Sustaining the Future

2019 Meralco Sustainability Report

Our Cover

Father and daughter are at play in a sprawling field with the sun glistening over green spaces and skyscrapers in harmony. This is the future One Meralco seeks to help build and sustain—a future where Filipinos, the youth most especially, are empowered to be all they can be, where Mother Earth is preserved and protected, and where prosperity is enjoyed by the nation and by all.

Our Reports

Beginning 2019, Manila Electric Company (Meralco) is providing three annual reports: the first covers the distribution utility and its subsidiaries; the second is its sustainability report; and the third is that of its social development arm, One Meralco Foundation.

Sustaining Energy
2019 Meralco Annual Report

Sustaining Energy:
Sustaining Energy shows Meralco's transition to renewable energy to better support future generations, and executes a digital transformation to upgrade its systems and operations for greater efficiency and a better customer experience.

Sustaining the Future
2019 Meralco Sustainability Report

Sustaining the Future:
Sustaining the Future maps out Meralco's sustainability agenda, in the context of the United Nations Sustainable Development Goals. It details the focus on Power, Planet, People, and Prosperity in alignment with Meralco's business strategy.

Sustaining Communities
2019 One Meralco Foundation Annual Report

Sustaining Communities:
Sustaining Communities presents the accomplishments of One Meralco Foundation on its various community and social development programs on household and school electrification, energy education, environmental sustainability, and responsible citizenship.

One Meralco's sustainability agenda is embedded in the way it conducts its business. It is a pledge to fulfill its mandate to provide affordable, accessible, reliable, and clean energy—while ensuring that Mother Earth is protected, preserved, and nurtured. To achieve this, One Meralco develops and empowers its people, ingraining the values of excellence and stewardship in its organization. All these are founded on the Group's commitment to bring prosperity and to power the good life for its customers, its communities, and the country, today and the generations to come.

MERALCO

2019 Sustainability Report

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About this Report

The commitment of Meralco and its subsidiaries (One Meralco) towards a sustainable future is made evident through the publication of this first Sustainability Report, which contains the economic, social, and environmental issues most significant to its business and its stakeholders. This report should be read in conjunction with the Meralco 2019 Annual Report, which provides insights on the Group's financial and operational performance.

With this sustainability report, One Meralco also illustrates how its sustainability principles are integrated into the management of enterprise risks and opportunities.

Scope and Coverage 102-46, 102-52

The Meralco 2019 Sustainability Report covers the consolidated economic, social, and environmental performance across One Meralco. The data provided is from January 1, 2019 to December 31, 2019, unless otherwise stated. Available data from 2017 to 2018 are also shown for comparability. A number of initiatives of One Meralco Foundation (OMF) are also featured in this report.

The reporting process analyzed One Meralco's value chain, sustainability framework, and corporate governance structure and strategies.

Reporting Standards 102-54

This report has been prepared in accordance with the GRI Standards: Core option. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and that the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

A complete list of material topics and boundaries can be found on **page 100**.
The GRI Content Index is on **pages 116 to 128**.

External Assurance 102-56

DNV GL is an independent organization and global provider of certification, assurance assessment, and training services. The organization validated the data and information presented in this report through an independent external assurance process which included interviews with pertinent data handlers across the group.

The full Independent Assurance Statement can be found on **pages 129 to 133**, which outlines the assurer's findings and conclusions.

Contact Information 102-53

Your comments and insights matter to us. Feedback on this report and matters concerning the sustainability performance of Meralco may be addressed to:

Meralco Sustainability Office
Lopez Building, Meralco Center, Ortigas Avenue, Barangay Ugong,
Pasig City 1605, Philippines

Telephone: +632 1622 3552
Email: sustainability@meralco.com.ph

A Brighter Tomorrow for All

102-14

Sustaining the Future

As we gear up for a new decade, we put sustainability at the heart of One Meralco. While it has played a role in the way we manage and expand our businesses, our new strategic focus on sustainability will allow us to better empower people, protect our environment, and foster inclusive growth for a prosperous nation.

As the Philippines' premier electric distribution utility, Meralco plays a vital role in nation-building. Our primary mandate is to ensure that electricity continually flows from our grid to our customers—to light up homes and offices, to power industries, and to energize our economy. But these will be for naught, if the communities, cities, and the country we seek to uplift are not equipped to deal with the mounting challenges our world faces.

The world we live in is unwell.

Recent scientific studies have shown that human activity has contributed significantly to the increase of greenhouse gases (GHG) which drives adverse climate change. In 2019, the Philippines was found to be the country most at risk from the climate crisis, according to the Institute for Economics and Peace.[1]

Extreme weather conditions, such as typhoons and droughts, are increasing the pressure on our farmers and fisherfolk. Rising sea levels are threatening to submerge our major cities and economic hubs. Increasing sea temperatures are harming the marine ecosystems from which we derive food and income. Our forests are losing cover, reducing soil productivity and depleting our sources of drinkable water. Many lack access to basic services, like the 16 million Filipinos who still live without electricity, in addition to millions more without reliable 24/7 service.

On top of all this, the gap between the rich and poor continues to widen, leaving about 17 million Filipinos below the poverty line.

It is against this backdrop that we say:

Business as usual is no longer a viable option.

We believe that Meralco has a crucial role to play to shift these adverse realities going forward through the different companies that we manage and operate. Indeed, this is the essence of sustainability. It is a commitment to not only build the nation, but also to sustain our future.

Sustainability at our Core

Sustainability is front and center in Meralco and is at the core of the Company's strategy and operations. We, together with our Senior Management Team, take full ownership and accountability for this imperative. To embody our commitment, we established a Sustainability Office in 2019, staffed with full-time experts tasked to help define, develop, and drive our sustainability agenda forward.

In support of this agenda, we have also identified specific metrics for monitoring and measuring our sustainability performance as a Company. Throughout our first Sustainability Report, you will find these indicators we track to manage and address sustainable development in our business operations—from greenhouse gas emissions, to diversity statistics and economic value generated. The intent is to set these current levels as baselines for us to chart our path towards contributing to the Philippines' and global sustainability goals.

What we have achieved so far is encouraging, but there is much more to do as we join the world in creating a better planet and a better life for all.

[1] Institute for Economics & Peace (2019). The Institute for Economics & Peace is a global think tank that develops global and national peace indices, calculating the economic cost of violence, analysing country level risk and understanding the conditions which underpin highly peaceful societies. Global Peace Index.

Advancing Global Goals

The latest report on the progress of countries towards the United Nations SDGs showed steps in the right direction, with almost all countries lowering their CO_2 emissions while continuing to expand their economies.

Guided by the SDGs, we have crafted our own sustainability agenda as One Meralco. As a leading player in the Philippine energy sector, Meralco is uniquely positioned to contribute to the attainment of the **UN SDG 7: Affordable and Clean Energy**.

With the understanding that economic growth is significantly propelled by equitable access to affordable and clean energy, we strive to go beyond our mandate to ensure Filipinos can provide and power good lives for themselves and their families.

As such, as you go through the Report, you will see how our businesses promote not only SDG 7 but other SDGs as well:

4Ps: Focusing on a Brighter Tomorrow

One Meralco's sustainability program is marked by a focus on four strategic areas: **Power, Planet, People, and Prosperity.**

Power

Power is what makes our sustainability agenda distinctly Meralco. **Embracing the ambitious aspiration of "energy for all, always," Meralco is committed to delivering affordable, accessible, and reliable electricity to all whom we serve.** In 2019, we achieved 99.6% electrification in our franchise area, while addressing the growing energy demands of our existing and new customers. We also continued to light up far-flung communities who need electricity the most. Through technology-enabled microgrid solutions, we powered Isla Verde in Batangas and Cagbalete Island in Quezon. Brightening these island communities and fueling their economic and social growth pushes us to achieving 100% electrification in our service area. The optimization and digitalization of our grids allows us to be more productive and reliable. To this end, we have installed an Advanced Distribution Management System, as well as a wide array of distribution and substation automation, asset management, and data analytics technologies which, in the last five years, have helped significantly reduce average outage incidence by 27% and average outage duration by 16% along our distribution grid which supplies 70% of Luzon's electricity demand.

Energy for All, Always.

Beyond these, a significant program under Power is **Meralco's energy transition plan to deliver clean and earth-friendly energy.** In September 2019, our power generation arm, MERALCO PowerGen Corporation (MGen) switched on the 455 MW (net) capacity San Buenaventura Power Plant in Mauban, Quezon—the country's first supercritical power plant that uses High Efficiency, Low Emission (HELE) technology and the most efficient operating coal plant in the Philippines.

We also established our renewable energy arm through MGen's subsidiary, MGen Renewable Energy, Inc. (MGREEN). Through MGREEN, we begin a very important shift to even cleaner energy as the Group seeks to build a portfolio of reliable, cost-competitive, and highly-sustainable renewable energy projects with a capacity of up to 1,000 MW in the next five to seven years. The first of such projects is the 80 MW DC (50 MW AC) Powersource First Bulacan solar plant in San Miguel, Bulacan, which broke ground in December last year. Furthermore, we have solar projects in the pipeline worth PhP10 billion with a combined project capacity of 210 MW. Indeed, we are committed to continuing to invest in cleaner and more affordable sources of energy as we grow as a future-ready One Meralco.

99.6%
Energized within Franchise Area

455MW
Supercritical HELE power plant

Planet

This brings us to Planet. Through this focus area, Meralco develops and executes programs to help preserve and protect our common home, Mother Earth. These programs address direct emissions reduction, resource efficiency, and waste management imperatives. Meralco, through its subsidiary companies, MSpectrum, Inc. and eSakay, Inc., is able to deploy and scale innovative solutions to address environmental challenges.

For instance, eSakay, our electric vehicle company, puts forward green mobility options for everyday commuters. In 2019, it launched the breakthrough Makati-Mandaluyong electric jeep operations, deploying 15 zero-emission vehicles to ply a developmental route in support of the Department of Transportation's (DOTr) Public Utility Vehicle Modernization Program (PUVMP). eSakay also professionalized the ranks of its drivers, providing income security to these front-liners who used to be burdened by the traditional 'boundary' system.

15
Electric jeeps plying Makati-Mandaluyong route

People

Our People pillar captures our investments in our most valuable asset— our employees. We provide utmost support to the men and women who are charged with powering the lives of our customers, day in and day out. With the belief that diversity and inclusion make organizations stronger, Meralco has more than thrice as many women in its organization at 32% of its workforce versus the global average in the energy sector of 9%. We also strive for more gender parity in leadership roles. In 2019, the number of women in higher management positions rose by 17%—415 women managers in 2018 to 487 last year. Moreover, we ensure that our employees enjoy competitive compensation and benefit packages so they may lead the lives they aspire for. In addition, in support of their career development and continuous learning, employees took part in 270,584 hours of training in 2019.

In support of our sustainability program, Meralco also seeks to cultivate a culture of stewardship across our organization, ensuring our employees not only understand sustainability concepts but are also able to put these principles into practice.

For instance, in third quarter 2019, we put in place a ban on Single Use Plastics (SUPs) in all of our offices, subsidiaries, and company activities and events which helped instill heightened ecological consciousness internally. A cross-functional team was created to develop informative materials, run roadshows, and facilitate forums to ensure our employees understand the rationale behind the program. Through our efforts, employees have become more aware of their environmental footprint at work, and also at home.

More than **3x** more women in Meralco's workforce vs global average

Prosperity

Finally, underpinning all our efforts is the goal to create Prosperity for all.

True sustainable development is measured not by wealth alone, but rather by comfort, well-being, and happiness. The more our business grows and expands, the more we can contribute to economic prosperity in the country by means of taxes, wages, investments, and outreach programs.

In 2019, we generated a total of PhP322.6 billion in economic value—a 5% improvement from 2018. Of the amount generated, PhP253.9 billion went to our operations. Meanwhile, PhP19.7 billion were paid to providers of capital and PhP13.1 billion worth of wages and benefits was disbursed to our employees. Tax payments to the government amounted to PhP9.7 billion. Lastly, our community investments reached PhP146 million.

Beyond the economic value we create, we are committed to improving the well-being of the customers we serve and of the communities we operate in—truly providing more power to our partners for progress.

With their comfort in mind, we provide our customers the tools they need to transact and communicate with us when, where, and how they want to. We have designed Meralco Online to provide simple and convenient solutions for our customers to easily pay bills, to report outages or even, to access energy-saving tips. In 2019, Meralco Online served 385,000 active customer accounts, addressed 17,000 reported outages, and facilitated 545,000 payment transactions. Meralco Online puts the customer first. This is why it is set to further delight our customers in 2020 through the integration of new and enhanced services.

We also reached out to underserved communities through our social development arm, One Meralco Foundation. We launched the One for Trees program which planted 23,366 trees in the hopes of restoring biodiversity and enriching the lives of our local farmers and communities. In 2019, we energized over 8,000 low-income households and 20 off-grid public schools through our household and school electrification programs, bringing our total to close to 49,000 households and 245 public schools since launching these initiatives in 2011.

Indeed, our commitment to prosperity is a pledge to create better lives for the people we touch through the many ways we are able to create value.

8,091
Low-income households energized

Forging Ahead

The year 2019 provided important starting points from which we can build and expand our positive impact. Across all four focus areas, Meralco is dedicated to continue driving initiatives to build awareness for sustainability, to spur action, and to promote this very important advocacy.

While more challenges lie ahead, Meralco is committed and ready to place our sustainability goals at the forefront while advancing to provide the energy needs of a thriving nation.

With this very first Sustainability Report, we hope to not only inform, but more so to inspire as many as we can to join us on this journey to power the best lives for our customers, our community, our country, and most importantly, our children.

Manuel V. Pangilinan
Chairman of the Board

Ray C. Espinosa
President and
Chief Executive Officer

Creating Value throughout the Energy Landscape

With its commitment towards sustaining the future, One Meralco continues to expand its business portfolio, bringing forth better and cleaner energy solutions through its various companies. In energy distribution, Meralco powers the country's residential, commercial, and industrial sectors to support a thriving economy. Through Meralco's subsidiaries involved in electric transport, telecommunications, engineering, logistics, and manpower services, it provides new technologies faster and more reliably to those who need it the most.

Energy Value Chain 102-2, 102-4, 102-6, 102-7

Meralco

Manila Electric Company (Meralco) is the Philippines' largest electric distribution utility, servicing all of Bulacan, Cavite, Metro Manila, and Rizal; and certain cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon, covering an area of around 9,685 square kilometers. Meralco serves a total of 6.9 million residential, commercial, and industrial customers.

As the largest private power distributor in the Philippines, Meralco contributes to nation-building by providing electricity to areas where key government offices, universities, central business districts, and industrial parks are located. It collaborates with industry players to ensure safe, reliable, and quality delivery of service and ensures compliance with rates approved by the Energy Regulatory Commission (ERC). As energy drives economies and provides ways to alleviate poverty, Meralco pursues the provision of accessible energy at a reasonable cost, especially to unserved and underserved communities.

MERALCO PowerGen Corporation (MGen)

Meralco PowerGen Corporation (MGen) enables Meralco to contribute towards meeting the country's rising energy demands by being a source of competitively-priced power. MGen aims to have a diversified power generation portfolio that will provide sufficient, reliable, and cost-competitive supply by pioneering High Efficiency, Low Emission (HELE) coal technology and renewable energy.

Committed to bringing additional supply to support the country's growth momentum and to delivering clean and cost-competitive power supply, the Company expanded into the sustainable energy sector through MGen Renewable Energy, Inc. (MGREEN), a wholly-owned subsidiary of MGen. MGREEN is developing, constructing, and will operate green-energy projects which primarily include utility-scale solar, wind, and run-of-river hydro power, with a target of up to 1,000 MW installed capacity.

MPower

MPower is Meralco's local Retail Electricity Supply (RES) unit, serving customers who opted for voluntary contestability with consumptions of at least 750 kW demand, which is the current contestability threshold allowed by regulators to participate in Retail Competition and Open Access (RCOA). MPower accounts for 27 percent market share in MW demand of the total contestable market nationwide where RCOA is effective.

With the increasing demand for renewable energy, MPower also contracts hydro and solar energy sources to augment its supply portfolio and to cater to the renewable energy requirements of its customers.

MSpectrum, Inc. (Spectrum)

MSpectrum, Inc. (Spectrum) was established in 2016 as part of Meralco's thrust to enter into the renewable energy (RE) space. It was given a mandate to help fulfill Meralco's commitment to economic and environmental sustainability. Since then, Spectrum has taken market leadership in the industry by completing several solar projects, with a total installed capacity of 17 MW nationwide. Spectrum's mission is to provide clean, affordable, sustainable, and safe energy solutions to its customers. It operates mainly in the business of providing optimally engineered rooftop and ground-mounted solar PV systems for commercial and industrial businesses. In the near term, Spectrum will rely heavily on three new verticals, aside from its core Commercial and Industrial rooftop business:

(1) Spectrum Home, targeted primarily to residential customers,
(2) Operations and Maintenance (O&M) services for existing RE installations, and
(3) Microgrid hybrid solutions for off-grid customers

Looking ahead, Spectrum will sustain its industry leadership by exploring new RE technologies such as wind and battery energy storage systems.

Clark Electric Distribution Corporation (Clark Electric)

Clark Electric is a private distribution utility with a franchise granted by Clark Development Corporation (CDC) in 1997 to distribute power exclusively within the Clark Special Economic Zone (CSEZ) covering the Clark Freeport Zone (CFZ) and sub-zones.

Clark Electric continues to work around the clock to improve its system reliability and flexibility to ensure continuous and quality electricity supply for its customers, and to help CSEZ become a powerhouse hub for industry, export business, aviation, and higher learning, and Central Luzon's leisure, entertainment, and gaming center.

Comstech Integration Alliance (Comstech)

Comstech Integration Alliance, Inc. (Comstech) is a Meralco subsidiary that operates the Pampanga II Electric Cooperative under an Investment Management Contract. PELCO II is an electric cooperative serving Mabalacat City and the municipalities of Guagua, Lubao, Bacolor, Sta. Rita, Sasmuan, and Porac in the Province of Pampanga.

PELCO II works with local government units (LGUs) and private investors to provide reliable electric services to residents and to support the economic growth brought in by new industrial and commercial locators in its franchise area. Also, as part of making communities sustainable, PELCO II provides electric service for the former victims of the 1991 Mount Pinatubo volcanic eruption, who have now rebuilt their lives in the resettlement areas in Sta. Lucia, Model Community, Palmayo, Madapdap, Mawaque, Camachile, and Wenceslao.

Shin Clark Power Holdings (Shin Clark)

Shin Clark is a consortium where Meralco holds a 60 percent stake, with Japanese firms Axia Power Holdings Philippines Corporation (a wholly-owned subsidiary of Marubeni Corporation), KPIC Netherlands BV (a wholly-owned subsidiary of the Kansai Electric Power, Inc.), and Chubu Electric Power Co., Inc., collectively holding the remaining 40 percent. The consortium manages the financing, development, operation, and maintenance of the electric power distribution system in the 9,450-hectare New Clark City (NCC) in Capas, Tarlac, through a Joint Venture Agreement with the Bases Conversion and Development Authority (BCDA).

New Clark City is envisioned to be the first smart, sustainable, and disaster-resilient metropolis aimed to decongest Metro Manila and be a showcase to the world of Filipino culture and identity. Shin Clark will provide reliable power to around 1 million customers at NCC and enable them to enjoy the benefits of affordable energy. Shin Clark completed the interim substation with an underground distribution system three months ahead of schedule and successfully provided the energy needs of the NCC sports complex in the recently concluded South East Asian Games held last November 26 to December 12, 2019.

Energy-Related Service

Meralco Energy (MSERV)

Meralco Energy, Inc. (MServ) is a one-stop shop for energy services and solutions with particular focus on electro-mechanical engineering, procurement, and construction (EPC) services, energy efficiency services, and urban services. Its electro-mechanical EPC services deliver value-engineered and reliable end-user facilities ranging from substations and powerhouses to low-voltage facilities. MServ also provides energy efficiency services helping clients manage energy consumption and costs through detailed energy audits and the installation of various smart solutions. As well, MServ's urban services aim to improve quality of life and convenience through the introduction of new solutions such as building automation, safety and security systems, and wastewater treatment solutions. MServ helps customers achieve not only operational efficiency and savings but also contributes to environmental sustainability. MServ is a AAA PCAB-licensed company and a DOE-accredited energy services company (ESCO).

Bayad Center

Bayad Center, with its over 30,000 payment touchpoints, is the largest and widest multi-channel payment platform to date. Bayad Center is now bringing its sustainable practices and digital facilities to further push its mission of "pay anytime, anywhere" with the launch of its fintech business—the new and improved Bayad Center Online and the Bayad Center super app, which powers bill-payment features of leading financial apps in the country, making payments easy and available at the comfort of Filipino families' homes. Bayad Center also offers remittance services, prepaid loading, airline ticketing, loan payout, ATM cash withdrawal, as well as insurance and medical reimbursements services, further providing access to the financially underserved. It has evolved from an on-site business to an online business as well, redefining the payment experience, and constantly innovating in response to the rapidly changing lifestyle of the Filipino family. Through its subsidiary, Bayad Center also pioneered outsourced tellering and customer services with Customer Frontline Solutions providing services to over 600 clients' sites nationwide.

eSakay

eSakay offers end-to-end electric vehicle (EV) and charging infrastructure solutions to help bring the EV future into the streets of local cities and of commercial and industrial complexes. eSakay supports the transportation needs of private and public sector customers by offering a wide range of EV offerings—from electric jeeps and shuttles to electric motorbikes and scooters. It also supplies, operates, and maintains EV charging stations across the country. One of eSakay's main thrusts is to support the Department of Transportation's (DOTr) Public Utility Vehicle Modernization Program (PUVMP), which aims to not only upgrade PUVs to cleaner alternatives, but also to professionalize and provide stable livelihood to the men and women who operate these routes.

Infrastructure Service

MIESCOR

MIESCOR is Meralco's service provider in electro-mechanical works, engineering, distribution utility, and technical services. It also handles telecommunications projects for its external clients and for affiliates. It has two subsidiaries: MIESCOR Builders and MIESCOR Logistics. The Philippine Contractor Accreditation Board classified MIESCOR in the "AAAA" category, the highest category for general engineering, building, foundation work, structural steel work, electrical work, mechanical work, and communication facilities. In line with Meralco's focus on the safety of its workers, it has also been lauded for its health and safety records by the Safety and Health Association of the Philippine Energy Sector and by the Department of Energy (DOE).

Radius

Radius Telecoms, Inc., operates one of the largest end-to-end fiber optic networks in the country. Radius caters to telco providers and enterprises across several industries, including banking, manufacturing, business process outsourcing, and retail. In 2019, Radius initiated an aggressive network expansion outside of the Meralco franchise area, establishing points of presence in Clark, Pampanga and Cebu, with further expansion into Iloilo and Bacolod programmed in 2020. This expansion is coupled with the network upgrade, increasing its core network capacity from 10GB to 100GB. Overseas, Radius increased its capacity in Hong Kong and established a Point of Presence in Singapore. On the commercial front, Radius did a brand relaunch and is embarking on a major business expansion, focusing on digital innovation to enable service offerings beyond its physical network footprint. It launched new managed services for cloud-related services, Software-Defined Wide Area Network (SD-WAN) and will be launching its Managed IT services within 2020. In partnership with CignalTV, the largest pay TV operator in the country, Radius will also launch a bundled IPTV and broadband internet service for the consumer segment within the 1st quarter of 2020.

MRail

MRail provides maintenance and asset renewal services to the railway ecosystem in the Philippines. The company has contracts with Sumitomo, LRTA, and LRMC, and was the contractor for the restoration and rehabilitation of 3 Diesel Mechanical Unit Locomotives of PNR in 2015. The company provides technical advisory and project management services in rail construction, maintenance, asset restoration, and rehabilitation and renewal. It has expertise and established experience particularly in the rolling stock, power supply, overhead catenary, and tracks systems. MRail is an accredited service provider of the government with a Category B PCAB license and is ISO 9001:2015 certified.

Understanding What Matters 102-47

Contextualizing Sustainability

One Meralco views sustainability in the context of local, regional, and global sustainable development goals. It has therefore identified key economic, social, and environmental areas where its businesses create impact and value, and aligned these with the broader sustainable development agenda. This mapping helps One Meralco address challenges, establish priorities, and achieve the sustainability objectives set forth in its strategy.

Identifying Material Topics

One Meralco's reporting framework covers four areas: corporate governance, impact management, sustainable development, and future-ready strategies.

The materiality assessment process enabled One Meralco to identify, prioritize, and address the key concerns of stakeholders, guided by the GRI Standards. Using this process, the Group identified its material topics through a series of consultations with key representatives from the different business units who represented the concerns of their respective stakeholders. The senior management team outlined the Group's business drivers and aspirations, and aligned these business strategies with concrete sustainability goals. A total of 23 sessions were conducted with the various units of Meralco and its subsidiaries. Consultations with the Group's stakeholders—employees, customers, investors, suppliers, regulators, and communities—were also conducted in order to validate the material topics identified.

The summary of the materiality assessment is as follows:

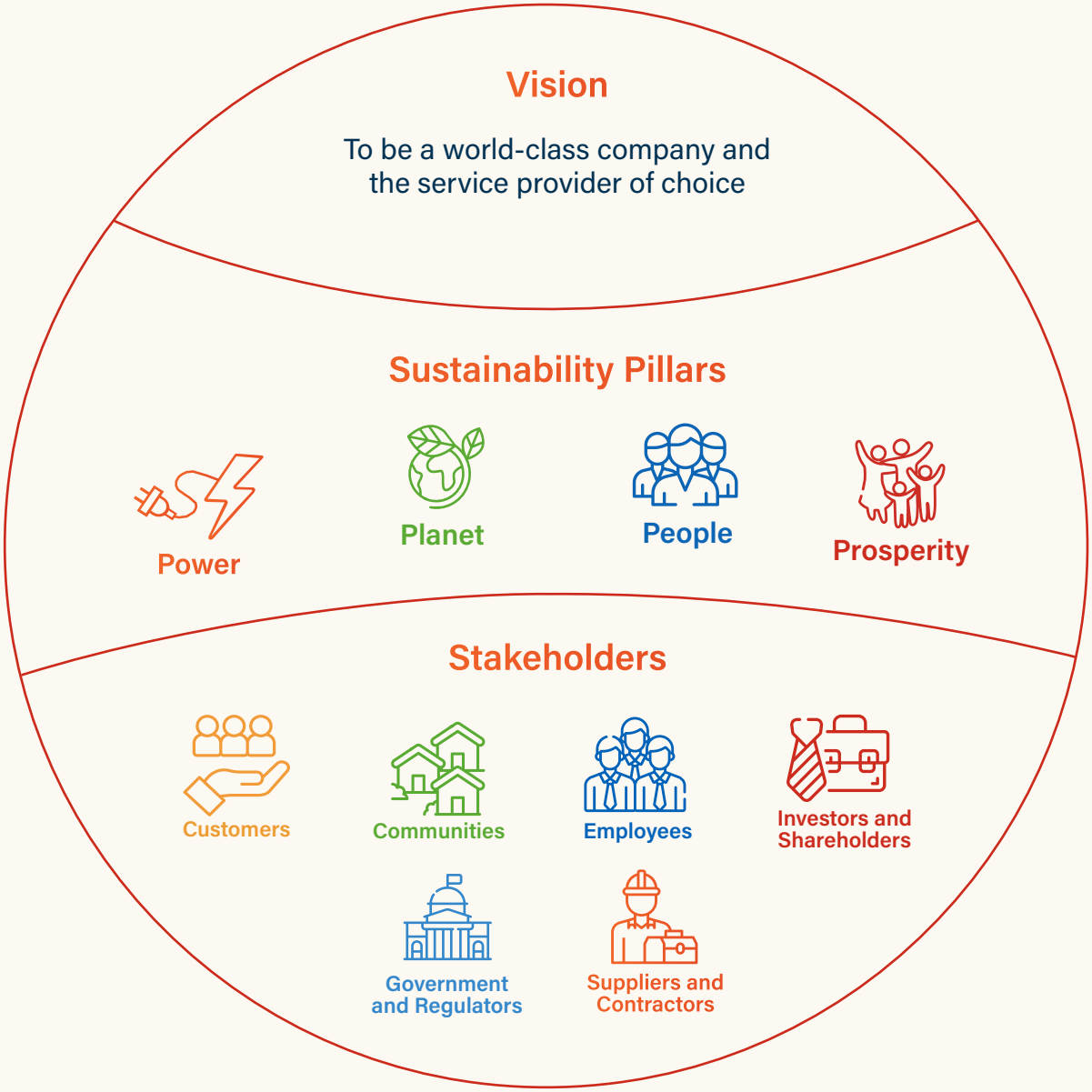
Governance	Economic
• Strict compliance with laws & regulations • Observance of ethical business practices • Effective & efficient risk management • Robust corporate governance	• Direct economic contribution • Indirect economic contribution • Effective demand-side management • Power supply availability & reliability • Energy affordability
Environment	**Social**
• Optimization of operation & prudent resource management • Effective environmental impact management • Integration of climate action into business strategy	• Providing employee training & career development • Ensuring workplace safety • Workplace Management • Effective service delivery & customer communication • Strengthened cybersecurity and customer privacy • Proactive community engagement

Collecting and Validating Data

Upon outlining the material topics, relevant disclosures were identified and gathered from each company under One Meralco. Where possible, three years of data were reported to show a better picture of the overall performance. The consolidated and analyzed data were confirmed with the business groups. Thereafter, the data and process were then validated by DNV GL, the Company's external assurance partner.

