* through whatever channel the customer preferred.

- We improved the automated self-service channel (chatbot) of our Facebook Messenger, enabling it to handle 8,000 transactions per hour.

- To keep our customers safe, we encouraged them to book an appointment via the Meralco website before going to the BC. Through this facility, we also offered the option to schedule a video call with a Meralco representative so they can consult from the comfort of their homes. We maintained the Virtual Customer Assistant (VCA) at select Bayad Center branches that allowed customers to speak with a Meralco representative through a video call facility for customers who have limited data access.

* business centers implemented extended business hours as needed



“Malaking tulong sa amin ang no disconnection policy ng Meralco dahil mula po ng magpandemya at nawalan ako ng trabaho at sa ngayon po ay nagtatahi lang ako ng basahan.”

“The no disconnection policy of Meralco is a big help to us especially since I lost my job during the pandemic and I am currently sewing rugs for a living.”

– Czarina Perez, Customer

“Meralco’s billing statement redesign is beautiful and a long time coming!”

– Cristina Del Rosario,
Customer

“The improvements Meralco has introduced in the new bill design will be very helpful to us.”

– Arminius Madridejos,
Vice President, Empire East
Land Holdings, Inc.

Bill Revamp

Aiming to address customer concerns related to billing and payment, Meralco deployed a new format for the electricity bill in October 2021. The new bill design, which primarily aims to help customers better understand their consumption, features an upsized page for improved readability, a more prominent presentment of payment and account details, an expanded 24-month consumption chart, a daily and monthly average consumption tracker, as well as detailed payment history containing information on what is left unpaid, list of payment transactions and payment channels used. Colors have likewise been improved for better readability and a more objective reception of the bill details.

The new bill also includes a sustainability section which provides customers with information on the equivalent greenhouse gas (GHG) emissions of their electricity consumption for the month and the equivalent number of trees needed to be planted to offset the GHG emissions. With this data, customers are empowered to determine ways on how to minimize the impact of their electricity use on the environment.

Customer Centricity Transformation Program

In support of the Customer Centricity Transformation Program launched in 2020, we implemented four (4) key initiatives in 2021 to further improve customer experience at every touchpoint.

First, to address the payment experience, we shifted to a 10-digit Customer Account Number (CAN) as the single reference number when paying for the Meralco bill. Previously, payment reference numbers were changed for every bill. There were previously two (2) different reference numbers per bill, the use of which was dependent on the mode of payment and the payment partner. These numbers

were eliminated in lieu of the CAN. With CAN, the reference number is shorter, easy to remember, and does not change each month, thereby, eliminating the payment reference number-related inquiries of customers which used to average about 23,000 monthly.

Second, to assure customers that their payments are immediately posted and to give them more convenient and less costly means to pay their bills, we also started the transition to real-time posting for all payments made through our authorized payment channels. Previously, only payments made through Meralco properties were reflected immediately. Our payment aggregator, Bayad, negotiated with payment partners to instantly reflect payments made through Bayad App, Bayad collection sites within the franchise area, and select Bayad partners and banks.

To date, we have processed three million payment transactions in real-time. In 2022, we target to extend this initiative to all remaining banks and collection partners.

Supplementing our improvements for payment, our third initiative was the roll out of the Real Time Validation before Disconnection App (RTVA) which allows disconnection personnel to check a customer’s disconnection status on demand and even while they are in the field. While in pilot deployment a year ago, the RTVA has prevented more than 10,000 cases of *salisi*, ensuring service continuity for customers.

Fourth, to help ensure timeliness and accuracy of our meter reading process, we deployed the Meter Reading Application. With this app, Meralco’s General Power meter readers can now calculate the best routes between their locations and the meters to be serviced, optimizing their travel times. The App also provides them with notifications for them to gauge whether the readings are too low or too high to help ensure accuracy, and also prompts them to take a photo of the meter as proof of the reading to avoid repeat visits to customers’ sites.

The New and Improved Meralco Bill

that will help you manage your consumption better

From 8"x8", the new bill is now 8"x11" to make it more readable. It's also packed with more information to help you become more energy-efficient.

See the Important Information First
All important payment details are now in bigger, bolder text size, and all found in one section in sky-blue.

View Bill Summary
Here's an overview of your energy consumption, which is the basis of your total bill charges.

Track and Manage Your Consumption Better
The graph now covers up to twenty-four (24) months so you can easily compare your present and past consumption to help you budget expenses. Your typical consumption information includes your average monthly and daily consumption in kWh, and your daily consumption in pesos.

Help Preserve the Environment
You can find your electricity consumption's equivalent greenhouse gas (GHG) emissions and take action to be more energy-efficient.

Pay with Ease
Simply scan your QR code or barcode to input your 10-digit CAN when paying via authorized payment channels.

Stay Updated with Your Payments
Don't worry if you can't find your previous bills. Each new bill will have a detailed record of your last six (6) transactions and if you still have unpaid bills.

Know How Your Bill Was Computed
This is the detailed breakdown of how your bill was computed, as also seen in your previous Meralco bill format.

What you've paid
Shows recent payments already applied to this service excluding any overpayment.

What remains unpaid
Shows recent payments already applied to this service excluding any overpayment.

How your bill was computed
This is the detailed breakdown of how your bill was computed, as also seen in your previous Meralco bill format.

Bill Reference No.: 1234567890123
Local Application No.: 123456789
Billing Period: 07 Sep 2021 to 06 Oct 2021
Print Seq.: 12345
Page 2 of 2

Customer Account No. (CAN): 1234567890
Due Date: 17 Oct 2021

Please Pay
₱ 3,364.86

Bill Computation Summary
Remaining Balance from previous bill: 1,646.48
Charges for this billing period: 1,718.38
Total Amount Due: ₱ 3,364.86

Bill Concerns?
Connect with us through our 24/7 channels:
fb.com/meralco
@meralco
Hotline 16211
customercare@meralco.com.ph

Payment Instruction
Please pay at any Meralco Business Center or through any authorized payment partner before the due date.
Payment made after 06 Oct 2021 will be reflected on your next bill.
BIR Permit No.: 0305116-0036-BARAR dated March 21, 2005

What you've paid
Shows recent payments already applied to this service excluding any overpayment.

What remains unpaid
Shows recent payments already applied to this service excluding any overpayment.

How your bill was computed
This is the detailed breakdown of how your bill was computed, as also seen in your previous Meralco bill format.

Rate Components
Base Price Amount
Government Taxes 9.84% 168.05
Value Added Tax 102.48
Generation Charge 0.00
Power Act Reduction 0.00
Prev. Mos. Adj. on Gen Cost 0.00
ACRM Recovery 0.00
ICPRA Refund 0.00
Transmission Charge 149.72 10.2800% 15.39
System Loss Charge 81.34 11.1400% 9.06
Distribution Charge 335.99 12.0000% 40.32
Subsidies on Other Charges 13.36 12.0000% 1.60
Universal Charges 2.31% 39.78
Missionary 31.22
Environmental Fund 0.00
NIP Stranded Contract Cost 0.00
NIP Stranded Debts 8.56
UD Stranded Contract Cost 0.00
Equalization of Taxes and Royalties 0.00
FIT-ALL (Renewable) 1.14% 19.66
Energy Bill Amount 19.66
Base VAT 1,489.89 169.05
VAT Zero Rated 59.44
Total Energy Amount 1,718.38
Applied Credits 0.00
Charges for this billing period ₱ 1,718.38

More information means #MorePowerToYou
To learn more:
www.meralco.com.ph /meralco @meralco customercare@meralco.com.ph 16211

Through this partnership, we enabled onboarding of additional online payment partners which provided customers an array of choices with lower fees like SquidPay, Home Credit, among others.

Meralco Online

With a vision to become a virtual self-service business center, Meralco Online focused on minimizing frictions for billing and payments and enabling other self-service options.

With Bayad as our Payment Aggregator, payments made through Meralco Online were posted in real time.

We negotiated a 68% reduction in payment convenience fees charged by third party payment partners from PhP 47 to PhP 15 for Visa or Mastercard, and we enabled payment via PayMaya e-wallet to provide an even lower convenience fee option at PhP 7 per transaction.

To further encourage self-service, Meralco's Facebook Messenger was made accessible via Meralco Online by August 2021. Customers could also

request for an appointment to visit any business center or video call with a Meralco representative via Meralco Online.

Through these initiatives, Meralco Online ended the year with 2.4 million accounts. Among its notable functionalities, Bills Viewing noted 4.1 million unique views. Payment soared to 2.3 million payment transactions amounting to PhP 11.2 billion. Requests for Paperless Billing were received for 64,030 accounts while those for Service Application rose to 121,950.

Power Up Live Webinars

The Power Up Live (PUL) Webinars, held in partnership with various trade and business organizations, were salient in engaging Meralco's commercial and industrial customers. Primarily geared to keep the customers abreast about the developments in the energy industry, the PUL webinars also served as a venue to discuss relevant Meralco services and solutions to re-ignite partnerships between Meralco and to ensure business continuity in the new normal.

The PUL Webinars discussed topics which include the Green Energy Options Program (GEOP), Energy Efficiency and Conservation Law, Retail Competition and Open Access (RCOA), Interruptible Load Program (ILP), power quality and power supply forecasts, renewable energy, energy efficiency programs and because of the pandemic, indoor air quality solutions.

We held 22 webinars for business customers, reaching over 2,800 owners and decision makers. There were also five (5) webinars with the local government aimed at building and sustaining fruitful relationships to improve the lives of customers and contribute to the growth of communities we serve.

Website and Social Media

The Meralco website played a critical role as the credible source of information about Meralco, in the midst of the fake news that proliferated the digital realm in 2021. We kept the website updated close to real time with advisories and Frequently Asked Questions (FAQs). The number of visitors to the site increased 4x in 2021 versus pre-pandemic 2019, a testament to its growing importance given the changing times.

Social Media was front and center in ensuring that customers were updated on the latest advisories. In 2021, Meralco's Facebook page grew by 17% to 1.6 million followers from 1.4 million the prior year. Our Twitter account retained follower count at 2.1 million, while Instagram and LinkedIn also grew by 19% and 25% respectively.

With posts on Facebook and Twitter used to address customer queries on billing, payments and operations, sentiment was at net positive at 2%.

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 2021. Meralco was consistently the only socially-devoted Filipino company in the Top 10 of the Industrial category for most of 2021.


1.6M

MERALCO'S FACEBOOK FOLLOWERS GREW BY 17% FROM 1.4M

We maintained Facebook as the primary content and conversation center in 2021, evidenced by the cumulative reach of Meralco's Facebook posts, totaling 72 million. Posts regarding operational announcements had an average organic reach of 942K users, over 67x higher than the Facebook default organic reach at 14K, reflecting customer's need for information and our posts' relevance to our followers.

Our Instagram account, now close to 20K followers is where we highlight initiatives on sustainability, advise customers on energy efficiency, new gadgets and appliance technologies plus cost to operate through Bright Ideas, Orange Tag and the App Cal found in the Meralco Mobile app. Through warmer and more relatable posts targeted towards a younger audience vs that of Facebook, Meralco's Instagram aims to communicate Meralco's advocacies.

More than just a channel for talent recruitment, Meralco's LinkedIn is used to communicate with the business community, featuring business to business (B2B) solutions that promote safety and business continuity.


2.1M
MERALCO TWITTER ACCOUNT FOLLOWERS RETAINED



Lahat ng natipid namin dahil sa Meralco Peak/Off-Peak Solution ay ginamit sa pagpapalago ng negosyo."

"The savings we garnered from the Meralco Peak/Off-Peak Solution were used to expand our business."

– Sonny Sebastian,
CEO Farmrich Foods
Meat Processing and
Poultry Dressing Plant
Corporation

Energizing Infrastructure that Powers the Nation

Continued Energization of Vital COVID-19 Facilities

To support the government in providing an urgent and adequate response in mitigation of the impact of the pandemic, we continue to provide reliable electricity to all vital COVID-19 facilities.

In 2021, Meralco energized an additional 60 vital COVID-19 facilities including hospitals, testing laboratories, quarantine and vaccination centers

and storage facilities as we continued to support the government-initiated booster inoculation activities. Since the start of the pandemic, more than 160 vital facilities have been energized, strengthening the country's response to the crisis.

Among the energized vital facilities were vaccine cold storage sites such as Metroasia Warehouse and Logistics, Inc. in Taguig City, Pharmaserv Express, Inc. in Markina City, and Royal Cargo, Inc. in Parañaque City. Meralco also energized the mega vaccination site in Nayong Pilipino in Parañaque City which served daily at least 15,000 persons from Metro Manila and nearby provinces.

Further, Meralco also established a task force that ensured reliable service delivery to vaccine cold storage and vaccination centers. The task force

proactively mapped out these facilities, inspected existing sub-transmission and distribution installations, and developed contingency plans for the identified circuits to allow swifter outage response and restoration.

Spurring National Recovery through BBB and PPP

To support the government's priority Build! Build! Build! (BBB) and Public-Private Partnership (PPP) projects, Meralco relocated or cleared its electric lines to ensure efficient energization whenever and wherever it was needed.

Notable projects in 2021 include the relocation of 1,483 poles to clear the way for the construction of Philippine National Railways (PNR) North 1, C5 Southlink, North Luzon Expressway (NLEX)-South Luzon Expressway (SLEX) Connector Road, Manila Metro Rail Transit (MRT)-7, Light Rail Transit (LRT)-1 Extension, Skyway Stage 2 Extension, Bonifacio Global City (BGC)-Ortigas Link, Common Station and Metro Manila Subway Project (MMSP).

In addition, a total of 2,014 poles were relocated for the road-widening projects of the Department of Public Works and Highways (DPWH) and various local government units (LGU).

Meralco Electrification Program

In our continued drive towards providing energy for all, we energized households through our Meralco Electrification Program (MEP). We installed 234 kilometers of distribution lines on 5,838 poles, and 551 distribution transformers with total capacity of 19,375 kVA to energize a total of 240 sites benefiting 13,083 households.



Through these efforts, we powered 100% of priority sites under Meralco Electrification Program (MEP) by year-end 2021.

Super Typhoon Odette Restoration

When Super Typhoon Odette (International Codename "Rai") hit the country in December, we extended full assistance to communities beyond our franchise area by swiftly deploying a cumulative total of 154-strong contingent across the provinces of Cebu, Bohol, and Surigao del Norte.

To restore electricity in the cities and municipalities of Cebu, 86 Meralco linemen, engineers, and contractors with 21 vehicles assisted Visayan Electric Company (VECO) and Mactan Electric Company (MECO).

Among the energized facilities by the Meralco team included SM Seaside City Cebu, Philippine Air Force Mactan Airbase, and Camp Lapu-Lapu.

A separate contingent consisting of 58 personnel and 13 vehicles aided Bohol Light Company, Inc. (BLCI) and Bohol II Electric Cooperative (BOHECO II) in Tagbilaran City, and the municipalities of San Isidro, Ubay, and Bien Unido in the province of Bohol. The group installed and corrected leaning poles and downed wires in line with the repair of damaged feeders of Dampas, San Isidro, Imelda, Trinidad, and Mahayag substations.

The restoration efforts continued in Surigao del Norte province. Some 47 personnel and 11 vehicles assisted Surigao del Norte Electric Cooperative (SURNECO) and Siargao Electric Cooperative (SIARELCO) in the municipalities of Tubod, Placer, Sta. Monica and Burgos until February 11, 2022.

WE POWERED
100%
OF THE HOUSEHOLD
SITES IDENTIFIED BY THE
DEPARTMENT OF ENERGY
(DOE) BY YEAREND 2021.



