

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP	PM-CCO-2021-01 Rev. Code:	Page 1 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

I. POLICY STATEMENT

It is the policy of Meralco and its Subsidiaries and Affiliates (the “Company”) that utmost due diligence is undertaken to identify and update the beneficial owner(s) in the General Information Sheet in compliance with the Securities and Exchange Commission’s (SEC) Memorandum Circular Number 15 Series of 2019 (Circular) and ensure its timely disclosure.

II. DEFINITION OF TERMS

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

1. **“Beneficial Owner”** refers to any natural person(s) who ultimately own(s) or control(s) or exercise(s) ultimate effective control over the corporation. This definition covers the natural person(s) who actually own or control the corporation as distinguished from legal owners as defined herein. Such beneficial ownership may be determined on the basis of the following:

<u>Category</u>	<u>Description</u>
A	Natural person(s) owning, directly or indirectly or through a chain of ownership, at least twenty-five percent (25%) of the voting rights, voting shares or capital of the reporting corporation.
B	Natural person(s) who exercise control over the reporting corporation, alone or together with others, through any contract, understanding, relationship, intermediary or tiered entity.
C	Natural person(s) having the ability to elect a majority of the board of directors/trustees, or any similar body, of the corporation.
D	Natural person(s) having the ability to exert a dominant influence over the management or policies of the corporation.
E	Natural person(s) whose directions, instructions, or wishes in conducting the affairs of the corporation are carried out by majority of the members of the board of directors of such corporation who are accustomed or under an obligation to act in accordance with such person's directions, instructions or wishes.
F	Natural person(s) acting as stewards of the properties of corporations, where such properties are under the care or administration of said natural person(s).
G	Natural person(s) who actually own or control the reporting corporation through nominee shareholders or nominee directors acting for or on behalf of such natural persons.

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 2 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

H	Natural person(s) ultimately owning or controlling or exercising ultimate effective control over the corporation through other means not falling under any of the foregoing categories.
I	Natural person(s) exercising control through positions held within a corporation (i.e., responsible for strategic decisions that fundamentally affect the business practices or general direction of the corporation such as the members of the board of directors or trustees or similar body within the corporation; or exercising executive control over the daily or regular affairs of the corporation through a senior management position). This category is only applicable in exceptional cases where no natural person is identifiable who ultimately owns or exerts control over the corporation, the reporting corporation having exhausted all reasonable means of identification and provided there are no grounds for suspicion.

2. **Beneficial Ownership Information** refers to the identification or information on the beneficial owner of the corporation as required under the SEC Circular.
3. **Direct Ownership** refers to ownership of shares in the reporting corporation and not through ownership of shares in a corporate shareholder nor any intermediate layers of corporate shareholders.
4. **Dominant Influence** refers to situation in which the instructions or directions given by any natural person, who may or may not be a stockholder of the reporting corporation, on the management or policies of the corporation, are always or almost always followed or carried out.
5. **GIS** refers to the General Information Sheet.
6. **Grandfather Rule** refers to the “method by which the percentage of Filipino equity in a corporation engaged in nationalized and/or partly nationalized areas of activities provided for under the Constitution and other nationalization laws, is computed, in cases where corporate shareholders are present, by attributing the nationality of the second or even subsequent tier of ownership to determine the nationality of the corporate shareholder.”

For the purpose of this SEC Circular, the reference to the Grandfather Rule shall be limited only to the method of computing the percentage of indirect ownership in determining the

	<p>POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP</p>		<p>Page 3 of 9</p>
<p>Section:</p>	<p>Meralco Corporate Compliance Office</p>		
<p>Subject:</p>	<p>BENEFICIAL OWNERSHIP DECLARATION</p>	<p>Sensitivity Classification: Company use</p>	

beneficial owner of the reporting corporation and shall not affect its applicability in determining the nationality of a corporate shareholder.

7. **Indirect Ownership** refers to the type of ownership through one's percentage of ownership in a corporate shareholder of a corporation or through layers of corporate shareholders.
8. **Legal Owner** means the natural or juridical person who, in accordance with the pertinent provisions or Philippines law, owns or has the controlling ownership interest over the corporation or has the ability of taking relevant decisions within the corporations and impose those resolutions.
9. **Multiple Layers** refers to the layers of corporations comprising the ownership structure of the reporting corporation.
10. **Reporting Corporation** refers to the corporation submitting or required to submit the GIS to the Commission.
11. **Senior Managing Official** refers to the natural person who exercises executive control over the daily or regular affairs of the corporations through a senior management position, such as chief executive officer (CEO), chief financial officer (CFO), managing or executive director, or president.
12. **Ultimate Effective Control** refers to any situation in which ownership/control is exercised through actual or a chain of ownership or by means other than direct control. This may be achieved through, but not limited to, any of the following situations:
 - a) direct or indirect ownership of at least twenty-five percent (25%) of the voting shares or capital of a corporation or otherwise has or shares voting power, which includes the power to vote, or to direct the voting of, such security; and/or investment returns or power, which includes the power to dispose of, or to direct, the disposition of such security.
 - b) the ability to elect a majority of the board of directors, or any similar body, of a legal person or arrangement; or
 - c) any situation in which:

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 4 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

- (i) a person has the ability in fact to exert a dominant influence over the management or policies of a legal person or arrangement; or
- (ii) a majority of the members of the board of directors of such legal person or arrangement, or any equivalent body, are accustomed or under an obligation, whether formal or informal, to act in accordance with a given person's directions, instructions or wishes in conducting the affairs of the legal person or arrangement.

III. IDENTIFICATION

1. Identification of Beneficial Owner. Beneficial ownership shall be determined as follows:

- i. The identity of the natural person(s) who ultimately has controlling ownership interest in the corporation.

For purposes of determining beneficial ownership, any natural person directly or indirectly, or through a chain of ownership, owning at least twenty-five percent (25%) of the voting shares or capital of the corporation, or at least twenty-five percent (25%) of the voting rights therein, as may be applicable, shall be considered as a beneficial owner.

In the event that the entity owning at least twenty-five percent (25%) of the reporting corporation is an estate, trust or partnership shall be disclosed as beneficial owner.

- ii. The identity of the natural persons (if any) exercising control of the corporation through other means.
- iii. The identity of the natural persons composing the Board of Directors or any similar body and/or the senior managing official of the reporting corporation.

This is only in exceptional circumstances where no natural person can be identified as ultimately owning or controlling or exercising ultimate effective control over the corporation through controlling ownership interest, controlling voting rights, or through other means. The reporting corporation must be able to show that it has exhausted all other means of identifying the beneficial owner. This is subject to verification and strict monitoring by the Commission.

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 5 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

2. Determination of Natural Person Who Ultimately Owns the Corporation Through Indirect Ownership. In determining the natural person(s) who ultimately owns the corporation, the percentage of ownership shall be computed using the methodology applied in the "Grandfather Rule". The natural person(s) who ultimately owns at least twenty-five percent (25%) of the voting shares or capital of the reporting corporation through ownership of shares in a corporate stockholder or through multiple layers of corporate stockholders shall be considered as a Beneficial Owner. To arrive at the actual percentage of the beneficial ownership in the reporting corporation, both the direct and indirect shareholdings in the corporation shall be considered.

To guide the Company in determining indirect ownership applying the method used in the Grandfather Rule, an example is attached to the Circular as Annex "A."

3. Members of the Board of Directors or Any Similar Body and/ or Senior Managing Official as Beneficial Owner/s in Exceptional Cases. In exceptional cases where no natural person is identifiable who ultimately owns or exerts control over the corporation, the reporting corporation having exhausted all other means of identification and provided there are no grounds for suspicion, may consider the natural persons composing the Board of Directors/Trustees or any similar body and/or the senior managing official of the reporting corporation to be the beneficial owner(s).

In the event that another corporation and not a natural person ultimately owns at least twenty-five percent (25%) of the voting shares or capital of the reporting corporation computed in accordance with the methodology used in the Grandfather Rule, the members of the Board of Directors or any similar body and/or senior managing official of such corporation may be considered as beneficial owner(s) of the reporting corporation.

It is to be emphasized herein that this will be subject to strict monitoring and verification by the Commission. Any clear indication that this was resorted to despite evidence showing that the corporation has beneficial owner(s) with controlling ownership interest or through other means as defined herein shall be considered as a prima facie evidence of violation of this Circular and the making of a false statement in the GIS.

IV. UPDATING

1. Updating of Beneficial Ownership Information - The SEC shall be timely apprised of relevant changes in the submitted beneficial ownership information as they arise. An updated GIS shall be

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 6 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

submitted to the SEC within seven (7) working days after such change occurred or became effective.

For corporations with multiple layers of corporate stockholders, an updated GIS shall be submitted with the same seven-day period. In the event that the corporation with such multiple layers fails to do so, it shall submit the updated GIS within thirty (30) working days from the time such change occurred or became effective with an explanation for the failure to submit the same within the prescribed period.

2. Obligation of Directors and Officers. The Directors and Officers of the Company shall exercise the due diligence required in ensuring that the requirement to disclose its beneficial owner in the GIS is complied with. This due diligence requirement is deemed complied with if reasonable measures are undertaken to obtain and hold updated information on the beneficial owner (s) of the corporation as defined herein and to ensure that such information is timely disclosed in the GIS.