One Meralco Sustainability Framework

The Group's sustainability agenda is embedded in the way it conducts its business, across all of One Meralco. It is a pledge to fulfill its mandate to provide affordable, accessible, reliable, and clean energy—while ensuring that Mother Earth is protected, preserved, and nurtured. To achieve this, One Meralco develops and empowers its people, ingraining the values of excellence and stewardship in its organization. All these are founded on the Group's commitment to bringing prosperity and to powering the good life for its customers, its communities, and the country, today, and for generations to come.



Engaging Stakeholders

102-21, 102-40, 102-42, 102-43, 102-44

Transparency and accountability are important to the Group. Therefore, stakeholder engagement is imperative to ensure that business goals are aligned with their priorities. One Meralco's stakeholders who are impacted by or have a level of influence over the Group's operations include its customers, communities, employees, investors and shareholders, government and regulators, and suppliers and contractors.

Customers

Meralco puts its customers at the center of its business operations. To better serve customers and enhance customer experience, Meralco embarked on a Customer Experience Transformation Program (CxTP), designed to empower customers in their various journeys or transactions with Meralco—from service application to inquiry management. One tangible product of the program is Meralco Online, which enables residential and business customers to access and manage their accounts – anytime and anywhere. Meralco Online is accessible via the Meralco website or through a mobile app, wherein they can view and pay for their bills, see their account status, and report outages.

Other digital initiatives include leveraging social media platforms to keep customers abreast of rates, outages, and other relevant information. More importantly, Facebook and Twitter are used to immediately respond to account-related concerns.

Aside from its digital and social media presence, Meralco is physically accessible through its 38 business centers and over 700 Bayad Center branches across its franchise area.

Amidst the rapid developments in the technology space, Meralco knows that it is now more important than ever to listen to customers and address their dynamic needs. Through surveys and other research tools, the Company is able to fine-tune its initiatives and ensure the ultimate outcome of elevating customer service and revolutionizing the customer experience.

Communities

102-40, 102-42, 102-43, 102-44

To contribute to nation-building, Meralco helps integrate its social and environmental responsibility through the One Meralco Foundation (OMF). Through OMF's Corporate Social Responsibility (CSR) programs, the Company aids in poverty alleviation and sustainable development in communities across the country. Collaborating with community leaders in respective LGUs, OMF carries out numerous initiatives that uplift people's quality of life, particularly in underserved areas.

MPower sponsors kinder classroom projects and tree planting activities annually in partnership with customers and OMF. Meanwhile, MGen's CSR program involves social development projects focused on livelihood, education, health, and the environment. Most recently, MGen, in partnership with the LGUs of Quezon province, spearheaded the development of a Comprehensive Land Use Plan to facilitate the growth of better connected and more sustainable communities.

Employees

102-40, 102-42, 102-43, 102-44

Meralco ensures a safe and inclusive workplace for its employees. It seeks to empower its employees to grow and succeed, while attending to their well-being. In addition, a Pulse Survey is done every other year to monitor and measure employee engagement. This provides the Company with better insight not only on how well employees understand the Company's strategy and direction, but also on how they perceive their working relationships, and their access to career and personal development.

Meralco also provides periodic training avenues for its employees, through targeted programs aimed at improving a wide range of technical competencies. Furthermore, the talent succession plans of employees are continuously evaluated to identify specific interventions.

Employee concerns and grievances are addressed through continuous dialogue with both rank-and-file and supervisory unions. Both unions represent over 80 percent of the workforce. Dialogue is undertaken by maintaining an open line of communication between the unions and the management, particularly, via the conduct of monthly and quarterly union meetings. Further, the Company's whistleblowing policy encourages employees to report unethical or illegal conduct with the assurance of protection from retaliation.

Meralco also provides its employees with avenues to give back to the community through various employee volunteerism activities facilitated by Meralco's CSR arm, OMF.

Investors and Shareholders

Meralco keeps its line open for investors and shareholders. Annual Shareholder Meetings are held to showcase Meralco's performance and to bring forth its business outlook and management strategies. Beyond this, Meralco regularly engages with its shareholders through mail, email, or SMS updates. The Corporate Governance and Compliance Office conveys relevant information in a timely manner and encourages shareholders to exercise their right to participate in decisions, nominate directors, and propose or inquire on agenda items.

Government and Regulators

The power industry is a heavily-regulated sector in the Philippines, and regulatory bodies and government agencies play an important role in creating enabling economic systems for businesses to thrive. Meralco contributes to the shaping of the regulatory environment by actively participating in public consultations, focus group discussions, technical working groups, and other activities conducted by these regulatory agencies. It also supports the government's goal of transitioning to a low-carbon economy. In fact, Meralco is the first distribution utility to implement the Net Metering Program, providing reliable wheeling service to several RE-based generation companies, and continues to pioneer the implementation of other RE policies such as the Feed-in-Tariff Scheme and Renewable Portfolio Standards (RPS).

Meralco is also the only distribution utility adjudged by the Distribution Management Committee to be 100 percent compliant with the requirements of the ERC.

Suppliers and Contractors

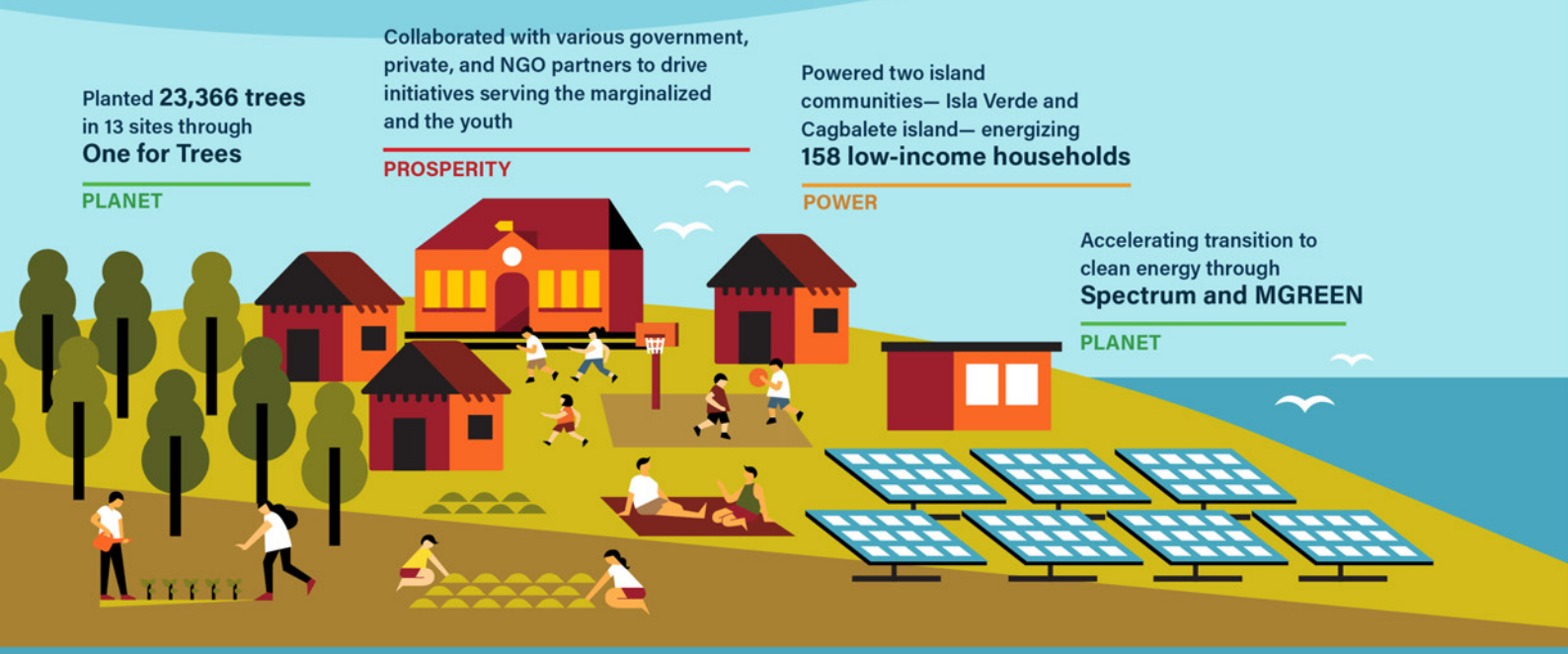
102-40, 102-42, 102-43, 102-44

Meralco values its relationship with its suppliers and contractors. In order to build a network of high caliber and reliable suppliers and contractors, potential vendors need to undergo a rigid accreditation process prior to engagement. The Company regularly reviews supplier performance, which includes compliance to government-mandated employee compensation and benefits.

As it strengthens its relations with its suppliers and contractors, Meralco acknowledges these institutions' concerns in the areas of compliance to covenants, accreditation requirements, procurement policies, timely release of due payments, as well as the health and safety of their employees. Meralco provides regular updates on accreditation, releases payments on-time, and conducts training programs on health and safety for the workforce of its contractors.

Sustaining the Future

One Meralco has been championing sustainability through its core business by pushing for affordable and clean energy for all, which directly aligns with the UN Sustainable Development Goal (SDG) 7. With direction and guidance from new management, Meralco embarks on a journey to strengthen and deepen its sustainability agenda and efforts across all businesses. These initiatives will allow Meralco to monitor and increase its impact through baselining, planning, and proper sustainability management—all while integrating these with its corporate goals. By doing so, Meralco helps to provide good lives for Filipinos, today and tomorrow.



POWER

PLANET

PEOPLE

PROSPERITY

Partnered with Department of Energy to develop the National Energy Contingency Plan (NECP)

PLANET

Launched the Philippines' first supercritical High Efficiency, Low Emission power plant—San Buenaventura Power

POWER

Generated ~ **PhP322.6 billion** in economic value

PROSPERITY

Deployed smart meters, enabling over **100,000 customers** to save up to **16%** on their electricity bill via KLOAD (prepaid electricity service)

PROSPERITY

Powered over **250,000 households,** providing affordable, accessible, reliable, and clean energy to **6.9 million customers** to date

POWER

Achieved 99.6% electrification in franchise area

POWER

Served over **1.5 million commuters** in Makati City and Mandaluyong City through fleet of zero-emission e-jeeps

PLANET

One Meralco's Contribution to the United Nations Sustainable Development Goals

As a leading player in the Philippine energy sector, and relevant to its core mandate of providing accessible, affordable, reliable, and clean energy to its customers, Meralco is uniquely positioned to contribute to the attainment of the UN SDG 7: Affordable and Clean Energy, while being instrumental to achieving UN SDG 1: No Poverty.

SDG 1: No Poverty

- To help bring economic development and social resiliency, Meralco has powered two off-grid island communities—Isla Verde in Batangas and Cagbalete Island in Quezon—energizing over 150 low-income households.
- Through OMF's household electrification program, Meralco provides electricity to 8,091 low-income households. By doing so, Meralco brightens up their path toward rising above poverty.
- Through its ERC-approved tariffs, electric rate subsidies are provided to marginalized households (or those consuming 100kWh or less each month). These customers comprise around 40 percent of Meralco's residential customer base.
- Enabled by the Company's deployment of smart meters, Meralco's prepaid electricity service, *KLOAD*, has benefitted over 100,000 customers, allowing them to save up to 16 percent in their monthly electricity bill.

SDG 7: Affordable and Clean Energy

- The Company sources power through Power Supply Agreements and leverages mechanisms such as the Competitive Selection Process to help ensure least cost of electricity.
- Meralco achieved 99.6 percent electrification in its franchise area in 2019, energizing over 250,000 households last year, bringing the total number of customers served to 6.88 million.
- The Company reduced average restoration time per customer from 109 minutes to 106 minutes in 2019.
- One Meralco contributes to addressing the country's growing energy demand with MGen's 455 MW (net) capacity San Buenaventura Power Plant—the Philippines' first supercritical coal-fired power plant that uses High Efficiency, Low Emission (HELE) technology.
- One Meralco continues its transition to clean energy through the expansion of its solar subsidiary Spectrum, and through the launch of MGREEN, the Company's platform for building its portfolio of cost-competitive and renewable energy projects.

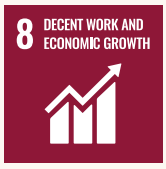
While grounded by these goals as the Company's core contribution to the UN SDGs, Meralco also embeds and aligns various SDG goals with its core business objectives, as guided by its own four sustainability focus areas.

SDG 4: Quality Education

- Through OMF's school electrification program, the Company energized 20 public schools in remote, off-grid communities, improving learning conditions for 4,055 students.
- OMF engaged 772,631 students through its Energy Education program, improving their awareness on energy conservation.

SDG 5: Gender Equality

- Women make up 32 percent of the Company's workforce, with the number of women holding managerial positions climbing by 17 percent in 2019.



SDG 8: Decent Work and Economic Growth

- One Meralco generated close to PhP322.6 billion of economic value in 2019.
- One Meralco ensures that its employees are provided compensation and benefits that allow them to afford a decent standard of living. In 2019, the company disbursed PhP13.1 billion in salaries and wages to its 8,202-strong workforce.
- Occupational safety is a high priority for Meralco, proven by three consecutive years of zero work-related fatalities.

SDG 9: Industry, Innovation, and Infrastructure

- Meralco innovates and invests in the best available technology to drive energy efficiency and to reduce carbon emissions.
  - LED lights have been retrofitted for most of the Company's lighting fixtures across its corporate offices and business centers.
  - The air cooling systems of the Lopez Building, where Meralco headquarters is located, have been upgraded to inverter-types.
  - Through MSERV, customers are provided energy efficient solutions tailor-fit to their energy requirements.
  - Solar energy is used to power select facilities in the Meralco compound.
- Through eSakay, the Group has deployed 75 zero-emission e-vehicles serving both private and public sector customers nationwide.
- Meralco has begun electrifying its own vehicle fleets, beginning with electric shuttles, cargo electric tricycles, and electric motorcycles

SDG 11: Sustainable Cities and Communities

eSakay ridership totaled over 1.5 million passengers in 2019, providing clean transport options for commuters in Makati and Mandaluyong Cities, as well as for customers of its electric shuttle services.

SDG 12: Responsible Consumption and Production

As the first step to minimizing wastes generated by the Group, Meralco banned the use of single-use plastics in all of its offices, subsidiaries, and company activities and events.

SDG 13: Climate Action

Meralco is in active collaboration with DOE and other key players in the energy sector to develop the National Energy Contingency Plan (NECP), which ensures the immediate restoration of electric services to all mission-critical installations during natural disaster occurrences.

SDG 15: Life on Land

- Meralco's One for Trees (OFT) initiative seeks to restore endangered ecosystems and to support community livelihood through agroforestry. Aiding in reforestation efforts, Meralco aims to plant 3 million trees by 2025 through this initiative.
- MGen prepared reforestation initiatives, carbon sink programs, and coastal resource management plans specific to each of its power plant projects. Such plans and programs support biodiversity management and are based on scientifically-gathered environmental data from periodic environmental monitoring programs.

SDG 17: Partnerships for the Goals

Through OMF, the Company works hand-in-hand with 265 government, private, and non-government organizations and partners to promote and support advocacies which include OFT and Household Electrification in grassroots communities.

One Meralco Sustainability Agenda

One Meralco has been championing sustainability through its core business by pushing for affordable and clean energy for all, which directly aligns with the UN Sustainable Development Goal (SDG) 7. With direction and guidance from new management, Meralco embarks on a journey to strengthen and deepen its sustainability agenda and efforts across all businesses. These initiatives will allow Meralco to monitor and increase its impact through baselining, planning, and proper sustainability management—all while integrating these with its corporate goals. By doing so, Meralco helps to provide good lives for Filipinos, today and tomorrow.

One Meralco's sustainability framework outlines its goals through four focus areas guided by the key material topics that are significant to its businesses:

Power

Providing energy for all, always

Energize all areas within the franchise by providing affordable, accessible, reliable, and clean energy solutions to all, prioritizing unserved and underserved areas.

Planet

Integrating environmental stewardship to protect and preserve Mother Earth

Champion environmental stewardship in all that the Group does by investing and innovating in environment-friendly programs, products, and services, both in the short- and long-term.

People

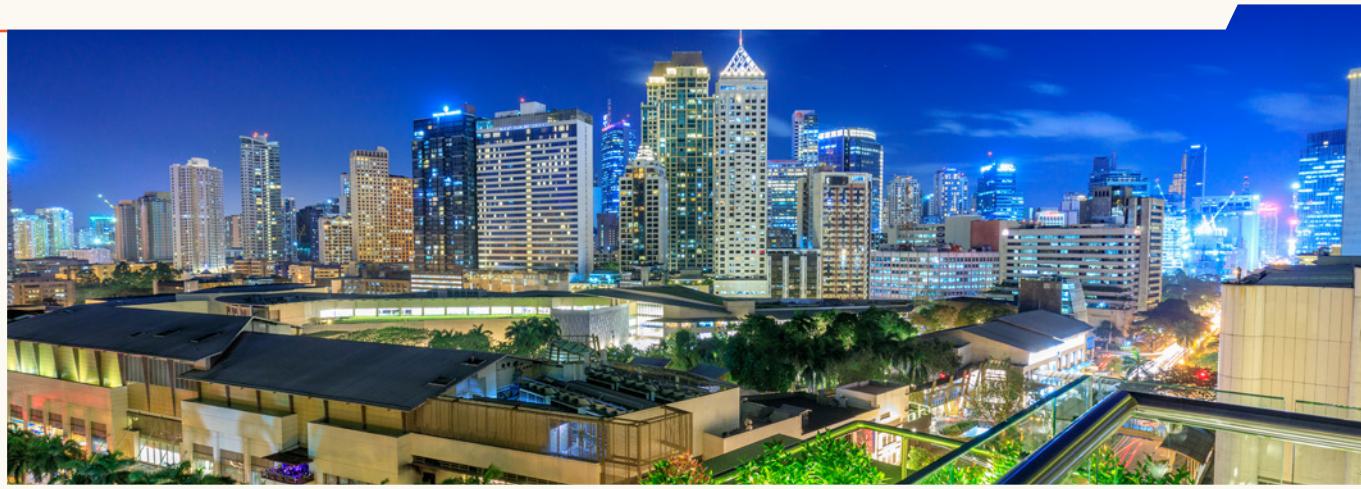
Cultivating a culture of excellence, sustainability, and inclusivity

Embed a sustainability mindset within the organization, while promoting a culture of growth, inclusivity, and diversity.

Prosperity

Creating better lives for all

Bring prosperity to all stakeholders as the Group balances corporate initiatives and ESG (environmental, social, and governance) sustainability goals, delivering both economic and non-economic value to better peoples' lives.



MAKATI DIAMOND RESIDENCES

Power

Providing energy for all, always

Power

Energy security is at the core of Meralco's efforts towards a sustainable future. It is determined by a country's ability to secure sufficient, reasonably-priced, and reliable energy supply for its various energy needs—including domestic, commercial, and industrial requirements—to meet its current and future goals. As the Philippines' leading energy distributor, Meralco's mission is to provide affordable, accessible, reliable, and clean energy—reinforcing its commitment towards SDG 7: Affordable and Clean Energy—in support of nation-building and sustainable growth.

Affordability

Sustainable development is propelled by people's ability to secure energy at competitive and fair prices. Lower energy costs also contribute to healthy economic ecosystems where various industries may flourish and grow. With the drive towards energy security, the availability of supply is a key consideration in ensuring that costs stay low for all levels of society to afford.

One Meralco works to achieve energy security and affordability through power generation. MGen contributes towards meeting the country's rising energy demand by being a source of competitively-priced power. MGen plans to develop a diversified power generation portfolio that will provide sufficient, reliable, and cost-competitive supply. This effort is embodied in MGen's first major power plant development—the San Buenaventura Power Ltd. Co. in Mauban, Quezon, which was commissioned in September 2019. The 455 MW (net) capacity baseload power plant was built to help address the country's energy security imperative and to help meet the growing energy needs of the Luzon Grid.

From a distribution utility standpoint, Meralco secures supply based on its "least cost" mandate, in support of energy affordability. The mechanisms that help in fulfilling this mandate include the Competitive Selection Process (CSP), as well as prudent energy sourcing practices in general.

Meralco conducted a CSP from July to September 2019 in accordance with DOE Department Circular No. DC2018-02-0003. The terms of reference for the 10-year Power Supply Agreement (PSA) for the supply of 1,200 MW (net) baseload, and the 5-year PSA for the supply of 500 MW (net) mid-merit capacity, which began last December 26, 2019, was technology agnostic and pro-consumer with the requirement of 100 percent guaranteed availability and a straight, all-peso energy price over the contract term.

After a successful CSP, the PSAs were awarded to power suppliers who use conventional and renewable sources of energy. The resulting prices were significantly lower than the reserve price and the existing average generation cost. It is expected that once implemented, the new PSAs will bring down the generation charge and save Meralco consumers around PhP0.40 per kWh, or PhP14 billion per year.

In 2019, despite the rising costs in energy generation due to the tight supply conditions in Luzon, the overall average retail rate of electricity went down by PhP0.08 per kWh – from PhP8.95 per kWh in 2018 to PhP8.87 per kWh in 2019. The higher cost of generation was partially offset by reduced pass-through charges which include transmission, system loss, taxes, subsidies, and universal charges. In line with its mandate to offer affordable energy for all, Meralco has not increased its distribution tariffs since July 2015.

Accessibility

Economic growth and social progress depend heavily on the ability of residential, commercial, and industrial partners to access energy. To help power the archipelago towards progress, affordable and reliable energy needs to be made easily accessible to large economic hubs as well as to remote or indigent communities and islands.

While it serves only less than 3 percent of the Philippine land mass, Meralco powers the epicenter of business and economy, which is responsible for around half of the Philippine Gross Domestic Product (GDP), and services about a quarter of the total population of the country.

Meralco distributes energy to its franchise area covering Bulacan, Cavite, Metro Manila and Rizal, and parts of the provinces of Batangas, Laguna, Pampanga, and Quezon. Meralco also distributes to the Clark Special Economic Zone and its subzone in Cavite, the Cavite Economic Zone through its subsidiaries, Clark Electric and Comstech, and business unit, Meralco Ecozone Power.

Increased Distribution and Load Growth

The electric distribution system has been enhanced and expanded to meet the growing energy demand in the franchise area.

These improvements enabled the energization of over 260,000 new customers representing a 4 percent increase in its customer base from 2018 to 2019, ending the year with 6.9 million connections. It delivered consolidated energy sales of 46,871 GWh of electricity, which represents an increase of 6 percent versus 2018.

>260K New Customers

46,871 GWh of electricity

Overall, in 2019, Meralco's total franchise area had reached 99.6 percent electrification. Meralco installed 41.4 kilometers of distribution lines on 1,862 poles and 216 distribution transformers with a total capacity of 11,125 kVA, which energized a total of 130 new sites serving 3,713 households.

Energy Sales (in GWh)

Energy Sales per connection type (GWh)

	2017	2018	2019
Residential			
Meralco	13,055	13,549	14,581
Clark Electric	5	6	7
Sub-total	13,060	13,555	14,589
Commercial			
Meralco	16,378	17,211	18,172
Clark Electric	219	252	311
Sub-total	16,597	17,463	18,483
Industrial			
Meralco	11,960	12,887	13,394
Clark Electric	349	269	265
Sub-total	12,309	13,156	13,659
Flat Streetlights			
Meralco	135	138	139
Clark Electric	1	1	1
Sub-total	136	139	140
Consolidated	**42,102**	**44,313**	**46,871**

Customer Connections

	2017	2018	2019
Residential			
Meralco	5,811,307	6,085,023	6,338,287
Clark Electric	762	812	1,004
Sub-total	5,812,069	6,085,835	6,339,291
Commercial			
Meralco	498,404	512,422	526,720
Clark Electric	1,163	1,236	1,268
Sub-total	499,567	513,658	527,988
Industrial			
Meralco	10,181	10,351	10,568
Clark Electric	146	155	154
Sub-total	10,327	10,506	10,722
Flat Streetlights			
Meralco	4,653	4,735	4,691
Clark Electric	75	80	92
Sub-total	4,728	4,815	4,783
Consolidated	**6,326,691**	**6,614,814**	**6,882,784**

Clark Electric also grew its customer base by 10 percent and ended the year with 585 GWh of electricity distributed, increasing its distribution by a significant 11 percent versus the previous year.

In line with its mandate to aid in the country's economic and social development, in April 2019, Meralco's subsidiary Shin Clark signed a joint venture agreement with BCDA for the financing, design and engineering, construction, development, and operation and maintenance of the electric power distribution system in NCC. NCC is a new community development envisioned to accommodate some 1 million people, which will be equipped with smart and disaster-resilient features. Shin Clark successfully installed an interim substation with a 69 kV line and 13.8 kV overhead and underground lines, 95 days before the November 26, 2019 start of the Southeast Asian Games (SEA Games).

Meralco Electrification Program and Microgrids

While Meralco successfully supports the energy needs of Metro Manila and its nearby economic hubs, a few areas remain that have no access to electricity because of their remoteness or their current lack of infrastructure.

By the first half of 2021, however, Meralco aims to achieve 100 percent electrification within its service area, to brighten the path of the most unserved and underserved communities.

In line with its commitment of providing "energy for all, always," Meralco heightened its efforts to energize as many communities as it could within its franchise area under the Meralco Electrification Program (MEP).

Meralco continues to seek innovative and sustainable ways to bring electricity to isolated island communities. The Company understands that providing for the energy needs of small islands is important, as they are one of the most vulnerable to changes in the climate. Access to reliable energy empowers them to be more resilient in the event of natural calamities.

In 2019, Meralco went to great lengths to reach and energize the communities in Isla Verde, Batangas and Cagbalete Island in Mauban, Quezon with innovative microgrid solutions, to bring about sustainable development in their islands.

Isla Verde is an internationally acclaimed dive spot, known as an important center for biodiversity. Roughly six kilometers from the Batangas Port, the island had historically been dependent on diesel-fired power generator sets that provide electricity from 6:00PM-10:00PM. Together with the local government and the United States Agency for International Development (USAID), Meralco was able to energize the 1st phase of the project powering 29 households through the installation of a microgrid composed of a 32 kWp solar PV system combined with a 192 kWh battery energy storage system.

Meanwhile on the eastern coast, Cagbalete Island is a popular tourist destination during the summer months, but it is 14 kilometers away from the port of Mauban. In the past, citizens relied on generator sets provided by the national government but these facilities have been proven to be unreliable and costly. Meralco, together with Spectrum, worked to energize two (2) barangays on the island powering 154 households, as part of the first phase of the project, with 60 kWp solar PV and a 30 kW (150 kWh) Battery Energy Storage System.

With the goal of energizing the remaining households as well as small businesses and resorts within these islands, Meralco is currently expanding by building larger-scale microgrids, about 25 times the size of the first phase implementations.

Bringing Light to Cagbalete Island

Meralco powers an island community by providing access to modern, sustainable, and efficient energy.

Cagbalete Island in Mauban, Quezon is known for its sandbars and white beaches, being a bustling tourist destination during the summer months. However, its own people were living dark and difficult days.

Agustin Cung, a local resident of the island shares, *"Kami po ay lima sa pamilya. Kumukuha lang kami ng kuryente sa generator na kadalasan ay nakapatay at mahal. Kandila po ang ginagamit namin sa bahay. Hindi pwedeng iwanan, kailangan nakaalalay at nakabantay lalo na sa mga bata, dahil baka magkasunog. Napakadilim po talaga."*

Geographic constraints and low access to development have pushed locals to settle for unsystematic and expensive means for day-to-day survival. People have struggled to secure the basic conveniences such as electricity. Residents typically pay generator owners PhP20 for a lightbulb, PhP35 to operate a television set and an electric fan, and around PhP70 for a night of power. This may seem reasonable for a whole night of uninterrupted electricity service, but summed up, to be connected at this rate would amount to up to PhP2,000 per month—three to four times more versus a metered Meralco rate—for one lightbulb and limited hours of electricity.

Meralco partnered with DOE, the Mauban local government and community leaders, as well as OMF to fast track the design, development, and construction of the necessary facilities to finally bring light to the island community.