Accelerating Digital Transformation



4D'S STRATEGIC PILLARS

DIGITAL INNOVATION TRANSFORM

- Digital Customer**
 - Customer Touchpoints
 - Customer Operations
 - Digital Customer Platforms
- Digital Grid**
 - Network Operations Transformation
 - Smart Grid
 - Digital Grid Platforms
- Digital Enterprise**
 - Process Automation and Digitalization
 - Access, Connectivity, Communications & Collaboration
 - Digital Enterprise Platform

DATA DRIVEN GROW

- Digital Services**
 - Operational insights from analytic models, Executive Dashboards
- Enterprise Data Management**
 - Data community, Data governance, Data management as competency
- Data Management Platforms**
 - Meralco Data Platform, modernized data and analytics platform and tools

DELIVERY RELIABILITY RUN

- Holistic Visibility and Monitoring**
 - Expand visibility and monitoring over all systems
- Telecoms Infra Fortification**
 - Improve coverage and resiliency of critical network
- ICT Governance, Asset, and Risk Management**
 - Strategic asset replacement, Compliance, mitigate risks, maintain security and privacy

DYNAMIC WORKFORCE LEAD

- Agile DevOps**
 - Enable development with speed and innovation
- Streamlined Third Party Partnerships**
 - Streamlined Managed services Model, Partnerships with academe
- Meralco Citizen IT**
 - Build Centers of Excellence (COE) and Communities of Practice (COP)

SYNERGY

We supplemented our initiatives for the customers with improvements in our digital infrastructure geared towards providing a simple, fast, and convenient customer experience; while ensuring efficiency in our back-end operations to aid our employees.

The ongoing pandemic has shown us that key to business survival is the ability to immediately pivot to digitalization, at scale. Thus, we supplemented our initiatives for the customers with improvements in our digital infrastructure geared towards providing a simple, fast, and convenient customer experience; while ensuring efficiency in our back-end operations to aid our employees.

The role of technology has always been an invisible enabler of One Meralco to soar high and achieve goals. Through our synergies within the Meralco group, we were able to implement transformations with speed and agility.

Distribution Automation Communications

The expansion of our distribution automation (DA) coverage continued to be a priority. DA enables utilities

such as Meralco to remotely monitor, coordinate and operate distribution components in a real-time mode from remote locations. A total of 325 remote radios and 78 base stations were installed to support the remote control of Networks' field devices for faster isolation and restoration of faults.

Digital Adoption

We continue to power collaboration of Meralco employees through the use of digital tools and platforms. As employees navigated through the new normal in 2021, we were able to maintain very high digital adoption rates for tools such as MS Teams app (90%) and MS Office 365 platform (92%).

Robotic Process Automation

One of our key programs in 2021 was the implementation of Robotic Process Automation (RPA) through synergies with different offices across Meralco. RPA automates manual, tedious, and repetitive tasks to help augment our workforce, and allow our people to focus on more value-adding tasks. Below are some of the RPAs rolled out in 2021 along with the benefit:

- 1** The billing exception **RPA assisted** in the faster resolution of an **additional 100,000** cases per month equivalent to the workload of approximately 10 full-time equivalents (FTEs)
- 2** The No Abnormalities Found During Inspection (NAFDI) **RPA helped reduce the processing time of work orders from more than three months** using manual encoding to only 10 days with the aid of RPA.
- 3** **Reconciling 5,000 to 10,000 finance transactions a day which usually took half a day to resolve,** is completed using the finance reconciliation RPA in a few minutes.
- 4** Other RPAs rolled out supporting meter lab test, field order generation, meter reading and assignment, **the Company was able to achieve savings in manpower cost,** improve ERC compliance and customer feedback.



reduce unplanned downtime of critical ICT systems, increase productivity of employees and improve service delivery to our customers.

As the pandemic pushed millions of our customers to rely on digital touchpoints, the OPTIC allowed Meralco to improve resiliency and service reliability by providing real-time application, IT network and communication link outage alerts and notifications to our support teams to immediately restore these services.

Through OPTIC, Meralco garnered visibility and awareness on events that affect customer-facing services. Equipped with features such as early notifications of possible failure in payment channels and prepaid electricity (KLoad) services, the OPTIC provided Meralco with the capability to track failure rates of all transactions and respond accordingly.

Manned by highly skilled ICT engineers, the OPTIC also provided a centralized monitoring that allows faster event detection and restoration of technology services. The underlying platform is powered by Artificial Intelligence(AI) that analyzes all systems logs providing critical actionable insights including predictive and proactive maintenance.

Aside from its smart features, Meralco's OPTIC is secure, safe, and sustainable. The command center is operational 24/7 and boasts of a state-of-the-art industrial grade and energy-efficient LED display wall, a smart and audible alarm system for alerts and incidents. It is also equipped with a 360-video conferencing system to coordinate activities during major incidents and emergency response scenarios. Moreover, OPTIC combines a physical security system and CCTV monitoring using computer-vision AI to ensure that only authorized personnel can enter the premises and to check compliance with health and safety protocols.

Data Management

As of 2021, we have successfully trained and enabled the data community through the data stewards, data analysts, and data users across the company. In a parallel track, the Meralco Data Platform (MDP) - our unified business intelligence and analytics platform - went live.

MDP aims to streamline collection, storage, processing and presentation of data to deliver reports, dashboards and analytics to extract insights for business decision-making. Below are some of the benefits of this milestone in our data-driven strategy:

1. Faster processing and loading of data for Service Application (SA) Sales Pipeline Dashboard allowed for faster action on pending applications and timely energization
2. Faster identification of distribution transformers (DT) needing rehabilitation, 52% improvement in SAIFI and prevention of outages to almost 200,000 customers through the implementation of a more effective predictive analysis for overloaded DTs

3. Other machine learning models to analyze Load Profile Data Anomaly, Solar Panel Detection, and Unsupervised Customer Segmentation were also enabled and enhanced in 2021
4. By continuously innovating our data technologies such as natural language processing (NLP), MDP is enabling more types of users to access more types of data – from energy source, customer, sales, products, distribution services, supply chain, human capital and more

Information, Communication and Technology (ICT) Command And Control Center

To further ensure the reliability of ICT infrastructure and services, Operations Platform and Telecommunications Integrated Command Center (OPTIC) was launched in early 2021. The first of its kind among electricity distribution utilities in the country, OPTIC is a state-of-the-art facility that aims to



KALINGA

More life
to sustain the Filipino

In a year of healing and recovery, Meralco provided life-giving energy to its customers and communities, while caring deeply for people and planet.

Sa gitna ng ating paghilom at pagbangon, ang Meralco ay nagbigay-liwanag at buhay sa tanang pinaglilingkuran, at lubos na kumalinga sa kapwa't kalikasan.

We are committed to heightening our sustainability aspirations while meeting the needs of our recovering nation.



Scaling Our Impact Across the 4Ps

Our sustainability agenda—focused on Power, Planet, People, and Prosperity—serves as our blueprint in developing strategies and programs to fulfill our mission of providing our customers with the best-value energy solutions—reliably, affordably, superbly, and sustainably.

POWER

Energy is vital and indispensable to a recovering economy.

In 2021, Meralco successfully and safely serviced more than 7.4 million connections in our franchise area. While we sustained our support for residential customers who continued to work or study from home, we also ensured the stable flow of electricity to major commercial districts and industrial centers that drove the country's economic rebound.

In our continued drive towards providing energy for all, our Meralco Electrification Program (MEP) energized an additional 240 sites in 2021 benefitting 13,083 households. By year end 2021, we powered 100% of the priority sites under MEP, ensuring remote and low-income communities on the fringes are not left out and receive the gift of light in their homes. Last year, we commissioned a microgrid facility that will energize over 600 households and 11 business establishments in far-flung Cagbalete, Quezon.

The year 2021 also saw us set in motion our important shift to clean power. We have begun our low-carbon transition to serve the Philippines' growing energy demand with greener power, as we invest more heavily in renewable energy (RE).

From a contracting standpoint, we look to secure 1,500 MW of renewable energy supply agreements in the next five years, in line with the requirements of the DOE's Renewable Portfolio Standards. To date, we have contracted 320 MW in RE Power Supply Agreements—100 MW for our captive distribution utility customers and the balance for our contestable customers. We are in the process of securing 300 MW and 552 MW more to address the requirements of our captive and contestable customer bases, respectively.

On the generation front, we will accelerate our shift by building 1,500 MW in attributable clean energy projects across multiple technologies such as solar and wind through 2027. We have thus invested in 238 MW in RE projects—the first 33 MW of which is already channeled to our DU customers, while the balance of 205 MW is currently being built to serve our contestable customers in the coming years.



PLANET

We help safeguard and heal Mother Earth through innovation.

In 2021, we accelerated our drive to electrify our vehicle fleet. Through our Green Mobility Program, we began rolling out 128 electric vehicles including cars, vans, pickup trucks, and motorcycles to cater to the transportation needs of our business centers (BCs) and sector offices. Upon completion, this deployment will lead to the full electrification of vehicles serving our BCs in Metro Manila. This milestone keeps us on pace to electrify 25% of our fleet by 2030.

Another core undertaking is our Resource Conservation and Efficiency Program, through which we implemented key energy efficiency measures starting with the Meralco Center in Pasig City. In particular, we

converted over 500 conventional air-conditioning units to energy efficient inverter ones and over 32,000 lighting fixtures to LEDs, contributing to a 15% decrease in the Meralco Center's total energy consumption last year. Moreover, in 2021, we began the solarization of our main offices—the Lopez and Technical Services Buildings—as well as three of our BCs.

Finally, we ramped up our waste management efforts through our Race to Zero Waste Program. We continued to increase the amount of our waste diverted from landfills and oceans—from 17% in 2019 to 55% in 2020, and last year, to a record high 85%. We achieved this by completing a company-wide waste analysis and characterization study and by deploying standardized waste bins and monitoring tools across all our Sector Offices.



As we more firmly anchor our business on social and environmental responsibility, we empower stakeholders within our ecosystem to advance their own sustainability agendas. Last year, we unveiled the Meralco Supplier Sustainability Scorecard (MS³), a collection of key metrics that serves as one of the bases of our vendors' continuing business relationships with Meralco. This scorecard covers 14 of the 17 SDGs and defines 131 sustainability criteria based on the GRI Standards. In 2021, MS³ was rolled out to 163 suppliers who collectively constitute 87% of Meralco's spend. We continue to engage with our partners to achieve a truly sustainable supply chain.

We also partnered with like-minded organizations in developing social responsibility programs targeted towards uplifting underserved and marginalized communities. Among such efforts was One Meralco Foundation's (OMF's) collaboration with One Million Lights Philippines and our own Meralco Employees Fund for Charity, Inc. (MEFCI). Through this initiative, we distributed free solar lights in three barangays in El Nido, Palawan—providing nearly 600 beneficiary families with a cleaner, more environment-friendly, and safer alternative to generator sets, kerosene lamps, and other fuel-based light sources.

Finally, through the One for Trees (OFT) Program, we continued to help revive and rehabilitate forests and watersheds. In 2021 alone, over 130,000 new trees were planted and a nursery of over 240,000 seedlings was established with our host communities and organizations. Beyond reforestation, OFT also provided a steady stream of income and dependable livelihood for our partner communities through agroforestry.

PEOPLE

We continue to care deeply for our co-workers—the women and men of Meralco.

In 2021, as part of the MVP Group Vaccination and Immunization Program, we inoculated close to 100% Meralco group employees and their family members, helping move the country a step closer towards herd immunity. Our vaccination efforts were conducted onsite in our Meralco Center where, inspired by our value of malasakit, over 162 employees came together and volunteered time, effort, and expertise to serve others, even those from outside the Meralco community.

We also launched our #Mbrace Program to advance gender diversity and inclusion in our organization and put in place a number of important initiatives such as our Yes, You Can!

women coaching and mentoring program. Likewise, in partnership with the academe, we laid the groundwork for programs that help build our pipeline of skilled female electrical technicians. By the end of the year, women made up 22% of the Meralco Distribution Utility (DU) workforce, twice the global energy sector average.

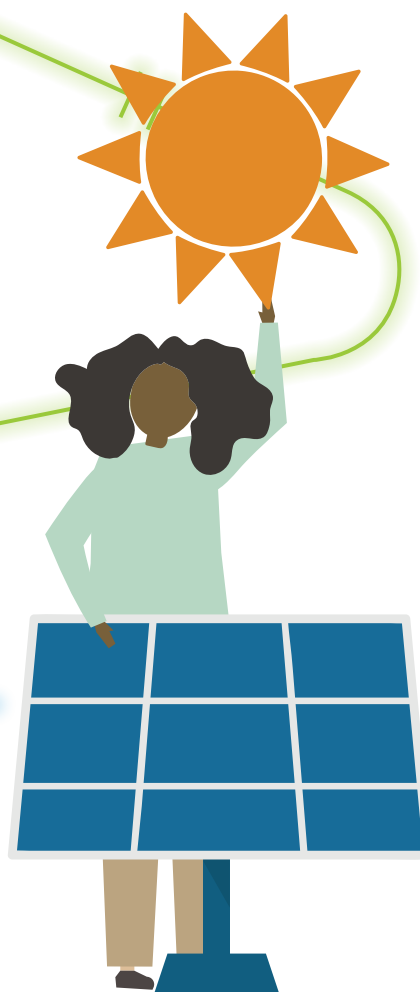
Moreover, we helped take care of our people's holistic well-being through our Mental Wellness Program. Aside from providing our employees access to in-house counselors, we also implemented mindful work and meeting guidelines to encourage and sustain mental soundness and productivity.

PROSPERITY

We power better lives as we engage and enable our constituents and communities.



*Ultimately,
we aspire and
will drive to
be coal-free
by 2050.*



Elevating Our Commitment to Climate Action

Beyond ingraining sustainability today, we are also keenly focused on the future. As the world responds to the climate crisis with increasing urgency, we welcome the opportunity to step up our sustainability agenda and ambitions. While world leaders upped their pledges and targets on climate change mitigation and adaptation at the 26th United Nations Climate Change Conference (COP26) in Glasgow, United Kingdom, we in

One Meralco also crafted our own long-term sustainability strategy. This strategy is underpinned by our just, orderly, and affordable transition to clean energy, beginning today and spanning three decades. Ultimately, we aspire and will drive to be coal-free by 2050.

Horizon 1, covering 2021 to 2030, marks the beginning of our low-carbon transition to serve the Philippines' growing energy demand with greener power as we invest heavily in renewable energy.

Horizon 2, spanning 2031 through 2040, will see the acceleration of our green energy shift through the assessment and adoption of next-generation clean technologies, such as battery energy storage systems, offshore wind, and small modular reactors.

Finally, in Horizon 3, stretching from 2041 to 2050, we will drive deep decarbonization through various levers such as carbon capture, utilization, and storage as well as greater carbon offset measures.

Running in parallel to these emission reduction efforts is our social commitment to promote the well-being of communities with electricity as an enabler across five social impact areas.

We see immense value in harnessing the collective strength of key stakeholders as we move our sustainability agenda from ambition to action. At the crux of our sustainability journey is our transition to clean energy, which is confronted with economic, regulatory, and technological challenges inherent in the Philippine power sector. In response, we have established strong governance structures to guide and enable us in the execution of our strategy.

Institutionalizing Sustainability

2021 saw Meralco's top leadership integrating sustainability in Board-level decision-making through the creation of our Sustainability Committee. This body oversees the Meralco Group's overall sustainability strategies, policies, programs, and investments, ensuring that these align with the SDGs and our mission to power the good life for our stakeholders.

In parallel to the formation of the Board-level Sustainability Committee, in August 2021, Meralco's senior management delegated 24 Sustainability Champions who are tasked to cascade and enable sustainability across the Company's business units and subsidiaries.

We believe that sustainability transformation requires strong synergy. The Sustainability Committee leads the charge at the Board level, while the Sustainability Champions, guided by the Sustainability Office, echo the Committee's direction and ensure its implementation down the line. These governance bodies are some of the main levers that move our sustainability agenda from aspiration to concrete action.



OUR CORPORATE SOCIAL RESPONSIBILITY

MALASAKIT

More hope to empower
communities

One Meralco Foundation (OMF) focused on helping marginalized communities adapt to the ongoing pandemic and remain productive through various community electrification programs and other sustainable development initiatives.

*Sa pamamagitan ng pagpapailaw
at iba pang mga programa,
tumugon ang OMF
sa pangangailangan
ng mga komunidad sa laylayan
at tumulong upang sila
ay maging mas produktibo at maunlad
sa gitna ng pandemya*



Our Corporate Social Responsibility



90,000

TREES PLANTED IN THE LAST TWO YEARS AT THE GREENEARTH HERITAGE FOUNDATION IN BULACAN

In 2021, Meralco's corporate social responsibility initiatives executed through our One Meralco Foundation (OMF) focused on providing electricity access to unenergized families, off-grid schools, livelihood centers, and communities affected by calamities. We also continued to support frontline institutions directly addressing the COVID-19 pandemic and marginalized communities severely affected by its social and economic impacts.

