SECURITIES AND EXCHANGE COMMISSION
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COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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S	U	B	S	I	D	I	A	R	I	E	S																		

Principal Office (No./Street/Barangay/City/Town/Province)

L	O	P	E	Z		B	U	I	L	D	I	N	G	,		O	R	T	I	G	A	S		A	V	E	N	U	E
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Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	86312222/ 816220	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
40,476	Last Tuesday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. William Pamintuan	wspamintuan@meralco.com.ph	8632-8014	N/A

Contact Person's Address

Lopez Building, Ortigas Avenue, Pasig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

TABLE OF CONTENTS

		Page No.
PART I – BUSINESS AND GENERAL INFORMATION		**1**
Item 1.	Business	1
Item 2.	Properties	17
Item 3.	Legal Proceedings	19
Item 4.	Submission of Matters to a Vote of Security Holders	41
PART II – OPERATIONAL AND FINANCIAL INFORMATION		**42**
Item 5.	Market for Issuer's Common Equity and Related Stockholders Matters	42
Item 6.	Management's Discussion and Analysis or Plan of Operation	44
Item 7.	Financial Statements	94
Item 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	95
PART III – CONTROL AND COMPENSATION INFORMATION		**96**
Item 9.	Directors and Executive Officers of the Issuer	96
Item 10.	Executive Compensation	134
Item 11.	Security Ownership of Certain Beneficial Owners and Management	136
Item 12.	Certain Relationships and Related Transactions	140
PART IV – CORPORATE GOVERNANCE		**140**
Item 13.	Corporate Governance	140
PART V – SUSTAINABILITY REPORT		**165**
PART VI – EXHIBITS AND SCHEDULES		**166**
Item 14.	Exhibits and Reports	166
SIGNATURES		**171**
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES		**172**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **DECEMBER 31, 2024**

2. SEC Identification Number **PW-102** 3. BIR Tax Identification No. **000-101-528-000**

4. Exact name of issuer as specified in its charter **MANILA ELECTRIC COMPANY**

5. **REPUBLIC OF THE PHILIPPINES** 6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. **LOPEZ BUILDING, ORTIGAS AVENUE, BRGY. UGONG, PASIG CITY** **1605**
Address of principal office — Postal Code

8. **(+632) 8631-5567**
Issuer's telephone number, including area code

9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	1,127,092,509
	Amount of Debt Outstanding
Debt Securities - bonds	₱2,868 million Fixed Rate Notes due in 2025

11. Are any or all of these securities listed on a Stock Exchange?

Yes [/] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

The aggregate market value of voting stock held by non-affiliates of the registrant as of April 2, 2025:

Shares: 294,145,508

Closing Price: ₱542.00

Aggregate: ₱159,426.87 million

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

1) Business Development

The businesses of Manila Electric Company ("*MERALCO*") and its subsidiaries (the "MERALCO Group") consist of the regulated and unregulated segments of the energy supply chain. These consist of electricity distribution, power generation, retail electricity supply, and management of electric distribution facilities, which includes engineering design services; construction and consulting services; payment fulfilment and bills collection services; after-the-meter and energy management services; and telecommunication and information technology services. *MERALCO* was registered on May 7, 1919.

As a distribution utility ("DU"), *MERALCO* holds a 25-year congressional franchise under Republic Act ("RA") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("ERC") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("CPCN") for the operation of electric service within its franchise area, which shall be valid within the franchise period. On February 4, 2025, the Senate approved on third and final reading House Bill 10926 renewing *MERALCO*'s franchise for another 25 years starting 2028. This followed the same approval granted by the House of Representatives in November 2024 on the proposed measure. The consolidated bill which was endorsed to the Office of the President on March 14, 2025 is set to be enacted into law.

Clark Electric Distribution Corporation ("Clark Electric"), a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("CDC") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The franchise of Clark Electric is valid until October 2047.