The solar microgrid for Cagbalete Island consists of a 60 kWp solar photovoltaic system, a 150-kWh lithium-ion battery energystorage system, and two units of 30 kW generators. These systems will be able to effectively, reliably, and affordably power up to 200 households, schools, and community halls in Barangay Cagbalete.

On May 2, 2019, Meralco energized its first beneficiary household: from spending about PhP2,000 per month for electricity, residents now enjoy accurately measured readings that amount to only around PhP200 per household.

By the end of the year, the distribution utility was able to energize over 150 households—but for Meralco, this is just the beginning.

"We, at Meralco, are very proud to finally be involved in the electrification of an island community that is in need of light and power."

Atty. Ray C. Espinosa
Meralco President and CEO

Electrification of
8,091
homes of low-income families in the Meralco franchise area

Democratizing Household Electrification

By collaborating with local government units, the Company is able to be a source of light for a rising change to number of households and communities through the OMF's Household Electrification Program (HEP).

Through HEP, OMF paved the way for the electrification of 8,091 homes of low-income families in the Meralco franchise area. This core advocacy brings together the consolidated efforts of Meralco's business centers and sector offices, the local government and the beneficiaries themselves (represented by their homeowners' association leaders) to provide assistance to urban and rural communities that are unable to attain electrification because of financial, legal, right-of-way, or occupancy issues.

Reliability

Economies grow best when provided an uninterrupted flow of goods and services. In the path towards energy security, the provision of reliable and high quality power is crucial. Therefore, Meralco commits to steady and stable power delivery to all its stakeholders by optimizing its load capabilities, improving its response to outages, digitizing its grid, and building resilient infrastructure.

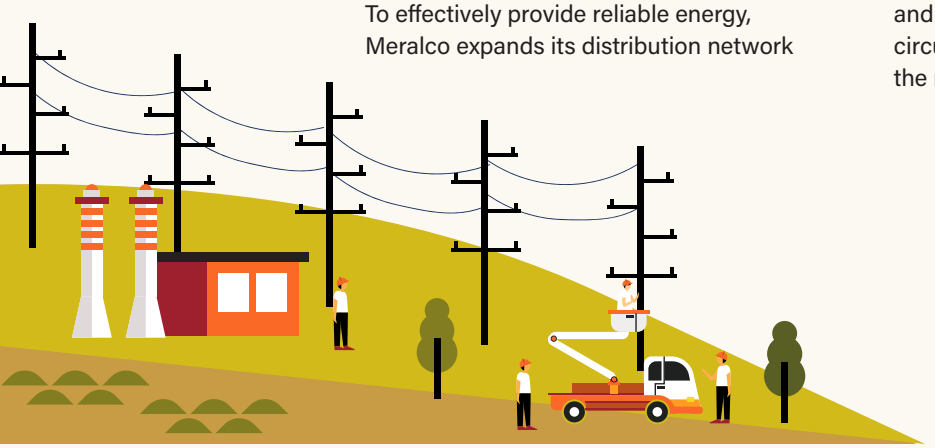
Meralco uses various forecasting tools to project energy demand requirements.

Optimizing Load Growth

Meralco addresses load growth in its service area by constructing new distribution assets to augment system capacity, reduce exposure to external disturbances, and enhance operational flexibility to support the growing energy demands in the franchise area, while adhering to international and local standards. Employing a proactive approach, Meralco uses various forecasting tools to project energy demand requirements and to identify high-growth areas to properly plan for the needed infrastructure in a timely manner.

To effectively provide reliable energy, Meralco expands its distribution network and constructs new substations that results in shorter distribution lines and less customers per circuit. Thus, it effectively reduces the grid's exposure to external disturbances, either natural or man-made.

Moreover, adding more distribution lines and substations enhances the system's flexibility by allowing the network to be reconfigured, usually in response to abnormal system conditions. This allows Meralco to isolate faulted segments and easily transfer healthy portions of circuits to alternate sources to minimize the number of affected customers.



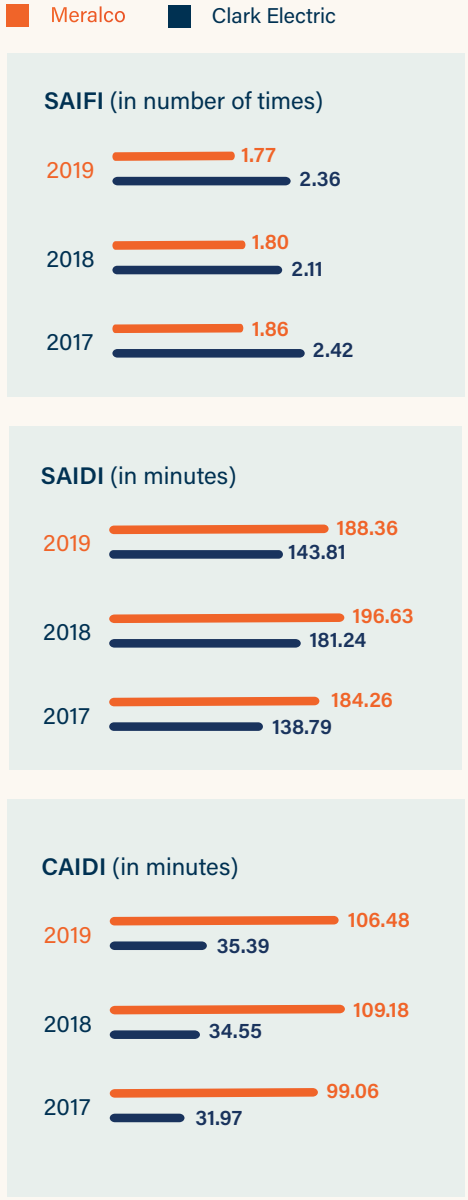
Preventive Measures: Keeping the Lights On EU28, EU29

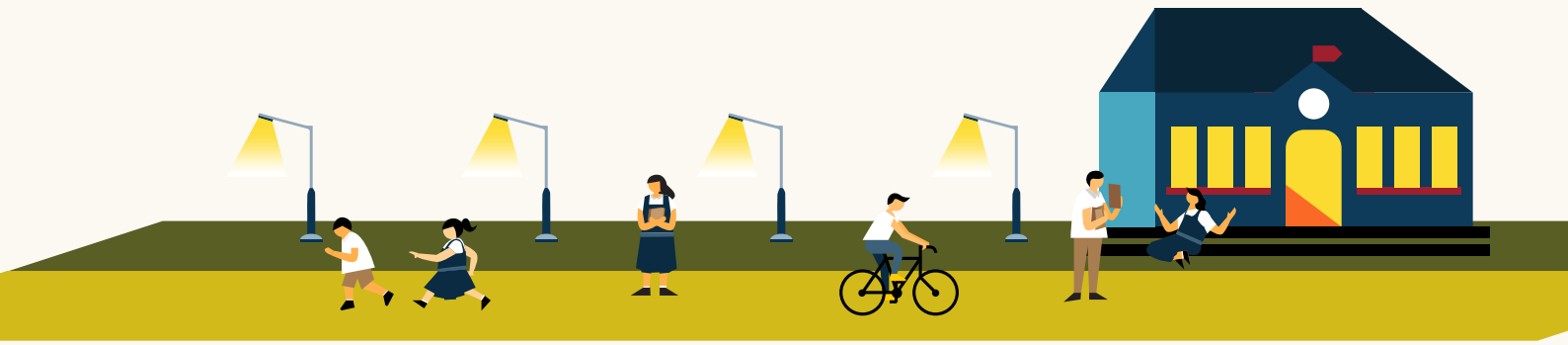
The provision of stable and reliable energy is of prime importance to Meralco. Therefore, the Company strives to reduce the occurrence and duration of power interruptions that may be caused by planned outages due to construction and maintenance activities, or unplanned outages caused by man-made accidents or by natural calamities such as typhoons, floods, and earthquakes.

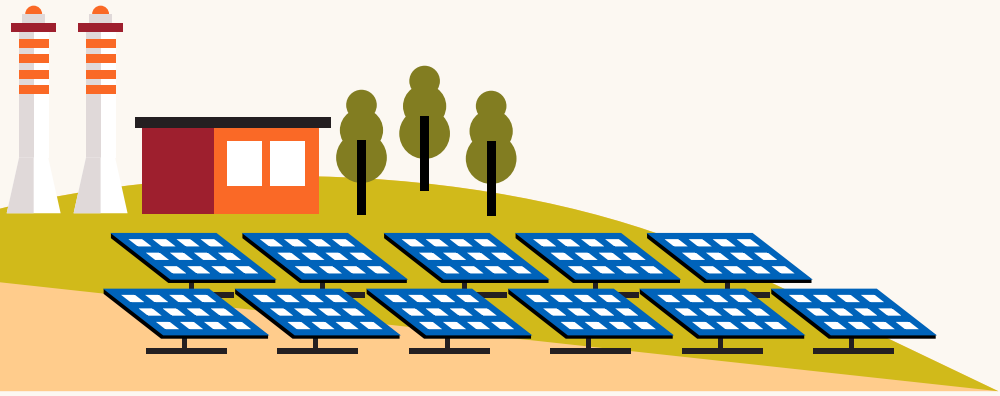
Meralco conducts preventive maintenance activities to keep the integrity of its electrical infrastructure and reduce the incidence of unplanned outages. Regular inspections are conducted on-site, and aging equipment are replaced with new and upgraded specifications in accordance with the latest requirements stated under industry standards and national codes. These preventive measures also help ensure the safety of Meralco's customers and its workforce.

In 2019, there were marked improvements across Meralco's operational metrics for outage management. The average frequency of system interruptions was 1.77, as indicated by the System Average Interruption Frequency Index (SAIFI). As for the Customer Average Interruption Duration Index (CAIDI), restoration time took 106.48 minutes per customer. This led to a total average interruption duration of 188.36 minutes, a 4.2 percent improvement vis-à-vis 2018's System Average Interruption Duration Index (SAIDI) performance.

With the commitment to provide reliable electric services to its customers, and in response to the tightening performance targets set by the Energy Regulatory Commission (ERC), Meralco envisions reducing its SAIFI to 1 and its SAIDI to 100 minutes within the next three to five years, to provide its customers with the most reliable and resilient energy distribution service in the country.







Preparing for the Grid of the Future: Decentralized, Decarbonized, Digitalized

With the emergence and growth of intermittent distributed energy resources such as solar and wind, Meralco must continue to enhance its management of the distribution network with modern and digital grid technologies, collectively known as Smart Grid. Brought about by digitalization, decarbonization, and decentralization, the energy industry faces an unprecedented evolution of the traditional grid with new realities such as the rise of renewables and the emergence of "prosumers." Smart Grid allows Meralco to improve reliability, efficiency, and power quality amid this new normal.

To keep the lights on for close to 7 million customers, Meralco leverages technological advances to solve traditional challenges. For one, Meralco addresses the biggest bane of electricity consumers—power outages and power quality problems—through Smart Grid technologies which allow the Company to monitor its entire grid in real-time, using its Supervisory Control and Data Acquisition (SCADA) system. It is also able to apply analytics to provide real-time diagnoses; and with the installation of advanced communication facilities, it can remotely monitor operations and control field devices (i.e. switches and reclosers) to quickly address problems along the grid.

Meralco has also upgraded its outage and distribution management systems to help decrease the duration and frequency of power interruptions. The Company has adopted the Advanced Distribution Management System (ADMS), an intelligent software that supports the full suite of outage management, distribution management, and optimization functions. ADMS analyzes all outage notifications from customer reports, smart meters, smart sensors, and remote switches, and automatically displays itemized summaries and geographical views of all trouble calls, including locations of outages and affected customers. This enhances the end-to-end management of all incidents of different scales—from system-wide to household-level outages—as well as facilitates efficient outage reporting.

Meralco is also capable of Fault Location, Isolation, and Service Restoration (FLISR), which isolates the location of outages and reroutes power to as many customers as quickly as possible. With real-time network information, Meralco is better able to detect and respond to outages.

In addition, ADMS's feature called Integrated Volt-VAR Optimization (IVVO) allows system operators to improve the voltage and power factor conditions of the grid via the coordinated control of voltage-regulating field devices. The application is expected to cut technical losses, improve power quality, and lower peak demand for more reliable service delivery.

The Mobile Work Management System (MWMS), working with information received from Enterprise Asset Management, Geographic Information System, and ADMS, delivers an integrated solution for automating field workforce operations such as resolving unplanned outages. MWMS manages the dispatch of the nearest available crews to repair faults in the system. Critical information from field crews are processed in real-time, resulting in productivity improvements and increased customer satisfaction.

Considered as a critical enabler and fundamental infrastructure of the Smart Grid, information and communication technology (ICT) supports the entire Smart Grid deployment. A reliable and advanced ICT infrastructure is essential as it links smart field devices with IT platforms.

Leveraging all these technologies, Meralco empowers customers with up-to-date outage-related information through various channels and provides them with the capability to report outages online. At the same time, to provide information on outages and their resolution status, the Company uses a variety of channels to reach customers, such as Meralco's Online Outage Portal.

With the help of Smart Grid technologies, the Company's distribution network is capable of reconfiguring and repairing itself, and through remote intervention, it helps minimize the duration of disruptions and impact to customers.

Building a Resilient Network

The reliability and resiliency of its electric service to its customers is among Meralco's top priorities. The Company exerts every possible effort to make its entire distribution system resilient to extreme weather disturbances and other natural calamities, which the Philippines is prone to.

The Philippines is hit by an average of 20 tropical cyclones a year. Because of climate change, these extreme weather /events are intensifying—as seen in the strongest storms happening just in the last decade. These weather conditions may translate to damages and outages along Meralco's distribution facilities and increase the costs for repair and rehabilitation. Therefore, Meralco invests in resilient infrastructure to help ensure the reliability of its energy provision.

Recognizing that the occurrences of lightning may result in power outages, Meralco intensified its Lightning Protection Improvement Program (LPIP)). The program is aimed at arresting voltage surges caused by lightning strikes as well as at helping prevent power outages. This involved the installation of surge arresters, overhead static wires, and the reinforcement of pole and system-neutral grounding. Recently, Meralco also introduced a lightning detection system where near real-time data, including the magnitude and approximate location of all the lightning strikes within Meralco's franchise area, are made available to key Meralco personnel to identify areas where lightning protection deployments should be prioritized.

Since the introduction of LPIP, forced outages due to lightning were reduced by 67 percent.

To address climate change-related risks, One Meralco continuously implements storm hardening measures to make its distribution facilities withstand strong winds and other natural hazards. In 2019, some 7,860 line and equipment covers were installed near building work sites. Around 6,330 wooden cross arms were also converted to lighter, easier-to-install, and more durable fiberglass crossarms, and around 7,808 aging wood poles were replaced with concrete poles. Meralco uses stronger synthetic materials to support its sustainability goal of helping the environment by curbing deforestation.

With the enhanced resiliency and intelligence of the network, Meralco is able to quickly recover from widespread disturbances, enabling it to help other local distribution utilities or electric cooperatives in times of crisis.

As an example, during typhoon "Tisoy" in December 2019, most of the 1.62 million customers within the franchise area who were affected by the said typhoon had their service up and running in less than 24 hours. Given its speedy restoration of affected areas in its service area, Meralco was able to send personnel to Bicol to also help local electric cooperatives with their typhoon restoration efforts. In recent years, Meralco has sent personnel to 14 areas across the country to assist in their own service restoration initiatives in times of need.

Championing Business Continuity Management

Meralco aims to be the most resilient organization in the Philippine power industry.

The prime objective of Meralco's Business Continuity Management Program (BCM) is to ensure the safety of its employees, the protection of its assets, and the continuity of its service delivery in times of crisis, while strategically reinforcing its response efforts through partnerships with local government units and external support agencies to respond effectively when disasters strike.

Meralco aims to be the most resilient organization in the Philippine power industry. Meralco's BCM includes a five-year facility structural rehabilitation program to ensure the earthquake resilience of all buildings inside the Meralco Operating Center. Additionally, emergency back-up sites have been operationalized to mirror all the capabilities of the Company's primary system control center.

Moreover, Meralco actively collaborates with DOE and other key players in the energy sector in the development of the National Energy Contingency Plan, which ensures the immediate restoration of electric service to all mission-critical installations. Meralco also continues to upgrade its rescue and response capabilities through the training of an additional cohort of over 100 personnel.

Meralco is a core member of DOE's Task Force on Energy Resiliency.

In 2019, Meralco also collaborated with several LGUs—the Metro Manila Development Authority, the Metro Manila Disaster Risk Reduction and Management Council, and the Bureau of Fire Protection (BFP)—in conducting over 300 exercises and drills for various types of response operations. In November 2019, the company hosted the 4th Quarter Nationwide Simultaneous Earthquake Drill (NSED), a program spearheaded by the Office of Civil Defense in preparation for "The Big One"—a 7.2 magnitude earthquake which can be triggered by the West Valley Fault. Together with Pasig LGU, DOE, and BFP, Meralco demonstrated various emergency drills on incident command system, emergency operation center, emergency back-up sites, emergency evacuation, fire suppression, emergency communications, search, rescue and retrieval, triaging, and power restoration.

In 2019, Meralco collaborated as a core member of DOE's Task Force on Energy Resiliency, and renders assistance to other electric companies through Task Force Kapatid, a group organized by electric cooperatives, to help members in restoration and rehabilitation efforts in cases of disasters and calamities. Initiatives like these are very important as the Philippines is a hotbed for different types of natural and man-made calamities and crises.

Clean Energy

According to UN, 60 percent of the world's GHG are produced by the energy sector, making it the primary contributor to climate change. However, energy is integral to sustainable development as it propels economic growth and helps societies live better, more prosperous lives. A global transition to cleaner sources of energy, from fossil-based energy sources to zero-carbon sources, is thereby needed to secure a healthy planet for generations to come.

One Meralco supports the transition to clean energy in various ways. The Group sources and distributes from renewable energy-generating partners; it generates its own energy with High Efficiency, Low Emission (HELE) technology; it is building its own renewable energy power plants; and it provides customers and communities on-site power solutions to help them generate their own earth-friendly energy.

In 2019, 40 percent of the electric energy that was distributed in the Meralco system came from natural gas, 32 percent from coal, and 27 percent from multiple fuel sources including solar power and other renewable sources. In compliance with the RPS requirements under the Renewable Act of 2008, the Company will continue to build its supply portfolio to progressively increase sourcing from renewable sources. This means building on its existing supply partnerships with solar power plants. Presently, Meralco has 20-year contracts with solar power plants in Tanauan, Batangas with 50 MW capacity; and in Concepcion, Tarlac with 75 MW capacity for the first five years and 85 MW capacity for the next 15 years.

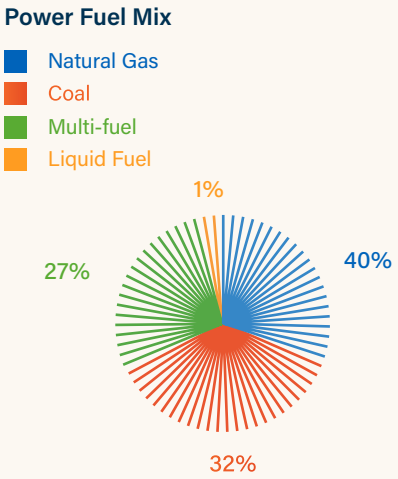
The global push towards lowering carbon emissions has resulted in some technological breakthroughs in power generation. Meralco, through its subsidiary MGen, has started to build HELE coal-fired power plants which are equipped to produce energy using much less coal than traditional coal-fired power generation facilities, potentially reducing carbon emissions by as much as 35 percent compared with older and less efficient plant technology.[2]

San Buenaventura Power Ltd. Co. (SBPL), operates the 455 MW (net) coal-fired power plant in Mauban, Quezon, that utilizes state-of-the-art supercritical technology, which allows the plant to operate at increasingly higher temperatures and pressures to obtain higher efficiencies and significant CO_2 reductions.

Supercritical technologies form part of the United Nation's "Clean Development Mechanism" aimed at encouraging the reduction of carbon emissions. A super-critical power plant raises temperatures and pressure levels to boost power generation efficiency, thereby cutting back fuel consumption and in turn, reducing emissions. The improvement in thermal efficiency leads to an operational efficiency of around 44 percent versus older plants with efficiencies of 33 percent.[3]

The commercial operations of the plant began on September 26, 2019 – less than four years after it started construction in December 2015. The project was partly funded by a PhP42.15 billion financing plan that holds the record as the Philippines' largest all-peso project finance facility to date.

SBPL marks Meralco's re-entry into power generation with its first majority-owned commercially operating power plant.



[2] World Coal Association (2018). New report shows why HELE remain imperative for ASEAN countries.

[3] Afework, B. et al. (2018). Supercritical coal plants. Energy Education.

MGREEN: Transitioning to Renewables

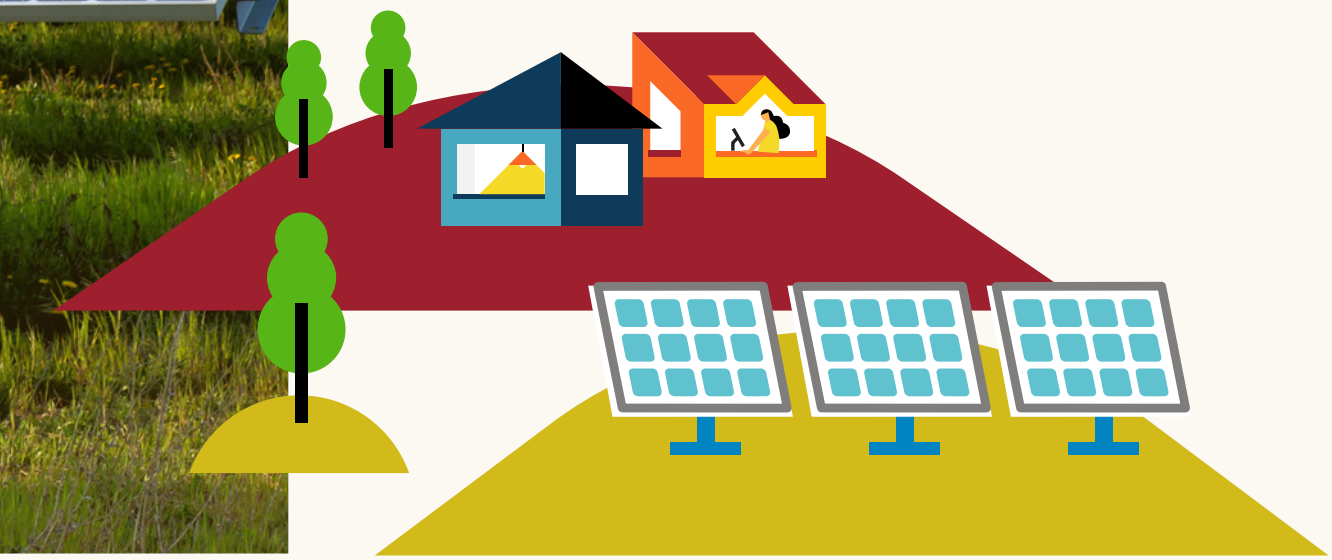
One Meralco is embarking on its energy transition journey to green energy in support of UN SDG 7: Affordable and Clean Energy. The Group understands that effectively reducing carbon emissions while sustainably powering homes and cities requires a major shift into generating energy from renewable sources, which paves the best path to mitigate the effects of climate change.

MGen Renewable Energy, Inc. (MGREEN) was incorporated in 2019 to serve as the platform for MGen's strategic push to develop renewable energy projects, primarily solar, wind, and run-of-river hydro.

As a wholly owned subsidiary of MGen, MGREEN plans to invest in up to 1,000 MW of renewable energy projects over the next five to seven years in a bid to bring in additional supply to support the Philippines' growth momentum and to help ensure availability of clean and green power supply in the coming years.

Among its projects in the pipeline is an 80 MWdc (50 MWac) solar power plant in San Miguel, Bulacan, which is being developed by PowerSource First Bulacan Solar, Inc. (PFBSI) where MGREEN holds a 40 percent interest. The mobilization for this solar farm's construction started in December 2019, with a commercial operations date scheduled for November 2020.

Through MGREEN, One Meralco will be better poised to be a driving force in the renewable energy sector in the Philippines. This will also allow the Group to cater to a growing market of commercial and industrial partners who prefer securing power from renewable energy sources.



Innovating through Battery Energy Storage Systems

Beyond investments in RE generation facilities, Meralco also piloted a 2 MW lithium-based Battery Energy Storage System (BESS) in San Rafael, Bulacan. It is the country's first grid-scale BESS connected to the distribution network, which allows Meralco to provide reliable and stable energy, free from intermittency. This program will also demonstrate the actual capability of energy storage systems to improve grid operations amidst rising renewable energy adoption.

On September 6, 2019, together with Japanese firm Hitachi Ltd., Meralco inaugurated the San Rafael BESS in Bulacan. The Japanese engineering and technology company provided Meralco with more than 2,300 battery cells that can deliver 2 MW of power intermittently or continuously. This pilot project is fully primed as Meralco fortifies its preparation for the grid of the future – one that is decentralized, decarbonized, and digitalized.

Spectrum: Harnessing the Sun's Energy

Global trends show an increasing interest in Distributed Energy Resources (DER), which, unlike traditional power plants, are commonly on-site and for own-use, and have the advantage of less energy loss from traveling long transmission distances. Typically leveraging renewable technologies such as solar and wind, DERs are not only cost-effective but also sustainable.

As early as 2016, Meralco launched its subsidiary, Spectrum, to advance tailor-fit solar solutions for industrial, commercial, and residential customers. With these on-site power solutions, Spectrum provides customers not only the ability to generate their own renewable energy from their homes or their offices, but also more resilience to power interruptions from the grid.

Spectrum completed 119 projects in 2019. Two-thirds of these projects were for commercial and industrial users, while one-third were for residential customers.

The global trend towards consumer-driven, small-scale solar installations is expected to accelerate from 146 GW in 2017 to 2,116 GW in 2050.[4] In anticipation of this, Spectrum is assisting more and more customers to install own-use solar facilities as the economics of this technology continues to improve.

[4] Bloomberg New Energy Finance (2018). New Energy Outlook.

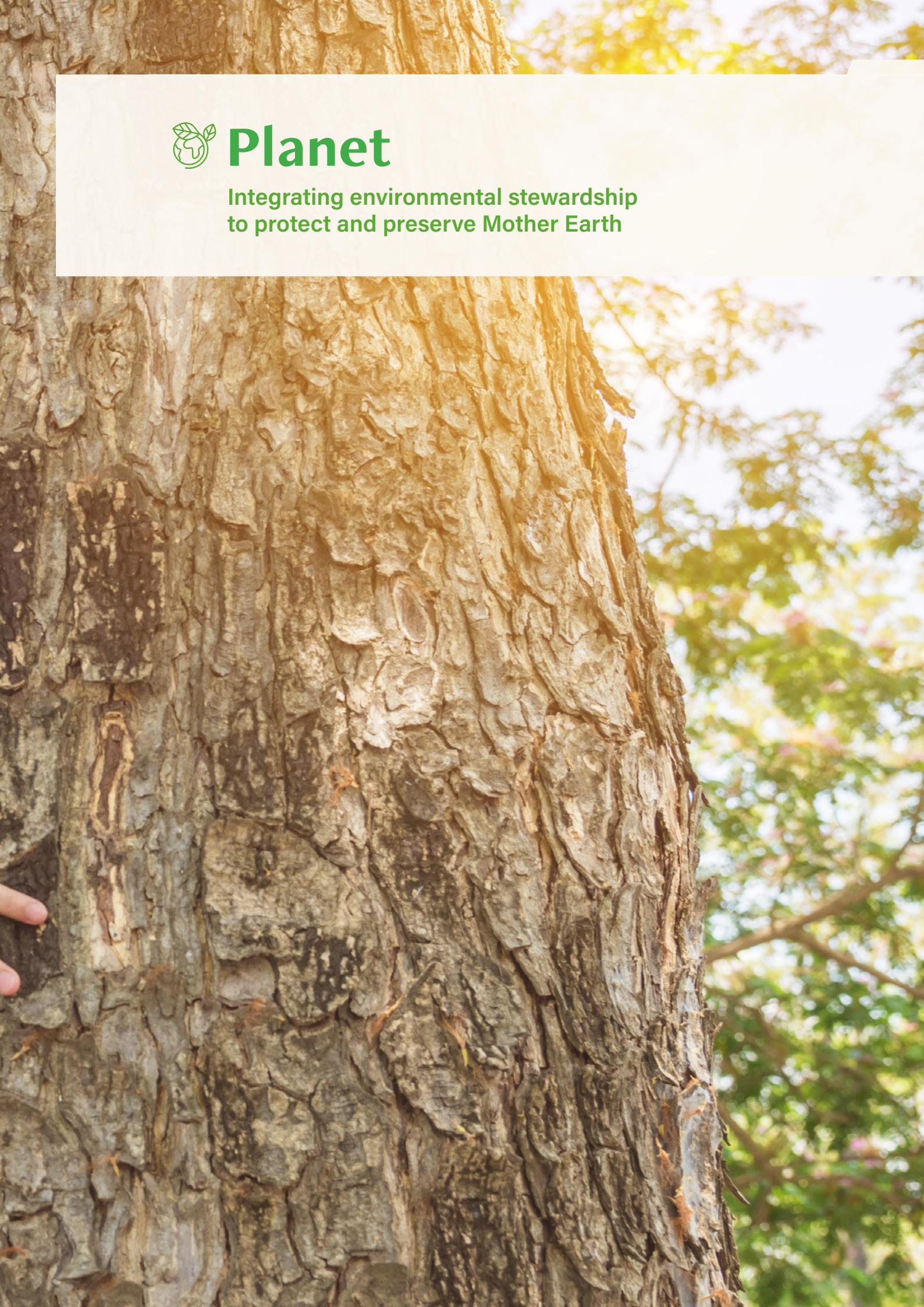
Building Energy Partnerships for a Greener Future

Meralco incentivizes the transition to cleaner energy through a program which allows consumers to lower their energy costs by producing their own renewable energy supply.