Driven by our corporate value of "*malasakit*" (compassion), Meralco not only provided excellent service and reliable power to our customers, but also implemented social development programs that resulted in a meaningful impact on people, prosperity, and the planet.

Through the household electrification advocacy, the company assisted 7,509 low-income families in its franchise area to obtain access to the distribution grid. The 11-year-old advocacy brings together the company's business centers and network sectors, the local government, the beneficiaries, and its corporate foundation to collectively resolve technical, legal, and financial hurdles making electrification challenging in far-flung villages, as well as in informal settlements and relocation sites.

Outside the grid, Meralco bridges the technology gap in remote, far-flung schools through the school electrification advocacy program. It makes electricity available in remote public schools through solar photovoltaic (PV) technology. Sixteen (16) schools in Eastern Samar, Negros Oriental, Bohol, and South Cotabato benefited from the program during the year.

Anchored on our sustainability strategy, we expanded OMF's electrification program to include community livelihood. In South Cotabato, 36 T'boli women weavers benefited from the donation of solar home lighting kits, replacing gas lamps and candles as their light source as they weave their *t'nalak* (traditional T'boli fabric) during the night and early morning, which are the ideal times when the abaca fiber is less brittle. Similarly, in Lamitan, Basilan, a 1.2-kilowatt solar photovoltaic system was installed at a community livelihood center where Yakan indigenous women showcase and market their traditional, hand-woven fabric, and pass on this knowledge to younger generations.

In partnership with One Million Lights Philippines, OMF distributed 600 solar headlamps to fishermen in 12 coastal villages in El Nido, Palawan. A follow-up initiative called "Light Up, Pilipinas" was launched in December. We raised PhP 1.83 million from Meralco employees and customers to provide solar lamps to indigenous communities, mobile vendors, fishermen, and forest rangers across the country in 2022.

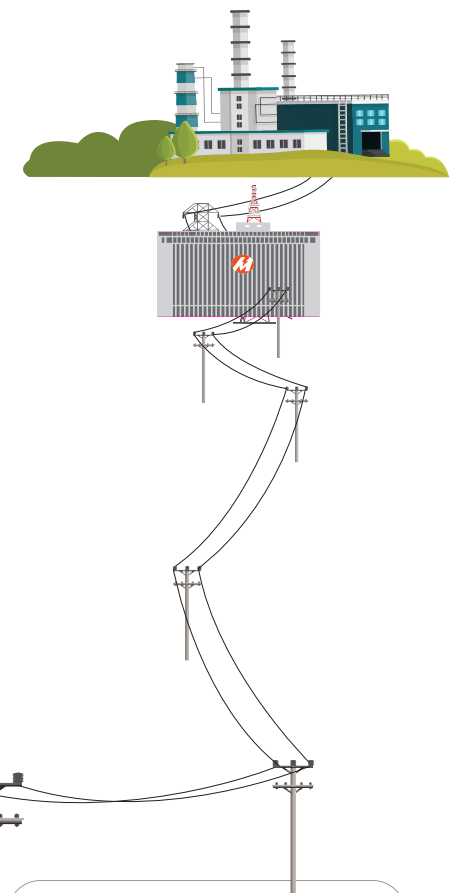
Following the success of our pilot reforestation project in San Miguel, Bulacan, Meralco brought the "One for Trees" program to Mindanao through a partnership with Xavier Science Foundation. It is now helping a Manobo community re-establish their ancestral forest, which they lost to excessive commercial logging in the 1950s. It also continues to nurture more than 90,000 trees planted in the last two years at the GreenEarth Heritage Foundation in Bulacan and established a nursery of more than 200,000 saplings for planting in 2022.

Throughout the year, through OMF we implemented 232 community relations projects. These included donations of computers and peripheral devices to local government offices, police precincts, and public schools, helping automate their workflows.



7,509

LOW-INCOME FAMILIES OBTAINED ACCESS TO THE DISTRIBUTION GRID



OMF procured more than two tons of fresh vegetables from small-scale farmers and donated these to 37 community pantries, benefiting 6,917 families.

Meralco also donated 360 bicycles to the “Bike for Livelihood” project benefiting essential and frontline workers in Pasig, Manila, Quezon City, San Juan, and Malabon; and provided financial assistance to the families of soldiers who died when a C-130 plane of the Philippine Air Force crashed in Jolo, Sulu in July.

In celebration of Teachers’ Month, Meralco recognized the heroism of teachers through the “Teacher Frontliner” campaign. More than 2,800 teachers in 82 public schools received a specially designed bag containing a face mask, face shield, and hand sanitizer to protect them from the COVID-19 virus as they continued to work during the pandemic. The project was funded by employee donations worth PhP 1.6 million.

As the country entered the second year of the pandemic, Meralco continued to support government frontliners, health workers, and vulnerable sectors of society. We donated personal protective equipment to healthcare frontliners, PNP personnel, youth at risk, and marginalized families. We also served 13,988 meals for almost 3,000 frontliners in five hospitals for 12 days.

MERALCO, THROUGH OMF, DONATED
40,325
DOSES OF MODERNA
VACCINES TO SIX (6) LOCAL GOVERNMENTS

This was implemented with companies and corporate foundations in the PLDT and MPIC groups. Thousands of food packages were also given out to wage earners who lost their jobs during the enhanced community quarantine in March and August.

In support of community pantries, OMF procured more than two tons of fresh vegetables from small-scale farmers and donated these to 37 community pantries, benefiting 6,917 families. A PhP 1.0 million grant was also given to the Tanging Yaman Foundation to provide rice and fresh vegetables to parishes providing support to the homeless and marginalized.

In support of the government’s vaccination drive, Meralco, through OMF, donated 40,325 doses of Moderna vaccines to six (6) local governments. It also supported the manpower requirements of Quezon City’s vaccination program.

We were also responsive to the needs of communities affected by calamities in its franchise area and beyond. Close to 9,000 families affected by fires, floods, and typhoons benefited from relief operations, providing food and hygiene kits. Outside our franchise area, we lent a hand to provinces hit by Typhoon Odette in December. We deployed its power restoration teams and equipment to help local electric distributors immediately repair damaged facilities in Cebu, Bohol, Surigao, and Siargao. 154 engineers, linemen, and support crew worked with local electric cooperatives to help restore power in the affected areas paving the way for faster recovery from the disaster.



“To the Meralco Foundation, on behalf of the people of Bohol Daghang Jamong Salamat for all the support that you’re extending to our province in this hour of great need. We will never forget you.”

– Art Yap,
Governor of Bohol

“Even if we are outside its franchise area, Meralco was among the first to help Cebu. We have witnessed not only their dedication to provide electricity service but also their compassion for their fellowmen who were severely affected by the typhoon.”

– Elias Baquero,
Cebu News Workers
Multipurpose Cooperative
and Director, Cebu City
Cooperative Development
Council

To help local governments address the immediate needs of typhoon victims, Meralco also delivered 33 generator sets to Bohol, Surigao City, Dinagat, and Surigao del Norte. The typhoon devastated electric distribution lines and left these provinces in total blackout for months. The generator sets were vital in powering up evacuation centers and restoring the water supply.

At home, the company continued its annual tradition of recognizing the academic excellence of dependents of its employees through the MVP Academic Achievement Awards. The program celebrated its 11th year virtually, honoring 210 awardees and 95 top achievers. It received a record-breaking 830 nominations.

Meralco employees not only pursued excellence but also embraced the corporate values of malasakit and bayanihan. Throughout the year, they contributed to the work of Meralco’s foundation through volunteerism and donations. In 2021, they raised PhP 4.9 million to fund various OMF initiatives.

One Meralco Foundation is honored to be recognized by esteemed institutions here and abroad such as the International Business Awards, the Philippine Quill Awards by the International Association of Business Communicators-Philippines, and the Anvil Awards by the Public Relations Society of the Philippines. These achievements could not have been made possible without the support of our leaders, advocacy partners, and volunteers, as well as the trust of our stakeholders in the community.

As the country begins to move forward from the pandemic, We remain committed to helping especially marginalized and underserved communities take the leap onward through electrification and other interventions that enable equitable and inclusive development and it all starts with—“Malasakit.”

33

GENERATOR SETS
WERE DELIVERED TO BOHOL,
SURIGAO CITY, DINAGAT AND
SURIGAO DEL NORTE

PhP 4.9M

FUNDS RAISED
BY MERALCO EMPLOYEES
TO SUPPORT OMF



Responding with Excellence

The past few years witnessed a growing consciousness towards sustainable business practices, penetrating even developing countries such as the Philippines. As a critical contributor to infrastructure and nation-building, Meralco recognized early on the role that we play in supporting our customers in the public and private sectors in this endeavor. We had already started planning for our own energy transition, ever cognizant of the energy trilemma. However, carefully laid out plans had to be accelerated and reimagined due to the unprecedented global health crisis.

We realized there is no better time to act but now.

Customer landscape, way of life, everything as we had known it changed. And realistically, it will never be “better normal,” possibly a “better normal,” but, life won’t be the same again.

To prepare our company and our employees to cope with these new realities, in 2021:

- We broadened our vision to encompass our responsibility to the future as we decided and acted now
- We fine-tuned our mission to specify exactly how we serve our customers
- And we redefined our values to articulate what we stand for and how we want to treat each other to continue to inspire, motivate and connect our employees to these renewed and re-energized vision and mission statements

OUR PURPOSE remains:
Tagapaghatid ng Liwanag.
Bearers of light.

We translate this to
a **BRAND PROMISE**
to our customers:
Powering your life is
Meralco’s solemn duty.

Our core values



EXCELLENCE

Excellence in our way of life. We strategize brilliantly, decide resolutely, and execute flawlessly.



CUSTOMER CENTRICITY

Our power comes from our customer who is our reason for being. We deliver outstanding customer experience. We live for our customer, the community, and our country



SUSTAINABILITY

Sustainability is at the core of all we do. We work to power our communities, to preserve our planet, to empower our people, and to create prosperity for all.



INTEGRITY

We value ethical behavior and employ good governance practices that meet global standards.



INNOVATION

We are passionately innovate, leveraging technology to constantly improve our operations and to provide better customer and employee experiences.



MALASAKIT

Sa lahat ng aming tungkulin at gawain, lubos ang pagbibigay ng sarili. Tunay na malasakit ang nasa puso namin, bilang mga tagapaghatid ng liwanag.



BAYANIHAN

Mahal namin ang aming kapwa at kababayan. Sa lahat ng oras, handa kaming tumugon, tumulong at maglinkod.

Empowering our People from Within

2021 was the year when we deliberately moved towards overcoming this pandemic – when our people were critical in ensuring that we adapted to the new working environment. The We Got Your Vac program was launched by the MVP Group Vaccine Task Force for the inoculation of employees and their dependents. As we learned to live with the threat of new variants, health and safety protocols were established to enable our people to remain safe and engaged while providing reliable services for our customers.



Operational Excellence at the Heart of Service



Providing excellence in service means we develop the right talents who live and exemplify our core values of excellence, customer centricity, sustainability, integrity, innovation, malasakit and bayanihan. This was enabled through the deliberate development of next in line leaders, where a total of 464 key talents were identified and developed for leadership and critical positions in the organization. Individuals in the talent pool have development plans to enable them to reach their required leadership and technical competencies upon assumption of the leadership position. A pilot program on executive coaching and mentoring such as Yes You Can was launched to enable upcoming leaders to learn and be mentored by successful executives in the organization.

As a result of talent development and continuous efforts to achieve operational efficiency, the company's productivity indicators for 2021 is at 7.71 GWh Sales per Employee Ratio (SPER), and a 1,254 Customer Per Employee Ratio (CPE). Employee Engagement also reached its all-time high with an overall Engagement Score of 93.5% for the year, which was an increase from the engagement survey score (90.4%) conducted in 2017.

Resilience and Growth During Adversity

Ensuring an engaged and healthy workforce was critical in allowing the company to grow and meet customer demands and requirements. Inoculation and booster shots were provided to ensure employees and their immediate families and relatives were protected. Efficient and immediate contact tracing and isolation as well as provision of Personal Protective Equipment (PPE) helped contain the spread of new infection.

Programs such as Mindful Meetings, ME Time (a one-hour personal time for growth), mental wellness webinars, virtual medical and psychologist teleconsultation, provision of a 24/7 COVID-19 Hotline – all supported the challenges faced by employees as we battled operational workload and pandemic surges during the year.

Strong communications and the passion for learning and growth also proved to be a key driver in ensuring engagement. Programs such as Biyaheng Meralco and Excellence Exchange provided an avenue for senior management, leaders and employees to interact and be informed and updated on current issues and company matters and at the same time rally towards the achievement of company goals and targets. The visits of our President and CEO to the Business Centers and Sectors likewise opened lines of communication for all to be involved and embrace management direction towards strategic thrusts.

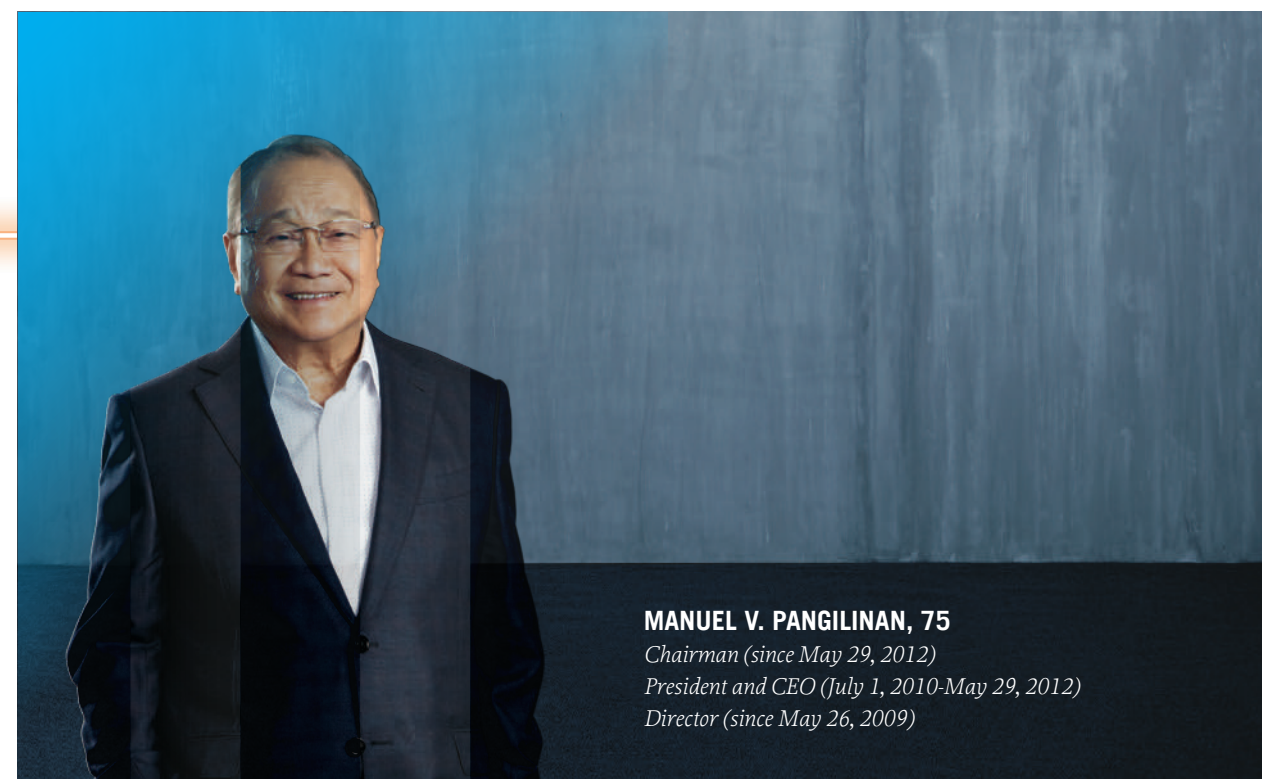
The pandemic fueled the shift to digital learning, with a total of 214,885 training hours provided (versus 112,247 training hours of the previous year) with an average training man-hours of 37 hours per employee for 2021. The Analyst Curriculum, the Meralco Linecrew Training Curriculum (MLTC), the Meter Technician Training Curriculum as well as Leadership and Behavioral Programs (such as Breakthroughs for first line leadership positions, LEAP for incumbent team leaders and New Frontiers for senior management in partnership with the Asian Institute of Management), were all updated and re-designed together with other technical courses to allow a blended learning approach combining digital, self-paced and onsite learning.