Through a 60% owned subsidiary, **Shin Clark Power Holdings, Inc.** ("Shin Clark"), *MERALCO* together with a consortium, composed of 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. ("Kansai")], and Chubu Electric Power Co., Inc. ("Chubu"), hold a 90% interest in **Shin Clark Power Corporation** ("Shin Clark Power"). Shin Clark Power is a company formed with Bases Conversion and Development Authority ("BCDA") through a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("NCC"). NCC consists of a 9,450-hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province. Shin Clark Power was incorporated and registered with the Securities and Exchange Commission ("SEC"). On March 22, 2023, the ERC granted Shin Clark Power a CPCN to operate as a DU.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("PELCO II") through **Comstech Integration Alliance, Inc.** ("Comstech") under a 25-year Investment Management Contract ("IMC") and that of the Cavite Economic Zone ("CEZ") under a 25-year concession agreement with Philippine Economic Zone Authority ("PEZA").

MERALCO's participation in retail electricity supply ("RES") is through the local RES units, MPower and Cogent Energy, and through its affiliate RES entities, Vantage Energy Solutions and Management, Inc. ("Vantage"), MeridianX Inc. ("MeridianX"), Phoenix Power Solutions, Inc. ("Phoenix Power") and Global Energy Supply Corporation ("GESC"). Clarion Energy Management Inc. ("Clarion"), a wholly owned subsidiary of Clark Electric, is awaiting issuance of license by the ERC.

Meralco PowerGen Corporation ("MGen") is *MERALCO*'s power generation investment vehicle. Global Business Power Corporation ("GBPC"), which has 838 MW (net) of coal and diesel capacities, is a wholly owned subsidiary of MGen. Through MGen Renewable Energy, Inc. ("MGreen"), MGen operates and engages in the development, construction and operation of solar-powered generation facilities. On December 27, 2023, MGreen completed the acquisition of primary common and redeemable voting preferred shares of SPNEC, giving MGreen 50.5% voting interest. Through SPNEC, MGreen is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery energy storage system. MGen also holds a combined 58% interest in PacificLight Power Pte Ltd. ("PacificLight Power"), which owns and operates a 2 x 400 MW liquefied natural gas plant in Jurong Island, Singapore. PacificLight Power is developing a 100 MW of fast-start LNG plant due to commence operations in the second quarter of 2025.

The management of electric distribution facilities business of the subsidiaries include engineering, design, construction and consulting services, bill collection services, distribution and energy management services and communication, information system and technology services.

The following are the subsidiaries of *MERALCO*, all of them incorporated in the Philippines except for Lighthouse Overseas Insurance Company, Limited ("LOIL") and Meridian Power Ventures Limited. *MERALCO* and its subsidiaries are herein referred to as the "MERALCO Group".

Meralco Industrial Engineering Services Corporation ("MIESCOR") is a wholly owned subsidiary of *MERALCO*. Together with its subsidiaries, MIESCOR Builders Inc. (MBI) and MIESCOR Logistics, Inc. (MLI), MIESCOR provides expertise in engineering, procurement and construction (EPC), distribution utility and pole attachment services, telecommunications infrastructure, logistics and facilities management, and trading of high-quality electrical supplies and equipment.

MIESCOR, with 8,823 manpower, is one of the leading engineering and construction companies in the country, meeting global standards with its ISO 9001:2015 (QMS), ISO 14001:2015 (EMS), and ISO 45001:2018 (OSH) certifications. MIESCOR also holds a PCAB 'AAAA' license, the highest license category issued by the Philippine Contractors Accreditation Board and was awarded numerous safety and health excellence awards for its outstanding safety records.

MIESCOR provides services to companies in the power and telecommunications industries.

MIESCOR Infrastructure Development Corporation (MIDC), incorporated in 2021, is engaged in tower construction, site acquisition, site permitting, tower erection and tower management services to telecommunications companies. MIDC is a joint venture owned by MIESCOR at 51% and by Connect Infrastructure (Philippines) PTE. Limited at 49%. MIDC is registered as an Independent Tower Company with the Department of Information and Communications Technology.