Meralco is the first distribution utility in the country to implement the Net Metering Program under the Renewable Energy Act, with its first net metering customer in 2013. Through this program, customers have the option to contribute some of the energy they produce back to the grid, in exchange for credits on their electricity bill. Customers with a generating capacity of up to 100 kW are qualified for this program.

To improve the overall net metering process, the Company continues to enhance internal procedures and collaborates with the ERC, LGUs, and solar panel providers and installers. In addition, distribution-grid customers and their solar installers can also work with Meralco to help ensure the safety of their solar installations.

The road to clean energy is complex, but the long-term rewards are significant for the environment, society, and economy. Meralco is committed to continually be a driving force in the Philippines' road towards clean energy.



Planet

Integrating environmental stewardship to protect and preserve Mother Earth

Planet

The prosperity of humankind is powered by a thriving ecosystem. For businesses, acting in an environmentally responsible way is not only a legal duty but also a moral one. To take on this responsibility, One Meralco, is exploring and applying new ways to fulfill its mission as a steward of the environment.

The Group's efforts include managing its greenhouse gas emissions, energy consumption, solid waste, water, effluents, and impacts on biodiversity[5]. Moreover, Meralco seeks to inculcate a sustainability mindset throughout its businesses and organizations by initiating sustainable-practice programs such as an initiative to plant three million trees by 2025, policies on waste segregation and recycling, and most recently, a ban on single-use plastics.

Looking outward, in service of its public and private sector customers, Meralco launched its own electric vehicle (EV) company, eSakay, which, as part of its strategic thrusts, has launched an electric jeep operation to provide commuters with zero-emission transport options as they travel through the cities of Makati and Mandaluyong.

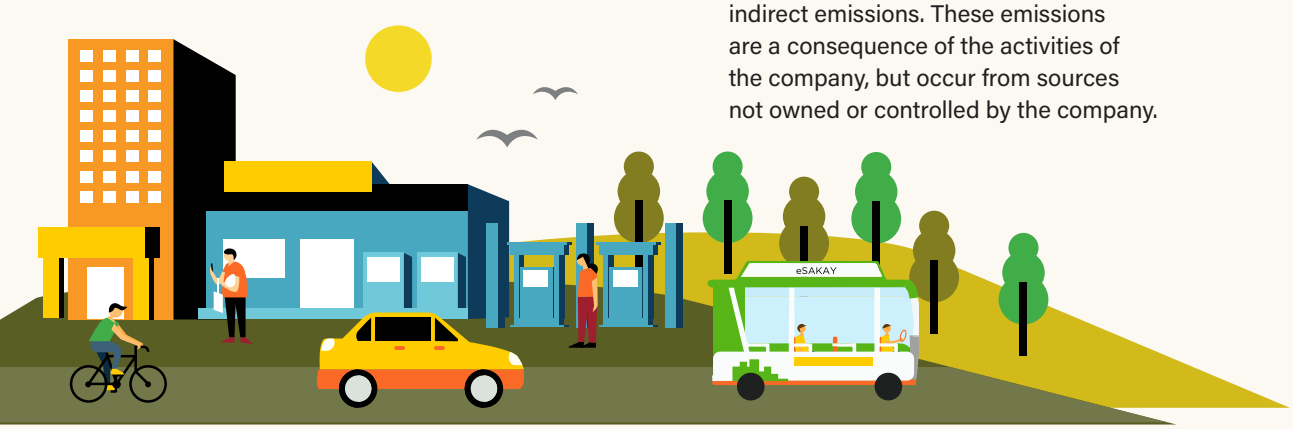
Regulating Greenhouse Gas Emissions

The battle against climate change entails a reduction of emissions and ultimately in greenhouse gases (GHG) in the atmosphere. The most significant of these are carbon dioxide, methane, nitrous oxide, fluorinated gases, and water vapor. In monitoring and managing Meralco's emissions it uses the international standard of GHG Protocol which uses the following scopes:

Scope 1 emissions are direct GHG emissions that occur from sources that are owned or controlled by the company; for example, emissions from combustion in owned or controlled vehicles, boilers, etc.

Scope 2 emissions account for GHG emissions from the generation of purchased electricity consumed by a company. These emissions physically occur at the facility where electricity is generated.

Finally, **Scope 3 emissions** are an optional reporting category that allows for the treatment of all other indirect emissions. These emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.



Scope 1 Emissions 305-1

In 2019, the Scope 1 emissions[6] of One Meralco, with the exclusion of MGen and its power plants, translated to 0.00878 megatonnes CO_2e. The 43 percent decrease from 2018 was primarily driven by the SF_6 leakage recovery mechanism established by Meralco.

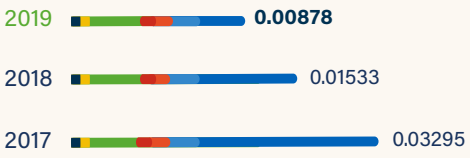
43%
Decrease in Scope 1 GHG emissions

Meralco has been closely monitoring SF_6 leakages from all its substation equipment. The Company also facilitates efficient recovery and recycling of SF_6 gases. Strict procedures have been put in place to avoid unintentional gas releases during servicing and maintenance activities.

Another driver of emissions in this scope is fuel consumption. In 2019, Meralco used 187,641 gigajoules of fuel for its company vehicles, generator sets, and other motorized equipment[7]. The 5.7 percent rise from previous year's fuel consumption was due to the company-wide expansion of operations in support of customer load growth, the government's "Build, Build, Build" program, and the establishment of more substations within Meralco's franchise area.

Meralco strives to lower its fuel consumption through the Clean Fleet Management Program, a training program on fuel-efficient driving practices for the Company's employee drivers. The Company observes the 5S of Good Housekeeping Program for its fleet to ensure that only essential materials and tools are transported for official trips. Meralco also implements a regular maintenance program to keep its fleet reliable and fuel-efficient.

Scope 1 emissions (in $MtCO_2e$)



- Diesel consumption (Meralco, Company vehicles)
- Diesel consumption (Subs and affiliates, company and employee vehicles)
- Gasoline consumption (Meralco, Company vehicles)
- Gasoline consumption (Subs and affiliates, company and employee vehicles)
- SF_6 leakage (Meralco)
- Gasoline consumption (Meralco, Generator sets and other equipment)
- Diesel consumption (Meralco, Generator sets and other equipment)

[5] All MGen-related data in this section are from September to December 2019 only since the San Buenaventura Power Ltd. plant was commissioned in September 2019.
[6] The amount of leaked SF_6 is also included. The standard used for computations is based on the GHG Protocol Accounting and Reporting Standard.
[7] Meralco compiles this data through their platform called the iFleet system wherein fuel consumption data from the different subsidiaries are stored

59 Electric motorcycles to be deployed to Business Centers

Additionally, Meralco continues to electrify its fleet to further lower its overall fuel use and emissions. To this end, the Company purchased 59 electric motorbikes for deployment to Business Centers for field representatives to use in performing meter inspections. Apart from the three electric shuttles helping employees easily move around the Meralco compound, the Company also offers employees an electric bike sharing facility as an alternative means to get to different points inside the center. It has also recently deployed three cargo electric trikes to help its facilities personnel move materials, such as electric meters, within the Meralco Ortigas Center.

Furthermore, the Company is continuously scanning its fleet (which includes service vehicles, pick-up trucks, and motorpool cars, among others) to determine which ones it can begin electrifying.

Greening Philippine Transport through eSakay

Launched in 2018, eSakay is Meralco's response to the burgeoning interest and demand for electric vehicles in the Philippines. It offers end-to-end electric transport and charging infrastructure solutions to help bring 'green mobility' to the streets of local cities and sprawling commercial or industrial complexes.

Working in collaboration with DOTr, eSakay also provides e-vehicle replacement, operatorship, and charging infrastructure solutions in the Public Utility Vehicle (PUV) space. Compared with traditional jeepneys, eSakay's electric jeep offerings are highly technologically-enabled; with automated fare collection systems, GPS tracking systems, and CCTV cameras to help ensure passenger safety and security. These e-PUV's also have greater capacities, accommodating up to 40 persons, and are conveniently equipped with charging ports, electric fans, and free WiFi.

It is also noteworthy that the drivers employed by eSakay receive regular monthly salaries and benefits, an arrangement which replaced the traditional boundary system* of jeepney operators and drivers. This is in line with the DOTr's PUV Modernization Program, which aims to provide these transport sector frontliners with sufficient and stable livelihoods.

*See more of the story of an eSakay driver on page 87.

eSakay drives towards a safer, cleaner, and more modernized transport sector in the Philippines.

In 2019, eSakay deployed 75 e-vehicles through supply and operatorship activities. Among these are the 15 e-jeepneys serving the riding public via the MRT Buendia-Mandaluyong City Hall developmental route and two electric vans transporting students and faculty members in the De La Salle Araneta University (DLSAU) campus in Malabon City. eSakay also deployed 58 charging stations in Cavite, Batangas, Laguna, Valenzuela, Bulacan, and Alabang, servicing primarily the electric tricycles deployed by DOE in LGUs across the country.

An estimated 1.53 million individuals boarded eSakay's e-vehicles in 2019. Currently, eSakay is exploring and striking partnerships with local government units to further deploy other types of electric vehicles (such as electric buses and electric tricycles) all over the country, in an effort to accelerate its drive to provide solutions towards a safer, cleaner, and more modernized transport sector in the Philippines.

Beyond minimizing fuel consumption 302-1

Apart from its fuel consumption reduction initiatives, and in order to proactively contribute to climate change mitigation, One Meralco has also embarked on carbon offsetting initiatives such as the Communitrees initiative of MPower in 2015 and the OFT project of OMF in 2019.

MISSION THREE MILLION: The One For Trees Story

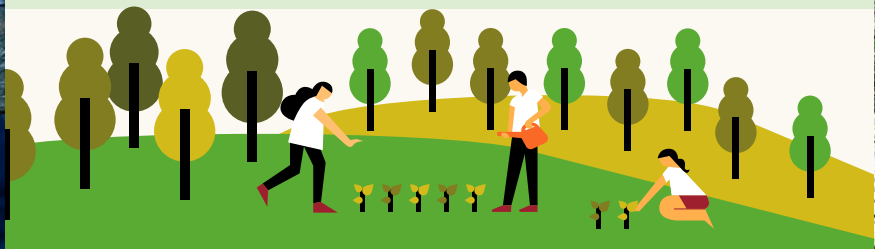
Meralco, through its One Meralco Foundation, drives its employees and customers to plant, nurture, and protect three million trees.

As one of the most biodiverse countries in the world, the Philippines is home to a wide variety of plants and animals. However, the continued loss of its forests remains a significant and growing threat to the country's ecosystem. According to the DENR, the Philippines is losing approximately 47,000 hectares of forest cover every year. One of the simplest yet most effective ways to address this is to plant more trees.

Fundamentally, trees absorb a major greenhouse gas, carbon dioxide. At the same time, it produces oxygen, protects coastal communities, prevents soil erosion, and retains water, among many other benefits. And it all begins by planting a single seedling.

Meralco, through its OMF, launched the reforestation program One for Trees (OFT) in 2019. The program seeks to partner with like-minded foundations and organizations to nurture forests and communities. One for Trees' initial goal is to plant at least 3 million trees in conservation sites within and outside Meralco's franchise area in the next six years, nurturing them by empowering communities through local farmers, peoples' organizations, and othernon-profit organizations.

To bring greater awareness to the public, the OFT website and Facebook page were launched in October 2019. Through these platforms, people are informed about the advocacy and mission of the project through interactive content aimed at educating and engaging all those who access the site. In less than a month, over 100 people messaged inquiring how they could participate,



while social media posts reached over 1,000,000 engagements.

In 2019, despite challenges posed by an extended dry season, OFT signed up almost 2,000 employee-volunteers, who planted 23,366 trees in 13 sites during the last two quarters of the year. The Foundation also raised PhP2.1 million from employees and Meralco customers through the *"Puno ng Liwanag Ang Pasko"* Christmas fundraising campaign, allowing OFT to bring to life at least 11,000 more trees in 2020.

"Through the years, these trees will help mitigate the effects of climate change," says Jeff Tarayao, OMF President. "I believe that through One for Trees, we are able to contribute to our shared responsibility of providing a livable, more sustainable world for our children."

One for Trees hopes to grow more trees, protect mangroves and watersheds, and build a community of eco-warriors and advocates of the environment.

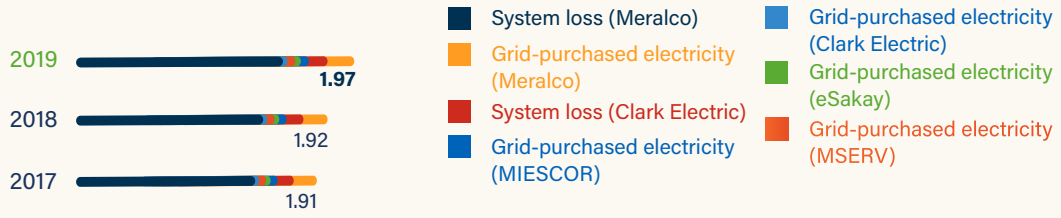
"This is not just a Meralco advocacy. We want this to be a collective effort of our Company and our customers, and really, of every Filipino who wants to help protect and preserve Mother Earth."

Atty. Ray C. Espinosa
Meralco President and CEO

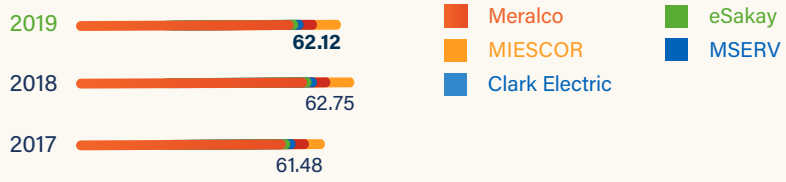
Scope 2 Emissions 305-2

One Meralco's Scope 2 emissions[8] increased by 2.6 percent, from 1.92 $MtCO_2e$ in 2018 to 1.97 $MtCO_2e$ in 2019. This was mainly due to an increase in system loss (from a volume standpoint), which represents almost 98 percent of the Company's emissions in this scope. This increase would have been significantly higher had Meralco and Clark Electric not been able to reduce their system losses relative to the amount of energy purchased from generation companies. Another driver of Scope 2 emissions is the amount of electricity consumed by the Company, which has declined by 1 percent versus 2018 due to the Company's energy efficiency measures.

Scope 2 emissions (in $MtCO_2e$)



Grid-purchased electricity for own use (in GWh)



[8] The grid emission factor (Luzon) used for the computations is used as the value prescribed by DOE.

Managing System Loss EU12, 302-4

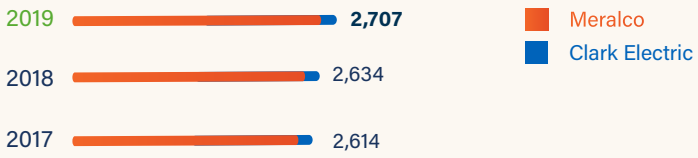
To sustain the efficient and affordable delivery of energy to its customers, and to optimize the utilization of the Company's distribution assets, Meralco continuously works towards reducing system losses. Apart from helping lower Meralco's carbon footprint, the reduction of system losses also helps protect consumers' access to fair and competitive energy prices, as system loss charges are passed on to consumers subject to certain regulatory parameters.

Incurring system losses is inherent in the delivery of an electric distribution utility's service, as proportions of the electricity being delivered will always dissipate as heat and noise. This is called technical loss. However, losses may also occur from incidences of electric theft or pilferage (i.e., non-technical loss), which Meralco also continues to address. Inasmuch as system losses cannot be eliminated completely, there are economic limits to the level to which it can be reduced. While Meralco's system loss charge is significantly lower than what regulations dictate, Meralco and Clark Electric regularly conduct technical and socio-economic studies to strike the right balance between the benefits of lower system losses and the cost entailed to reduce such losses.
In 2019, Meralco and Clark Electric's total system loss volume was at 2,707 GWh—up 2.8 percent from 2018. This was naturally driven by the higher volume of energy consumed in the Company's franchise areas.

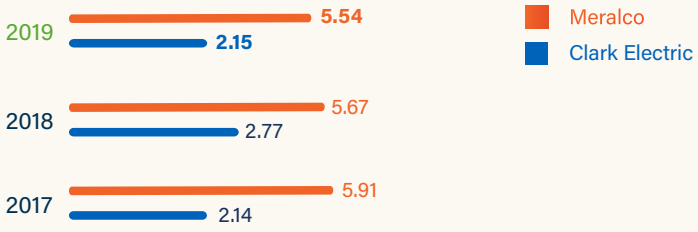
However, percentage-wise, system loss decreased for both companies. In particular, system loss decreased to 5.54 percent for Meralco and 2.15 percent for Clark Electric which resulted in PhP5.2 billion in financial savings for customers.

Since 2017, however, the financial savings from improvements in system loss have trended downward due to the lowered system loss cap enforced by the government on distribution utilities. Nonetheless Meralco and Clark Electric continue to upgrade existing infrastructure and strengthen anti-electricity pilferage programs to ensure that these losses are mitigated.

System loss (in GWh)



System loss (vs % energy sold)



Electricity consumption reduction through energy efficiency 302-4

Electricity is an important resource in One Meralco's day-to-day operations. The Group's energy consumption consists mainly of grid-purchased electricity used for powering its head office and sector offices, as well as Meralco's business center, and substations.

The amount of grid-purchased electricity used by One Meralco[9] totaled 62.1 GWh in 2019, down by one percent from 2018 due to the Group's energy efficiency initiatives throughout its working spaces.

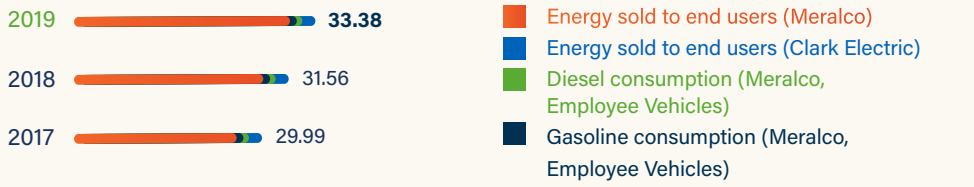
For instance, Meralco replaced the majority of its lighting fixtures with LED lights across its business centers and corporate offices, while also upgrading the air cooling system of the Lopez Building, Meralco's headquarters, from single-speed drive to variable-speed so that the power consumption of the cooling system can be adjusted to better match actual demand. This not only lowered costs but also enhanced the working environment for employees.

Scope 3 Emissions 302-1, 305-3

One Meralco's Scope 3 emissions[10] increased by 6 percent, with the primary driver of the Group's other indirect GHG emissions being its total energy sales. Another contributor is the fuel consumption of the Group's employees.

In 2019, the total amount of energy sold by Meralco and Clark Electric was 46,871 GWh compared with 44,313 GWh in 2018.

Scope 3 emissions (in $MtCO_2e$)



[9] There are no available data on grid-purchased electricity consumption for Bayad Center, MRail, Spectrum, and Radius since electricity consumption is part of their leasing fees.

[10] Emission factors used for fuel were GHG Protocol's Emission factors from cross-sector, particularly generator sets and other equipment. Meanwhile, the grid emission factor (Luzon) used for the computations is based on the value prescribed by DOE.

Helping Customers Become Energy Efficient 302-4

Meralco strives to equip its commercial and industrial partners with energy solutions that optimize their efficient and sustainable use of energy. To this end, Meralco's subsidiary, MSERV, provides a broad range of high-quality, end-to-end energy solutions for customers through its electro-mechanical engineering, procurement, and construction services (EPC), urban services, and energy efficiency services (EE).

MSERV's EE solutions provide customers with energy-saving alternatives. These solutions include lighting efficiency services; heating, ventilation, and air-conditioning (HVAC) efficiency services; and power quality audits—providing valuable insights on the clients' energy management plans.

As an illustration, MSERV replaced four chillers for the Insular Life Corporate Center (ILCC) in Alabang in 2016 with a guarantee of improving energy efficiency. The old chillers were installed as early as 2001 when the ILCC was inaugurated. This equipment was no longer operating efficiently and was due for replacement. MSERV's total scope of work included the replacement of four conventional oil-lubricated chillers with energy-efficient, magnetic oil-free chillers, and the installation of a chiller management system, enabling the accurate monitoring and control of the newly-installed units.

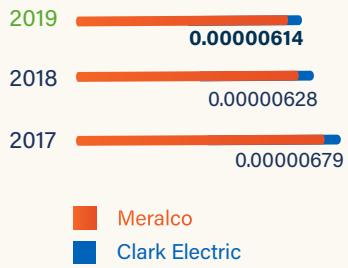
The MSERV chiller retrofit project, which was completed in 2016, resulted in a reduction in energy consumption of around 53 percent (2.8 million kWh), delivering a project payback period of only 4 years. These savings do not include the spend reduction achieved from the lower maintenance costs of the newly installed chillers, estimated to be 30 percent less vis-à-vis conventional chillers.

Meralco sees clear business potential in these energy efficiency services. For instance, the demand for newer and more efficient HVAC systems is expected to rise with the foreseen rapid increase in new office spaces to an estimated total of 2.1 million square meters in Metro Manila alone. Furthermore, Republic Act 11285, also known as the Energy Efficiency and Conservation Act of 2019, is seen to spur the adoption of energy efficiency measures and technologies on the part of end-users, businesses, and relevant stakeholders. MSERV will continue to play a pivotal role in formulating, developing, and implementing energy conservation plans, helping customers succeed in their own energy consumption reduction drives.

Emission Intensity 305-4

One Meralco's emission intensity progressively decreased from 0.00000679 $MtCO_2e$ per million pesos of revenue in 2017, to 0.00000614 $MtCO_2e$ per million pesos of revenue in 2019, due to the Group's energy conservation programs as well as system loss reduction initiatives, coupled with Meralco's increase in sales and distribution.

Emission Intensity (in $MtCO_2e$ per million pesos of revenue)



Managing Solid Waste 306-2

Meralco's Solid Waste Management Program aims to complete the circular economy cycle which complies with regulatory requirements and environmental standards. The program focuses on minimizing generated wastes, segregating at source, segregating transport and storage, implementing solid waste treatments like recycling and composting, and ensuring proper disposal.

In addition, to support the recycling of various materials and wastes, materials recovery facilities (MRFs) in all Networks Operating Sectors and corporate offices encourage Meralco's employees to adopt more sustainable habits. The reusable and recyclable wastes are brought for further classification (into paper/cartons, tin cans, glass, rubber, etc.), and are then sold to recyclers, while biodegradable wastes are composted. While segregation and recycling help, Meralco highly encourages the use of reusable materials.

In 2018, the National Geographic found that only 9 percent of plastics produced around the globe are recycled. Over 90 percent of all plastic accumulates in landfills or pollutes oceans, at a massive cost to biodiversity. Single-use plastics are the most avoidable kind of plastic waste, and yet they have become very widely used for modern conveniences.

Meralco thus imposed a Group-wide ban on single-use plastics, starting in October 2019, to help inculcate a culture of eco-friendliness amongst its employees. The ban was initially enforced at Meralco's premises and company events, and subsequently covered all of its subsidiaries. These units are now free from single-use plastics, which include plastic shopping bags, wrappers and containers, cutlery, straws, cups, stirrers, and water bottles.

Meanwhile, the single-use plastic ban was also communicated to Meralco's supply chain partners to ensure full compliance by the start of 2020, further broadening Meralco's influence on sustainable habits in its larger business ecosystem. As of end-2019, Meralco was able to eliminate a significant percentage of single-use plastics from its supply chain.

In its effort to uphold the highest standards in environmental sustainability, all 11 Networks Operating Sectors (Distribution and Sub-transmission Services) and the Meralco Operating Center have obtained ISO:14001:2015 Certification for Environmental Management System. This ISO stamp of approval reassures customers that Meralco has taken all the steps necessary to minimize its organizational impact on the environment.

On top of this program, more initiatives are in the pipeline to sustain the on-going effort

to protect the environment and to reduce Meralco's total ecological footprint.

Through these efforts, Meralco seeks to create a Group-wide culture of environmental stewardship where employees are given the right tools to understand and live out sustainable habits—not only in the office but also at home, with their families.

The amount of non-hazardous waste generated by One Meralco in 2019 totaled 101.8 tonnes. About 81 percent were residuals such as food waste and used tissue paper, while the rest were recyclables including tin cans, paper, carton, and plastic bottles. Recyclables are processed in Meralco's MRFs while residuals are collected by accredited municipal waste collectors and thereafter transported to sanitary landfills.

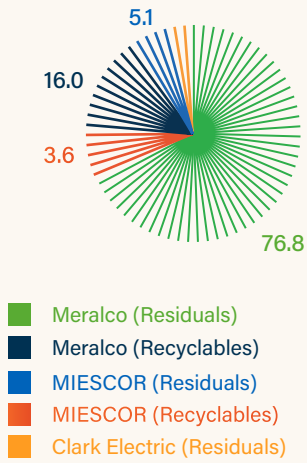
In contrast, used oil, busted fluorescent lamps, and contaminated materials[11] comprise the 1,187 tons of hazardous waste generated by One Meralco in 2019. The Group continues to comply and support the DENR's directive on the proper disposal of polychlorinated biphenyl (PCB) oil and contaminated equipment.

In collaboration with DENR's subsidiary, Natural Resources Development Corporation (NRDC), a total of 58 metric tonnes of low-concentration PCB was treated in Bataan. Likewise, a total of 122 metric tonnes of high-concentration PCB wastes were exported to Tredi, France, through its DENR-accredited hazardous waste transporter, for proper treatment and disposal.

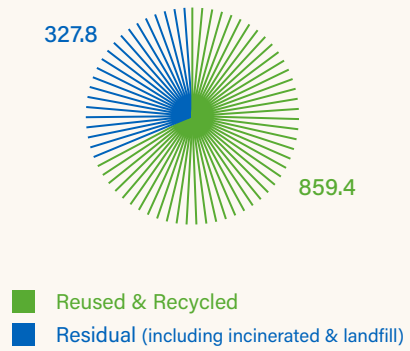
Meanwhile, One Meralco's hazardous wastes are properly handled and disposed through DENR-accredited transporters and treaters as prescribed by Republic Act 6969, also known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990.

To keep the work environment safe, Meralco developed procedures and guidelines on the proper management of hazardous chemicals and wastes. The Company provided a designated storage area for hazardous waste materials in all Networks Operating Sectors as well as in its head office. Hazardous wastes are segregated and properly sealed in, properly labelled, and provided with secondary containment until final disposal. These safety and sustainability measures help safeguard the environment and communities at large from being exposed to harmful chemicals.

Non-hazardous wastes disposed by One Meralco in 2019 (in tonnes)



Hazardous wastes disposed by Meralco in 2019 (in tonnes)



[11] Data on ink cartridges is already included in the contaminated materials. A total of 37 MT (already added to the total quantity of hazardous wastes specified above) of used lead acid batteries were turned over to Motolite for recycling.

Using Ester Oil in Distribution Transformers

As Meralco delivers its promise of safe, reliable, and quality service while considering environmental sustainability, the Company has replaced the use of mineral oil to natural ester oil for all its pad-

mounted distribution transformers. Natural ester oil comes from vegetable oil and as such, it is biodegradable, non-toxic, and non-hazardous to the environment.

The use of ester oil extends the asset life of the transformers, while contributing to overall system reliability by reducing the frequency of outages due to transformer failures. It also reduces maintenance costs because unlike mineral oil, ester oil does not cause sludge. This transition, which began in 2006, has led to the 100 percent use of this earth-friendly oil in the Company's 5,217 pad-mounted and vault-type transformers.