Board of Directors



Board of Directors



Mr. Pangilinan is the Chairman, President and Chief Executive Officer of Metro Pacific Investments Corporation, the Chairman of Manila Electric Company PLDT, Inc., Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc., Global Business Power Corporation, Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, NLEX Corporation, Philex Mining Corporation, PXP Energy Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Mediaquest Holdings, Inc. and Associated Broadcasting Corporation (TV 5), and the Vice Chairman of Roxas Holdings, Inc.

In recognition of Mr. Pangilinan's contributions to the country, the Philippine Air Force awarded him the rank of Lieutenant Colonel (Res) in a promotion list approved by the Philippine President in July 2021. In 2010, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula with the rank of Bayani. Mr. Pangilinan was awarded the First Honorary Doctorate Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorate in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

In civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation, Inc., One Meralco Foundation, Inc., and Co-Chairman of the Philippine Disaster Resilience Foundation (PDRF), and is a Director of the Philippine Business for Education (PBED). He is Chairman of the Board of Trustees of San Beda College and Co-Chairperson of the Board of Trustees of Stratbase Albert del Rosario Institute and the U.S.- Philippine Society.

He is also the Chairman of the MVP Sports Foundation, Inc. and Chairman Emeritus of the Samahang Basketbol ng Pilipinas.



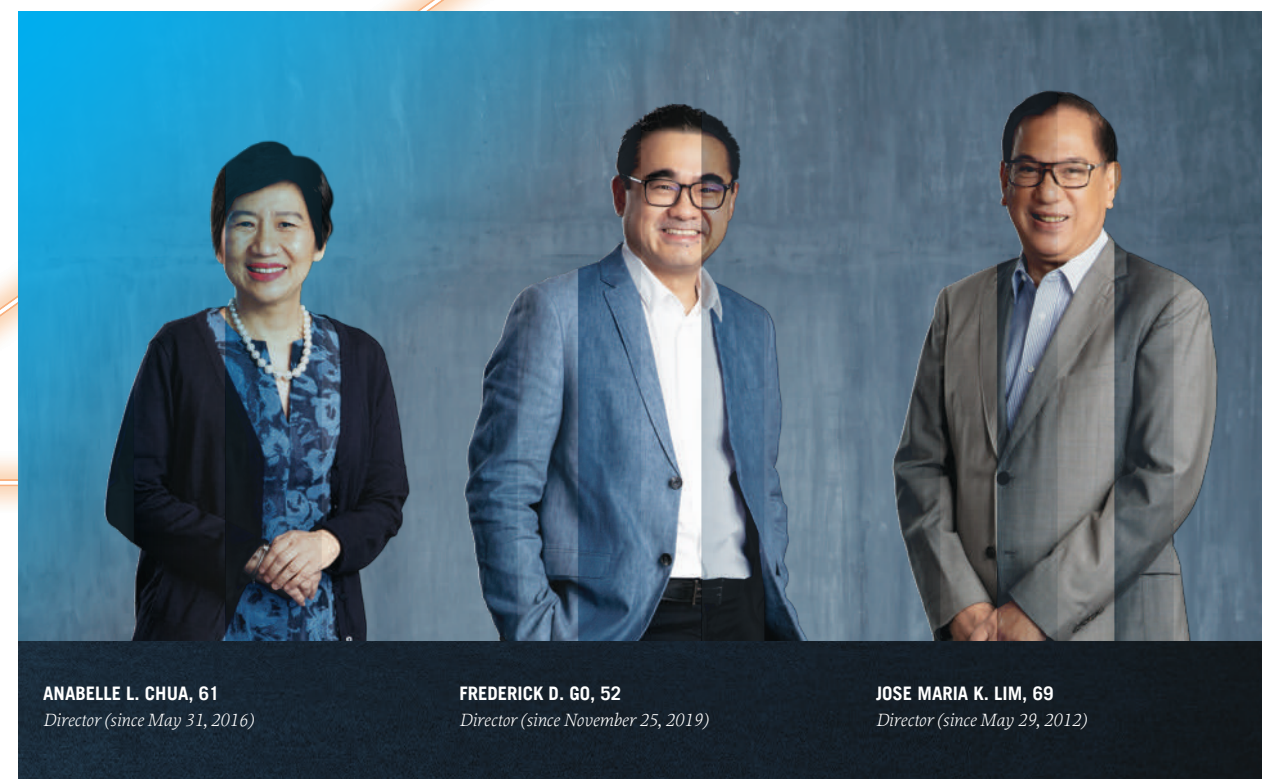
Mr. Gokongwei is the President and Chief Executive Officer of JG Summit Holdings, Inc., and Cebu Air, Inc. He is the Chairman of Universal Robina Corporation, Robinsons Retail Holdings, Inc., Robinsons Land Corporation, Altus Property Ventures, Inc., Robinsons Bank Corporation, and JG Summit Olefins Corporation. He is a director of Oriental Petroleum and Minerals Corporation, RL Commercial REIT, Inc., Singapore Land Group Limited, Shakey's Asia Pizza Ventures, Inc., AB Capital and Investment Corporation, and Endeavor Acquisition Corporation. 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.

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 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.

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, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and is a director of PLDT, Inc. and Meralco PowerGen Corporation. 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, USA.

Board of Directors



Ms. Chua, is Chief Finance Officer, Senior Vice President and Chief Risk Management Officer of PLDT, Inc.,* and is also concurrently the Chief Finance 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 Philippines, Inc., Mayabank, Inc., Mediaquest Holdings, Inc., Cignal 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*.

Mr. Go is the President and Chief Executive Officer of Robinsons Land Corporation,* Altus Property Ventures, Inc.,* and Universal Hotels and Resorts, Inc. He is the Chairman of RL Commercial REIT, Inc., and the Luzon International Premier Airport Development Corporation. He is also 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 concurrently serves as the Vice Chairman of the Board of Directors of Robinsons Bank Corporation and of the Philippine Retailers Association. He is a Director of Cebu Air, Inc., 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.

Mr. Lim is an Executive Adviser and Board Member of Metro Pacific Investments Corporation (MPIC) and has served as the Company's President and CEO for 15 years until his retirement in December 2021. He has been with the MPIC Group for 26 years, holding various executive positions through the years. Prior to joining the Group, he built himself a solid reputation in foreign banking institutions as Vice President of the Equitable Banking Corporation and Director for Investment Banking of the First National Bank of Boston. He is a Trustee of the Asian Institute of Management and Asia Society of the Philippines, and an Advisory Board Member of the Ateneo Graduate School of Business. He is a founding member of the Shareholder's Association of the Philippines and an active member in various business organizations in the country. He has received various recognitions as Best CEO from global institutions such as Finance Asia, Institutional Investor and Corporate Governance Asia, to name a few. He was also accorded the Triple A award from Asian Institute of Management for his excellent performance in his field of profession. Mr. Lim earned his Bachelor of Arts degree in Philosophy from Ateneo de Manila University and his Master of Business Administration degree from the Asian Institute of Management.



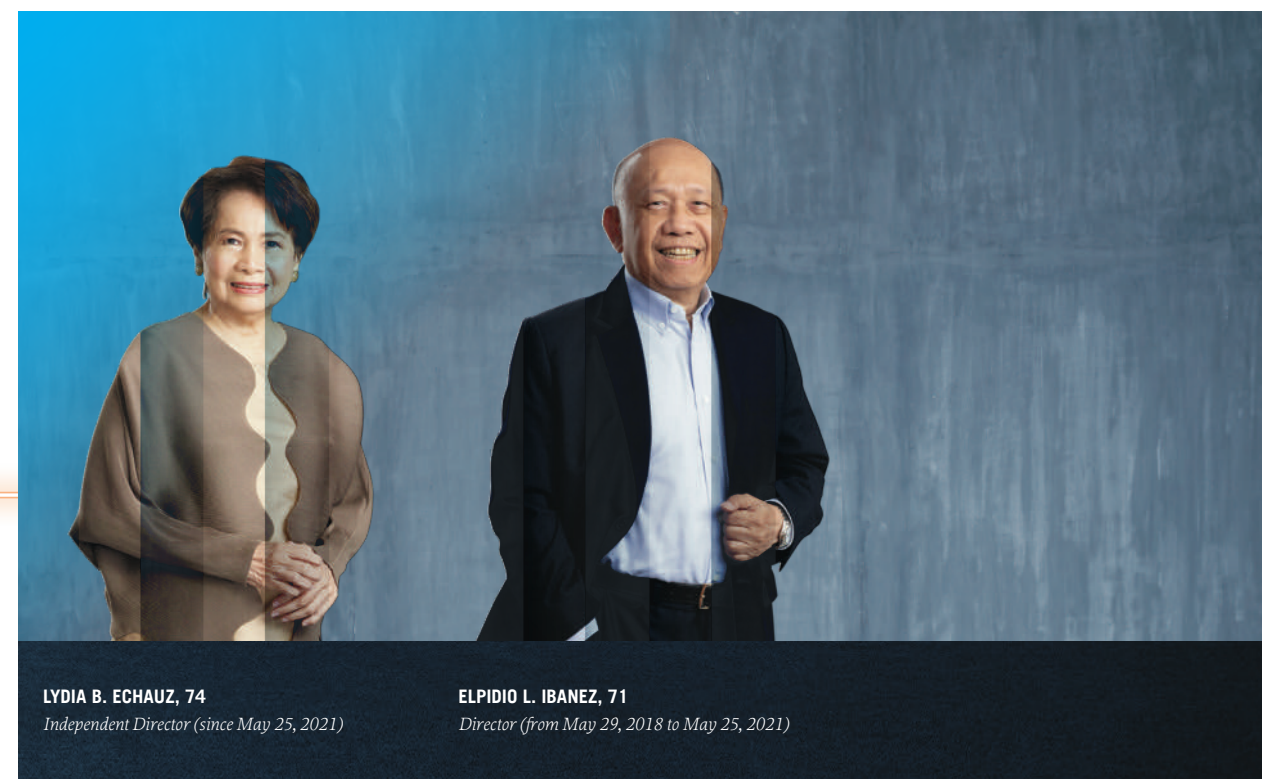
Mr. Roxas is the Chairman of Roxas Holdings, Inc.* and of Roxas and Company, Inc.* He is concurrently a director and the President of Fundacion Santiago, director of Brightnote Assets Corporation, Chairman of Club Punta Fuego, Inc., and Chairman of Roxaco Land Corporation, and an independent director for Cemex Holdings Phil., Inc.,* Mapfre Insular Insurance Corporation and Metro Pacific Investments Corporation.

Mr. Roxas holds a Bachelor of Science degree in Business Administration from the University of Notre Dame in Indiana, USA.

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,* JG Summit Holdings, Inc.,* PLDT, Inc.,* Metro Pacific Investments Corporation,* RL Commercial REIT, Inc.,* 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 (Designated Chairperson of the Philippine National Group). 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.

Board of Directors



Mrs. Echauz is retired after 44 years in academe, the last post being 10-year president of a publicly listed university. She has been awarded as one of The Outstanding Filipinos by JCI Senate in 2009, Outstanding Manila Citizen in 2010 by the Government of Manila and Dangal ng Lipi 2003 and Bayani 2015 by the Government of Bulacan. She is a board member of a few corporations and foundations. She is also an independent director of publicly listed companies and member of various committees at D&L Industries and at Pilipinas Shell Petroleum Corporation. She finished her DBA from De La Salle University in 1993, MBA from Ateneo De Manila University in 1973, and AB Economics/Math from St. Theresa's College in 1968; she was awarded as distinguished alumna by the three schools.

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.



Mr. Victorico P. Vargas is presently the Senior Talent Culture and Cultivation-Office of the Chairman, PLDT Leadership Transition Officer, an Associate Director of First Pacific since January 2016, overseeing First Pacific Group businesses operating in the Philippines and its region, with particular focus on leading the Business Transformation of PLDT. He is a director of Smart Communications, Inc., MGen Global Business Power, Maya Bank, Inc., PLDT Global Corp., PLDT Subic Telecom, Inc., PLDT Clark Telecom, Inc., Beacon Electric Asset Holdings, Inc., and Beacon PowerGen Holdings, Inc., President and Member 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 past President of the Philippine Olympic Committee and is currently a member of the Board of Trustees of the said organization. Mr. Vargas is the Chairman 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 the Chairman of the Philippine Basketball Association from 2017-present. He is also the Vice President of the Samahang Basketbol ng Pilipinas. Prior thereto, Mr. Vargas was the President and Chief Executive Officer of Maynilad Water Services, Inc. from August 2010 to 2015. He joined PLDT in 2000 as its Human Resources Group Head and through his stay at PLDT got involved in managing the PLDT Business Transformation Office, Asset Protection and Management Group, and the PLDT International Carrier Business. He has worked in senior roles at Union Carbide, Pepsi Cola, Colgate Palmolive and Citibank, NA (both in Manila and in Southeast Asia). Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas with a Bachelor of Science Degree in Psychology.

Management Committee and Key Officers

Ronnie L. Aperoch
Senior Vice President
Head, Networks

Raymond B. Ravelo
First Vice President
Chief Sustainability Officer Head,
Strategic Business Development Office

Ferdinand O. Geluz
First Vice President and
Chief Commercial Officer Head,
Customer Retail Services

Edgardo V. Carasig
First Vice President
Head, Human Resources
and Corporate Services

Simeon Ken R. Ferrer
Corporate Secretary

Roberto Almazora
Senior Vice President
and Head, MPower

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

Jose Ronald V. Valles
First Vice President
and Head, Regulatory
Management Office

Jaime T. Azurin
President and CEO
of Meralco PowerGen
Corporation (MGen)



Roque D. Bacani
First Vice President
Head, Information, Communication,
Technology & Transformation

Maria Luisa V. Alvendia
First Vice President
Chief of Staff and Supply Chain
Advisor



Betty C. Siy-Yap
Senior Vice President
Chief Finance Officer
Chief Risk Officer



Subsidiary Heads

Redel Domingo
Clark Electric

Francisco Viray
Shin Clark

Ernie Cabral
Vantage Energy

Betty Sy Yap
Lighthouse

Dennis Uy
Comstech

Lawrence Ferrer
Bayad

Ronnie Apercho
MServ, MRail, Miescor

Quiel Delgado
Radius

Jimmy Azurin
MGen

Ferdie Geluz
Spectrum

Raymond Ravelo
eSakay



Thriving with Integrity in the New Normal

Guided by our new vision, mission, core values and strategic objectives, Meralco (“the Company”) kept the lights on for its customers while creating shared value for its shareholders, employees, and other stakeholders through a conscientious integration of best corporate governance practices, corporate social responsibility, and sustainability into its ethical business framework.

A. 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 promulgated the Company’s Revised Manual of Corporate Governance (MCG) which mandates it 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).

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 Company fully complied 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.

As a testament to the Company’s excellent corporate governance framework and programs, Meralco was awarded in 2021 with Three Golden Arrows based on the ASEAN Corporate Governance Scorecard assessment for its performance year 2019.

MERALCO STRATEGIES AND GROWTH PLATFORMS



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

The Board, in its regular meeting held on January 25, 2021 as part of the Board's assessment of the Company's performance in the past year, reviewed and confirmed the 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. On April 26, 2021, the Board assessed and revised the vision, mission, and values statements of the Company.

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.

A.1 COMPOSITION

In accordance with the Revised Corporation Code, the Company has a diverse Board consisting of eleven (11) directors, majority of whom are non-executive directors while three (3) are Independent Directors (ID).