On March 1, 2024, MIESCOR entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("Connect"), PTCI Holdings Pte. Ltd. ("PHPL"), and Pylon Holdings Corp. ("Pylon"). Under the agreement, the shareholders of MIDC and PhilTower Consortium, Inc. ("PhilTower") (collectively referred to as the "TowerCos") shall transfer their respective ownerships in the TowerCos to Pylon. After the swap, MIESCOR owns 35.6% of Pylon with Pylon owning 100% each of MIDC and PhilTower. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors. Accordingly, upon approval by the Philippine Competition Commission ("PCC*")* and the SEC, and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC*

Corporate Information Solutions, Inc. ("CIS") is a wholly owned subsidiary of *MERALCO*. CIS, through its subsidiaries, provides a wide range of financial products and services that cater to business and customer needs.

CIS Bayad Center, Inc., ("Bayad"), a pioneer in the outsourced payment collection service industry, has evolved into a full-service fintech company offering a whole suite of financial products and services, available in its extensive physical and digital payment touchpoints. Powering more than 476,000 over-the-counter payment locations across the country, as well as providing immediate bills payment access to millions of registered digital users through its digital and online partners, Bayad owns and operates *all-in-one pera* transaction mobile app and online payment facility, Bayad App and Online. Providing a seamless onsite-to-online customer experience that caters to both traditional and next generation of payers, Bayad cements itself as the authority in payments.

Advancing its contribution to financial inclusion in the country, the brand launched *Bayad Asenso*, a business solution embedded in the Bayad App that allows Filipino entrepreneurs to generate additional source of income by offering Bayad's financial services, i.e., bills payment collection, prepaid loading, electronic wallet top-ups, among others, in their respective neighborhood or community.

To complement its suite of value offerings, Bayad's wholly owned subsidiary, Customer Frontline Solutions, Inc. ("CFS"), provides outsourced tellering and other administrative services to different industries in the Philippines. Bayad continues to trailblaze the industry as it elevates the Filipinos' payment experience, at the same time providing end-to-end payment solutions to major institutions and government agencies nationwide.

Meralco Energy, Inc. ("MServ") is a wholly owned subsidiary of *MERALCO*. It is a one-stop shop for energy services and solutions that will guarantee total system efficiency for customer facilities. As a DOE-accredited Energy Service Company ("ESCO") in the Philippines and as a "AAA" PCAB-licensed company, MServ's scope of activities include Energy Audit of Customer Facilities, Advisory and Consultancy Services for Energy Efficiency, Engineering, Procurement and Construction ("EPC") of Electrical, Mechanical, Plumbing, and Fire Protection (MEPF) Facilities, and Operations and Maintenance (O&M) of customer owned facilities. MServ also has the expertise to value-engineer electrical designs and offers energy solutions to help the sustainability goals of its customers by lowering energy consumption. MServ also provides Energy Efficiency solutions such as sub-metering and energy management systems, Smart City solutions such as smart streetlighting, and building management systems, Sewage Treatment Plant (STP) solutions, and Hyperscale Data Center Solutions.

e-Meralco Ventures, Inc. ("e-MVI") is a wholly owned subsidiary of *MERALCO*. It was established on June 22, 2000. Through a wholly owned subsidiary, Paragon Vertical Corporation, it owns 100% of the equity in Radius Telecoms, Inc. ("Radius"). Radius holds a congressional telecommunications franchise to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, the business of providing basic and enhanced telecommunications services in the Philippines, and between the Philippines and other countries and territories.

Radius delivers its services on an end-to-end full fiber optic network covering more than 8,000 kms in Metro Manila and nearby provinces, as well as Clark and Cebu, with plans to expand to other major cities in the Visayas and Mindanao regions.

Radius provides world-class data connectivity solutions over its dense fiber optic network, with access nodes strategically located within business districts, industrial and Information Technology ("IT") parks, data centers, and main thoroughfares.

Meralco Financial Services Corporation ("Finserve") was incorporated on March 19, 2002. Finserve embarked on investing and managing commercial center operations with The Strip along Ortigas Avenue as its flagship project. At present, this two-storey building with a leasable space of 1,026 square meters houses several retail establishments.

Finserve has a 10% equity interest in AF Payments, Inc. ("AF Payments") since its incorporation in February 2014. AF Payments was incorporated primarily to operate and maintain an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It also supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities. AF Payments operates and maintains the related hardware and software.