To heighten its sustainability efforts, Meralco will extend the use of High Fire Point (HFP) insulating oil to other types of transformers. This year, the Company is collaborating with its major supplier to pilot the use of HFP oil in its overhead distribution transformers, thus making these vital distribution assets 99 percent recyclable and biodegradable.

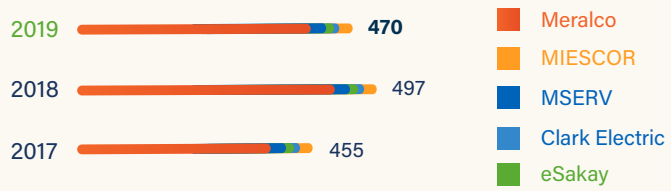
Managing Water Effluents 303-2

Sustainable water management helps Meralco improve its responsible use of water, which remains a scarce yet essential resource. As part of its environmental efforts, One Meralco keeps track of its consumption of water resources and implements its Water Conservation Programs throughout its businesses. The Company also ensures that effluents are properly treated before being discharged.

In full support of the government's call for water conservation, Meralco, through its Water Conservation Program, promotes the responsible use of water among all employees, contractors, and customers through information drives.

The decline in the water consumption of One Meralco from 497 megaliters in 2018 to 470 megaliters in 2019 is attributable to the Group's water conservation initiatives, which include using recycled water for flushing in some facilities or waterless urinals in others, as well as the installation of automatic meter reading devices for Meralco's Central Water System.

Water consumption (in ML)



Aside from the installation of water meters, engineering solutions such as water level indicators, and automatic shut-off features in water pumps were put in place to prevent the overflowing of water and to regulate water consumption in all facilities.

To ensure conformance to the Philippine Clean Water Act, the Corporate Office and 11 Networks Operating Sectors have been equipped with Sewage Treatment Plants (STPs) that have undergone rehabilitation to conform with the new General Effluent Standards.

While more needs to be done to conserve water, Meralco is committed to improving its systems while continuing its sustainability information campaigns throughout the Company's businesses and organizations.

MGen: Generating Energy for a Sustainable Future

302-1, 305-1, 305-2, 413-2

Established in 2010, MERALCO PowerGen (MGen) Corporation is a wholly-owned subsidiary of Meralco, representing the Company's power generation arm. As one of the Company's most strategic investments, MGen aims to transform Meralco from being a pure energy price-taker to a highly reliable source of competitively-priced electricity.

Moving to Cleaner Coal

Coal has long been the major fossil fuel used to produce electricity; it is the most abundant in supply and often the most inexpensive of fuel options. However, the burning of coal for fuel produces greenhouse gas emissions, and is proven to be one of the top contributors to climate change.

The global move towards the use of cleaner and renewable sources of energy to address climate change is happening, but not at a pace that could fully replace the use of coal in the near to medium term. In an effort to move towards cleaner electricity production, MGen commissioned, in September 2019, the country's first supercritical coal-fired power plant—the SBPL plant in Mauban, Quezon. This marks the Company's first majority-owned commercially-operating power plant, since Meralco's return to the generation business. With its state-of-the-art High Efficiency, Low Emission (HELE) technology, the plant is able to burn coal at more efficient levels, (i.e., 40 to 45 percent versus 30 to 35 percent in traditional subcritical coal plants).

High Efficiency, Low Emission technology burns coal more efficiently at 40-45% vs 30-35% in traditional coal plants

From August 2019 to November 2019, MGen consumed a total of 2,443 kWh of grid-purchased electricity—the bulk of which is attributed to the commissioning of the SBPL plant in September. The electricity used in the day-to-day operations of the plant translated to Scope 2 emissions, amounting to 1.74 tonnes CO_2e. Meanwhile, from September 2019 to December 2019, the SBPL plant generated 1,019 GWh of energy from coal, which was sold to distribution utilities in Luzon. This translated to Scope 1 emissions, amounting to 927,435 tonnes CO_2e.

MGen is deeply committed to protecting Mother Earth and the health of the citizens in the surrounding communities where its power plants operate.

Waste Management 306-2

The solid waste produced by the SBPL plant is segregated and disposed of in accordance with the Ecological Solid Waste Management Act of 2001.

In 2019, about half of the plant's 15.4 tonnes of non-hazardous waste was composed of recyclables; the remainder of which were residuals. Recyclables are disposed of via recycling facilities in the plant; residuals, via a solid waste sanitary landfill in Montalban, Rizal.

Additionally, the plant's organic waste is delivered to a composting facility in Atimonan, Quezon.

More than 90 percent of the 7.4 tonnes of hazardous waste produced by the plant in 2019 was used oil; the remainder included busted lamps, ink cartridges, lead acid batteries, and contaminated materials which were stored, transported and disposed compliant to R.A. 6969.

Water Treatment 303-1, 303-2, 303-3, 303-4, 303-5

From September 2019 to December 2019, the SBPL plant consumed a total of 131,787 megaliters of water (all seawater), which was used for cooling, desalination, screenwash, and water treatment.

The plant withdraws and discharges up to 5,145 megaliters of water each day. The effluents are processed with an in-house water treatment facility (classified as Class SC in accordance with the relevant Administrative Order of DENR) before being discharged to Lamon Bay.

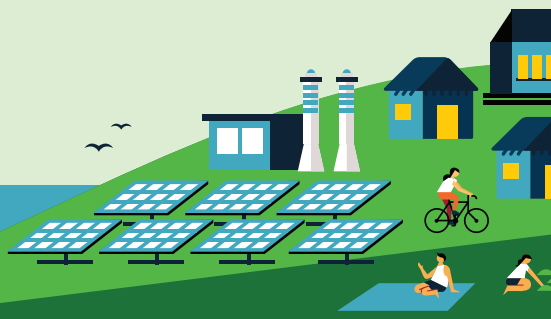
All wastewater underwent different treatments based on their categories. Sewage and domestic waste pass through the sewage treatment plant; run-off water passes through the clarifying/settling pond; and used water from Seawater Flue Gas Desulfurization (SWFGD) passes through the neutralization and oxidation pond. All treated water is analyzed in the laboratory based on the parameters specified in the latest DENR effluent standards and are confirmed compliant before final discharge to Lamon Bay.

Biodiversity Conservation 304-2

In operating its state-of-the-art power plant, MGen conducts thorough environmental impact assessments (EIA), which include air dispersion modeling, to identify any adverse effect on biodiversity—from vulnerable to critically endangered species. Moreover, MGen employs monitoring systems to keep track of and manage identified impacts on biodiversity and on the natural environment, as a whole.

Before the SBPL plant was built, MGen conducted an EIA to identify the environmental impacts of plant operations on biodiversity at an early stage, and to find ways to reduce any adverse impacts. Identified elements with direct impact are air pollution and effluent discharge to nearby water bodies; those with indirect impact include noise during the plant's construction phase.

Moreover, MGen enacts reforestation and carbon sink programs, and coastal resource management plans specific to each of its power plant projects. Such plans and programs are based on scientifically-gathered environmental data from quarterly and semi-annual environmental monitoring programs. These programs are guideposts for each of the power plant projects to manage their impacts on biodiversity.



Responsible Impact Management

To manage its pollution, MGen installed various anti-pollution technologies in the SBPL plant, such as flue gas desulfurization, electrostatic precipitators, and other such technologies and devices. All necessary environmental management programs incorporated in the EIA were implemented diligently per project phase.

To ensure safe and efficient plant operations, MGen exercises strict adherence to international and government-set environmental standards and good operating practices (e.g., regular facility maintenance).

Further, MGen created a Multipartite Monitoring Team (MMT) to ensure that SBPL complies with all the conditions set forth under the Environmental Compliance Certificate issued by DENR. The MMT is composed of representatives from different sectors, including DENR, DOE, the Quezon provincial government, the Mauban local government, the host communities, and non-government organizations.

An Environmental Guarantee Fund was likewise created in accordance with DENR guidelines, which can be drawn upon in case any untoward incidents impacting the environment might occur.

Moving to Evergreen 201-2

To align with the global direction towards the use of renewable sources of energy, MGen created MGen Renewable Energy, Inc. (MGREEN), which will serve as the Company's platform for strategic investments in renewable energy projects—primarily solar, wind, and run-of-river hydro. As a wholly-owned subsidiary incorporated in 2019, MGREEN plans to invest in up to 1,000 MW of renewable energy projects over the next five to seven years, in a bid to bring in additional supply to support the Philippines' growth momentum, and to help ensure the availability of green and cost-competitive power supply in the coming years.

MGREEN's first project is an 80 MWdc (50 MWac) solar power plant in San Miguel, Bulacan, which is being developed by PowerSource First Bulacan Solar, Inc. (PFBSI), where MGREEN holds a 40 percent interest. In October 2019, PFBSI signed an EPC contract with SUMEC Complete Equipment & Engineering Co. Ltd. for the construction of the PhP4.25 Billion power plant, which started in December 2019.

People

Cultivating a culture of excellence, sustainability, and inclusivity

People

One Meralco sees its people as its most valuable resource. With the drive towards sustainability requiring bold ideas, strong passion, and a shared vision for a brighter future, Meralco believes its diverse and driven teams are able to push sustainability forward in a meaningful way. By cultivating a culture of sustainability, the Group engages its talent pool to find better solutions to operate in an eco-friendly and socially responsible manner.

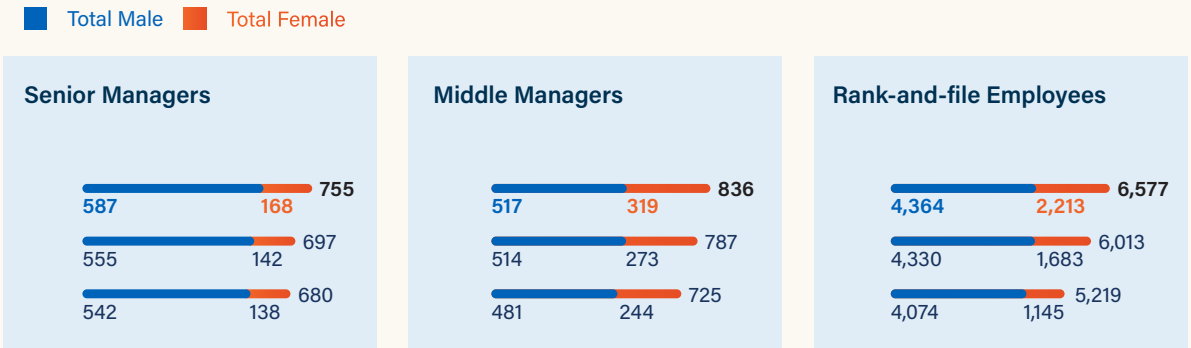
Sustainability starts from within. Meralco understands that an engaged and empowered talent pool contributes to its success, therefore it advocates to reduce inequalities and ensures inclusion at all levels of its organization. Moreover, Meralco respects international human rights—pledging to create a safe, fair, and open working environment for all its employees.

The Company also invests in its people's learning and development by providing various opportunities for career growth. Because Meralco cares about the welfare and well-being of its workforce, it offers competitive benefits and retirement packages to make certain that its people also provide good lives to their families, today and in the future.

Working Towards Diversity and Inclusion

Strategic and operational progress are in part, dependent on diversity and inclusion in the workplace. In particular, creating an environment where diverse perspectives and opinions are heard and respected strengthens the Company as a whole. To uphold these principles, Meralco adheres to strict anti-discrimination policies and recruits employees based on merit.

According to the Global Energy Talent Index Report 2020, women account for only 9 percent of the workforce in the global power generation and distribution sector (GETI, 2020, p.45). In Meralco, women make up more than thrice the average, at 32 percent of the Company-wide workforce. Furthermore, Meralco understands the value of gender parity in positions of leadership. In 2019, the number of women holding managerial positions climbed by 17 percent with 487 women managers versus 418 in the prior year. While Meralco engages more women than industry averages, it acknowledges that more can be done to narrow the gender gap through the implementation of better enabling policies.



Safeguarding Human Rights

Meralco respects internationally recognized human rights, and works to protect the rights of its workforce and those living in communities affected by its business activities. Meralco rejects forced labor and involuntary servitude as embedded in its Code of Ethics. It supports Collective Bargaining Agreements, and other existing policies that ensure employees are protected from unfair labor practices.

Meralco enjoins its employees, suppliers, and customers to report human rights violations and unethical behavior shouldthey occur in the workplace or in its business operations. Through the Company's online whistleblowing portal, *"e-Report Mo"*, anyone can report violations of corporate governance policies and other malfeasance, with the promise of confidentiality and non-retaliation.

Ensuring a Safe Workplace 403-1, 403-2, 403-3, 403-4, 403-5, 403-7, 403-9

The right to safe and healthy working conditions is globally recognized by the International Labor Organization, and is also protected by national regulations. Meralco sees safety not only as a corporate duty but more importantly as a central principle, especially when it comes to its workforce and its customers. Meralco's Organizational Safety and Resiliency Office (OSRO) is the central office that helps drive the safety culture in the Company and coordinates all organizational safety and health-related tasks and initiatives. In each facility, sector, and business center, there is an Environment, Safety and Health (ESH) Committee, to whom employees can raise health and safety issues. Meralco's employees are enjoined to attend the monthly ESH general meetings to keep abreast with all safety and health updates and measures.

To inculcate safety in the minds of Meralco's employees, the Company began the *Unang Hakbang Para sa Kaligtasan*: First Working Day Safety Campaign in 2018. With a "safety first" mindset, the one-day event held at the start of each year includes a review of the previous year's safety performance, a sharing of learnings, the recognition of excellent safety performers, an audit of line crew personal protective equip-ment, and a call for employees' commitment to the aspiration of an "incident-free" workplace.

To further elevate the Company's safety culture, and to achieve its aspiration of zero incidents and zero harm, the TARGET ZERO program was launched in 2019. The existing safety programs were further improved, which led to more effective safety trainings and programs that focus on compliance with all Occupational Safety and Health (OSH) regulatory requirements.

Safety innovation through the use of information technology was also adopted through the Hazard Hunter Mobile App and Incident Report Management System which enable all employees to easily report hazards and incidents.

In addition, a strong collaboration has been formed with the BFP with a focus on promoting public awareness for fire prevention. Meralco supported 52 BFP Fire Square Roadshow events held at various schools, malls and LGUs within the National Capital Region. The BFP has also conducted multiple training sessions for Meralco employees to help drive better understanding of fire safety measures.

Because of these initiatives, there have been no fatal occupational injuries to regular employees from 2016 to 2019. In addition, Meralco maintained a low level of disabling injuries, with 10 incidents tallied in 2019. The Company has also assessed its preventive efforts as having positive effects throughout its businesses, as disability days in 2019 dropped by over 50 percent compared with 2018.

As a reflection of all its efforts towards safety, Meralco received 23 Safety Performance Awards from the Safety Organization of the Philippines from 2017 to 2019. Likewise, the Company received five Corporate Safety and Health Awards and two Outstanding Safety and Health Professional Awards from the Safety and Health Association of the Philippine Energy Sector, Inc. in 2019.

Meralco successfully upgraded its safety certifications from OHSAS 18001 to the new ISO 45001:2018 (OHSMS) Certification in June 2019.

Empowering Employees through Benefits and Rewards 201-3, 401-2

Beyond the fundamental focus on human rights and safety, Meralco attracts, retains, and motivates a highly competent workforce by providing a compensation and benefits package that is internally equitable and externally competitive vis-à-vis the industry and the general market. All Company rewards programs are based on the philosophy and market best practice of pay for performance.

The basic salary levels across employee groups are well above government-mandated levels and are competitive against industry standards. High-performing employees are further recognized through annual merit pay and promotion programs.

In addition, employees who consistently deliver value and contribute to the achievement of the Company's business goals are rewarded through performance-based short-term and long-term incentive plans. Over time, the granting of these incentives has proven to be Meralco's key market differentiator in providing a more holistic pay package, enabling employees to not only meet their basic daily needs, but also create short- and long-term wealth to satisfy needs for housing, education, and investments, among others.

Meralco also provides a wide array of employee benefits, including paid leaves, healthcare, wellness, insurance, and retirement benefits, which are compliant to statutory laws and competitive compared with those provided by the industry and general market.

Pursuing Excellence 404-2

Meralco fosters a culture of high performance and excellence. This pursuit of excellence is aided by Meralco's provision of the requisite programs and tools allowing employees, throughout their career journeys in the Company, to do the right things and to do things right. This is further enabled by a robust employee performance management system and mechanisms allowing employees to better understand how they are advancing vis-à-vis individual goals, which are in turn, clearly linked to corporate objectives.

On the technology front, Meralco was one of the first Philippine companies to invest in cloud-based systems which help ensure the alignment of employee performance objectives with corporate business goals through the provision of readily-available HR systems and data which employees can access through their computers and mobile phones.

In addition, mentorship and coaching sessions strongly support formal learning and development interventions. In addition, frequent and informal performance discussions between supervisors and direct reports are the norm, on top of structured mid-year and annual performance reviews.

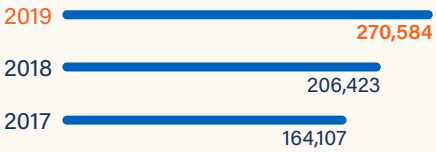
Developing a Future-Ready Workforce 404-1, 404-3

Recognizing that high-performing and highly-capable employees are a necessary component of success, Meralco continuously invests in developing the technical and leadership competencies and skills of its employees. Individual development plans are thus created based on each employee's required capabilities.

In 2019, One Meralco had a combined number of 8,202 full-time and part-time employees, with the great majority working in energy distribution. To keep the skills and competencies of Meralco's talents up to par, varying training needs are identified in each business unit. In 2019, employees received an average of 32.99 training hours. Group-wide, this meant a total of 270,584 hours of training, which is a 31.08 percent increase from the previous year's 206,423 hours.

To ensure that the right people continue to lead the Company, Talent Management and Succession Planning Programs are put in place to identify and develop top-notch leaders, enabling upward mobility in key business roles. In 2019, some 80 executives rolled-out talent review sessions for 386 middle management employees, aided by customized programs like coaching, on-the-job training, and classroom learning to help prepare them for greater and more important roles.

Training Hours



Motivating and Engaging Employees 403-6

It is important to Meralco that its people feel empowered, united, and engaged. As validated by the One Meralco Pulse Survey conducted every other year, employees have expressed a strong sense of belonging to the Meralco family. Their engagement scores have shown an increasing trend over time, ranging from 88 to 90 percent.

Drilling down the engagement scores, attributes or drivers such as employees' pride in working for the Company, their understanding of Company goals, the impact of their work on the Company, and their work compatibility with their immediate supervisor, all recorded scores in the high 90s.

To further heighten employee engagement, Meralco has established an overall wellness and well-being program, the Company's Orange Fit program, which adopts a holistic approach to target physical, mental, and spiritual well-being. To develop physical wellness, Orange Fit emphasizes the use of the Company's sports and health facilities, which include the Meralco Fitness Center and the 'Orange Lane'—a simple solution to encourage walking or jogging within the Meralco Ortigas Center and the Meralco Sectors. Beyond that, the program espouses physical health by institutionalizing the following: employee sports, hobby and interest clubs, after-work partnerships with yoga studios and gyms across Mega Manila (e.g., Urban Ashram, OneLife Studios, 360 Fitness, Arrowland by Gandiva, Elorde Boxing Gym, Electric Studio, etc.), employee sports events (e.g., sports fests, inter-office sports competitions, etc.), and bi-weekly group exercises such as Zumba and Crossfit.

Orange Fit also maximizes the use of digital platforms by offering discounts to employees through partnerships with shopping sites, restaurants, concerts, theater institutions, and hotels, among others. Additionally, both physical and digital means are used to publish and disseminate regular health reminders.

Emotional and mental wellness are also part of Orange Fit's total wellness program with the provision of in-house counsellors and medical experts. Spirituality is also as important. The Company ensures that different beliefs and religions are accommodated and have an appropriate venue for worship.

In all, more than 3,400 Meralco employees actively participate in these different Orange Fit initiatives.

Finally, as a key contributor to employee engagement, the Employee and Labor Relations Office is instrumental in the planning, development, and execution of programs and activities that not only promote camaraderie and a sense of family, but also strategically align all employees to share in one corporate vision.

These engagement activities include the One Meralco Cool-tural Festival (to showcase employees' talents), Service Award s (to give recognition to employees' loyal and dedicated service), One Meralco Salu-Salo (to build camaraderie as a One Meralco family), Meralco Foundation Day (to encourage participation from employees' families), and monthly and quarterly Union Meetings (to bridge the gap between management and its unionized employees). These Company-wide activities serve as avenues to not only sustain industrial peace within the organization, but also to help attain its corporate goals.

ORANGE FIT

More than 3,400 Meralco employees participate in

Boon in Single-Use Plastics Ban

Meralco pushes sustainable waste management through its Group-wide single-use plastics ban

Effective October 1, 2019, the Company banned Single-Use Plastics (SUP) and related products in all the offices and facilities of Meralco, including Company events and activities. The ban was also applied to all the major subsidiaries of Meralco such as MIESCOR Group, Bayad Center Group, MSERV, Radius Telecoms, MRail, MGen Group, eSakay, Clark Electric as well as affiliated companies Comstech and Shin Clark Power Group and the Meralco operating unit, Meralco Ecozone Power. At the same time, Meralco's supply chain partners were enjoined to fully comply with the ban as well, effective January 1, 2020.

To create greater awareness and appreciation for the initiative, and to build a stronger and more unified sustainability mindset, a cross-functional communications team was tasked to identify pain points and challenges that need to be addressed to ensure the successful implementation of the program. Members of the team came from various offices: The Office of the President and CEO, Sustainability Office, Human Resources, Supply Chain and Logistics Management, Internal Communications, Security, and Organizational Safety and Resilience, among others. This group worked together to create venues to listen to and address the concerns of employees, suppliers, and even visitors.

Roadshows, facilitated by the Employee Engagement Office, included not only presentations explaining the SUP ban, but more importantly, paved way for conversations to better understand and respond to the questions of employees in various Meralco offices including those outside the Meralco Headquarters. Communication materials and collaterals like tarpaulin banners were displayed at the gates, specifying banned single-use plastics and possible alternative items. Various social media platforms such as Meralco's own Meralco and Me digital news advisory and Facebook at Work (Workplace) were also used to promote the advocacy.

Soon after, employees developed a better understanding and appreciation of the initiative, driven by greater consciousness on the effects of SUPs to the environment. Many employees started bringing and using tumblers, reusable food containers and utensils, even when dining outside the Meralco compound.

To prepare Meralco suppliers and vendors for the January 1, 2020 implementation, Meralco's Supply Chain business unit scheduled and organized conversations to clarify issues and next steps with the said contractors. The program was well-received by these third parties.

The ban on single-use plastics provided Meralco the opportunity to have impactful conversations with its employees and suppliers about sustainability, highlighting the role of every individual to support and share in the move towards more eco-conscious living.

Employee Volunteerism: The Power to Give Back

Not many other initiatives can unite an organization better than a concerted effort to do good for others. When teams collaborate to help people in need or to help heal the environment, positive energies flow, souls get recharged, and bonds form which help create a greater sense of a Meralco family—united in its efforts for the greater good. To this end, the Company provides numerous opportunities and venues for employees to give back to communities.

Through OMF, employees of Meralco and its subsidiaries are able to contribute in different ways to the mission of the Foundation. Beyond donating funds to support its programs, what employees typically find most meaningful is volunteering their time and efforts in numerous community projects and activities.

Over 2,000 employee-volunteers participated in various activities throughout the year 2019 – from back-to-school programs to household electrification projects and tree-planting initiatives. Through employee-volunteerism, OMF raised PhP2.3 million to provide "*Laging Handa*" all-weather preparedness kits to 6,212 primary students in public schools in the Meralco franchise area during the back-to-school season.

Employee volunteerism programs are a gateway for Meralco to make its community efforts known, loved, and promoted by all employees across its different businesses, ensuring participation and ownership from the whole organization for the Company's important drive to build sustainable communities.

Prosperity

Creating better lives for all

Prosperity

The UN SDGs were globally crafted and adopted to "ensure that all human beings can enjoy prosperous and fulfilling lives, and that economic, social, and technological progress occurs in harmony with nature."[12]

The goal of prosperity forms the foundation upon which all of Meralco's other strategic sustainability focus areas—Power, Planet, and People—are founded upon. Progress on these fronts would not be meaningful if it did not amount to helping people live their best possible lives. The promise of prosperity extends from the Company and the many hardworking employees that propel it, to communities and to the country. For Meralco, prosperity simply means that no one should be left behind.

Economic growth is imperative in making sure that every person is able to live a prosperous and dignified life. Sustainable economic growth, one which is not achieved at the cost of the environment or social justice and one which does not cripple the future, will help the marginalized gain access to basic requirements for decent living such as food, water, shelter, and energy, today and in years to come.

In this light, Meralco drives sustainable economic growth through value creation—and that value accrues to all its stakeholders. At a basic level, Meralco generates value through the creation of jobs for its employees and through its larger contribution to the economy through tax contributions. But beyond these, what gives greatest meaning to Meralco's work is the value it delivers to its customers and communities—beyond delivering affordable, reliable, and high-quality products and services, to truly giving them power to prosper.

[12] UNGA, Transforming our world: the 2030 Agenda for Sustainable Development, UNGAOR, 70th Sess, A/RES/70/1 (21 October 2015).

Creating Economic Value 201-1

Economic value is the measurement of the benefit derived from goods or services by an individual or a company. As Meralco and its subsidiaries continue to expand and grow in relevance and in reach, materialized through revenue growth, the economic value it disperses grows larger as well.

Meralco ensures that its generated economic value flows equitably to all of its stakeholders. In 2019, Meralco distributed 92 percent of its revenues to its stakeholders, which is equivalent to PhP297 billion.

Higher electricity sales volumes raised Meralco's economic value, in comparison with 2017 and 2018.

From 2018 to 2019, the increase in operating costs came from company-wide expansions and expenses incurred from administration and maintenance.

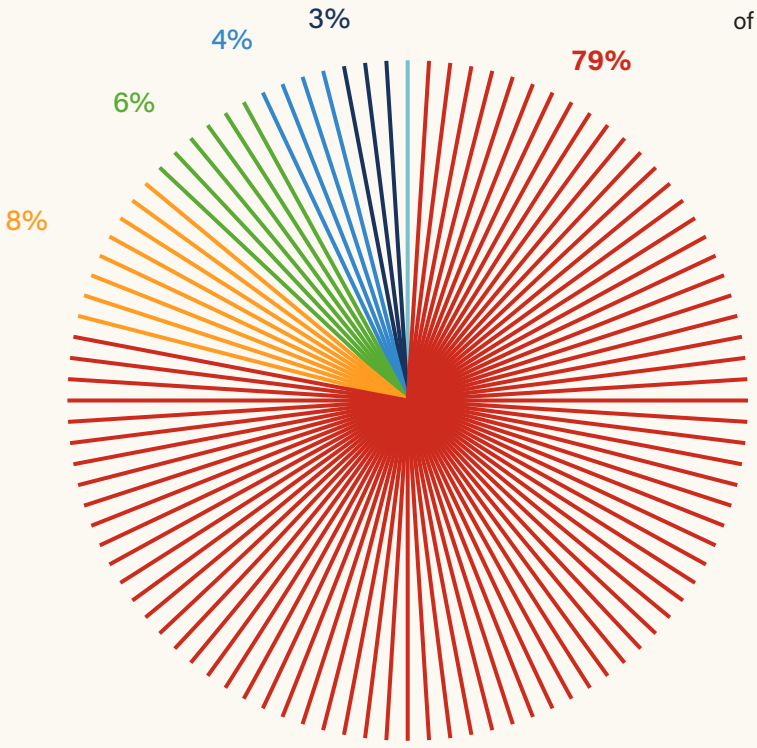
Employee wages and benefits also rose in 2019 as a result of a growing workforce as well as salary upgrades.

Excluding special dividends declared and paid out amounting to PhP4.436 per share in 2017, Meralco's payments made to providers of capital increased from 2017 to 2019.

In 2019, Meralco took up the 96 percent of investments earmarked for corporate social responsibility. The rest came from MGen (2 percent), and Corporate Information Solutions (2 percent). Clark Electric, MIESCOR, and MRail also contributed to the Company's investments in CSR.

Capital expenditures increased from 2018 to 2019 to address load growth, asset renewals, disaster hardening imperatives, and regulatory compliance, and to support the national government's "Build, Build, Build" program. All these are in line with Meralco's commitment to deliver better customer experience and operational excellence. Also, among the new expenditures were the deployment of eSakay's electric public utility vehicles.