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 effectively perform its responsibilities in accordance with the Board Diversity Policy. The Policy promotes diversity to encourage critical discussion and foster balanced decision-making in the attainment of the Company's strategic objectives and sustainable development. The Policy likewise provides for measurable objectives for implementing its board diversity policy and for reporting on progress in achieving its objectives.

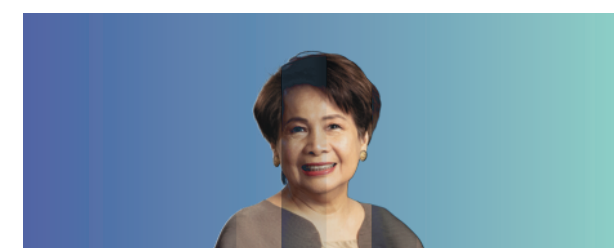
The Nom&Gov ensures that independent decision-making is encouraged, and that no individual director dominates decision-making. The non-executive directors actively participate in discussions at the Board and Board Committee levels, as well as with Management.

A.2 INDEPENDENT DIRECTORS

On March 9, 2021, the Nom&Gov assessed the profiles of the directors and found that the independent, non-executive directors are indeed free of relationships with the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they do not hinder in any way the performance of their duties to the Company.

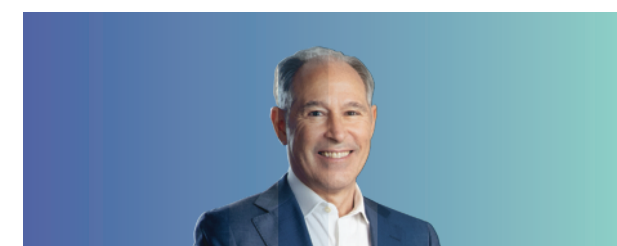


Retired Chief Justice Panganiban is a legal luminary of unquestionable independence, who has brought to the Board a wealth of expertise and experience and competencies relevant to the power industry. He has, in freely sharing his measured opinions on relevant issues raised during Board meetings, encouraged critical discussion, thus promoting sound resolutions in the attainment of the Company's strategic objectives but always in consideration of the rights of all stakeholders. He is the Company's Lead Independent Director, serving as intermediary between the Chairman and other directors and the Chairman of the Audit Committee, leading the Board in ensuring the adequacy of the Company's material controls and risk management systems. He has also played a significant role in the Risk Management and Related Party Transactions Committees.



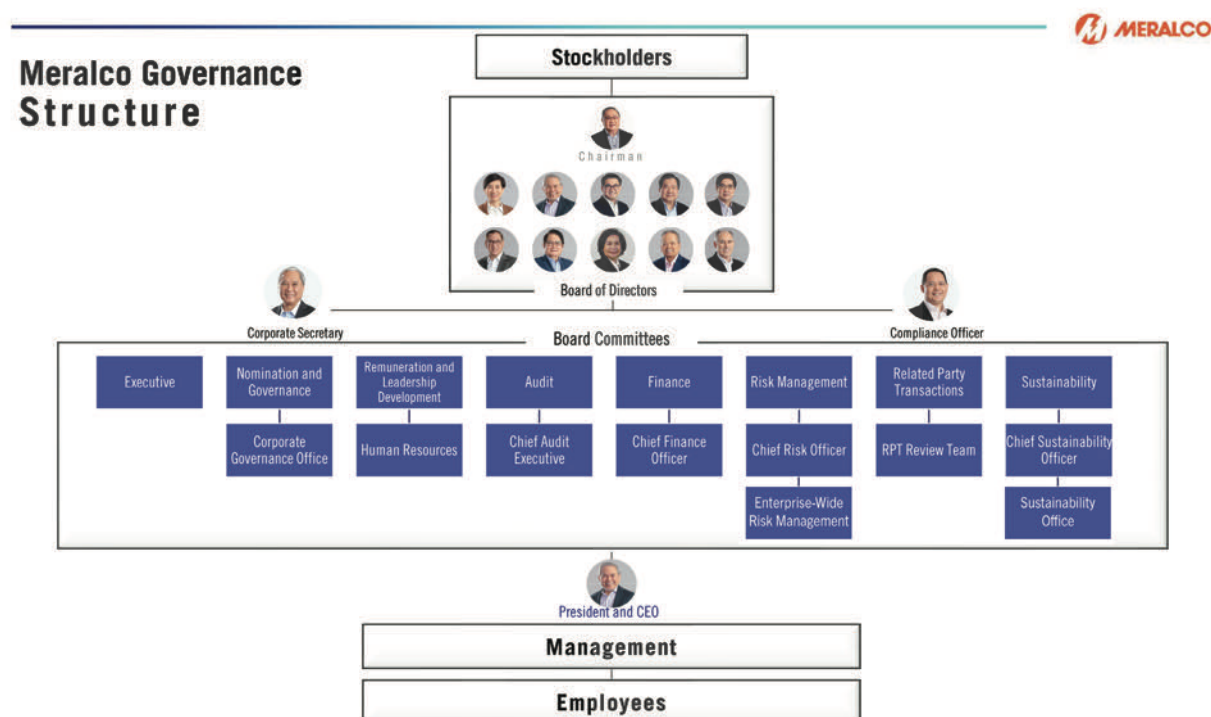
On May 25 2021, Meralco shareholders elected the Company's lady independent director, Dr. Lydia B. Echaz.

Dr. Echaz served as the President of the Far Eastern University and of its three (3) affiliate schools for 10 years. She now serves as an independent director of D&L Industries, Inc. and Pilipinas Shell Petroleum Corporation, among others.



Mr. Pedro Emilio O. Roxas' indispensable contribution to the Board in terms of his vast expertise and experience in the areas of business, finance, and operations relevant to the power industry cannot be discounted. As the Chairman of the Nomination and Governance Committee and Related Party Transactions Committee, Mr. Roxas has been at the forefront of promoting good governance regulations, policies and practices within the Company and in its dealings with private and public stakeholders. As a testament to his efforts in ensuring that the corporate governance practices of the Company remain at the highest level of excellence, the Company received the ASEAN Asset Class Award in December 2020 for being one of the top companies in the region with sterling 2019 ASEAN Corporate Governance Scorecard (ACGS) assessment results. In February 2021, the Company also garnered a Three-Golden Arrow Award as a result of the 2019 ACGS assessment.

In 2021, retired Chief Justice Panganiban and Mr. Roxas had already served the maximum term limit of nine (9) years set by SEC Code of Governance for Publicly-listed Companies for independent directors. The justification for the extension of term of Retired Chief Justice Panganiban and Mr. Roxas may be viewed in light of the unprecedented backdrop of the COVID-19 Pandemic that brought about unique operational, legal and regulatory risks, that unfortunately have continued to loom relentlessly over the company and nation as a whole. In the midst of such uncertainty, Meralco and its stakeholders will benefit from stability in the Board brought about in part by Retired Chief Justice Panganiban's and Mr. Roxas' deep experience and knowledge of the Company that will enable them to continue to provide steady guidance and meaningful participation towards the crafting of policies and strategies to effectively address these risks.



A.3 CHAIRMAN OF THE BOARD

The Chairman of the Board, Mr. Manuel V. Pangilinan, serves to represent the interests of all shareholders and stakeholders, and oversees the performance of the Board and its directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and espouse.

Together with the 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 accessible at the Company's website.

A.4 MEETINGS AND MAJOR ACCOMPLISHMENTS

The Board of Directors 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.

2021 ASM and Board Meeting Attendance			
Director	Designation	Annual Stockholders' Meeting	Board and Organizational Meetings
Manuel V. Pangilinan	Chairman	Present	12/13
Ray C. Espinosa ¹	Director	Present	13/13
Anabelle L. Chua	Director	Present	13/13
James L. Go	Director	Present	13/13
Frederick D. Go	Director	Present	13/13
Lance Y. Gokongwei	Director	Present	13/13
Elpidio L. Ibañez ²	Director	Present	5/5
Lydia B. Echauz ²	Independent Director	Present	8/8
Jose Ma. K. Lim	Director	Present	13/13
Artemio V. Panganiban	Lead Independent Director	Present	13/13
Pedro Emilio O. Roxas	Independent Director	Present	13/13
Victorico P. Vargas	Director	Present	13/13

¹ President and CEO
² Ms. Lydia B. Echauz replaced Mr. Elpidio L. Ibañez during ASM May 25, 2021

In 2021, 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 Sustainability Committee Charter
- Review and approval of the Beneficial Ownership Policy
- Screening of nominees to the Board
- Conduct of the 2021 ASM
- Approval of 2022 schedule of Board meetings
- Approval of Recommended Collective Bargaining Agreement (CBA)
- 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 2021 Audited Consolidated Financial Statements
- Evaluation of incumbent external auditor and nomination of external auditor for 2021
- Approval of report of external auditors covering Meralco's 2021 Audited Consolidated 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 various supply contracts in excess of PhP 50 million

Business Plan and Annual Budgets

- Review and approval of the 2022 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 Findings

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

In 2021, the Company's non-executive directors met four (4) 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.

The Corporate Secretary, Atty. Simeon Ken R. Ferrer, under the direction of the Chairman, is responsible for ensuring that good information flows within the Board and Board Committees and between Management and non-executive directors. He also facilitates the orientation and assists with the professional development of directors as required by regulators. He met all the qualifications and skills required for his position.

The Board is likewise assisted by Company's Compliance Officer and Senior Vice President, Atty. William S. Pamintuan, who monitors, reviews, evaluates and ensures the full compliance by the corporation, its directors and officers with relevant laws, rules and regulations and all governance issuances of regulatory agencies and report violations thereof to the Board and recommends the imposition of appropriate disciplinary action.

The qualifications, duties and responsibilities of the Corporate Secretary and Compliance Officer are stated in the MCG and Board Charter. Both of them regularly attend trainings on corporate governance.

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), Related Party Transactions Committee (RPTCom), and Sustainability Committee (SusCom). The Board has delegated specific responsibilities to each of these Committees guided by their respective committee charters.

2021 Board Committee Meeting Attendance								
	FinCom	AuditCom	RMC	RPTCom	Nom & Gov	RLDC	ExCom	SusCom
Manuel V. Pangilinan ¹	N/A	N/A	N/A	N/A	N/A	3/3	4/4	1/1
Ray C. Espinosa	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anabelle L. Chua ²	12/12	6/6	2/2	2/2	4/4	N/A	N/A	N/A
James L. Go	12/12	6/6	2/2	2/2	4/4	N/A	3/4	N/A
Frederick D. Go	N/A	6/6	2/2	2/2	4/4	N/A	N/A	1/1
Lance Y. Gokongwei	9/12	N/A	N/A	N/A	N/A	3/3	3/4	0/1
Elpidio L. Ibañez ³	5/5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lydia B. Echauz ³	7/7	3/3	N/A	N/A	2/2	N/A	N/A	N/A
Jose Ma. K. Lim ⁴	N/A	6/6	2/2	2/2	4/4	N/A	4/4	1/1
Artemio V. Panganiban ⁵	N/A	6/6	2/2	2/2	N/A	N/A	4/4	N/A
Pedro Emilio O. Roxas ⁶	12/12	5/6	1/2	2/2	4/4	3/3	N/A	1/1
Victorico P. Vargas	12/12	N/A	N/A	N/A	N/A	3/3	N/A	N/A

¹ Chairman, ExCom, RLDC, and SusCom

² Chairman, FinCom

³ Ms. Lydia B. Echauz replaced Mr. Elpidio L. Ibañez during ASM May 25, 2021

⁴ Chairman, RMC

⁵ Chairman, AuditCom; Lead Independent Director

⁶ Chairman, Nom&Gov, and RPTCom; 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.

The ExCom conducted four (4) meetings in 2021 and reviewed the following:

- Interim Power Supply Agreement (IPSA) and Contract for the Supply of Electric Energy (CSEE)
- MERALCO Industrial Engineering Services Corporation (MIESCOR) bid for the PLDT/ SMART Towers
- Third Party Bids and Awards Committee's (TPBAC) Completeness Review and Report-Recommendation on the Detailed Evaluation of Unsolicited Proposals.

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 three (3) meetings in 2021 and accomplished the following:

- Approval of candidates for rank conferment.
- Review of performance evaluation plan results
- Review of the budget for Collective Bargaining Agreement
- Review of merit increase programs
- Review of annual incentive plan
- Presentation and review of proposed amendments to the retirement plan



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 2021 Board Remuneration (in PhP)			
	Remuneration for Board Meetings Attended in 2021	Remuneration for Committee Meetings Attended in 2021	TOTAL
EXECUTIVE DIRECTOR			
Ray C. Espinosa	₱1,680,000	₱0	₱1,680,000
NON-EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱1,540,000	₱192,000	₱1,732,000
Lance Y. Gokongwei	₱1,680,000	₱360,000	₱2,040,000
Anabelle L. Chua	₱1,680,000	₱624,000	₱2,304,000
James L. Go	₱1,680,000	₱696,000	₱2,376,000
Frederick D. Go	₱1,680,000	₱360,000	₱2,040,000
Elpidio L. Ibañez	₱700,000	₱120,000	₱820,000
Jose Ma. K. Lim	₱1,680,000	₱456,000	₱2,136,000
Victorico P. Vargas	₱1,680,000	₱360,000	₱2,040,000
INDEPENDENT DIRECTORS			
Pedro Emilio O. Roxas	₱1,680,000	₱672,000	₱2,352,000
Artemio V. Panganiban	₱1,680,000	₱336,000	₱2,016,000
Lydia B. Echauz	₱980,000	₱288,000	₱1,268,000
TOTAL INDEPENDENT DIRECTORS	₱4,340,000	₱1,296,000	₱5,636,000
GRAND TOTAL	₱18,340,000	₱4,464,000	₱22,804,000

The Directors and Officers are covered by a Casualty Line Insurance Policy effective 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 PhP 140,000 for every board meeting attended and PhP 24,000 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 PhP 223 million. 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 six (6) 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 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 Annual Stockholders' Meeting 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 Comm held four (4) meetings in 2021 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 2020
 - Reviewed and approved the Sustainability Committee Charter
 - Reviewed the Company's updated Vision, Mission, and Values Statements
 - Discussed the updates on the implementation of Project One Meralco Governance
 - Reviewed and approved the Beneficial Ownership Policy
 - Facilitated the annual CG enhancement and continuing education programs
 - Conducted the onboarding orientation for the new independent director Ms. Lydia B. Echauz

D. Audit Committee (AuditCom)

The AuditCom consists of three (3) 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 2021 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 2021 Annual Audited Consolidated Financial Statements of the Company

- Endorsed for Board approval the 2021 Annual 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 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 executive sessions with the External Auditors and Internal Audit 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 and year-end status 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.

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 One Meralco's Enterprise Risk Management Policies
- Reviewed and discussed with the Chief Risk Officer and external auditors One Meralco's key business risks as well as its ongoing and proposed risk mitigation measures.
- Reviewed the integration of Environment, Social, and Governance matters into the Company's Risk Assessment process.
- Evaluated the effectiveness and certified the adequacy of One Meralco's risk management process such that material risks are periodically identified, evaluated, managed, and reported appropriately by management.

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, two (2) of whom are independent directors, with the Chief Finance Officer (CFO) as ex-officio member. It reviews the financial operations of Meralco and matters regarding major purchase contracts, and acquisition and/or divestment of investments, businesses or ventures.

In its twelve (12) meetings in 2021, its major accomplishments were:

- Review and approval of all service and supply contracts in excess of PhP 50 million
- Review of Unaudited Quarterly Consolidated Financial Statements and 2021 Audited Annual Consolidated Financial Statements
- Treasury updates
- Declaration of 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 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 (RPTCom)

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 Meralco's and shareholders, and ensure that all of Meralco's RPTs are conducted in fair and at arms' length terms. The following activities were accomplished by the RPTCom in 2021:

- Discussed and improved the RPT Review Process
- Reviewed and endorsed material and significant RPTs for the Board's approval.