Clark Electric Distribution Corporation ("Clark Electric"), 65% owned by *MERALCO* and it holds the franchise to distribute electric power in the Clark Special Economic Zone ("CSEZ"), including the Clark Freeport Zone ("CFZ") and contiguous subzones. The Clark Electric franchise is valid through October 2047. In 2024, Clark Electric achieved 715.0 GWh in energy sales, marking a 4.4% increase from 2023.

Serving 2,777 customers, Clark Electric's clientele comprises commercial (47.3%), industrial (5.5%), and residential/streetlight (47.2%) accounts, with a peak demand of 126.7 MW.

Meralco PowerGen Corporation ("MGen") is a wholly owned subsidiary of *MERALCO* and serves as its power generation unit. MGen has a diversified power generation portfolio that utilizes advanced and highly efficient technologies to provide reliable and cost-competitive supply.

MGen's subsidiaries and affiliates are as follows:

San Buenaventura Power Ltd. Co.'s ("SBPL") is a joint venture between MGen (51%) and New Growth B.V. (49%), a wholly owned subsidiary of Electric Generating Public Company Limited of Thailand ("EGCO"). SBPL owns and operates a 455 MW (net) supercritical coal-fired power plant in Mauban,

Quezon which started commercial operations on September 26, 2019. SBPL delivers all its plant output to MERALCO under a 20-year PSA approved by the ERC.

The power plant, which provides baseload power supply to electricity consumers in Luzon, is a Board of Investments ("BOI") registered pioneer project that utilizes state-of-the-art supercritical technology, which is more fuel efficient compared with coal plants currently in operation in the Philippines.

Global Business Power Corporation ("GBPC") with a total net capacity of 838 MW, is one of the leading independent power producers in Visayas and Mindanao. The following are the subsidiaries and affiliates of GBPC:

Cebu Energy Development Corporation ("CEDC") owns and operates a 246 MW clean coal-fired power plant located in Toledo City, Cebu. CEDC is 44% owned by Abovant Holdings, Inc. and 56% owned by Global Formosa Power Holdings, Inc.—a corporation that is 93.2% owned by GBPC.

Toledo Power Co. ("TPC") owns and operates 82 MW clean coal-fired power plant in Daanlungsod as well as a 40 MW diesel-fired power plant in Carmen – all in Toledo City, Cebu. It is 100% beneficially owned by GBPC.

Panay Energy Development Corporation ("PEDC") owns and operates 164 MW and 150 MW clean coal-fired power plants located in Iloilo City, Iloilo. PEDC is 100% owned by Panay Power Holdings Corporation—a corporation that is 89.3% owned by GBPC.

Panay Power Corporation ("PPC") owns and operates a 7.5 MW and a 5 MW diesel-fired power plants in Nabas and New Washington, Aklan, respectively. PPC is wholly owned by Panay Power Holdings Corporation—a corporation that is 89.3% owned by GBPC.

Global Energy Supply Corporation ("GESC") is a Retail Electricity Supplier ("RES") licensed by the ERC and serves as GBPC's RES arm. It is 100% owned by GBPC.

Global Trade Energy Resources ("GTERC") is primarily engaged in trading thermal coal and consumable commodities for wholesale retail, as well as chartering freight barges and vessels. It is 100% owned by GBP.

Alsons Thermal Energy Corporation ("ATEC") is a Mindanao-based power generation holding company that has 75% equity interest in Sarangani Energy Corporation ("Sarangani Energy"). Sarangani Energy owns and operates a 237 MW coal-fired power plant in Maasim, Sarangani. ATEC also has 100% ownership in San Ramon Power, Inc. ("SRPI"). SRPI is developing a 120 MW coal-fired power plant in Zamboanga. GBPC owns a 50% interest in ATEC.

Redondo Peninsula Energy, Inc. ("RP Energy") is a joint venture among MGen, Therma Power, Inc and Taiwan Cogeneration International Corporation – Philippine Branch ("TCIC") for the construction and operation of a power plant in the Subic Bay Freeport Zone. As at December 31, 2023, the power plant development is suspended.