Economic Value Generated in 2019



(in PhP million)

- Operating cost 253,857
- Economic value retained 26,116
- Payments to providers of capital 19,706
- Employee wages and benefits 13,106
- Payments to government 9,661
- Community investments 146

Providing Customers Real Power

Meralco's customers are the reason for the Company's being. The Company invests and innovates not only to deliver reliable energy to its customers but mainly to provide them real power—the power to know and better understand their consumption patterns, the power to launch and control energy efficiency measures, and the choice to engage Meralco on their own terms.

KLoad: Knowledge on Kilowatt Hours 203-2

Apart from network digitalization and automation, a major part of Meralco's Smart Grid Roadmap is the deployment of Advanced Metering Infrastructure (AMI), which involves the propagation of smart meters to customers and the building of a robust infrastructure in the distribution utility that will enable two-way communication between Meralco and its customers.

Meralco's first AMI-enabled project is the Prepaid Electricity Service (PRES), commonly known as *Kuryente Load (KLoad)* to its residential customers. *KLoad* utilizes smart meters which enables Meralco to perform remote reading of electric consumption, remote disconnection and reconnection of service, and automatic detection of outages which ensures efficient responses to customers' different needs.

KLoad works by allowing customers to purchase electricity "*patingi-tingi*," or in small quantities, through local mom and pop stores or various loading channels, replicating the familiar experience of "sachet" purchases. Customers on *KLoad* receive SMS notifications regarding their remaining balance, reload confirmation, low load balance, disconnection or reconnection messages, as well as rate adjustments.

Today, Meralco has over 100,000 satisfied *KLoad* customers, and on average, they save 13-16 percent on their electricity spend in comparison to when they were on postpaid. Based on interviews, these savings are driven by the customers' ability to better know, understand, and

control their consumption. Since *KLoad* customers are notified of their balances every morning, they are more conscious of their consumption and can manage it actively by either setting a budget or by restricting appliance use within the day, especially if their load is running low.

Beyond this, *KLoad* also has a significant social dimension. Numerous researches conducted have shown that households previously resorting to illegal connections preferred subscribing to *KLoad* than risking having fires. These customers perceive *KLoad* as a brilliant solution which has empowered them and, in their words, "restored their dignity."

Today, *KLoad* is available within residential areas in Manila, Mandaluyong, Makati, and Pasig; in the municipalities of Angono, Cainta, Binangonan, and Taytay; and in parts of Taguig, Pasay, San Juan, Paranaque, Novaliches, Caloocan, Cavite, Tagaytay, and Bulacan.

In 2020, Meralco plans to expand to more sites and offer this service to more households. Meralco also aims to further empower its customers by offering the same monitoring capability of *KLoad* consumers to its postpaid consumer base, so they too may closely monitor and know their kWh consumption.

Control over Consumption 203-2

Beyond providing customers with information on their energy consumption, Meralco also endeavors to share insights on more efficient energy use. Meralco *Bright Ideas*, for instance, is aimed at empowering customers to make informed decisions on appliance purchase and usage by providing customers information on an appliance's cost to operate and by educating them on energy-related technologies, gadgets, and energy efficiency practices.

Bright Ideas provides consumers with practical tips to save on electricity cost. Its most popular suggestions include the use of inverter appliances, aircon right-sizing or matching the air conditioner's horsepower to the size of the room, and ensuring that refrigerators are only 2/3 full and not covering the appliance's air vents. These tips are disseminated through various channels—Meralco's website, Facebook, Instagram, and even traditional media.

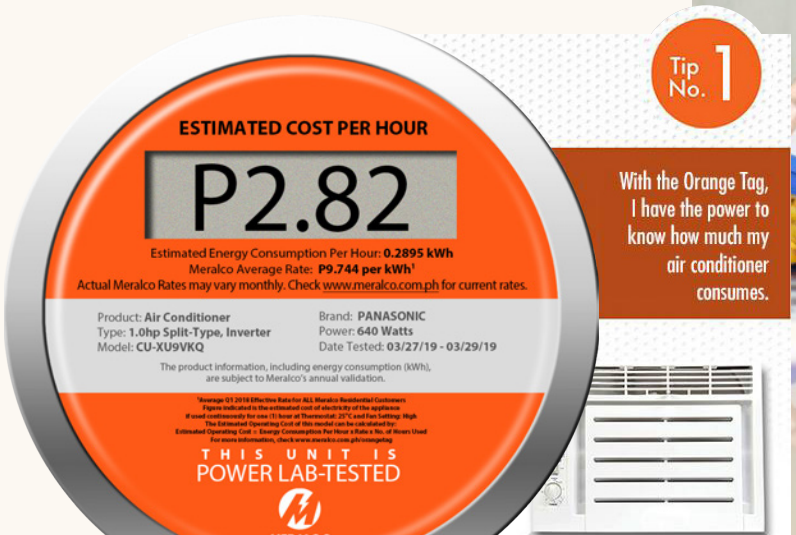
Additionally, to help customers make smart choices at the point of purchase, Meralco launched the Orange Tag: "*Alamin sa isang tingin*," or to know at one glance. The Orange Tag is an appliance label which informs buyers of the estimated cost to operate different appliance brands and models according to tests conducted by the Meralco Power Lab. It provides consumers other relevant information such as the peso value per use, the estimated kWh consumption of the appliance, and its specifications and wattage—all in one glance.

To support this initiative, Meralco established partnerships with leading appliance manufacturers and distributors such as Samsung, LG, Whirlpool, Condura, Daikin, 3D, and others across the different appliance categories, even offering exclusive promotions beyond providing useful information and tips, which in turn, brings more value to customers.

In 2019, Meralco engaged with 38 appliance brands and released 102 Orange Tags, covering seven appliance categories and most recently, electric scooters.

These initiatives prove to be continuously relevant to customers, as seen by the results of a customer survey denoting the increase of the relevant scores for both Bright Ideas and Orange Tag. Bright Ideas' relevance rose to 93 percent in 2019 from 83 percent in 2018; while Orange Tag's relevance grew to 89 percent in 2019 from 75 percent in 2018.

Beyond equipping customers with the capability to control and manage their consumption, these efforts also help customers lead more sustainable lifestyles through energy-efficient living.



Meralco Online: Choice in Connecting

In order to adapt to and better serve the emerging energy needs of its consumers, Meralco embarked on a Customer Experience Transformation Program (CxTP) in 2016. This program aimed to deliver a simple, fast, and convenient customer experience through the automation of back-end processes and the introduction of a digital platform. Through the CxTP, Meralco took strides to heighten its understanding of its customers by mapping out the major journeys they go through when transacting with Meralco, identifying ways of addressing pain points and enhancing each experience.

CxTP revolutionized 4 major customer journeys: service application ('I Join'), bills presentment and payment ('I Pay'), customer inquiries ('I Ask') and outage restoration ('I Need Repair').

Pivotal to the CxTP was the launch of Meralco Online—a digital platform which allows customers to connect with Meralco whenever, wherever. Through Meralco Online, customers are given 24/7 access to their Meralco accounts, enabling them to file service applications, view and pay their bills, report outages and concerns, and see planned power outages.

As an example, Meralco Online transformed the "I Need Repair" journey by providing alternative means to connect with the Company during outages. With Meralco Online, customers need not call Company hotlines to report an outage or to seek updates on outage queries already reported. Customers are also given the capability to track the status of outages via an Outage Map which displays the location and extent of the outage, the status of repair activities, and the estimated time of restoration. Further, planned outages in the area are made visible to customers, allowing them to plan their activities ahead of time.

In addition, with its paperless billing functionality garnering 19,000 subscriptions, Meralco Online also supported the Company's sustainability drive as it enabled Meralco to forego the need to print and mail billing statements and reduced customers' inclination to go to business centers or Bayad Center for payment transactions, thus reducing the Company's (and its customers') carbon footprint.

With its functionalities already delivering 17,000 filed outage reports and facilitating 545,000 payment transactions, Meralco Online is set to further enhance online customer experience in 2020 through the integration of Postpaid+ and Smart Home that will provide real-time consumption information, ultimately allowing customers to control and manage their

Power Up Forums: Providing Platforms for Sustainability

Meralco, being an advocate of nation-building, provides platforms where business and government leaders converge and discuss relevant topics and issues affecting the Philippine energy sector and the country. As an exemplar of sustainable development, Meralco utilizes these platforms to promote global initiatives on sustainability and to support the United Nations Sustainable Development Goals—particularly the goal of ensuring affordable and clean energy (SDG 7), where Meralco acknowledges its capability to significantly contribute and add value.

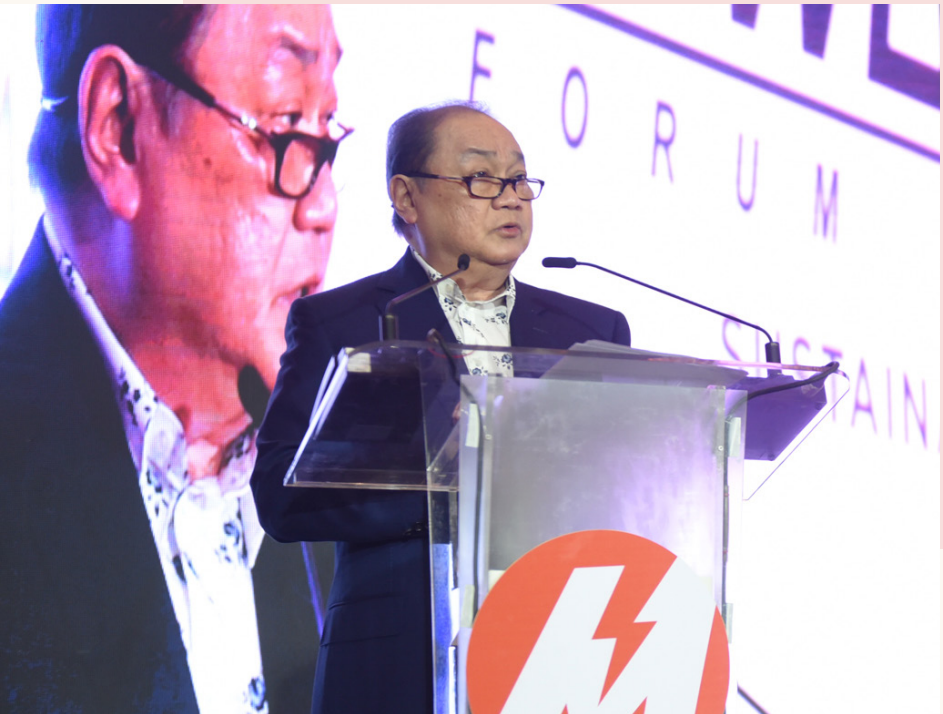
One such platform is the Meralco Power Up Forum series, which in 2019 was attended by leaders from close to 1,000 companies to discuss the latest developments in the energy sector, such as the energy efficiency and conservation law, power supply forecasts and various energy solutions.

In September 2019, Meralco hosted a special forum on sustainability in the energy sector which focused on the importance of sustainability reporting and complying to standards; discussing how sustainability reporting works, how it can help businesses, and most of all, how it can benefit communities.

Meralco invited the chairman of the Global Reporting Initiative (GRI), Eric J. Hespenheide, to be the keynote speaker in the said forum. GRI is an international and independent organization that aims to help businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance, and social well-being.

"With sustainability reporting, companies are forced to look at themselves in the mirror and to study aspects of their business model. It creates an objective framework that considers all stakeholders," highlighted Mr. Hespenheide.

To further support Mr. Hespenheide's presentation, a panel discussion led by industry experts and government leaders tackled topics on energy efficiency, the transition from coal to renewable sources of energy, and the importance of sustainability. Comprising the panel were Senator Sherwin T. Gatchalian, Chairman of the Senate Committees on Energy and Basic Education; Roberto de Ocampo, GRI Board Member and former Finance Secretary; Jesus Cristino Posadas, Senior Undersecretary of DOE; and Rogelio Singson, President and CEO of MGen.



"It is necessary to reform in order to preserve. Today, we must seize this moment and it is time for a reset. This change in thinking has made our businesses adopt and integrate environmental, social, and governance principles."

Mr. Manny V. Pangilinan
Chairman of the Board

Sustaining Communities 413-1

As the Philippines' premier electricity distributor, Meralco takes its responsibility towards improving the lives of its larger community very seriously. Meralco forwards its commitment to bring prosperity for all through initiatives that benefit those who are most vulnerable and in greatest need: the youth and the marginalized.

Empowering the Future Generation

By brightening off-grid classrooms and by gifting the power of education to the youth, Meralco enables the future generation to make better informed decisions not only on energy use and energy safety but also on financial matters—knowledge that is imperative for the challenges of the future.

School Electrification 203-1

Meralco, through OMF, brings electricity and learning technology to off-grid public schools through its school electrification program.

To brighten the learning experience of children in remote communities, Meralco energized 20 island and mountain schools in the provinces of Rizal, Occidental Mindoro, Oriental Mindoro, Leyte, Negros Oriental, Western Samar, Sarangani, and Tawi-tawi. The Company equipped these education facilities with solar photovoltaic (PV) technology to facilitate the use of their own solar energy to power their schools, thereby supporting Meralco's aim to provide accessible and clean energy to all.

In order to broaden and deepen its impact, Meralco partnered with 11 foreign energy companies in 2019 to contribute to the cause—successfully raising USD49,606 (PhP2.6 million). These contributions funded the energization of 11 out of the 20 schools in 2019.

To date, the school electrification program has benefitted 245 schools nationwide since its inception in 2011. This initiative made electricity available to 77,498 students in these hard-to-reach communities.

Based on the impact assessment conducted by the University of the Philippines Public Administration Research and Extension Services Foundation, Inc., the program succeeded in making students more productive and creative, enhanced learning delivery, digitized records management and reporting, and improved safety.

To further support its beneficiaries, Meralco, through its Foundation, conducted trainings to equip school leaders with the knowledge to properly operate and maintain their solar PV systems. The trainings provided 221 teachers from 111 schools with improved understanding of solar technology and first-line troubleshooting skills, while linking them to a network of solar PV technicians in their respective areas.

Energy Efficiency Education 203-2

Meralco believes that efficient and sustainable energy use is important in the transition to a low carbon future. The Company believes it must do what it can to educate our country's younger generation on this topic.

To foster good habits towards sustainable energy use, the OMF equipped 1,180 public schools and about 700,000 students with Energy Ed Kits—a learning package with 200 flashcards, featuring interesting electricity and energy efficiency topics. In 2019 alone, these kits, which were made in partnership with trained educators, benefitted 48 elementary schools and 31 high schools.

OMF's partner in this advocacy, the Coalition for Better Education, completed an impact assessment study to gauge the program's contribution to the knowledge gains of students using the kits.

The results of the study were astounding, showing that the flashcards met the standards of learning resource materials; and that the respondents found the topics simple and straightforward and the pictures on the flashcards eye-catching and consistent with what was being taught. Teachers also reported that their students were more participative, collaborative, and attentive; and they, too were becoming more creative while using the flashcards as a teaching tool.

Although the flashcards are usually taught in Science and English classes, teachers were able to integrate them into other subjects because of the flash cards' dynamism and interdisciplinary nature. The cards were also sometimes used as diagnostic tools to assess reading comprehension, or for remedial or advanced sessions for mainstream and SPED classes.

Electrical Safety in Schools 203-2

Meralco, through its Foundation, also plays an active role in promoting electrical safety in schools across the Philippines.

Meralco helped the Department of Education (DepEd) during the government office's *Brigada Eskwela* (schools maintenance week) by inspecting 139 public schools within its franchise area for electrical safety.

OMF, in partnership with the DENR's Environmental Management Bureau, also awarded schools which put in place electrical safety and energy efficiency programs. Of the 176 participating schools, a total of 39 regional winners and 3 national winners received the Meralco Leadership Award. The national winners were Pagudpud Central Elementary School in Ilocos Norte, Diplahan National High School in Zamboanga Sibugay, and Batangas State University.

Financial Literacy

Beyond energy-related knowledge topics, Meralco also helps in educating the youth on financial literacy through its subsidiary, Bayad Center.

In partnership with DepEd and Marylindbert International, Bayad Center launched a program that integrates financial education in the curricula of Grades 9 and 10 students in public schools in Cebu. Dubbed the "*Sapat Dapat* Comprehensive School Program", the program helps impart young students with skills to develop critical knowledge in finance, savings, and investment. Now on its second year, Bayad Center's campaign introduces the values of budgeting and savings to the formative minds of the country's future leaders and professionals.

Lifting the Marginalized

Given Meralco's scope and reach, it is well-equipped to help vulnerable groups in society lead more prosperous lives.

Breaking the Boundary System 203-2

Jeepneys are beloved traditional PUVs in the Philippines, most famously used in the country's urban centers. While they support the Philippine transport system, their engines emit high amounts of carbon and, as they are organized today, provide poor working conditions for their drivers, too.

Jeepney operators in the Philippines require their drivers to pay a fixed base rate called a "boundary," which is a daily rental fee that drivers must pay for the right to use jeepney operators' vehicles as a source of livelihood. The driver can only begin to earn an income from plying the route after raising the amount to pay the "boundary."

This system leads to a number of inefficient and oftentimes harmful practices. Firstly, drivers normally require that their jeepneys are full before running, wasting the time of commuters who board the vehicles first, and disabling the possibility for fixed and reliable time schedules to be put in place. Secondly, given the typically high boundary fees required, it is not uncommon for jeepney drivers to constantly rush and recklessly drive just to make enough money to live on. Safety, unfortunately, takes a backseat to making ends meet.

When eSakay decided to operate the Makati-Mandaluyong route, it made an important decision to not only upgrade the vehicles that it would deploy (in the form of modern, zero-emission electric jeeps), but also to better the lives of its drivers by providing income security. This is consistent with the tenets of DOTr's PUVMP.

Under eSakay management, all drivers are considered professionals and are thereby provided regular salaries and benefits, which include 13th month pay, Social Security, basic healthcare, and the like. Having eliminated the competitive chaos of the traditional boundary system, eSakay drivers are incentivized not to meet 'fare targets' but more importantly, to provide safe and high-quality service to the riding public.

Ang Kwento ni Edgar, eSakay Driver

This is a story about change, about hope, and about new beginnings.

Ako po si Edgar Macairan, Jr., 33 taong gulang. May asawa at dalawang anak.

Dati po akong jeepney driver dito sa Makati City—biyaheng PRC Mantrade. Tatlong buwan po akong umeekstra ng pamamasada doon. Sa totoo lang, napakahirap po ng buhay at trabahong ito. Araw-araw paspas ako nang paspas para lang abutin ang boundary ko. Kahig-tuka po talaga at walang kasiguruhan ang kita—minsan may naibabaon pag-uwi, pero kadalasan medyo kapos. Sa mga panahon pong 'yun, suma-sideline na lang po ako bilang taga-ayos ng computer printer.

Nang malaman ko na naghahanap ng mga driver ang eSakay dito sa Makati, hindi po ako agad-agad na nag-apply. Naisip ko, mabuti na rin ang kalagayan ko dahil meron akong jeepney na minamaneho para sa operator ko. 'Pag lumipat ako, baka mawala iyon. Pero dahil sa pag-udyok ng ilan kong kasamahan, dumalo po ako sa briefing.

Sa briefing ng eSakay, narinig ko ang modernization program ng ating pamahalaan na naglalayong pataasin ang antas ng industriya ng transportasyon sa pamamagitan ng pagdala ng mga makabagong jeepney sa mga kalsada. Natuwa po ako sa narinig ko dahil ilang taon kong nakita at naranasan ang hirap ng mga driver at mananakay dahil sa kasalukuyang lagay ng mga lumang jeepney at dahil sa sistemang boundary.

Dahil sa eSakay, mayroon na po kaming naaasahan. At mas maliwanag din ang tingin namin sa kinabukasan.

Bukod dito, nalaman ko rin ang pangako ng eSakay ng mas siguradong kabuhayan at kita. At dahil dito, hindi naging mahirap ang aking desisyon na mag-apply. At sa kapalarang palad, ako naman ay natanggap.

Apat na buwan na po akong driver ng eSakay at masasabi kong hulog ng langit ito sa akin at sa aking pamilya. Unang-una po, nasisiguro ko ang aking sahod ngayon ('di tulad ng dating pagbo-boundary ko na 'di tiyak kung magkano ang kikitain ko araw-araw). Bukod dito, sa eSakay, nakakakuha po ako ng mga benepisyo tulad ng SSS, PhilHealth, at Pag-IBIG. At panghuli po (pero 'di matatawaran) ay ang kalusugan ko. Dahil ang minamaneho kong sasakyan ay walang usok, nakakaiwas din po ako (at ang aking mga pasahero) sa sakit.

Ang pagpasok ko po sa eSakay ay naging malaking tulong sa akin bilang manggagawa. Nagkaroon ng kasiguruhan ang aking hanapbuhay. Maipagmamalaki ko na rin sa aking pamilya at mga kaibigan na meron akong permanenteng trabaho na may naitutulong sa lipunan. Higit dito, lalo ko pong natugunan ang pangangailangan ng aking pamilya, lalo na ang pagpapagamot ng aking anak na may sakit na epilepsy.

Empowering Beyond our Borders

Meralco promotes "*Bayanihan*"—a spirit of communal unity distinct to the Filipino tradition—by always reaching out to help others, especially in times of crisis or natural calamities. Part of Meralco's thrusts towards nation-building is the provision of various measures of help and support to those who need it the most, even beyond our service area.

The Philippines has always been a hotbed for natural calamities, given its location on both the ring of fire and the earthquake belt, and as a pacific archipelago facing open seas. The country regularly experiences floods, torrential rains, tropical storms, droughts, earthquakes, and volcanic eruptions. Amid all these realities, however, the resiliency of the nation lies more in the spirit and culture of the Filipino, rather than in anything material.

Providing Disaster Relief 203-1

The Philippines went through 21 major weather disturbances in 2019, 15 of which were within Meralco's franchise area, causing disruptions. For instance, when typhoon Tisoy ravaged the country on December 3, 2019, the fast response of Meralco personnel enabled 420,000 of the 500,000 customers cut from power to get electricity back within 24 hours. Within two days, Meralco's operations were back to normal levels.

While Meralco continues to support and prioritize the needs of the communities within its area of business, the Company always does what it can to respond and to extend assistance to other hard-hit areas as well.

One of the ways in which Meralco helps is by assisting other electric cooperatives in their restoration efforts. From December 8 to 22, 45 linemen, engineers and contractors and 13 stake trucks were deployed to assist Albay Electric Cooperative (ALECO) to correct, replace, and re-connect 400 electric poles and 358 spans of lines. Three pick-up crews were also deployed to Albay Power and Energy Corporation to assist in their cluster metering activities.

The OMF supported the team of 46 Meralco linemen and staff who volunteered to help ALECO. With the help of Meralco's volunteers who worked around the clock for 14 days, power was finally restored in 7,962 households before Christmas day. In addition, the Company put together a working team to help buy, pack, and distribute care packages for many of the typhoon victims.

In 2019, the country was also hurt by three strong earthquakes: one in April, in Pampanga; a second in August, in Batanes; and a third one in October, in Cotabato.

In partnership with the Philippine Disaster Resilience Foundation, OMF sent relief goods to hundreds of displaced families in Batanes. The Foundation also supported Meralco's personnel who bravely participated in the rescue and retrieval efforts of the people who were stuck under a collapsed grocery building in Pampanga. In addition, the Foundation also provided drinking water containers in evacuation centers in Mindanao.

The Foundation directly reached out to a total of 7,729 families affected by various disasters throughout 2019.

Lighting Up Safety Shelters 203-1

OMF teamed up with the Armed Forces of the Philippines (AFP) to energize an off-shore shelter, providing fishermen in Batanes a safe place to stay in times of bad or extreme weather. In addition, it provides a sound venue for the Philippine Army to monitor the area against poaching activities or illegal activities by foreign fishing vessels.

The Foundation installed a 3kW solar PV system to power the shelter, which hosts military communication devices as well as a cold storage area that fishermen could use to temporarily store their catch while on the island. In the future, AFP may upgrade the system to power a lighthouse in order for them to provide navigational aid to marine vessels passing by.

Corporate Governance

The road towards sustainability is paved by the commitment of an organization's leadership.

Meralco's corporate governance dictates the Company's sustainable management practices, its ethical culture-building, and its ability to continue to do good business, in service of its stakeholders such as employees, customers, and business partners.

Responsible Corporate Governance 102-17, 102-33, 205-2

The Company continues to strengthen its corporate governance policies and to develop programs that reinforce corporate performance, foster operational growth, instill accountability, and uphold stakeholder rights. Governance codes and policies such as the Manual of Corporate Governance and Code of Ethics sets the definitive standard of professional conduct governing decisions and behaviors of the management and employees in the Company.

The Manual of Corporate Governance provides the framework for the responsible business practices that the Company's directors, officers, and employees are expected to observe and adhere to when dealing with various stakeholders. The Code of Ethics, on the other hand, anchors the Company's internal programs and policies that address misconduct and impropriety committed by its internal stakeholders. These include the Anti-Bribery and Corruption Policy which formalizes the Company's stand against corrupt practices and emphasizes the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption.

To raise awareness on the Company's governance policies, promote transparency and enhance its adoption and practice Company-wide, the Corporate Governance and Compliance Office (CGCO) regularly conducts orientation programs and briefings for directors, officers, and employees to acquaint themselves with the Company's businesses, stakeholders, regulatory environment, and governance practices. Site visits and roadshows are also conducted to re-orient and empower all employees to continuously apply the core corporate governance principles in the workplace. In 2019, there were 712 employees who attended these orientation programs.

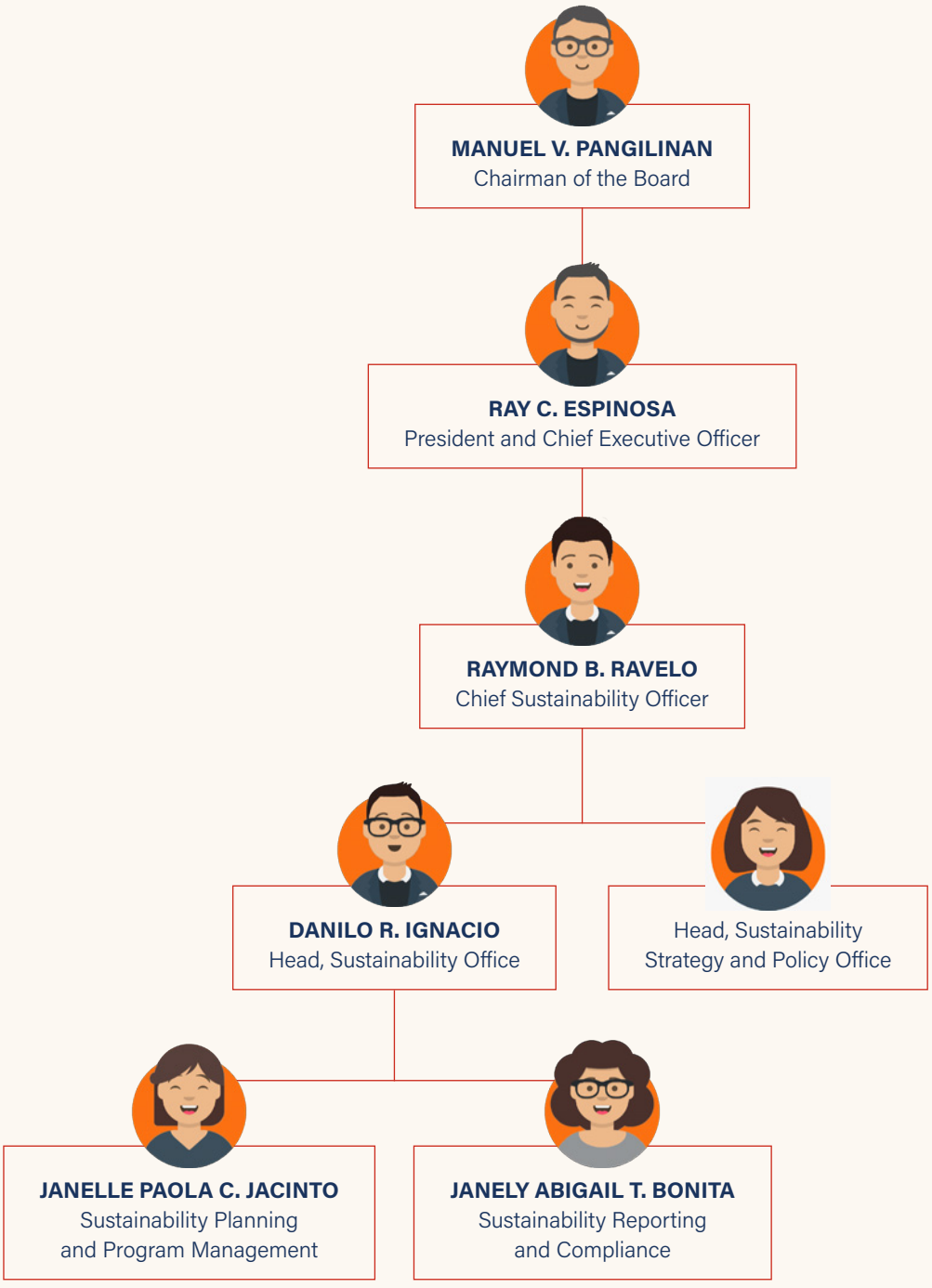
The Company has an *"e-Report Mo"* Whistleblowing Program that encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed in the Company. There were no reported incidents of corruption in 2019.