H. Sustainability Committee (SusCom)

In 2021, the SusCom was established to institutionalize MERALCO's sustainability commitment and corporate ESG imperatives. Composed of seven (7) members, including the President and CEO and Chief Sustainability Officer who are both acting as non-voting members, SusCom is responsible for overseeing the Company's sustainability strategy, policies, and programs. The Committee also accounts for and monitors the economic, environmental, social, and governance (EESG) performance of the Company in alignment with the UN SDGs, with the aim of delivering long-term value to all the stakeholders. The following are the accomplishments of SusCom in 2021:

- Discussion of Sustainability Committee Charter
- Approval of Meralco Long-Term Sustainability Strategy (LTSS)

A.7 ORIENTATION AND CONTINUING EDUCATION PROGRAMS

The Board ensures that Meralco's complies with all relevant laws, regulations, and endeavors 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.

Meralco has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of Meralco'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 MVP Group Annual Corporate Governance Enhancement Sessions (ACGES) on September 17 and November 12, 2021, entitled "Becoming Obsessed with the Customer" and "Agile Leadership: A Conversation with Ms. Anna Wintour" respectively. These two sessions covered four (4) hours of governance training and was accredited by the SEC.

2021 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 Jose Ma. K. Lim Victorico P. Vargas Ret. Chief Justice Artemio V. Panganiban Lydia B. Echaz Pedro Emilio O. Roxas	MVP Group Annual Corporate Governance Enhancement Sessions: Becoming Obsessed with the Customer and Agile Leadership: A Conversation with Ms. Anna Wintour	Mr. John Rossman Ms. Anna Wintour
Lance Y. Gokongwei	First Gokongwei Group Innovation Festival: Thrive in the New Normal	Gokongwei Group In-House Corporate Governance Training Program
James L. Go	SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	



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 March 9, 2021 wherein directors were given opportunity to give their opinions and suggestions or identify special issues of interest about their performance or different aspects of the Meralco's operation.

BOARD, COMMITTEE AND CEO PERFORMANCE ASSESSMENT FORMS

- 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.

PERFORMANCE INDICATORS	
Financial	Non-Financial
Measures reflecting the financial results and financial position of Meralco 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

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 for 2021:

Declaration Date	Record Date	Payment Date	Rate per Share
March 1, 2021	March 30, 2021	April 26, 2021	PhP 7.824
July 26, 2021	August 23, 2021	September 15, 2021	PhP 5.057

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 attendance in stockholders' meeting 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 25, 2021. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 27, 2021, 28 days prior to the ASM date of May 25, 2021. 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 2021 ASM was held on Tuesday, May 25, 2021, 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 second virtual ASM via live

broadcast of the proceedings through the Stockholders Electronic Registration and Voting Express (SERVE). Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

As in the previous years, the Company facilitated participation of stockholders who cannot attend the virtually by enclosing proxy forms in the ASM Notice where they can indicate their votes on matters that are taken up during the ASM. Shareholders can download the proxy forms together with details on how to appoint a proxy from the Company's website.

The Company granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the Company's website on January 25, 2021 for submission of proposed agenda and nomination of qualified candidates on or before March 5, 2021. The agenda and nominees were approved by the Board during its meeting on January 25, 2021 and March 29, 2021, respectively.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 903,195,366 shares or approximately 80.13% 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, CFO, Corporate Secretary, Assistant Corporate Secretary other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

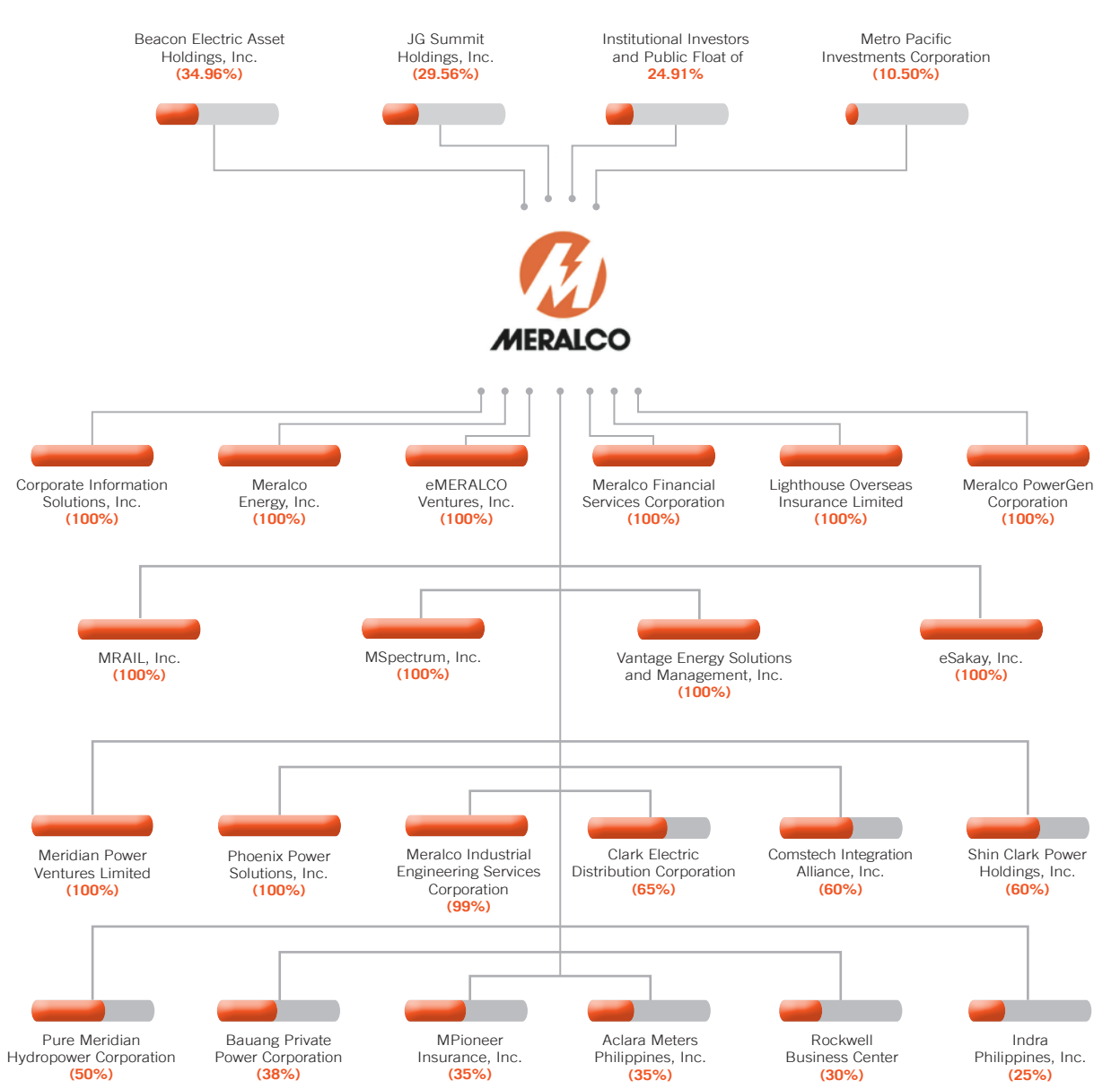
The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

B.4 RIGHT TO APPROVE MERGERS AND ACQUISITION

In the event of mergers and acquisitions requiring shareholders' approval, Meralco appoints an independent party to evaluate the merits of the transaction as well as the fairness of the transaction price.

B.5 INSTITUTIONAL INVESTORS

Meralco recognizes the exercise of ownership rights by all shareholders, including institutional investors. Meralco 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, 2021 was disclosed to the SEC, PSE, and PDEx on January 13, 2022, where approximately 75.09% of Meralco's shares are held by principal and strategic shareholders, and the remaining 24.91% shareholdings are held by directors, officers, employees, the government, other corporations, and other individuals. Meralco has a straightforward structure of alliance among its affiliates, and joint ventures. There is no pyramid shareholding structure within the group. Details of holding companies, subsidiaries, and other related companies are disclosed in the map showing relationships among the companies within the group.

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

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 ten percent (10%) of the Company's assets.

The Company provides all the names of related parties, degree of relationship, nature, and value for each material/significant RPT. Details are found in Note 23 to the Consolidated Financial Statements.

In 2021, 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 recognize and protect the rights of the minority stockholders while pursuing corporate interest. Some salient provisions include:

- Timely, fair, and accurate disclosure of material information
- Review of existing and development of new policies that will prevent the major stockholders from gaining undue advantage over and at the expense of minority stockholders
- RPTs are disclosed in Note 23 of the consolidated financial statements
- Disinterested stockholders decide on all RPTs which require stockholders' approval

D. ROLE OF STAKEHOLDERS

D.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, ensures fair treatment, and provides complete and accurate information, to its customers.

Suppliers/Contractors

To ensure a mutually beneficial relationship with its suppliers and contractors, the Company prescribes clearly defined and transparent procurement and supplier selection process through the 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 Sustainability Report and One Meralco Foundation's 2021 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.

D.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 2021, the average training man-hours is at 37 hours per person.



Talent Management and Development	Program Description
Analyst Curriculum	In Meralco, analysts are the second largest employee group. Their role in the company is vital in the day-to-day operations. There is a need for our analysts to be fully equipped in performing their roles — hence the Analyst Curriculum was developed. The Analyst Curriculum is composed of eight common competencies that an analyst should possess, namely: (1) Problem Analysis and Solution Formulation, (2) Process Management, (3) Policy Management, (4) Data Management, (5) Project Management, (6) Stakeholder Management, (7) Documents & Records Management, and (8) Risk Management. Meralco has already conducted training programs for 5 out of the 8 competencies in the curriculum, with last 3 (Policy, Process, and Documents & Records Management) scheduled to be rolled out in 2022.
New Frontiers	New Frontiers is a 20-day/ 40- half day program which is in partnership with the Asian Institute of Management. This program is composed of modules that are linked with Meralco's 10 Leadership Competencies and identified Job Focus Areas for middle managers. The curriculum includes modules like Thinking Suite, Strategy Series, Finance and Accounting, Functional Drivers and Enablers, and Leadership and Mastery. It uses a blended learning approach consisting of action learning projects, case studies, gamification, and business simulations. Completion of the course is a minimum requirement for consideration of any future nominations for promotion to EC/SC Ranks.
Breakthroughs	Breakthroughs is a twice a week, 3-month classroom / virtual instructor-led training program which aims to equip high potential individual contributors to be ready to take on a first-line leadership position. This program focuses on the important roles and functions one must have as a Team Leader and highlights skills like Data Analytics, Developing a Business Mindset, Execution Excellence, and Enhancing Team Performance. E-learning, Case Study, Lecturette, Structured Learning Experiences, Simulation, and Action Learning Projects are utilized as delivery methods. Completion of the course is a minimum requirement for consideration of any future nominations for promotion to TC 1-4 ranks.
LEAP	This is a 5 half-day leadership program designed for incumbent team leaders or supervisors in the organization. This is to aid them (1) in carrying out the responsibilities expected from supervisor-leaders; and (2) in managing and leading teams and its resources in support of their organization's business goals.
Meralco Lineman Training Curriculum	The Meralco Lineman Training Curriculum 1, which is intended for apprentice/ linemen- trainees, is a six- month program which aims to equip lineman trainees with the necessary knowledge, skills, and attitude to perform duties and responsibilities of a lineman trainee as an individual and working as part of a crew. At the end of the program, the participants are expected to observe industrial safety practices, apply electrical formula in simple circuits, install and retire line materials and equipment of de-energized overhead line, and assist upper class lineman by acting as the groundman and performing good housekeeping. Through this, we are able to ensure that the Business is supported by a steady supply of skilled workforce to support business requirements.
Meter Technician Curriculum	The Meter Technician Curriculum is divided into three parts – Basic, Specialized and Supplemental Courses. Each part is anchored on the approved technical competency framework which serves as guide for the development of our Meter Field Technicians. The training programs and learning interventions were mapped based on the competency descriptors identified. This curriculum aims to provide the participants necessary knowledge and skills to perform their job responsibilities efficiently and safely



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 658 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.

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.

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.

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).

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

Corporate Governance Office
Manila Electric Company (Meralco)
8th Floor, Lopez Building
Ortigas Avenue, Barangay Ugong
Pasig City, Philippines 1605

Tel: +632 1622 2788
Mobile: +63 920 948 4787
Email: cgo.staff@meralco.com.ph

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 2021, 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.

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, 2021.

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	75.03%

E.2 ENTERPRISE-WIDE RISK MANAGEMENT

Enterprise Risk Management (ERM) allows the Company and its subsidiaries to protect and enhance stakeholder value through the creation of a risk governance structure and adoption of mechanisms that effectively manage existing and emerging risks, as well as strengthen the ability of the Company and its subsidiaries to take on additional risks accompanying new growth opportunities.

The Company adopts the ISO 31000:2018 as its main model for ERM Framework, integrating risk management discipline and practices within its existing management systems, processes, and culture.

Meralco Risk Management Process

The Company’s Risk Management Committee provides oversight over the risk management activities and policies of the Company and its subsidiaries and conducts at least a semi-annual review of the Company’s risk management system. The Chief Executive Officer and Chief Risk Officer work together to lead the direction-setting and decision making on risk management strategies, policies, and mitigation measures.

The Company has five (5) general risk umbrellas in its Risk Universe: Regulatory and Corporate Laws; Strategic; Financial; Operational; and Environment, Social, and Governance (ESG), which has been integrated for the first time this year into One Meralco’s ERM process to more fully capture the existing and potential impact of its business to the environment and its stakeholders, and therefore ensure that these are addressed and mitigated in line with its ESG objectives.

Regulatory Issuances, Regulatory Decisions, and Investment are the key enterprise risks of the Company and its subsidiaries as at December 31, 2021, with all three categories rated “Very High” in terms of both likelihood and impact.

- Regulatory Issuances Risk refers to new (or proposed changes in existing) rules, laws, resolutions, and policies that may adversely affect the operations of the Company; and is mitigated by monitoring and participating in deliberations and discussion on proposed rules issuances or changes, coalescing with other stakeholders to form a common position, and where necessary, engaging consultants to provide expert advice on the relevant matter.
- Regulatory Decisions Risk refer to decision(s) by a court or regulatory body on matters that involve regulatory issues; and is mitigated by exhausting the Company's legal remedies including conduct of legal research, engagement of external counsel, collation of documentary and testimonial evidence, and where applicable, cooperation with industry stakeholders with similar interests to forge a common position.
- Investment Risk is the risk that the Company faces due to its investments' actions, their projects' or businesses' technical and economic feasibility, competitiveness, and overall business

viability. To mitigate this risk, the Company employs stringent investment criteria, and once invested and where applicable, utilizes its Board seat(s) to oversee and provide guidance to the Senior Management of its subsidiaries and affiliates.

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.

The Company also discloses its policies and practices on the management of economic, environmental, social and governance (EESG) in a separate Sustainability Report, in accordance with the Global reporting Initiative (GRI) Standards: Core Option, SASB Standards for Electric Utilities and Power Generators as well as the TCFD Guidance/Framework.