PacificLight Power Pte. Ltd. ("PLP") owns a 2 x 400 MW combined cycle turbine power plant mainly fueled by liquefied natural gas ("LNG") in Jurong Island, Singapore and has been operating since

February 2014. It is the largest Clean Development Mechanism ("CDM") project in Singapore registered under the United Nations Framework Convention on Climate Change. MGen has a combined 58% equity interest in PLP.

A 100 MW fast-start LNG plant is under construction and is expected to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("EMA").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("CCGT") facility in Jurong Island by the EMA of Singapore. The project shall be the largest single H-class CCGT plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

Atimonan One Energy, Inc. ("A1E") is MGen's wholly owned subsidiary developing a 4 x 600 MW (net) liquefied-natural gas ("LNG") power plant in Atimonan, Quezon. The Department of Energy ("DOE") issued A1E a Certificate of Energy Project of National Significance ("CEPNS") for commerciality under Executive Order No. 30 – a key recognition of the project's importance to the country's future energy supply. Transmission right-of-way ("ROW") acquisition continues to progress well and is almost fully secured.

MGen incorporated *MGEN Renewable Energy, Inc.* ("MGreen") on June 6, 2019 as MGen's vehicle for its investments in renewable power generation projects. MGreen is 100% owned by MGen.

The subsidiaries and affiliates of MGreen follows:

PowerSource First Bulacan Solar, Inc. ("First Bulacan") owns a 55MWac solar power plant in San Miguel, Bulacan. It is a joint venture between MGreen (60%) and PowerSource Energy Holdings Corporation (40%). PFBSI provides clean and renewable power to the Luzon Grid through its 20-year PSA with *MERALCO* approved by the ERC on December 22, 2016. PFBSI started commercial operations in May 2021.

PH Renewables, Inc. ("PHRI") has energized 67.5 MWac of its 75 MWac solar plant in Baras, Rizal and has started generating power since March 2023 and Phase 2 was completed last August 30, 2024. PHRI is 100% owned by CACI Power Corporation, a corporation that is 60% owned by MGreen and 40% owned by Mit-Renewables Philippine Corp. (Mit-Renewables), a subsidiary of Mitsui & Co.

Nuevo Solar Energy Corporation ("NSEC") owns a 68 MWac solar plant in Currimao, Ilocos Norte, which reached full capacity by mid-February 2023. NSEC is 50% owned by MGreen and 50% owned by Pasuquin Energy Holdings, Inc. NSEC has a PSA with Mpower until January 25, 2044.

Nortesol III, Inc. ("Nortesol") is engaged in the development, construction, and operation of power plant and related facilities using renewable energy system and hybrid energy system with target capacity of 110 MWdc/90 MWac. It is 70% owned by MGreen. Nortesol is awaiting the issuance of the leasing policy by the Laguna Lake Development Authority.

Lagunasol Corporation ("LagunaSol") is engaged in the development, construction, and operation of a power plant and related facilities using solar energy. LagunaSol is 100% owned by MGreen.

Greentech Solar Energy, Inc. ("GSEI") is engaged in the development, construction, and operation of an 18.75 MWac solar plant in Bongabon, Nueva Ecija. GSEI commenced its commercial operations in January 2025. GSEI is 100% owned by MGreen and one of MGreen's solar projects under development which won in DOE's second round of GEAP.

Greenergy for Global Inc. ("GGI") is engaged in the development, construction, and operation of power plant and related facilities using solar energy with a capacity of 49 MWac. GGI commenced its commercial operations in February 2025. GGI is majority owned by MGreen. GGI is one of MGreen's solar projects under development which won in DOE's second round of GEAP.

SP New Energy Corporation ("SPNEC"), was incorporated as a renewable energy power generation company. SPNEC is engaged in the construction, assembly, commissioning, operation, and maintenance of power-generating plants, warehouses, terminals, and related facilities for the conversion of renewable energy into a usable form suitable for electricity generation and distribution.

On October 12, 2023, MGreen announced that it has agreed with SPNEC and with its parent, Solar Philippines Power Project Holdings, Inc. (SPPPHI), to invest ₱15.9 billion to subscribe to 15.7 billion common shares and 19.4 billion redeemable preferred voting shares in the Company. Upon closing of the transaction, MGreen will be the controlling shareholder of the SPNEC.