To know more about Meralco's Corporate Governance Programs, Code of Business Conduct and Ethics, and other pertinent policies, please follow this link: https://company.meralco.com.ph/corporate-governance/corporate-governance-in-meralco

Sustainability Governance 102-19, 102-20, 102-29

Meralco recognizes sustainable development as the foundation for a high-performing, successful, and forward-looking business. It seeks to promote a sustainability mindset—a proactive consciousness and understanding of environmental, economic, social, and governance interdependencies, to create long-term shared value for the Company's stakeholders.

In 2019, the Company established a Sustainability Office (SO) to identify relevant sustainability issues and to formulate and institutionalize One Meralco's sustainability agenda in alignment with business strategies. The SO captures, integrates, drives, and monitors the Company's sustainability efforts, while ensuring congruence with and the promotion of the UN SDGs:



Strategy and Policy

This group is in charge of developing and integrating the Group's sustainability agenda, ensuring alignment with One Meralco's corporate strategies and objectives. It also works closely with representatives from all business units to ideate, prioritize, and monitor the Group's sustainability initiatives. It also serves as a thought partner and adviser to line leaders on key business decisions, making sure sustainability goals are met and not prejudiced.

Planning and Program Management

This group is responsible for the effective and efficient execution of sustainability programs. While Planning and Program Management is in charge of driving and integrating certain key cross-functional programs, it primarily serves as an enabler to line organizations in implementing sustainability initiatives. The enablement will be carried out through the targeted support of identified workstreams, the provision of sustainability frameworks and tools, or through the sharing of subject-matter expertise.

Reporting and Compliance

This group is tasked with tracking and measuring the results of sustainability efforts, ensuring accountability and transparency. It thus collaborates with Strategy and Policy to determine the metrics to assess One Meralco's sustainability performance, identifying appropriate baselines and targets. It is also primarily in charge of reporting the results of the Group's efforts through the Sustainability Report and other materials.

Moving Forward

The first step towards building a sustainable business is transparency and accountability. This first Sustainability Report translates One Meralco's current efforts—policies, initiatives, and investments—into a strong baseline from which its sustainability agenda can further progress and develop, to help attain the United Nations Sustainable Development Goals.

In creating this first Report, the Group has had an opportunity to look deeply into what sustainability means for One Meralco. It has given the Group better insight and understanding on what it can improve, and what it can do even better.

What has been achieved thus far is very encouraging, but much is left to be done to create a better planet and better lives.

For One Meralco, this is only the beginning.

In 2020, the Group will move further ahead to create a heightened awareness and a greater understanding of sustainability. It will also launch highly impactful initiatives across the 4 Ps (Power, Planet, People, and Prosperity), while continuing to influence and inspire as many as possible to join this important effort to build the nation, to build the future, and to power the good life, for all.

CHOOSE TO REFUSE
SINGLE-USE PLASTIC

Appendices

List of Abbreviations

ALECO	Albay Electric Cooperative
AMDS	Advanced Distribution Management System
AMI	Advanced Metering Infrastructure
BCDA	Bases Conversion and Development Authority
BCM	Business Continuity Management
BESS	Battery Energy Storage System
BFP	Bureau of Fire Protection
CAIDI	Customer Average Interruption Duration Index
CDC	Clark Development Corporation
CEO	Chief Executive Officer
CFZ	Clark Freeport Zone
Clark Electric	Clark Electric Distribution Corporation
CSEZ	Clark Special Economic Zone
CSP	Competitive Selection Process
CSR	Corporate Social Responsibility
CxTP	Customer Experience Transformation Program
DENR	Department of Environment and Natural Resources
DER	Distributed Energy Resources
DOE	Department of Energy
DOTr	Department of Transportation
DLSAU	De La Salle Araneta University
EE	Energy Efficiency Services
EIA	Environmental Impact Assessment
EPC	Engineering, Procurement, and Construction
ERC	Energy Regulatory Commission
ESH	Environment, Safety and Health
EV	Electric Vehicle
FLISR	Fault Location, Isolation, and Service Restoration
GHG	Greenhouse Gases
GRI	Global Reporting Initiative
HELE	High Efficiency, Low Emission
HEP	Household Electrification Program
HFP	High Fire Point
HVAC	Heating, Ventilation, and Air-Conditioning
ICT	Information and Communication Technology
IVVO	Integrated Volt-VAR Optimization
LGU	Local Government Unit
LPIP	Lightning Protection Improvement Program
MEP	Meralco Electrification Program
Meralco	Manila Electric Company
MGen	Meralco Powergen Corporation
MGREEN	MGen Renewable Energy, Inc.
MIESCOR	Meralco Industrial Engineering Services Corporation
MMT	Multipartite Monitoring Team
MRF	Materials Recovery Facility
MSERV	Meralco Energy, Inc.
MWMS	Mobile Work Management System
NCC	New Clark City
NSED	Nationwide Simultaneous Earthquake Drill
NRDC	Natural Resources Development Corporation
OSRO	Organizational Safety and Resiliency Office
OFT	One for Trees
OMF	One Meralco Foundation
PCB	Polychlorinated Biphenyl Oil
PELCO II	Pampanga Electric Cooperative II
PFBSI	Powersource First Bulacan Solar, Inc.
PhP	Philippine Peso
PRES	Prepaid Electricity Service
PSA	Power Supply Agreements
PUV	Public Utility Vehicle
PUVMP	Public Utility Vehicle Modernization Program
PV	Photovoltaic
RE	Renewable Energy
RES	Retail Electricity Supply
RPS	Renewable Portfolio Standards
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SBPL	San Buenaventura Power Ltd. Co.
SCADA	Supervisory Control and Data Acquisition
Shin Clark	Shin Clark Power Holdings, Inc.
SDG	Sustainable Development Goal
SO	Sustainability Office
SUP	Single-Use Plastics
UN	United Nations

Units of Measurement

CO_2	carbon dioxide
CO_2e	carbon dioxide equivalent
GJ	gigajoule
GW	gigawatt
kVA	kilo-volt-ampere
kW	kilowatt
kWh	kilowatt-hour
kWp	kilowatt-peak
ML	megaliter
$MtCO_2e$	megatonnes of carbon dioxide equivalent
MW	megawatt
MWac	megawatt, alternating current
MWdc	megawatt, direct current
tCO_2e	tonnes of carbon dioxide equivalent

Material Topics 102-47

continued on next page

Material Topics	Reporting Business Units	Relevance	Related GRI Topics
Governance			
Strict compliance with laws & regulations	One Meralco	Meralco is heavily regulated by the government and thus ensures that the Company strictly adheres to national policies and regulations, and that it maintains good relations with local regulatory agencies.	GRI General Disclosures 102-16 to 102-37 GRI 205 Anti-corruption GRI 206 Anti-competitive Behavior
Observance of ethical business practices	One Meralco	With 'Integrity' as one of its Corporate Values, Meralco conducts all of its business operations and transactions in an ethical manner.	
Effective & efficient risk management	One Meralco	With the ever-evolving industry landscape, Meralco recognizes it is essential to have foresight of risks inherent to its various businesses and how these change over time.	
Robust corporate governance	One Meralco	Meralco ensures that its competitiveness and profitability is sustained in a manner that puts forward the best interest of its stakeholders through a robust corporate governance.	
Economic			
Direct economic contribution	One Meralco	With 'Performance' as one of its Corporate Values, Meralco ensures that it delivers the best value that help develop economic systems at the local, national, and global level.	GRI 201 Economic Performance
Indirect Economic Contribution	One Meralco	With '*Malasakit*' (lit. 'concern') as one of its Corporate Values, Meralco believes that it is within its responsibility to go beyond generating financial value for its stakeholders. As such, the Company strives to implement services and programs that uplifts the economic conditions of its stakeholders.	GRI 203 Indirect Economic Contribution
Effective demand-side management	Meralco, Clark Electric, Comstech	Meralco, Clark Electric, and Comstech recognize that the supply of electricity in the Philippines is much lower than the demand. As such, the Companies ensure that demand-side management is introduced to customers while aiming at reducing total costs of meeting energy demand, thereby ensuring reliability of electricity.	GRI G4 Demand-side Management
Power supply availability & reliability	Meralco, Clark Electric, Comstech	Recognizing that electricity is an essential need of society, Meralco, Clark Electric, and Comstech ensure that their services are available, affordable, and reliable for their customers.	GRI G4 System Efficiency GRI G4 Access
Energy affordability	Meralco,Clark Electric, Comstech		

Material Topics 102-47

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Material Topics	Reporting Business Units	Relevance	Related GRI Topics
Environmental 102-47			
Optimization of operations & prudent resource management	One Meralco	Meralco embraces environmental stewardship. As a Company which heavily relies on natural resources to deliver its products and services, it commits to be mindful in prudently utilizing its natural capital.	GRI 302 Energy GRI 303 Water and Effluents GRI 304 Biodiversity GRI 305 Emissions GRI 306 Effluents and Waste
Effective environmental impact management	One Meralco	As in any business, Meralco's operations generate waste that contribute to pollution. The Company thus believes that proper management systems and preventive measures shall be set in place to reduce its ecological impact.	
Integration of climate action into business strategy	One Meralco	With 'Accountability' as one of its Corporate Values, Meralco acknowledges that it is part of the sector that produces the highest amount of greenhouse gas emissions in the world. As such, the Company strives to lower its emissions in the next coming years.	
Social			
Workplace management	One Meralco	Meralco realizes that its employees are essential in achieving its goals. The Company thus commits in adopting global best labor practices to ensure employee satisfaction.	GRI 401 Employment GRI 405 Diversity and Equal Opportunity GRI 406 Non-discrimination
Ensuring workplace safety	One Meralco	Meralco treats its employees as its most valued asset, treating them with dignity and full consideration of their interests. The Company thus recognizes that keeping its employees safe, through health and safety management systems and policies, is its due diligence to its workers.	GRI 403 Occupational Health and Safety
Providing employee training & career development	One Meralco	With 'Empowerment' as one of its Corporate Values, Meralco engenders an environment that allows its employees to advance their professional careers.	GRI 404 Training and Education
Strengthened cybersecurity and customer privacy	One Meralco	As Meralco adopts efforts to digitalize many of its systems, the Company prioritizes data privacy and data breach prevention through secure cyber systems.	GRI 418 Customer Privacy
Proactive community engagement	One Meralco	With *'Makabayan'* (lit. patriotic) as one of its Corporate Values, Meralco seeks to create shared value in the communities (especially poor and marginalized) within or near its areas of operation.	GRI 413 Local Communities
Effective service delivery & customer communication	One Meralco	With 'Customer Service' as one of its Corporate Values, Meralco puts prime importance in efficiently addressing the needs of its customers as well as providing necessary and correct information to ensure inclusivity, reliability, and good customer experience.	GRI G4 Disaster/ Emergency Planning and Response

Note: One Meralco refers to Meralco and its subsidiaries - MGen, MPower, Spectrum, Clark Electric, Comstech, Shin Clark, MSERV, Bayad Center, eSakay, MIESCOR, Radius, and MRail.

Stakeholder Engagement 102-43, 102-44

Stakeholder group	Modes of engagement	Concerns raised	Company response
Customers	- Bayad Centers and Meralco Business Centers - Social media (Facebook, Twitter, Instagram) - Website and mobile app - Customer satisfaction survey	- Quality and affordability of services offered by the Company - Disconnection and restoration of electric service - Online payment methods - Client data privacy - Relationship management skills of client-facing employees - Updates on inquiries	- Immediate response to customer complaints and feedback through the aforementioned modes of engagement - Constant monitoring of clients with disconnected energy service - Relationship management training for client-facing employees - Regular assessment and improvement of website and mobile app features
Communities	- Community visits - LGU consultations - Correspondence through SMS and phone calls	- Social and environmental impact of business operations - CSR initiatives	- Social and environmental impact assessment - Community involvement in planning of CSR initiatives - Collaboration with LGUs in CSR program implementation
Employees	- Monthly and quarterly Union Meetings - Employee performance evaluation - One Meralco Pulse Surveys (biennial) - CBA negotiations (every three years)	- Salaries and benefits - Training and career development opportunities - Job promotion opportunities - Workplace safety and environment - Work-life balance - Improvement of office systems and protocols - Internal communication structure and channels - Grievance mechanism	- Regular review of compensation packages - Regular professional training and career growth opportunities - Recognition programs - Team-building and social activities - Regular review and improvement of communication structure and channels - Improvement of HR policies and programs - Updates through internal memos and SPARK Magazine
Government & Regulators	- Meetings - Conferences - Correspondence through emails and phone calls - Hearings	- Company compliance to regulations and policies - Payment of taxes - Energy price, availability, and reliability - Renewable energy integration	- Regular review of internal company policies and systems to ensure compliance to regulations and policies - Punctual payment of taxes to government - Transparent disclosure in Annual Report - Internal and external audits - Attendance to government-headed energy sector events
Suppliers & Contractors	- Accreditation process - Meetings	- Procurement policies - Accreditation requirements - Mode of payment	- Provides regular updates on accreditation - Releases payments on-time - Conducts training programs on health and safety for the workforce of its contractors
Investors & Shareholders	- Meetings and conference calls - Annual and Special Stockholders' Meetings	- Return on investment - Company performance and growth - Transparency and due diligence	- Timely and transparent disclosures

ESG Performance Index

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OPERATIONAL			
	2017	2018	2019
Length of power lines (in km)			
Meralco	18,363	18,748	19,137
Clark Electric	197	202	213
Number of Substations			
Meralco	120	121	125
Clark Electric	5	5	4
Total substation capacity (in MVA)			
Meralco	17,795	18,010	18,576
Clark Electric	279	279	266
Number of poles			
Meralco	787,000	804,633	825,589
Clark Electric	3,149	3,213	3,410
Number of distribution transformers			
Meralco	183,238	188,901	196,592
Clark Electric	1,670	1,768	1,914
System Average Interruption Frequency Index (SAIFI, in number of times)			
Meralco	1.86	1.80	1.77
Clark Electric	2.42	2.11	2.36
System Average Interruption Duration Index (SAIDI, in minutes)			
Meralco	184.26	196.63	188.36
Clark Electric	138.79	181.24	143.81
Customer Average Interruption Duration Index (CAIDI, in minutes)			
Meralco	99.06	109.18	106.48
Clark Electric	31.97	34.55	35.39
System loss (% against energy sold)			
Meralco	5.91	5.67	5.54
Clark Electric	2.14	2.77	2.15
Financial savings of customers due to system loss reduction (in PhP million)			
Meralco	6,596	6,127	5,155
Clark Electric	0.163	0.155	0.159

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OPERATIONAL			
Customer connections per type (count)			
Residential	**5,812,069**	**6,085,835**	**6,339,291**
Meralco	5,811,307	6,085,023	6,338,287
Clark Electric	762	812	1,004
Commercial	**499,567**	**513,658**	**527,988**
Meralco	498,404	512,422	526,720
Clark Electric	1,163	1,236	1,268
Industrial	**10,327**	**10,506**	**10,722**
Meralco	10,181	10,351	10,568
Clark Electric	146	155	154
Flat Streetlights	**4,728**	**4,815**	**4,783**
Meralco	4,653	4,735	4,691
Clark Electric	75	80	92
TOTAL	**6,326,691**	**6,614,814**	**6,882,784**
Energy sales per connection type (in GWh)			
Residential	**13,060**	**13,555**	**14,589**
Meralco	13,055	13,550	14,581
Clark Electric	5	6	8
Commercial	**16,597**	**17,463**	**18,483**
Meralco	16,378	17,211	18,172
Clark Electric	219	251	311
Industrial	**12,309**	**13,156**	**13,659**
Meralco	11,960	12,887	13,394
Clark Electric	349	269	265
Flat Streetlights	**136**	**139**	**140**
Meralco	135	138	138
Clark Electric	1	1	1
TOTAL	**42,102**	**44,313**	**46,871**

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OPERATIONAL			
	2017	2018	2019
Storm hardening metrics (count)			
Replaced poles	6,509	7,956	7,803
Upgraded conductors	16,619	25,218	20,291
Upgraded DT primary lead wire	51,838	46,308	56,611
Installation of line and equipment covers	15,463	10,363	7,860
Aging poles coverted to fiberglass crossarms	9,122	9,252	6,330
LPIP metrics			
No. of surge arresters used for installation or replacement	10,425	10,227	14,377
No. of poles used for pole grounding correction	21,495	13,218	15,445
Installation of system neutral (in spans)	1,855	1,793	2,083
Installation of overhead shield wire (in spans)	5,297	5,269	3,446
No. of remote controlled line reclosers installed	289	637	777
FRC SAIFI due to lightning (Sustained interruptions due to lightning)	0.12	0.5	0.5

ECONOMIC			
	2017	2018	2019
Economic value generated (in PhP million) 201-1			
Operating cost	226,484	244,299	253,857
Employee wages and benefits	12,595	12,697	13,106
Payments to providers of capital	22,071	17,108	19,706
Payments to government	8,211	8,344	9,661
Community investments	198	90	146
Economic value retained	15,761	25,643	26,116
TOTAL	**285,320**	**308,181**	**322,592**

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HUMAN RESOURCES			
	2017	2018	2019
Total number of employees (regular and probationary employees) 102-8			
Meralco	5,539	5,602	5,755
Bayad Center	183	845	1,344
Clark Electric	59	64	64
eSakay	0	2	3
MGen	74	71	67
MIESCOR	321	356	275
MRail	0	0	37
MSERV	382	420	429
Radius	140	158	186
Spectrum	13	24	42
TOTAL	**6,711**	**7,542**	**8,202**
Number of male employees			
Meralco	4,421	4,443	4,563
Bayad Center	78	263	324
Clark Electric	44	48	48
eSakay	0	1	1
MGen	45	41	37
MIESCOR	200	212	171
MRail	0	0	27
MSERV	259	276	287
Radius	87	98	114
Spectrum	11	19	31
TOTAL	**5,145**	**5,401**	**5,603**

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HUMAN RESOURCES 102-8			
	2017	2018	2019
Number of female employees			
Meralco	1,118	1,159	1,192
Bayad Center	105	582	1,020
Clark Electric	14	16	16
eSakay	0	1	2
MGen	29	30	30
MIESCOR	121	144	104
MRail	0	0	10
MSERV	123	144	142
Radius	53	60	72
Spectrum	2	5	11
TOTAL	**1,565**	**2,141**	**2,599**
Number of training hours*			
Meralco	148,793	184,796	243,667
Bayad Center	1,072	215	5,992
Clark Electric	520	316	1,324
eSakay	0	8	32
MGen	1,986	2,612	1,480
MSERV	11,736	18,476	17,073
TOTAL	**164,107**	**206,423**	**270,584**

* One Meralco is strengthening processes to monitor data for employee training hours of MIESCOR, MRail, Radius, and Spectrum.

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HUMAN RESOURCES 102-8									
Number of employees based on rank 405-1									
	Senior management			**Middle management**			**Rank-and-file**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Meralco	**621**	**637**	**683**	**655**	**668**	**712**	**4,263**	**4,297**	**4,360**
Male	501	509	540	433	438	449	3,487	3,496	3,574
Female	120	128	143	222	230	263	776	801	786
Bayad Center	**11**	**11**	**13**	**12**	**41**	**34**	**160**	**793**	**1,297**
Male	4	6	8	7	17	13	67	239	305
Female	7	5	5	5	24	21	93	554	992
Clark Electric	**7**	**5**	**5**	**1**	**2**	**2**	**51**	**57**	**57**
Male	6	4	4	0	1	1	38	43	43
Female	1	1	1	1	1	1	13	14	14
eSakay	**0**	**0**	**0**	**0**	**1**	**3**	**0**	**0**	**0**
Male	0	0	0	0	1	1	0	0	0
Female	0	0	0	0	0	2	0	0	0
MIESCOR	**6**	**5**	**6**	**24**	**24**	**28**	**291**	**326**	**241**
Male	5	5	3	15	12	17	180	195	151
Female	1	0	3	9	12	11	111	131	90
MGen	**12**	**9**	**9**	**12**	**11**	**10**	**50**	**51**	**48**
Male	11	8	8	9	8	7	25	25	22
Female	1	1	1	3	3	3	25	26	26
MRail	**0**	**0**	**10**	**0**	**0**	**0**	**0**	**0**	**27**
Male	0	0	7	0	0	0	0	0	20
Female	0	0	3	0	0	0	0	0	7
MSERV	**12**	**19**	**17**	**11**	**29**	**29**	**272**	**329**	**350**
Male	7	14	12	10	27	26	183	218	227
Female	5	5	5	1	2	3	89	111	123
Radius	**7**	**6**	**6**	**8**	**9**	**13**	**125**	**143**	**167**
Male	5	5	0	5	8	0	88	101	0
Female	2	1	6	3	1	13	37	42	167
Spectrum	**4**	**5**	**6**	**2**	**2**	**5**	**7**	**17**	**30**
Male	3	4	5	2	2	3	6	13	22
Female	1	1	1	0	0	2	1	4	8
TOTAL	**680**	**697**	**755**	**725**	**787**	**836**	**5,219**	**6,013**	**6,577**

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HUMAN RESOURCES									
Number of employees based on age range									
	Under 30 years old			**30 to 50 years old**			**Above 50 years old**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Meralco	**1,367**	**1,391**	**1,406**	**3,105**	**3,107**	**3,155**	**1,067**	**1,104**	**1,194**
Male	996	999	1,017	2,525	2,486	2,502	900	958	1,044
Female	371	392	389	580	621	653	167	146	150
Bayad Center	**89**	**482**	**908**	**85**	**347**	**420**	**9**	**16**	**16**
Male	32	130	183	43	121	133	3	11	10
Female	57	352	725	42	226	287	6	5	6
Clark Electric	**9**	**15**	**13**	**33**	**34**	**36**	**16**	**15**	**15**
Male	6	10	9	22	23	24	16	15	15
Female	3	5	4	11	11	12	0	0	0
eSakay	**0**	**0**	**0**	**0**	**1**	**3**	**0**	**0**	**0**
Male	0	0	0	-	1	1	0	0	0
Female	0	0	0	-	0	2	0	0	0
MIESCOR	**84**	**111**	**77**	**183**	**187**	**147**	**54**	**57**	**51**
Male	40	54	39	122	119	100	38	39	32
Female	44	57	38	61	68	47	16	18	19
MGen	**5**	**5**	**5**	**60**	**59**	**52**	**9**	**7**	**10**
Male	1	2	1	37	35	30	7	4	6
Female	4	3	4	23	24	22	2	3	4
MRail	**0**	**0**	**6**	**0**	**0**	**12**	**0**	**0**	**19**
Male	0	0	2	0	0	8	0	0	17
Female	0	0	4	0	0	4	0	0	2
MSERV	**154**	**199**	**173**	**121**	**148**	**190**	**20**	**30**	**33**
Male	91	117	97	90	114	136	19	28	32
Female	63	82	76	31	34	54	1	2	1
Radius	**67**	**76**	**83**	**68**	**73**	**99**	**5**	**9**	**4**
Male	40	44	49	43	45	62	4	9	3
Female	27	32	34	25	28	37	1	0	1
Spectrum	**7**	**17**	**27**	**5**	**6**	**11**	**1**	**1**	**3**
Male	6	14	20	4	4	7	1	1	3
Female	1	3	7	1	2	4	0	0	0
TOTAL	**1,782**	**2,296**	**2,698**	**3,660**	**3,962**	**4,125**	**1,181**	**1,239**	**1,345**

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HUMAN RESOURCES			
	2017	2018	2019
Number of new employee hires 401-1			
Meralco	383	315	391
Bayad Center	53	710	1,046
Clark Electric	4	8	3
eSakay	0	0	2
MGen	2	2	2
MIESCOR	1,523	1,482	2,033
MRail	0	0	8
MSERV*	0	0	0
Radius	42	32	54
Spectrum	5	16	21
TOTAL	**2,012**	**2,565**	**3,560**
Employee turnover 401-1			
Meralco	413	252	238
Bayad Center	34	782	713
Clark Electric	5	3	2
eSakay	0	0	1
MGen	5	4	6
MIESCOR	1,714	1,776	1,182
MRail	0	0	2
MSERV	32	49	59
Radius	30	18	31
Spectrum	0	4	4
TOTAL	**2,233**	**2,888**	**2,238**

* One Meralco is strengthening processes to monitor data for new employee hires of MSERV.