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

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2021								
NAME	JANUARY 1, 2021	BUY	SELL	DECEMBER 31, 2021	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
Directors								
1. Manuel V. Pangilinan	55,000	-	-	55,000	55,000	-	55,000	0.005%
2. Lance Y. Gokongwei	5,010	5,000	-	10,010	10,010	-	10,010	0.001%
3. Ray C. Espinosa	46,000	5,000	-	51,000	51,000	-	51,000	0.005%
4. Anabelle L. Chua	16,060	-	-	16,060	16,060	-	16,060	0.001%
5. Elpidio L. Ibañez ¹	20,263	-	-	-	-	-	-	-
6. Lydia B. Echauz ¹	-	-	-	1,100	1,100	-	1,100	0.000%
7. Frederick D. Go	30	10,000	-	10,030	10,030	-	10,030	0.001%
8. James L. Go	189,450	5,000	-	194,450	194,450	-	194,450	0.017%
9. Jose Ma. K. Lim	50,010	5,000	-	55,010	55,010	-	55,010	0.005%
10. Artemio V. Panganiban	1	14,000	-	14,001	14,001	-	14,001	0.001%
11. Pedro Emilio O. Roxas	1,000	-	-	1,000	1,000	-	1,000	0.000%
12. Victorico P. Vargas	3,917	5,000	-	8,917	8,917	-	8,917	0.001%

SHAREHOLDINGS OF DIRECTORS AND KEY OFFICERS AS AT DECEMBER 31, 2021								
NAME	JANUARY 1, 2021	BUY	SELL	DECEMBER 31, 2021	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
Officers								
12. Simeon Ken R. Ferrer	767	-	-	767	767	-	767	0.000%
13. Roberto R. Almazora	93,082	-	-	93,082	93,082	-	93,082	0.008%
14. Ronnie L. Aperoch	14	-	-	14	14	-	14	0.000%
15. William S. Pamintuan	-	-	-	-	-	-	-	0.000%
16. Betty C. Siy-Yap	-	-	-	-	-	-	-	0.000%
17. Maria Luisa V. Alvendia	-	-	-	-	-	-	-	0.000%
18. Edgardo V. Carasig	-	-	-	-	-	-	-	0.000%
19. Ferdinand O. Geluz	12,877	-	-	12,877	12,877	-	12,877	0.001%
20. Melanie T. Oteyza	-	-	-	-	-	-	-	0.000%
21. Jose Ronald V. Valles	-	-	-	-	-	-	-	0.000%
22. Antonio M. Abuel, Jr.	10,427	-	-	10,427	10,427	-	10,427	0.001%
23. Ireneo B. Acuna	18,355	-	-	18,355	18,355	-	18,355	0.002%
24. Patrick Dave B. Bacani	-	-	-	-	-	-	-	0.000%
25. Roque D. Bacani	-	-	-	-	-	-	-	0.000%
26. Bennette D. Bachoco	-	-	-	-	-	-	-	0.000%
27. Joseph Allan C. Baltazar	-	-	-	-	-	-	-	0.000%
28. Rita D. Bantigue	-	-	-	-	-	-	-	0.000%
29. Benjamin U. Cusi	24,050	-	-	24,050	24,050	-	24,050	0.002%
30. Jenevi L. Dela Paz	-	-	-	-	-	-	-	0.000%
31. Ma. Cecilia M. Domingo	1,245	250	-	1,495	1,495	-	1,495	0.000%
32. Lawrence S. Fernandez	4,500	-	-	4,500	4,500	-	4,500	0.000%
33. Maria Carmela T. Migriño	-	-	-	-	-	-	-	0.000%
34. Richard O. Ochava	-	-	-	-	-	-	-	0.000%
35. Charina P. Padua	37,609	4,000	-	41,609	41,609	-	41,609	0.004%
36. Raymond B. Ravelo	-	-	-	-	-	-	-	0.000%
37. Glen N. San Pedro	-	-	-	-	-	-	-	0.000%
38. Jose S. Reyes, Jr.	8,827	-	-	8,827	8,827	-	8,827	0.001%
39. Froilan J. Savet	8,435	-	-	8,435	8,435	-	8,435	0.001%
40. Jose Antonio T. Valdez	-	-	-	-	-	-	-	0.000%
41. Maria Zarah R. Villanueva-Castro	-	-	-	-	-	-	-	0.000%
42. Agapito R. Zaldarriaga	10,369	-	-	10,369	10,369	-	10,369	0.001%
43. Ma. Cynthia C. Soluren	11,575	-	-	11,575	11,575	-	11,575	0.001%
TOTAL	624,960	53,250	-	662,960	662,960	-	662,960	0.050%

¹ Ms. Lydia B. Echauz replaced Mr. Elpidio L. Ibañez during ASM May 25, 2021

E.5 AUDIT

Internal Audit

Meralco Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that aligns to the key strategies and risks across the Group’s business and is reassessed quarterly to consider business changes and emerging risks. This plan is developed in coordination with the relevant business units and subsidiaries and reviewed and approved by the Audit Committee (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 AuditCom which then are reported to the Board for guidance and oversight. Significant concerns, which have been reported by Internal Audit Group and the implementation of responsive remedial measures by Management, are acted upon by Management and monitored by AuditCom. The AuditCom Report to the Board included the review of Meralco Group’s system of internal controls (financial, operational, and compliance controls) and risk management systems which are found to be in place and functioning.

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, Certified Quality Assurance Validator, 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)		
	2021	2020
Financial Statements Audit*	18.1	9.8
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM	0.7	0.7
* 2021 includes the audit fees of GBPC and subsidiaries. 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 25, 2021.

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

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

Section	Link
Business Operations	https://company.meralco.com.ph/news-and-advisories/latest-news-and-press-releases https://corporatepartners.meralco.com.ph/ https://biz.meralco.com.ph/
Financial Statements/Reports	https://company.meralco.com.ph/investor-relations/quarterly-reports
Materials provided in briefings to analysts and media	https://company.meralco.com.ph/investor-relations/quarterly-reports
Shareholding Structure	https://company.meralco.com.ph/corporate-profile/meralco-shareholding-structure
Group Corporate Structure	https://company.meralco.com.ph/corporate-governance/governance-structure
Downloadable Annual Report	https://company.meralco.com.ph/investor-relations/annual-reports
Notice of ASM	https://company.meralco.com.ph/company-disclosures/notice-of-annual-or-special-stockholders-meetings
Minutes of ASM	https://company.meralco.com.ph/company-disclosures/minutes-of-all-general-or-special-stockholders-meetings
Company’s By-Laws and Articles of Incorporation	https://company.meralco.com.ph/corporate-governance/board-matters

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

The Company’s 2021 Audited Consolidated Financial Statements were released on March 1, 2022, 60 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.

Audit Report Committee

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 three (3) independent non-executive directors, Mr. Artemio V. Panganiban, who sits as the Chairman, Dr. Lydia B. Echauz and Mr. Pedro O. 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 2021. 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 2021 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 2021 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 2021 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 CY2022, the related key performance indicators and all subsequent changes to the CY2021 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 (ISPPA) 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 2021 Internal Audit Annual Performance Report and evaluated the effectiveness of the Internal Audit function 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 investments and subsidiaries for CY2021 and provided an update about the developments in their strategic directions and overall results.
- Reviewed and approved the Audit Committee calendar for CY 2021.
- The review and updating of the Audit Committee and Internal Audit Charters are done annually by the Audit Committee. The Audit Committee Charter is in compliance with the Securities and Exchange Commission Memo Circular No. 04 (2012).
- Advised on the Enterprise Risk Management updates and major risk exposures on a semi-annual basis through the attendance to the meeting of the Risk Committee from which majority are also members.

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, 2021 and the filing thereof with the Philippine Securities and Exchange Commission.

February 25, 2022

On behalf of the Audit Committee:

(signed)

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, 2021 and 2020, and for each of the three years ended December 31, 2021, 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.

(signed)

MANUEL V. PANGILINAN
Chairman of the Board

(signed)

RAY C. ESPINOSA
President and Chief Executive Officer

(signed)

BETTY C. SIY-YAP
Chief Finance Officer

Independent Auditor’s Report



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INDEPENDENT AUDITOR’S REPORT

The Board of Directors and the Stockholders
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Manila Electric Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including those in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Revenue from sale of electricity

The Group's revenue from its electricity distribution business represents 92% of its consolidated revenues and arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within the Group's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

Notes 2, 23, 24, 30 and 32 provide the relevant disclosures related to the rate-making regulations and regulatory policies of the ERC.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

Adequacy of Allowance for Expected Credit Losses for Receivables

Under PFRS 9, *Financial Instruments*, the Group is required to estimate expected credit loss (ECL) for its financial assets, particularly its trade receivables which, as of December 31, 2021, represent 9% of the consolidated assets of the Group. The allowance for ECL and the provision for ECL as at and for the year ended December 31, 2021 amounted to ₱5,924 million and ₱551 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, 13 and 27 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's varying 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 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 26 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, 19, 22 and 29 to the consolidated financial statements provide the relevant disclosures related to this matter.



Audit response

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's 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 consolidated financial statements.

Accounting for business combination

As disclosed in Notes 3 and 6 to the consolidated financial statements, MERALCO PowerGen Corporation, a wholly owned subsidiary of the Company, acquired an additional 86% interest in Global Business Power Corporation (GBPC) for a total consideration of ₱32,575 million and performed a provisional purchase price allocation. Apart from the significance of the amounts involved, we consider the accounting for this acquisition to be a key audit matter because it requires significant management judgment in determining the fair values of the assets acquired and liabilities assumed from GBPC, based on the available information as at the acquisition date, specifically the acquired property and equipment and intangible assets.

Audit response

We reviewed the share purchase agreements covering the acquisition and assessed whether the acquisition has been appropriately accounted for. We evaluated management's basis in determining the fair value of the assets acquired and liabilities assumed from GBPC using the available information as of the acquisition date. We assessed the competence, capabilities and objectivity of the external appraiser who have been engaged to prepare the appraisal report used in the purchase price allocation, by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodologies and assumptions used in arriving at the provisional fair values of the property and equipment and intangible assets. We also assessed the adequacy of the related disclosures in Notes 3 and 6 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 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, 2021 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.

(signed)

Narciso T. Torres, Jr.

Partner

CPA Certificate No. 84208

Tax Identification No. 102-099-147

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 84208-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-111-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854376, January 3, 2022, Makati City

February 28, 2022

Manila Electric Company and Subsidiaries

Consolidated Statements of Financial Position

	Note	December 31	
		2021	2020
(Amounts in millions)			
ASSETS			
Noncurrent Assets			
Utility plant, generation plant and others	7 and 10	₱225,779	₱163,009
Investments in associates and interests			
in joint ventures	8 and 23	23,450	15,688
Investment properties	9	1,496	1,499
Intangible assets	7 and 10	15,387	2,233
Deferred tax assets - net	28	27,226	28,943
	2, 11, 15, 26, 27 and		
Financial and other noncurrent assets	30	53,125	50,513
Total Noncurrent Assets		346,463	261,885
Current Assets			
Cash and cash equivalents	12 and 27	55,007	50,912
Trade and other receivables	13, 24 and 27	45,013	58,120
Inventories	14	9,817	5,484
Financial and other current assets	11, 15, 23 and 27	27,182	13,866
Total Current Assets		137,019	128,382
Total Assets		₱483,482	₱390,267
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Common stock	16	₱11,273	₱11,273
Additional paid-in capital		4,111	4,111
Equity reserve		(116)	(116)
Employee stock purchase plan	16	1,049	1,049
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("FVOCI")	11	502	324
Remeasurement adjustments on retirement and other post-employment liabilities	26	2,681	(3,822)
Share in remeasurement adjustments on associates' retirement liabilities	8	(25)	(13)
Cumulative translation adjustments of associates	8	306	6
Cumulative translation adjustments of subsidiaries		40	22
Treasury shares	16	(11)	(11)
Retained earnings	16	75,394	66,414
Equity Attributable to Equity Holders of the Parent		95,204	79,237
Non-controlling Interests		10,239	1,494
Total Equity		105,443	80,731

(Forward)



Access QR code for
Notes to Consolidated
Financial Statements

	Note	December 31	
		2021	2020
(Amounts in millions)			
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	17 and 27	₱52,720	₱14,809
Customers' deposits - net of current portion	18, 22 and 27	30,901	29,844
Long-term employee benefits	26	10,257	15,327
Provisions	19, 22 and 29	13,554	17,065
Refundable service extension costs - net of current portion	22 and 27	5,334	6,632
Deferred tax liabilities - net	28	5,722	316
Other noncurrent liabilities	2, 5, 7, 24 and 29	97,981	82,942
Total Noncurrent Liabilities		216,469	166,935
Current Liabilities			
Notes payable	21 and 27	28,834	23,373
Trade payables and other current liabilities	16, 22, 23, 27 and 29	119,056	111,261
Customers' refund	2, 20 and 27	2,929	2,949
Income tax payable		1,637	3,056
Current portion of interest-bearing long-term financial liabilities	17 and 27	9,114	1,962
Total Current Liabilities		161,570	142,601
Total Liabilities		378,039	309,536
Total Liabilities and Equity		₱483,482	₱390,267

See accompanying Notes to Consolidated Financial Statements.

Access QR code for
Notes to Consolidated
Financial Statements

Manila Electric Company and Subsidiaries

Consolidated Statements of Income

Manila Electric Company and Subsidiaries

Consolidated Statements of Income

		Years Ended December 31		
	Note	2021	2020	2019
(Amounts in millions, except per share data)				
REVENUES				
Sale of electricity	6, 23, 24, 30 and 32	₱309,238	₱267,946	₱310,098
Sale of other services	23	9,309	7,358	8,217
		318,547	275,304	318,315
COSTS AND EXPENSES				
Purchased power	24 and 30	224,915	204,420	241,032
Salaries, wages and employee benefits	25 and 26	15,892	12,301	13,106
Depreciation and amortization	7, 9, 10 and 25	12,499	8,555	8,730
Provision for probable losses and expenses from claims	2, 19 and 29	10,175	15,526	10,119
Coal and fuel		8,793	—	—
Contracted services		7,074	6,348	6,637
Taxes, fees and permits		1,939	1,069	1,118
Power plant operations and maintenance cost		1,103	—	—
Provision for expected credit losses ("ECL")		506	1,827	435
Other expenses	23 and 25	6,312	4,267	5,899
		289,208	254,313	287,076
OTHER INCOME (EXPENSES)				
Interest and other financial income	11 and 12	2,197	2,323	3,269
Interest and other financial charges	17, 18 and 21	(3,728)	(1,594)	(1,607)
Equity in net earnings (losses) of associates and joint ventures	8	3,127	1,233	(1,486)
Foreign exchange gains (losses)		487	(839)	(508)
Others	2, 23, 30 and 32	1,573	301	1,008
		3,656	1,424	676
INCOME BEFORE INCOME TAX		32,995	22,415	31,915
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	28	8,728	10,295	11,503
Deferred		184	(4,029)	(2,960)
		8,912	6,266	8,543
NET INCOME		₱24,083	₱16,149	₱23,372
Attributable To				
Equity holders of the Parent	31	₱23,498	₱16,316	₱23,285
Non-controlling interests		585	(167)	87
		₱24,083	₱16,149	₱23,372
Earnings Per Share Attributable to Equity Holders of the Parent				
Basic	31	₱20.85	₱14.48	₱20.66
Diluted		20.85	14.48	20.66

See accompanying Notes to Consolidated Financial Statements.

Access QR code for
Notes to Consolidated
Financial Statements

Manila Electric Company and Subsidiaries

Consolidated Statements of Comprehensive Income

		Years Ended December 31		
	Note	2021	2020	2019
		(Amounts in millions)		
NET INCOME		₱24,083	₱16,149	₱23,372
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent years:				
Unrealized fair value gains on fair value through other comprehensive ("FVOCI") financial assets	11	139	100	507
Cumulative translation adjustments of subsidiaries		18	(10)	(1)
Cumulative translation adjustments of associates		300	(756)	211
Net other comprehensive income (loss) that will be reclassified to profit or loss in subsequent years		457	(666)	717
Items that will not be reclassified to profit or loss in subsequent years:				
Remeasurement adjustments on retirement and other post-employment liabilities	26	8,671	(5,186)	(5,327)
Income tax effect		(2,168)	1,557	1,599
		6,503	(3,629)	(3,728)
Unrealized fair value gains (losses) on equity securities at FVOCI		43	(3)	17
Income tax effect		(4)	—	(2)
		39	(3)	15
Share in remeasurement adjustments on associates' retirement liabilities	8	(12)	(1)	(2)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years		6,530	(3,633)	(3,715)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		6,987	(4,299)	(2,998)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		₱31,070	₱11,850	₱20,374
Total Comprehensive Income Attributable To				
Equity holders of the Parent		₱30,485	₱12,017	₱20,287
Non-controlling interests		585	(167)	87
		₱31,070	₱11,850	₱20,374

See accompanying Notes to Consolidated Financial Statements.