On December 27, 2023, MGreen completed the acquisition of primary and redeemable voting preferred shares of SPNEC. SPNEC is set to develop 3,500 MW (gross) solar facilities with an accompanying 4,000 MWh battery storage system.

MSpectrum Inc. ("MSpectrum") is a wholly owned subsidiary of *MERALCO* which provides renewable energy solutions to its customers, mainly roof-top solar projects, microgrids, and utility-scale projects.

Vantage Energy Solutions and Management Inc. ("Vantage") is the first wholly owned Retail Electricity Supplier ("RES") subsidiary of *MERALCO*. It was incorporated on November 21, 2016 and was issued a license to operate as RES by the ERC starting on January 10, 2017.

As a RES entity, Vantage provides retail energy services and solutions to the contestable customers in the Competitive Retail Electricity Market. It is also engaged in energy sourcing, trading and solutions, wholesale contracting and aggregating of electricity. As a licensed RES, Vantage operates and offers its services to all contestable customers nationwide where the Retail Competition and Open Access (RCOA) is implemented.

Vantage offers competitive energy products and service innovations to help its customers manage their electricity requirements better. It provides stable and reliable power supply based on a blend of Vantage's supply portfolio, customized products offered at competitive prices, value added services and technical collaborations with its expert engineers to maximize efficiency and profitability of its customers' operations.

MOVEM Electric, Inc. ("MOVEM"), a wholly owned subsidiary of *MERALCO*, is the green mobility arm of *MERALCO* that provides tailor-fit, end-to-end electric mobility solutions for commercial and industrial customers. Its focus is to integrate key elements of an electric vehicle ("EV") ecosystem designed for specific usages to ensure a seamless and effective transition toward sustainable transportation.

Shin Clark Power Holdings, Inc. ("SCPHI") is a 60% owned subsidiary of *MERALCO*. In turn, SCPHI owns 90% of Shin Clark Power Corporation which provides electricity services in New Clark City ("NCC"). The 9,450-hectare NCC is within the Clark Special Economic Zone in the towns of Capas and Bamban in Tarlac.

Phoenix Power Solutions, Inc. ("Phoenix Power") is a Retail Electricity Supplier wholly owned by *MERALCO*. Phoenix Power was established to provide electricity to contestable customers in the Subic Special Economic and Freeport Zone and Luzon through solutions tailored to each client's needs bundled with exceptional customer service. As of December 31, 2024, Phoenix Power has not started commercial operations.

2) Business of Issuer

The principal business of *MERALCO* is the distribution and sale of electric energy through its distribution network facilities in its franchise area. Its market is categorized into four (4) classes.

Following are the percentage contribution to sales of each customer segment based on kWh-sales:

	2024	2023	2022
Residential	35.81%	34.83%	35.06%
Commercial	37.56%	37.23%	35.58%
Industrial	26.36%	27.65%	29.07%
Streetlights	0.27%	0.29%	0.29%
TOTAL	**100.00%**	**100.00%**	**100.00%**

MERALCO and its subsidiaries operate and generate substantially all of their revenues in the Philippines. There is no single external customer which accounts from more than 10% of the consolidated revenues.

MERALCO sources the electricity it distributes from different power suppliers as follows (percentage are based on *kWh* purchased/sourced):

	2024	2023	2022
Independent Market Operator ("IEMOP") - Wholesale Electricity Spot Market or WESM	24.19%	18.47%	10.78%
First Gas Power Corporation ("FGPC") – Sta. Rita Power Plant and FGP Corp. ("FGP") – San Lorenzo Power Plant	19.90%	24.82%	27.28%
South Premier Power Corporation ("SPPC") – Ilijan Power Plant	15.84%	11.64%	13.47%
San Buenaventura Power Limited ("SBPL")	6.99%	5.45%	6.47%
Masinloc Power Partners Co., Ltd. ("Masinloc")	6.87%	5.23%	6.02%
Sual Power Inc. (SPI) – Sual Coal-fired Plant	6.45%	7.28%	9.67%
Quezon Power (Philippines) Limited	4.90%	4.53%	6.48%
AC Energy Philippines, Inc. ("AC Energy")	4.34%	5.36%	5.45%
Limay Power Inc. ("LPI")	2.98%	-	-
Therma Luzon, Inc. ("TLI") – Pagbilao Coal Plant	2.25%	5.04%	1.06%
Southwest Luzon Power Generation Corporation ("SLPGC")	1.92%	2.02%	2.05%
First NatGas Power Corporation ("FNPC")	0.76%	6.50%	6.25%
Sem-Calaca Power Corporation ("Sem – Calaca")	0.38%	0.40%	0.41%
Others	2.23%	3.26%	4.61%
TOTAL	**100.00%**	**100.00%**	**100.00%**