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HUMAN RESOURCES			
	2017	2018	2019
Parental leaves 401-3			
Maternity leave			
No. of employees entitled to maternity leave	2,022	2,099	2,183
No. of employees who availed maternity leave	107	197	248
No. of employees who returned after maternity leave	106	191	235
No. of employees who returned after maternity leave and still employed 12 months after	104	184	228
Paternity leave			
No. of employees entitled to paternity leave	7,941	7,781	8,681
No. of employees who availed paternity leave	308	262	372
No. of employees who returned after paternity leave	234	201	298
No. of employees who returned after paternity leave and still employed 12 months after	297	255	354
Solo parent leave			
No. of employees entitled to solo parent leave	49	61	65
No. of employees who availed solo parent leave	46	57	65
No. of employees who returned after solo parent leave	46	46	65
No. of employee who returned after solo parent leave and still employed 12 months after	45	54	62
Number of OHS training hours*			
Meralco	9,256	12,520	55,760
Clark Electric	67	36	740
eSakay	0	0	24
MGen	224	0	1,160
MRail	0	232	788
Radius	0	0	40
Spectrum	0	120	280
TOTAL	**9,547**	**12,908**	**58,792**

* One Meralco is strengthening processes to monitor data for OHS training hours of Bayad Center, MIESCOR, and MSERV.

continued from previous page

HUMAN RESOURCES			
	2017	2018	2019
Injuries and Fatalities			
Number of incidents of disabling injuries (employees)	**15**	**12**	**10**
Meralco	15	11	10
Clark Electric	0	1	0
Number of lost working days due to injuries (employees)	**505**	**516**	**209**
Meralco	505	456	209
Clark Electric	0	60	0
Number of incidents of work-related fatalities	**0**	**0**	**0**
Meralco	0	0	0
Clark Electric	0	0	0
Total number of safe man hours (employees)	**11,722,604**	**11,864,332**	**12,466,548**
Meralco	11,631,882	11,761,465	12,356,681
Clark Electric	90,722	102,867	109,867
Rate of fatalities as a result of work-related injury	**0**	**0**	**0**
Meralco	0	0	0
Clark Electric	0	0	0
Rate of high-consequence work-related injuries (excluding fatalities)	**1**	**11**	**1**
Meralco	1	1	1
Clark Electric	0	10	0
Rate of recordable work-related injuries	**4**	**588**	**5**
Meralco	4	5	5
Clark Electric	0	583	0
Total number of injuries due to public action	**239**	**244**	**272**
Meralco	239	244	272
Clark Electric	0	0	0
Total number of injuries due to company-owned equipment & facilities/working crew	**13**	**14**	**30**
Meralco	13	14	30
Clark Electric	0	0	0
Total number of public accidents caused by the company	**67**	**104**	**178**
Meralco	67	104	178
Clark Electric	0	0	0

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ENVIRONMENTAL			
	2017	2018	2019
Water consumption (in ML) 303-5			
Meralco	419.22	464.03	430.95
Clark Electric	0.00283	0.00335	0.002688
MIESCOR	35.02	31.65	38.3
MSERV	0.68	1.76	0.85
Spectrum	0.002	0.002	0.002
TOTAL	**455**	**497**	**470**
Fuel consumption (in GJ) 302-1			
Gasoline	**31,175**	**31,392**	**32,865**
Meralco, Company vehicles	5,790	5,688	6,744
Meralco, Generator sets and other equipment	680	696	608
Meralco, Employee vehicles	18,437	18,794	19,294
Subs and affiliates, company and employee vehicles	6,268	6,214	6,219
Diesel	**141,049**	**146,111**	**154,776**
Meralco, Company vehicles	108,125	109,765	116,695
Meralco, Generator sets and other equipment	945	1,060	1,658
Meralco, Employee vehicles	18,933	19,646	20,530
Subs and affiliates, company and employee vehicles	13,046	15,640	15,893
TOTAL	**172,224**	**177,503**	**187,641**
System loss (in GWh) 302-1			
Meralco	2,601.31	2,619.04	2,694.33
Clark Electric	12.58	15.02	12.89
TOTAL	**2,613.89**	**2,634.06**	**2,707.22**
Grid-purchased electricity for own use (in kWh) 302-1			
Meralco	59,808,921	61,211,482	60,396,685
Clark Electric	326,042	415,566	425,831
eSakay	0	1,100	205,920
MIESCOR	1,209,165	948,134	981,848
MSERV	135,830.22	169,062.37	111,192.72
TOTAL	**61,479,958.22**	**62,745,344.37**	**62,121,476.72**
Total capacity of solar panels sold by Spectrum (in kWp)			
Residential	38	50	48
Commercial	1,712	5,394	7,398
TOTAL	**1,750**	**5,444**	**7,446**

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ENVIRONMENTAL			
	2017	2018	2019
Scope 1 emissions (in $MtCO_2e$) 305-1			
Emissions from gasoline consumption	**0.00068**	**0.00068**	**0.00073**
Meralco, Company vehicles	0.00031	0.00030	0.00036
Meralco, Generator sets and other equipment	0.00004	0.00005	0.00004
Subs and affiliates, Company and employee vehicles	0.00033	0.00033	0.00033
Emissions from diesel consumption	**0.00689**	**0.00714**	**0.00758**
Meralco, Company vehicles	0.00609	0.00618	0.00657
Meralco, Generator sets and other equipment	0.00007	0.00007	0.00012
Subs and affiliates, Company and employee vehicles	0.00073	0.00088	0.00090
Emissions from SF_6 leakage	**0.02538**	**0.00752**	**0.00047**
Meralco, SF_6 leakage	0.02538	0.00752	0.00047
TOTAL	**0.03295**	**0.01533**	**0.00878**
Scope 2 emissions (in $MtCO_2e$) 305-2			
Emissions from system loss	**1.8617**	**1.876**	**1.9281**
Meralco	1.8527	1.8653	1.9189
Clark Electric	0.009	0.0107	0.0092
Emissions from grid-purchased electricity	**0.04375791**	**0.04469645**	**0.04422512**
Meralco	0.0426	0.0436	0.043
Clark Electric	0.0002	0.0003	0.0003
MSERV	0.00009674	0.00012041	0.00007919
eSakay	0	0.00000078	0.00014666
MIESCOR	0.00086117	0.00067526	0.00069927
TOTAL	**1.91**	**1.92**	**1.97**
Scope 3 emissions (in $MtCO_2e$) 305-3			
Emissions from fuel consumption (employee vehicles)	0.00204089	0.00209997	0.00217612
Meralco, Gasoline consumption	0.00097453	0.0009934	0.00101981
Meralco, Diesel consumption	0.00106636	0.00110657	0.00115631
Emissions from generation of energy sold to end users	29.989	31.5553	33.3766
Meralco	29.58	31.18	32.96
Clark Electric	0.409	0.3753	0.4166
TOTAL	**29.99**	**31.56**	**33.38**
GHG emission intensity (in $MtCO_2e$ per PhP million of revenue) 305-4			
GHG emission intensity	0.00000679	0.00000628	0.00000614

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ENVIRONMENTAL	
	2019
Non-hazardous wastes disposed in 2019 (in tonnes) 306-2	
Recylables	**20**
Meralco	16
Clark Electric	0
MIESCOR	3.57
Residuals	**82.2**
Meralco	76.8
Clark Electric	0.2904
MIESCOR	5.12
TOTAL	**101.8**
Hazardous wastes disposed by Meralco in 2019 (in tonnes) 306-2	
Reused and recycled	859.4
Residual, including incinerated and landfilled	327.8
TOTAL	**1,187.2**
MGen-SBPL Data	
Water consumption (in ML)	131,787
Energy generated from coal (in GWh)	1,018.95
Grid-purchased electricity for own use (in kWh)	2,443
Scope 1 emissions (in $MtCO_2e$)	0.92744
Scope 2 emissions (in $MtCO_2e$)	0.00000174
Recyclables disposed (in tonnes)	8.164
Residuals generated and disposed (in tonnes)	7.222

	2019	List of species
Biodiversity (MGen-SBPL) 304-4		
Total number of critically endangered species affected by operations	2	Bagtikan *(Parashorea malaanonan)* Hawksbill sea turtle *(Eretmochelys imbricata)* – rescued
Total number of endangered species affected by operations	1	Narra *(Pterocarpus)*
Total number of vulnerable species affected by operations	8	Antipolo *(Artocarpus blancoi)* Pakak *(Artocarpus altilis)* Kalantas *(Toona calantas)* Kamagong *(Diospyros blancoi)* White lauan *(Shorea contorta)* Dao *(Myotis macrotarsus)* Southeast Asian box turtle *(Cuora amboinensis)* – rescued Philippine eagle-owl *(Bubo philippensis)* – rescued
Total number of near threatened species affected by operations	1	Pallid large-footed myotis *(Myotis macrotarsus)*

GRI Content Index 102-55

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For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 and 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure		Page number or direct answers	Omissions
GRI 101: Foundation 2016				
General Disclosures				
Organizational Profile				
GRI 102: General Disclosures 2016	102-1	Name of organization	Manila Electric Company	
	102-2	Activities, brands, products, and services	12-17	
	102-3	Location of headquarters	Lopez Building, Ortigas Avenue, Brgy. Ugong, Pasig City, 1605 Philippines	
	102-4	Location of operations	12-17	
	102-5	Ownership and legal form	Shareholding structure in Meralco website: https://company.meralco.com.ph/corporate-profile/meralco-shareholding-structure	
	102-6	Markets served	12-17	
	102-7	Scale of the organization	12-17	
	102-8	Information on employees and other workers	68, 106-109	Information on temporary employees and other workers is currently unavailable. This will be reported in the succeeding reporting cycles.
	102-9	Supply chain	In addition to generation companies, Meralco engages other suppliers for its construction works and materials and equipment needs. In 2019, payments to the Company's 634 vendors totaled PhP26.2 milllion.	
	102-10	Significant changes to the organization and its supply chain	No significant changes to the organization and its supply chain from 2018 to 2019.	
	102-11	Precautionary Principle or approach	Enterprise-wide Risk Management in Meralco website: https://company.meralco.com.ph/corporate-governance/enterprise-wide-risk-management	
	102-12	External initiatives	United Nations Sustainable Development Goals	
	102-13	Membership of associations	Philippine Chamber of Commerce & Industry Management Association of the Philippines Federation of Philippine Industries Makati Business Club Employers Confederation of the Philippines American Chamber of Commerce of the Philippines Electric Vehicle Association of the Philippines Philippine Energy Efficiency Alliance Inc. Philippine Solar and Storage Energy Alliance IT and Business Process Association of the Philippines Contact Centers Association of the Philippines Association of the Electricity Supply Industry of East Asia and Western Pacific Philippine Solar Power Alliance Inc. Philippine Management Association of the Philippines Toastmasters International Information Systems Audit and Control Association Institute of Corporate Directors Inc.	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
General Disclosures				
Organizational Profile				
GRI 102: General Disclosures 2016	102-13	Membership of associations	Institute of Internal Auditor Philippines Inc. Safety and Health Association of the Philippine Energy Sector Inc. Good Governance Advocates and Practitioners of the Philippines United Architect of the Philippines Tax Management Association of the Philippines Inc. Philippine Institute for Supply Management Philippine Society of Talent Development Financial Executives of the Philippines Chartered Financial Analyst Institute	
Strategy				
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	4-9	
	102-15	Key impacts, risks, and opportunities	Enterprise-wide Risk Management in Meralco website: https://company.meralco.com.ph/corporate-governance/enterprise-wide-risk-management	
Ethics and Integrity				
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	Mission, Vision, Values and Principles in Meralco website: https://company.meralco.com.ph/corporate-profile/mission-vision-values-and-principles	
	102-17	Mechanisms for advice and concerns about ethics	92	
Governance				
GRI 102: General Disclosures 2016	102-18	Governance structure	Governance Structure in Meralco website: https://company.meralco.com.ph/corporate-governance/corporate-governance-in-meralco	
	102-19	Delegating authority	93	
	102-20	Executive-level esponsibility for economic, environmental, and social topics	93	
	102-21	Consulting stakeholders on economic, environmental, and social topics	20-23	
	102-22	Composition of the highest governance body and its committees	Board Committees in Meralco website: https://company.meralco.com.ph/corporate-governance/board-committees	
	102-23	Chair of the highest governance body	Manuel V. Pangilinan is the chair and is a non-executive officer	
	102-24	Nominating and selecting the highest governance body	Nomination and Governance Committee Charter in Meralco website: https://company.meralco.com.ph/corporate-profile/organizational-structure	
	102-25	Conflicts of interest	Conflict of Interest Policy in Meralco website: https://meralcomain.s3-ap-southeast-1.amazonaws.com/inline-files/1507537560.fea8c510112d9a9c74e8b-490b5e46cde.pdf?null	
	102-26	Role of highest governance body in setting purpose, values, and strategy	The Board annually reviews, confirms and/or updates the vision, mission, and corporate strategic objectives of the Company.	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
General Disclosures				
Governance				
GRI 102: General Disclosures 2016	102-27	Collective knowledge of highest governance body	Each newly elected director is provided with a director's kit which contains policies and other information pertaining to his duties and obligations as a director provided under existing laws and regulations. An in-house orientation program, incorporating briefings from the corporate and regulatory units, are arranged for any new director to better familiarize himself with the Company's businesses, stakeholders, regulatory environment, and governance practices. The Company has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of the Company's MCG, the ERC Resolution No. 1, Series of 2004, and the SEC Memo Circular No. 20, Series of 2013, the directors, together with the Senior Management, attended the 14th Annual Corporate Governance Enhancement Session on September 26, 2019, entitled "5G Technology Strategy and Governance: Market Trends and New Business Applications, Risks and Challenge.	
	102-29	Identifying and managing economic, environmental, and social impacts	Enterprise-wide Risk Management in Meralco website: https://company.meralco.com.ph/corporate-governance/enterprise-wide-risk-management	
	102-30	Effectiveness of risk management processes	It is the Board of Directors' responsibility to foster and spearhead the long-term growth of the company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders. The Board achieves this by adhering to a sustainability governance framework that oversees implementation and allows an interconnected relationship between the Audit and Nomination and Governance Committees. For high operating standards for the company, its stockholders and other stakeholders, the Board oversees Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies; and periodically evaluates the latter's overall performance.	
	102-31	Review of economic, environmental, and social topics	92	
	102-32	Highest governance body's role in sustainability reporting	Meralco Corporate Governance Office (CGO) reported 15 reports in 2018 and 9 in 2019 . These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy. There was no reported incidence of corruption that year.	
	102-33	Communicating critical concerns	92	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
General Disclosures				
Governance				
GRI 102: General Disclosures 2016	102-35	Remuneration policies	The Remuneration and Leadership Development Committee (RLDC) recommends a framework of remuneration for Directors and Management, including the President and Chief Executive Officer (CEO). Meralco upholds the rights of all shareholders, including the minority shareholders, to participate in the approval of or increase in remuneration of Directors. For the President and CEO, and the 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 links rewards to corporate and individual performances. The Board ensures that the remuneration of its members and key officers is aligned with the long-term interest of the company. Directors do not participate in discussions or deliberations involving their own remuneration.	
	102-36	Process for determining remuneration	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.	
	102-37	Stakeholders' involvement in remuneration	Meralco upholds the rights of all shareholders, including the minority shareholders, to participate in approval of remuneration or increase in remuneration of non-executive and executive directors.	
Stakeholder Engagement				
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	20-23	
	102-41	Collective bargaining agreements	80% of our employees are covered by the Collective Bargaining Agreements	
	102-42	Identifying and selecting stakeholders	20-23	
	102-43	Approach to stakeholder engagement	20-23, 102	
	102-44	Key topics and concerns raised	20-23, 102	
Reporting Practice				
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	In the financial statements, the entities included are Manila Electric Company and its subsidiaries.	
	102-46	Defining report content and topic Boundaries	3	
	102-47	List of material topics	18, 100, 101	
	102-48	Restatements of information	No restatements of information as this is the first sustainability report.	
	102-49	Changes in reporting	No changes in reporting as this is the first sustainability report.	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
General Disclosures				
Reporting Practice				
GRI 102: General Disclosures 2016	102-50	Reporting period	3	
	102-51	Date of most recent report	No previous report as this is the first sustainability report.	
	102-52	Reporting cycle	3	
	102-53	Contact point for questions regarding the report	3	
	102-54	Claims of reporting in accordance with the GRI Standards	3	
	102-55	GRI content index	116-128	
	102-56	External assurance	3	

GRI Standard	Disclosure		Page number or direct answers	Omissions
Economic				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	79	
	103-3	Evaluation of the management approach	The Company is currently establishing baselines and in the process of strengthening systems in evaluating the management approach on its economic performance. This will be disclosed in the next two to three years.	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	79, 105	
	201-2	Financial implications and other risks and opportunities due to climate change	65	
Indirect Economic Impacts				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	12-17, 80-89	
	103-3	Evaluation of the management approach	The Company is currently establishing baselines and in the process of strengthening systems in evaluating the management approach on its indirect economic impacts. This will be disclosed in the next two to three years.	
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	84, 88, 89	
	203-2	Significant indirect economic impacts	80, 81, 85, 86	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Economic				
Procurement Practices				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	23	
	103-3	Evaluation of the management approach	Meralco conducts regular audits for its suppliers.	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Out of the 2,091 contracted suppliers of Meralco in 2019, 81.8% or 1,711 operate within its franchise area. In the same year, 84% of the procurement budget, which is equivalent to PhP21.9 billion, was spent on local suppliers.	
Anti-corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	92	
	103-3	Evaluation of the management approach	The Company is currently establishing baselines and in the process of strengthening systems in evaluating the management approach on this. This will be disclosed in the next two to three years	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Site visits and roadshows were conducted to reorient and empower all employees as well as the subsidiaries to continuously apply the core corporate governance principles in the workplace. In 2019, the CGO conducted three roadshows attended by the employees of Customer Retail Services, Corporate Communications, Regulatory Management, and Legal Group. CGO also worked with the Institute of Corporate Directors to conduct a CG Seminar for the senior management. Governance roadshows for vendors and suppliers were also conducted in 2019 and 2018, attended by 85 and 120 suppliers respectively. In 2017, the CGO, in partnership with the company's Networks Group, held Corporate Governance Roadshows in its different technical offices to discuss significant corporate policies, including that on whistleblowing. The Corporate Governance Roadshows featured videos and interactive learning sessions, held at different technical and business offices in Meralco's franchise area. The CGO visited 11 technical offices in Manila, Pasig, Rizal, Sta. Rosa, San Pablo, Dasmariñas, Parañaque, Valenzuela, Balintawak, and Plaridel, where more than a thousand participants composed of engineers, linemen, meter security, and logistics personnel, attended.	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Economic				
Anti-corruption				
GRI 205: Anti-Corruption 2016	205-3	Confirmed incidents of corruption and actions taken	Zero incidents of corruption were recorded for this report.	
Anti-competitive Behavior				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	Corporate Governance Report in Meralco website: https://company.meralco.com.ph/corporate-governance/corporate-governance-in-meralco	
	103-3	Evaluation of the management approach	Corporate Governance Report in Meralco website: https://company.meralco.com.ph/corporate-governance/corporate-governance-in-meralco	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monoopoly practices	Zero legal actions for anti-competitive behavior, anti-trust, and monopoly practices were recorded for this report.	
Demand-side Management				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	80, 81	
	103-3	Evaluation of the management approach	80, 81	
System Efficiency				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	57	
	103-3	Evaluation of the management approach	57	
GRI G4 Sector-specific	EU12	Transmission and distribution losses as a percentage of total energy	57	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Environment				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	51, 56, 58, 63	
	103-3	Evaluation of the management approach	The Company is currently establishing baselines and in the process of strengthening systems in evaluating the management approach on energy performance. This will be disclosed in the next two to three years.	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	53, 58, 63	
	302-4	Reduction of energy consumption	57-59	
Water and Effluents				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	62, 64	
	103-3	Evaluation of the management approach	62, 64	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	64	
	303-2	Management of water discharge-related impacts	62, 64	
	303-3	Water withdrawal	64	
	303-4	Water discharge		Total amount of water discharge per year is currently unavailable since the SBPL plant started operations in September 2019. This will be disclosed in the next reporting cycles.
	303-5	Water consumption	62, 64	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Environment				
Biodiversity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	64	
	103-3	Evaluation of the management approach	64	
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products, and services on biodiversity	64	
	304-4	IUCN Red List species and national conversion list species with habitats in areas affected by operations	114	
Emissions				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	51, 56, 58, 63	
	103-3	Evaluation of the management approach	51, 56, 58, 63	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	51, 63	
	305-2	Energy indirect (Scope 2) GHG emissions	56, 63	
	305-3	Other indirect (Scope 3) GHG emissions	58	
	305-4	GHG emissions intensity	60	
Effluents and Waste				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	60, 64	
	103-2	The management approach and its components	60, 64	
	103-3	Evaluation of the management approach	60, 64	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	60, 64	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Social				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	68	
	103-3	Evaluation of the management approach	68	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	109	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	71	
	401-3	Parental leave	110	
Occupational Health and Safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	70-71	
	103-3	Evaluation of the management approach	70-71	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	70-71	
	403-2	Hazard identification, risk assessment, and incident investigation	70-71	
	403-3	Occupational health services	Meralco has a Corporate Wellness Center within the Lopez Compound. The Company conducts annual physical examination for all its employees.	
	403-4	Worker participation, consultation, and communication on occupational health and safety	The Environment, Safety, and Health committee holds regular monthly and quarterly management reviews and meetings. The minutes of the meeting are submitted to DOLE as required by the New OSH Law.	
	403-5	Worker training on occupational health and safety	70-71	
	403-6	Promotion of worker health	73	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Social				
Occupational Health and Safety				
GRI 403: Occupational Health and Safety 2018	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	70-71	
	403-8	Workers covered by an occupational health and safety management system	100% of One Meralco employees are covered by the OHS Management System	
	403-9	Work-related injuries	70-71	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	72	
	103-3	Evaluation of the management approach	The trainings necessary to upskill employees are identified by conducting periodic meetings to realign on the competency needs of the respective Meralco company.	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	72	
	404-2	Programs for upgrading employee skills and transition assistance programs	72	
	404-3	Percentage of employees receiving regular performance and career development reviews	72	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	68	
	103-3	Evaluation of the management approach	68	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	68, 107	
Non-discrimination				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	68	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Social				
Non-discrimination				
GRI 103: Management Approach 2016	103-3	Evaluation of the management approach	The Company is currently establishing baselines and in the process of strengthening systems in evaluating the management approach on this. This will be disclosed in the next two to three years.	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported for this report.	
Human Rights Assessment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	69	
	103-3	Evaluation of the management approach	The Company is currently establishing baselines and in the process of strengthening systems in evaluating the management approach on this. This will be disclosed in the next two to three years	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies and procedures	The Company is exploring on how training on human rights policies or procedures can be part of its HR programs.	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	84-89	
	103-3	Evaluation of the management approach	84-89	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	84-89	
Customer Privacy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	Information Security Governance and Data Privacy in Meralco website: https://company.meralco.com.ph/corporate-governance/information-security-governance-and-data-privacy	

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GRI Standard	Disclosure		Page number or direct answers	Omissions
Social				
Customer Privacy				
GRI 103: Management Approach 2016	103-3	Evaluation of the management approach	Information Security Governance and Data Privacy in Meralco website: https://company.meralco.com.ph/corporate-governance/information-security-governance-and-data-privacy	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		The data is confidential as it was evaluated to pose significant risks to the Company.
Socioeconomic Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	Meralco and its subsidiaries conduct regular monitoring of socioeconomic compliances related to their business operations.	
	103-3	Evaluation of the management approach	Meralco and its subsidiaries conduct regular audits to review socioeconomic compliance.	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	No incidences of non-compliance were recorded for this report.	
Disaster/Emergency Planning and Response				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	44	
	103-3	Evaluation of the management approach	44	
Access				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	100	
	103-2	The management approach and its components	35-40	
	103-3	Evaluation of the management approach	35-40	
GRI G4 Sector-specific	EU 28	Power outage frequency	41	
	EU 29	Average power outage duration	41	

INDEPENDENT ASSURANCE STATEMENT

Introduction

Manila Electric Company ("Meralco", Securities and Exchange Commission (SEC) Identification Number: PW-102) commissioned DNV GL AS Philippine Branch ("DNV GL"), part of the DNV GL AS Group to undertake independent assurance of sustainability/non-financial disclosures in the 2019 Meralco Sustainability Report ("the Report") for the year ending 31st December 2019.

This assurance engagement was planned and carried out using AccountAbility's AA1000 Assurance Standard 2008 ("AA1000AS") and DNV GL's assurance methodology VeriSustain™[1] (Version 5.0) which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagement 3000 ("ISAE3000") Revised[2] and the Global Reporting Initiative's ("GRI's") Principles for Defining Report Content and Quality.

Scope and Boundary of Assurance

The scope of assurance included a review of consolidated economic, social and environmental disclosures and performance data ("sustainability performance") related to Meralco and its subsidiaries (referred to as "One Meralco"). The boundary of the Report for identified material topics and topic-specific disclosures is as set out in the section "*About this Report"* and covers the sustainability performance of "One Meralco" and initiatives of the One Meralco Foundation.

We evaluated the Report for adherence to the reporting principles for defining the sustainability report content as set forth in the GRI's Sustainability Reporting Standards ("GRI Standards") along with AA1000AS. We understand that the reported financial data and information are based on the 2019 Meralco Annual Report[3] and financial statements which are subject to a separate independent audit process. The review of financial data taken from the audited financial statements is not within the scope of our work.

Responsibilities of Meralco and of the Assurance Provider

The Board of Meralco has sole responsibility for the integrity of the Report and this responsibility includes designing, implementing and maintaining internal controls over collection, analysis, aggregation and preparation of data, fair presentation of the information, and ensuring that data is free from material misstatement and includes maintaining the integrity of their website. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

In performing our assurance work, DNV GL's responsibility is solely towards the Management of Meralco in accordance with terms of reference agreed, however this assurance statement represents our independent opinion and is intended to enlighten Meralco's stakeholders. DNV GL's responsibility is to form an independent conclusion. In doing so, we carried out the sampling procedures required for the evidence for Type 2, Moderate level of assurance based on AA1000AS that is, DNV GL is responsible for planning and performing the engagement to obtain assurance about whether the selected information is free from material misstatement and meets the disclosure requirements.

Basis of our Opinion

A multi-disciplinary team of sustainability and assurance specialists performed the work at Meralco's Corporate Office at Pasig City, and offices of subsidiaries in the Philippines during March 2020 to test the accuracy and reliability of qualitative and quantitative disclosures including the reported data and the robustness of the data aggregation process including related management approach for identified material topics.

[1] *The VeriSustain protocol is available on request from* www.dnvgl.com.
[2] *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
[3] *Posted on* https://company.meralco.com.ph/investor-relations/annual-reports

As part of the verification, we planned and performed our work based on DNV GL's Risk-Based Approach to obtain the evidence that we considered necessary to provide a basis for our assurance opinion. Within the framework of our assessment, we performed the following procedures and other activities:

- conducted interviews with data owners from Meralco and its subsidiaries to understand the key processes and controls for reporting units' performance data;
- assessed the robustness of the underlying data and information flow and controls;
- performed data analysis using a risk-based approach and materiality;
- challenged the sustainability-related disclosures, statements and claims;
- performed limited testing on a sampling basis of the selected information at Meralco's Corporate Office and subsidiary companies' offices to check that the selected environmental and social data had been properly measured, gathered, recorded, collated and reported; and,
- Reviewed the qualitative and quantitative disclosures at Meralco's Corporate Office at Pasig City and visited sample sites of subsidiaries including Corporate Offices of Meralco PowerGen Corporation's ("MGen") and eSakay, Inc. at Pasig City.

We also performed the following activities to assess the adherence to reporting principles:

- interviewed the senior managers and representatives responsible for sustainability management and made enquiries to determine their understanding of Process of stakeholder engagement and materiality assessment; and,
- reviewed the current sustainability issues that could affect One Meralco and could be of interest to stakeholders of Meralco.

Conclusion

Based on the verification undertaken, nothing has come to our attention that causes us to believe that the reported disclosures i.e. sustainability performance data and information disclosed in the Report does not give a fair representation of One Meralco's related sustainability performance. Without affecting our assurance opinion, we also provide the following observations:

AA1000 Accountability Standard (2008)

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity.

Meralco identifies customers, communities, employees, investors and shareholders, government and regulators, and suppliers and contractors as its significant stakeholders. The Report brings out the key processes and systems that Meralco has established to engage with identified key stakeholders through formal and informal channels. The Report brings out the key concerns and expectations identified through these modes of stakeholder engagement, along with Meralco's responses through disclosures on management approach, policies and strategies for identified material topics.

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

A materiality assessment process has been used by Meralco to arrive at a prioritised list of topics for its sustainability reporting. This process included consultations with key representatives of subsidiaries and business units, and the senior management team. This list of material topics was also validated through inputs from significant stakeholders. We do not believe that Meralco has missed out any key material issues, considering the overall sustainability context and operations of One Meralco.

Responsiveness

The extent to which an organization responds to stakeholder issues

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

The Report describes strategies, management approaches, policies and governance mechanisms that Meralco has established to bring out responses to key challenges and impacts related to identified material issues, which help achieve its sustainability objectives. The various entities under One Meralco have established processes to report on their performance related to identified material topics, considering the requirements of chosen GRI Standards and the GRI's Principles for Defining Report Content. Meralco may further strengthen the disclosures related to impacts in its supply chain in future reporting periods.

Specific Evaluation of the Information on Sustainability Performance

We consider both the methodology and processes adopted by Meralco for gathering qualitative and quantitative information on its sustainability performance to be appropriate, and the performance data included in the Report was found to be identifiable and traceable; the personnel responsible could demonstrate the origin and interpretation of the data and its reliability. Nothing has come to our attention to suggest that the Report does not present a faithful description of the reported sustainability disclosures for the reporting period.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

The Report brings out the sustainability performance for One Meralco related to its identified material topics using selected GRI Topic Specific Standards. The majority of data and information verified at the Corporate Office and sampled sites were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors. These identified errors were communicated through a formal report and responses from Meralco were reviewed including corrections that were made to the reported data and information.

Additional Principles as per DNV GL VeriSustain

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

The Report has fairly brought out disclosures covering One Meralco's reporting framework and its four areas – corporate governance, impact management, sustainable development and future-ready strategies. The requirements of selected GRI Topic-specific Standards have been taken into consideration while describing the sustainability performance related to material topics for the operations of Meralco and its subsidiaries in the Philippines for the reporting period. Meralco has committed to establishing baselines and strengthening systems for evaluating its management approach for all material topics in future reporting periods.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

The Report discloses sustainability performance for identified material topics in a neutral tone, in terms of content and presentation, considering local, regional and global sustainability context, while applying adequate consideration to not unduly influence stakeholders' opinions made based on the reported data and information.

Limitations

Our assurance relies on the premise that the data and information provided by Meralco to us as part of our review procedures have been provided in good faith and free from misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. The engagement excludes the sustainability management, performance and reporting practices of Meralco's

suppliers, contractors and any third parties mentioned in the Report. The company's position statement, statements about the management approach, and case studies and examples are excluded from the scope of our work. We did not interview external stakeholders as part of this assurance engagement.

The reported disclosures related to economic performance are based on financial disclosures and data, which were cross-checked with internal documents and the audited consolidated financial statements.

As per our agreed scope of engagement, limited depth of evidence gathering including inquiry and analytical procedures and limited sampling were applied as per DNV GL's VeriSustain. The data for Environmental and Social performance were verified with random samples and the aggregated data at the head office level are used for the verification.

Statement of Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV GL Code of Conduct[4] during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL did not provide any services to Meralco and its subsidiaries in the scope of assurance during 2019 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL AS
22nd May 2020, Philippines

Kiran Radhakrishnan
Lead Verifier
DNV GL – Business Assurance
India Private Limited

Heng Chwin Mak
Operations Manager –
South East Asia
DNV GL Technology Centre.
Singapore 118227

Vadakepatth Nandkumar
Assurance Reviewer
Head – Regional Sustainability Operations
DNV GL – Business Assurance India
Private Limited

AA1000
Licensed Assurance Provider
000-10

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[4] *The DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)*

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About the Paper

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Corporate Information

CORPORATE OFFICE

Lopez Building, Ortigas Avenue, Brgy. Ugong,
Pasig City, 1605 Philippines
Telephone numbers: +632 8631 2222, +632 16220

The Meralco and One Meralco Foundation 2019 Annual Reports and the Meralco 2019 Sustainability Report can be viewed and downloaded at the Meralco website, www.meralco.com.ph.

2019 Reports

Meralco Annual Report
Meralco Sustainability Report
One Meralco Foundation Annual Report