Manila Electric Company and Subsidiaries

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Equity Attributable to Equity Holders of the Parent												Total Equity	
	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Unrealized Fair Value Gains (Losses) on Financial Assets at FVOCI (Note 11)	Remeasurement Adjustments on Retirement and Other Post-Employment Liabilities (Note 26)	Share in Remeasurement Adjustments on Associates' Retirement Liabilities (Note 8)	Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent (Note 3 and 6)		
(Amounts in millions)														
At January 1, 2021	₱11,273	₱4,111	(₱116)	₱1,049	₱324	(₱3,822)	(₱13)	₱6	₱22	(₱11)	₱66,414	₱79,237	₱1,494	₱80,731
Net income	-	-	-	-	-	-	-	-	-	-	23,498	23,498	585	24,083
Other comprehensive income (loss)	-	-	-	-	178	6,503	(12)	300	18	-	6,987	6,987	-	6,987
Total comprehensive income (loss)	-	-	-	-	178	6,503	(12)	300	18	-	23,498	30,485	585	31,070
Dividends	-	-	-	-	-	-	-	-	-	-	(14,518)	(14,518)	(1,358)	(15,876)
Effect of consolidation of Global Business Power Corporation ("GBPC")	-	-	-	-	-	-	-	-	-	-	-	-	9,474	9,474
Others	-	-	-	-	-	-	-	-	-	-	-	-	44	44
											(14,518)	(14,518)	8,160	(6,358)
At December 31, 2021	₱11,273	₱4,111	(₱116)	₱1,049	₱502	₱2,681	(₱25)	₱306	₱40	(₱11)	₱75,394	₱95,204	₱10,239	₱105,443
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)	-	(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
											(17,010)	(17,010)	650	(16,360)
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



Access QR code for Notes to Consolidated Financial Statements

Manila Electric Company and Subsidiaries

Consolidated Statements of Cash Flows

		Years Ended December 31		
	Note	2021	2020	2019
		(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱32,995	₱22,415	₱31,915
Adjustments for:				
Provision for probable losses and expenses from claims - net	2 and 29	7,951	14,473	9,696
Depreciation and amortization	7, 9 and 10 17, 18 and 21	12,499	8,555	8,730
Interest and other financial charges	21	3,728	1,594	1,607
Interest and other financial income	11 and 12	(2,197)	(2,323)	(3,269)
Equity in net losses (earnings) of associates and joint ventures	8	(3,127)	(1,233)	1,486
Provision for expected credit losses ("ECL")		557	1,827	435
Others		12	(151)	(213)
Operating income before working capital changes		52,418	45,157	50,387
Decrease (increase) in:				
Trade and other receivables		11,127	(27,922)	(2,645)
Inventories		(2,136)	(926)	(746)
Financial and other current assets		(2,573)	184	(324)
Increase (decrease) in:				
Trade payables and other current liabilities		(12,832)	18,215	1,419
Customers' deposits		1,244	1,282	1,635
Customers' refund		(20)	(83)	(1,327)
Long-term employee benefits		2,855	1,573	2,220
Cash generated from operations		50,083	37,480	50,619
Income tax paid		(6,902)	(7,608)	(8,443)
Net cash flows provided by operating activities		43,181	29,872	42,176
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Global Business Power Corporation ("GBPC") – net of GBPC's cash upon acquisition	3	(16,476)	–	–
Additions to:				
Debt securities at amortized cost	11	(23,115)	(15,949)	(11,974)
Financial assets at FVOCI	11	(42,458)	(92,057)	(51,065)
Utility plant and others	7	(26,260)	(19,662)	(19,438)
Intangible assets	10	(976)	(896)	(547)
Investments in associates and interests in joint ventures	8	(992)	(466)	(6,421)
Short-term investments		(435)	(5,472)	(37,957)
Investment properties	9	(1)	–	(1)
Proceeds from maturity of:				
Financial assets at FVOCI		43,070	85,268	51,874
Debt securities at amortized cost		14,059	23,999	11,065
Short-term investments		–	23,680	41,618
Interest and other financial income received		2,184	2,657	3,395
Proceeds from disposal of utility plant and others		161	353	490
Dividends received from associates and joint ventures		1,778	475	546
Increase (decrease) in minority interests		(1,364)	651	69
Decrease (increase) in financial and other noncurrent assets		1,358	195	(2,047)
Net cash provided by (used in) investing activities		(49,467)	2,776	(20,393)

(Forward)



		Years Ended December 31		
	Note	2021	2020	2019
		(Amounts in millions)		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of:				
Interest-bearing long-term financial liabilities	17	₱24,513	₱2,578	₱28
Notes payable	21	22,880	179	10,179
Payments of:				
Notes payable		(17,419)	(199)	(283)
Dividends	16	(13,748)	(16,796)	(18,008)
Interest-bearing long-term financial liabilities	17	(7,388)	(3,669)	(8,712)
Interest and other financial charges		(215)	(1,446)	(1,620)
Increase (decrease) in other noncurrent liabilities		2,238	(938)	(1,831)
Net cash provided by (used in) financing activities		10,861	(20,291)	(20,247)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,575	12,357	1,536
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		50,912	38,262	36,471
NET UNREALIZED FOREIGN EXCHANGE LOSSES (GAINS)		(480)	293	255
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱55,007	₱50,912	₱38,262

See accompanying Notes to Consolidated Financial Statements.

Access QR code for
Notes to Consolidated
Financial Statements

CEPSI 2021: The Energy Digicon of Asia-Pacific

In November, the Philippines successfully hosted the 23rd Conference of the Electricity Supply Industry (CEPSI) for the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP), the largest organization of power and energy industry in the region with over 75 members from 19 countries.

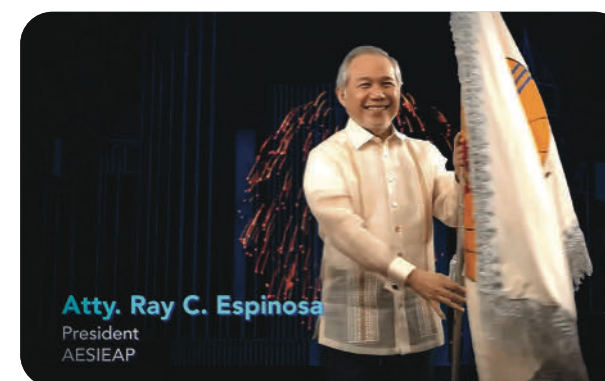
The Philippine hosting was spearheaded by a coalition consisting of the Department of Energy (DOE), Department of Tourism (DOT), Meralco, National Power Corporation (NPC), National Transmission Corporation (TransCo), and National Grid Corporation of the Philippines (NGCP).

CEPSI 2021, dubbed The Energy Digicon of Asia-Pacific, gathered 2,970 leaders, experts, and professionals from 258 companies from 25 countries. In response to the COVID-19 pandemic, the Conference was held virtually for the first time.

Themed “Energized Countries, Empowered Communities”, the four (4)-day conference focused on the 5S Agenda that bring forth thought leadership and action to drive Sustainability and Social Inclusiveness in the region’s electricity industry, enabled by Smart grid technologies, multi-sectoral Synergies, and Scalable deployment of innovative energy solutions.

CEPSI 2021 featured a total of 319 speakers and presenters, and 327 plenary and concurrent technical sessions, and sponsors webinars. These effectively fostered cooperation through sharing of expertise and technologies among energy companies, and providing a venue to discuss challenges and solutions for the development of the power and energy industry.

Led by DOE Secretary Alfonso Cusi, AESIEAP President Atty. Ray Espinosa and AESIEAP Secretary-General Ronnie Aperocho, the hosting of AESIEAP 2022-2023 was turned over to the China Electricity Council from the People’s Republic of China.



“CEPSI 2021 provides a truly global platform for the energy industry to come together and exchange ideas and create lasting cooperative relationships within the region. The Department of Energy expresses its support for the conference as a way for Philippine energy industry leaders and professionals to gain a wider perspective on the future of the energy industry.”

Alfonso Cusi
Secretary, Department of Energy Philippines

“The core value of the CEPSI conference is to gather power industry peers in the region and provide a platform for in-depth communication and exchange for representatives of various countries and regions. This platform has become one of the most important channels for Chinese power enterprises to understand the development of the region. CEC, as the coordinator of AESIEAP members in P.R. China, has also improved its international and domestic influence through the platform.”

Dr. Yang Kun
Executive President, China Electricity Council

Certifications

Office	Certification Standard	Date of Certification
España Business Center	DOLE/DOH Safety Seal	12-Oct-21
Antipolo Auxiliary Business Center	DOLE/DOH Safety Seal	19-Oct-21
Cainta BC	DOLE/DOH Safety Seal	19-Oct-21
Masinag Auxiliary Business Center	DOLE/DOH Safety Seal	21-Feb-22
Malolos BC	DOLE Safety Seal	17-Nov-21
Marikina BC	DOLE/DOH Safety Seal	29-Oct-21
Meralco	DOE - full compliance to the submission of DOE's reportorial requirements	14-Dec-21
Tutuban Business Center	DOLE/DOH Safety Seal	08-Mar-22
Networks	ISO 9001: 2015 – Quality Management Systems	25-May-21
Supply	Chain Management ISO 9001: 2015 – Quality Management Systems	31-Mar-22
Meter Testing Laboratory	“ISO/ IEC 17025: 2017 General Requirements for the Competence of Testing and Calibration Laboratories”	13-Aug-23
Meralco Ortigas Center Balintawak Sector Valenzuela Sector Plaridel Sector Pasig Sector Manila Sector Rizal Sector Parañaque Sector Dasmariñas Sector Sta. Rosa Sector San Pablo Sector Sub-Transmission Services	ISO OHSAS 45001:2018 Occupational Health and Safety Management System	10-Jun-19
Meralco Ortigas Center Balintawak Sector Valenzuela Sector Plaridel Sector Pasig Sector Manila Sector Rizal Sector Parañaque Sector Dasmariñas Sector Sta. Rosa Sector San Pablo Sector Sub-Transmission Services	ISO 14001: 2018 Environmental Management System	10-Jun-19

Awards and Recognitions

56th Anvil Awards		
Entry name	Division	Award
Meralco Goes Green Internal Communications	Public Relations Program - Directed at Specific Stakeholders (Employees)	Silver
Share A Leave/A Day To Give	Specialized Public Relations Program - COVID-related PR programs with tools	Silver
Keeping the Lights On in the Time of Pandemic	Specialized Public Relations Program - COVID-related PR programs with tools	Silver

18th Stevies International Business Awards		
Entry name	Division	Award
MVP the Man and His Art	Other Publication - Companies	Gold
Power On: Meralco 2020 Annual Report	Annual Report - Privately-Owned Companies	Gold
The Evolution of Meralco Advisory: Informing and Educating Customers via Optimized Content	Best Use of Social Media - COVID-19-related Information	Bronze
Meralco's Facebook Page #KeepingTheLightsOn in the New Normal	Best Use of Social Media - COVID-19-related Information	Bronze

2021 Asia Pacific Stevie Awards		
Entry name	Division	Award
Fitting The Bill: Meralco Makes Paying Bills Easier With The Customer Account Number	Most Valuable Corporate Response	Silver
Safeguard the Economy at All Costs: Meralco Waives Energy Demand Charge	Most Valuable Corporate Response	Silver
Safety first: Empowering Enterprises to fight an invisible enemy	Most Valuable Service	Bronze

ASEAN Corporate Governance Scorecard Award		
Entry name	Division	Award
Meralco Corporate Governance 2019 Regional Assessment	ASEAN Asset Class	ASEAN Asset Class for PLCs (Philippines)

ASEAN Corporate Governance Scorecard Award		
Entry name	Division	Award
Meralco Corporate Governance 2019 Domestic Assessment	Golden Arrow Award	Three Golden Arrows

PSE Dividend Yield Index (PSE DivY Index)		
Entry name	Division	Award
Outstanding Citizens Award Outstanding Taxpayer (Corporation)	Caloocan Cityhood Celebration Awards Committee	Outstanding Taxpayer (Corporation)

Navotas 116 Founding Anniversary (Awarding of Top 20 Taxpayers : Business and Realty)		
Entry name	Division	Award
Meralco Corporate Governance 2019 Domestic Assessment	Outstanding Taxpayer (Business and Realty)	Top 14 Realty Tax Payer

100th Year Anniversary of City of Treasurer's Office of Manila		
Entry name	Division	Award
Meralco Corporate Governance 2019 Domestic Assessment	Outstanding Taxpayer (Business and Realty) Manila LGU (Business and Realty)	Outstanding Taxpayer (Corporation)

18th Philippine Quill Awards		
Entry name	Division	Award
Meralco Goes Green Internal Communications	Division 1: Communication Management; Category 1: Internal Communication	Excellence
CovidComms 2020: A Day To Give/Share A Leave; Category 2: Employee Engagement	Division 1: Communication Management; Category 2: Employee Engagement	Excellence
CovidComms 2020: Keeping the Lights On in the time of Pandemic	Division 1: Communication Management; Category 1: Internal Communication	Excellence
2019 One Meralco Cool-tural Festival	Division 1: Communication Management; Category 2: Employee Engagement	Merit
Meralco Liwanag Park Digital Tour	Division 4: Communication Skills; Category 21: Audio/ Visual	Merit
Meralco Digital Press Conferences: Keeping Close with Media and Public Despite Social Distancing	Category 9: Media Relations	Excellence
Meralco Advisory: Informing, Educating and Equipping Customers with Knowledge through Innovative Communications"	Category 8: Customer Relations	Excellence
CovidComms 2020: A Day To Give/ Share A Leave	Category 2: Employee Engagement	Excellence
Laging Handa: The 2019 One Meralco Foundation Back-to-School Program	Category 2: Employee Engagement	Excellence
Ensuring our Stakeholders are Informed: The 2019 Quarterly Meralco Operating and Financial Media Briefings	Category 9: Media Relations	Excellence
MVP Academic Achievement Awards 2019 "Builders of the Future"	Category 19: Special And Experiential Events	Excellence
Meralco is Ready: Hosting of the 2019 4Q Nationwide Simultaneous Earthquake Drill (NSED)	Category 19: Special And Experiential Events	Excellence
2019 Meralco Sustainability Report: Sustaining the Future	Category 23: Publications	Excellence
Bayad Center – MakaBayad	Category 7: Marketing, Advertising and Brand Communication	Merit

2021 ASEAN Enterprise Innovation Awards		
Entry name	Division	Award
Transformation Powered by Technology and Tradition Meralco Corporate Governance 2019 Domestic Assessment		Winner

18th Philippine Quill Awards		
Entry name	Division	Award
Bayanihan at Malasakit: Meralco's Taal restoration and CSR response	Category 9: Media Relations	Merit
Covid Comms 2020: Enlightening The Public on ECQ Months Bill Spike Issue Through Media Engagement	Category 9: Media Relations	Merit
COVID Comms 2020: From Farmers to Frontliners	Category 14: Corporate Social Responsibility	Merit
Meralco Integrated Reporting Management System: A Big Leap Towards a Safer Work Place	Category 5: Safety Communication	Merit
Meralco's Proactive Supply Procurement Communication Campaign	Category 13: Issues Management and Crisis Communication	Merit
Meralco's revitalized renewable energy push for solar microgrids	Category 9: Media Relations	Merit
No School Left in the Dark - Energizing the farthest public schools in the Philippines	Category 14: Corporate Social Responsibility	Merit
OMF's Household Electrification Program	Category 10: Community Relations	Merit
One For Trees: Engaging Employees in Sustainable Reforestation	Category 2: Employee Engagement	Merit
Pasasalamat sa IDOL naming Lineman	Category 2: Employee Engagement	Merit
Power Up Forum - Sustainability Edition	Category 6: Leadership Communication	Merit
The Good Store: A Commitment to Sustainability	Category 10: Community Relations	Merit
Typhoon Tisoy Response: Managing crisis communications during 2019's strongest typhoon	ategory 13: Issues Management and Crisis Communication	Merit
Una sa Lahat, Safety	Category 5: Safety Communication	Merit
CovidComms 2020: Flattening the Curve by Flattening the Fear - One MERALCO COVID-19 Online Awareness Roadshow	Category 19: Special And Experiential Events	Merit
Company of the year 2 nd runner-up		

Glossary of Terms

CONSUMER SATISFACTION INDEX (CSI) is the weighted index that measures general and specific areas of customer satisfaction and priorities. Both satisfaction and level of importance by attribute are dictated by customers through an annual survey (bi-annual starting 2015). This survey is conducted among all customer segments: residential, commercial, industrial, local government units (LGUs), and national government offices.

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.

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 DUs 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

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COMMON STOCK

The Company's common stock is listed on the Philippine Stock Exchange (Ticker: MER).