3. Compliance Officer. The Compliance Officer should regularly review the identified beneficial ownership information. Any changes in the shareholdings of the significant shareholders owned or managed by the beneficial owner(s) should be reported immediately to the Nomination and Governance Committee. If said event will constitute a change in the beneficial owner(s), the Committee should endorse it immediately to the Board for approval before disclosure to the SEC through the GIS.

V. PENALTIES AND LIABILITIES OF DIRECTORS AND OFFICERS

- Refer to SEC Circular (Section 11) or Annex B

VI. EFFECTIVITY

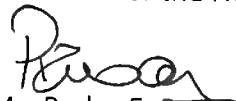
This Policy on Obtaining, Updating and Recording of Beneficial Owners will take effect immediately from date of the approval of this Policy.

All existing policies, systems, practices, and related implementing guidelines concerning the same matters covered by this Policy are deemed revoked and superseded by this Policy insofar as inconsistent with the provisions hereof.

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 7 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

ENDORSED BY:

On behalf of the Nomination and Governance Committee



Mr. Pedro E. Roxas

Chairperson, Nomination and Governance Committee

APPROVED BY:

On behalf of the Meralco Board



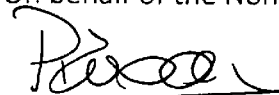
Mr. Manuel V. Pangilinan

Chairman of the Board

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 7 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

ENDORSED BY:

On behalf of the Nomination and Governance Committee



Mr. Pedro E. Roxas

Chairperson, Nomination and Governance Committee

APPROVED BY:

On behalf of the Meralco Board

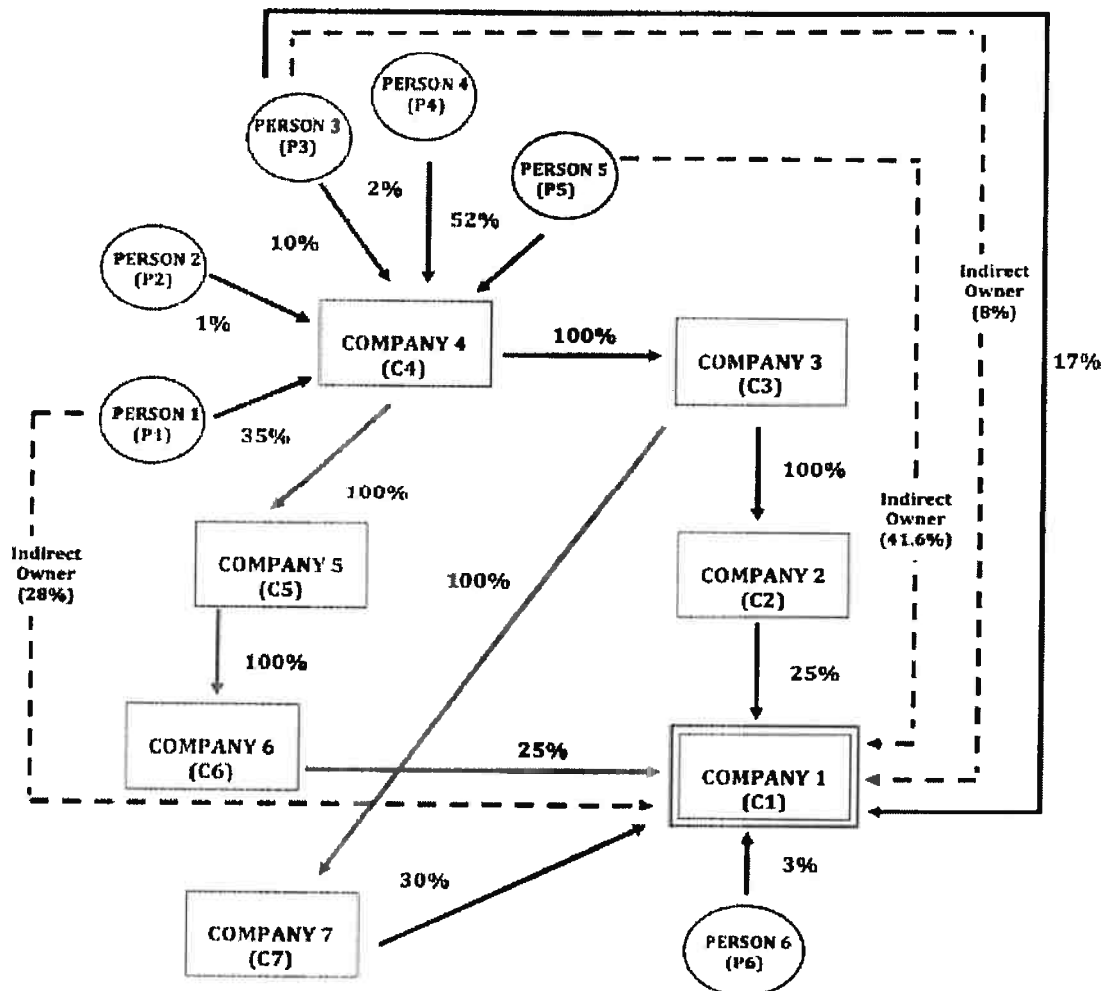


Mr. Manuel V. Pangilinan

Chairman of the Board

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 8 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

Annex A:



PERSON 1 PERSON 3 and PERSON 5 are the beneficial owners of COMPANY 1.	
<ul style="list-style-type: none"> PERSON 1 Indirectly owns 28% of COMPANY 1 computed as follows: $\%P1 \times \%C4 \times \%C3 \times \%C2 = 35\% \times 100\% \times 100\% \times 25\% = 8.75\%$ $\%P1 \times \%C4 \times \%C3 \times \%C7 = 35\% \times 100\% \times 100\% \times 30\% = 10.50\%$ $\%P1 \times \%C4 \times \%C5 \times \%C6 = 35\% \times 100\% \times 100\% \times 25\% = 8.75\%$ TOTAL 28.00% 	<ul style="list-style-type: none"> PERSON 5 Indirectly owns 41.60% of COMPANY 1 computed as follows: $\%P5 \times \%C4 \times \%C3 \times \%C2 = 52\% \times 100\% \times 100\% \times 25\% = 13.00\%$ $\%P5 \times \%C4 \times \%C3 \times \%C7 = 52\% \times 100\% \times 100\% \times 30\% = 15.60\%$ $\%P5 \times \%C4 \times \%C5 \times \%C6 = 52\% \times 100\% \times 100\% \times 25\% = 13.00\%$ TOTAL 41.60%
<ul style="list-style-type: none"> PERSON 3 Indirectly owns 8% of COMPANY 1 computed as follows: $\%P3 \times \%C4 \times \%C3 \times \%C2 = 10\% \times 100\% \times 100\% \times 25\% = 2.50\%$ $\%P3 \times \%C4 \times \%C3 \times \%C7 = 10\% \times 100\% \times 100\% \times 30\% = 3.00\%$ $\%P3 \times \%C4 \times \%C5 \times \%C6 = 10\% \times 100\% \times 100\% \times 25\% = 2.50\%$ SUBTOTAL 8.00% 	
PERSON 3 directly owns 12% of COMPANY 1 TOTAL 25.00%	

	POLICY ON OBTAINING, UPDATING AND RECORDING BENEFICIAL OWNER(S) FOR THE MERALCO GROUP		Page 9 of 9
Section:	Meralco Corporate Compliance Office		
Subject:	BENEFICIAL OWNERSHIP DECLARATION	Sensitivity Classification: Company use	

Annex B:

SECTION 11. Penalties.

- i. **Failure to Disclose.** If after due notice and hearing, the Commission finds that the reporting corporation has committed a violation of this Circular by failing to disclose, without any lawful cause, its Beneficial Owner in accordance with the provisions thereof, the reporting corporation shall be penalized as follows:

For Stock Corporations with retained earnings of less than Php500,000.00:

- a. For the first violation.....Php10,000.00
- b. For the second violation.....Php20,000.00
- c. For the third violation.....Php50,000.00
- d. For the fourth and subsequent violations.....Php100,000.00

For Non-Stock Corporations with fund balance of less than Php500,000.00:

- a. For the first violation.....Php5,000.00
- b. For the second violation.....Php10,000.00
- c. For the third violation.....Php20,000.00
- d. For the fourth and subsequent violations.....Php50,000.00

For Stock Corporations with retained earnings or Non-Stock Corporations with fund balance of Php500,000.00 or more but less than Php5,000,000.00, the penalties shall be twice the amount of the penalties imposed for those with retained earnings or fund balance of less than Php500,000.00.

For Stock Corporations with retained earnings or Non-Stock Corporations with fund balance of Php5,000,000.00 or more but less than Php10,000,000.00, the penalties shall be thrice the amount imposed for those with retained earnings or fund balance of less than Php500,000.00.

For Stock Corporations with retained earnings or Non-Stock Corporations with fund balance of Php10,000,000.00 or more, the penalties shall be four times the penalties imposed for those with retained earnings or fund balance of less than Php500,000.00.

The failure to submit the GIS with the required beneficial ownership information shall be prima facie proof of such violation.