Franchise and Concession Agreements

MERALCO holds a congressional franchise under Republic Act ("RA") No. 9209 effective June 28, 2003. RA No. 9209 grants *MERALCO* a 25-year franchise valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. On October 20, 2008, the ERC granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity for the operation of electric service within its franchise coverage, effective until the expiration of *MERALCO*'s congressional franchise. On February 4, 2025, the Senate approved on third and final reading House Bill 10926 renewing *MERALCO*'s franchise for another 25 years starting 2028. This followed the same approval granted by the House of Representatives in November 2024 on the proposed measure. The consolidated bill which was endorsed to the Office of the President on March 14, 2025 is set to be enacted into law. The franchise area of *MERALCO* over specified areas in Luzon is approximately 9,685 square kilometers, covering 39 cities and 72 municipalities.

Clark Electric is a registered private distribution utility with a franchise granted by Clark Development Corporation ("CDC") to own, operate and maintain the electric distribution system and to

distribute power exclusively within its franchise area, which includes the Clark Freeport Zone and the sub-zones. The franchise of CEDC covers 320 square kilometers in Clark Special Economic Zone. The franchise of Clark Electric is valid until October 2047.

Shin Clark through a Joint Venture Agreement ("JVA") with BCDA, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare New Clark City located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. In accordance with the JVA, BCDA assigned its franchise to operate the electric distribution system in New Clark City, granted to it by the Congress under Republic Act No. 11420, to Shin Clark Power Corporation ("Shin Clark Power" or "Joint Venture Company").

BCDA's assignment of its franchise to Shin Clark Power, based on a valuation by a third-party independent appraiser, represents BCDA's contribution to Shin Clark in exchange for a 10% equity interest in Shin Clark Power. Shin Clark Power was incorporated and registered with the Securities and Exchange Commission ("SEC"). On March 22, 2023, the ERC granted Shin Clark Power a CPCN to operate as a DU.

MERALCO manages the electric distribution facilities of Pampanga Electric Cooperative II ("PELCO II") through Comstech under an Investment Management Contract ("IMC"). *MERALCO* also manages the electric distribution facilities in the Cavite Economic Zone ("CEZ") under a 25-year concession agreement with Philippine Economic Zone Authority ("PEZA").

Retail Competition and Open Access ("RCOA")

The transition period for RCOA commenced on December 26, 2012 in accordance with the joint statement released by the ERC and the DOE on September 27, 2012 and the Transitory Rules for the Implementation of RCOA (ERC Resolution No. 16, Series of 2012). The implementation of RCOA started on June 26, 2013.

On March 31, 2014, the ERC issued a resolution on the Withdrawal of the Rules on Customer Switching and the Retention of the Code of Conduct for Competitive Retail Market Participants. On the same date, ERC also issued a resolution adopting the Rules on the Establishment of Customer Information by the Central Registration Body ("CRB") and Reportorial Requirements, mandating all DUs to submit to the ERC and CRB information on end-users with (i) monthly average peak demand of at least one (1) MW for the preceding 12 months; and (ii) monthly average peak demand of 750 kW but not greater than 999 kW. The ERC will use these information in issuing the certificates of contestability.

On October 22, 2014, the ERC issued a resolution suspending the issuance of RES licenses. Under the resolution, the ERC resolves to hold in abeyance the evaluation of RES license applications and suspend the issuance of such licenses until such time that the amendments to the Rules for the issuance of RES licenses have been made by the ERC.

On July 1, 2015, the DOE published Department Circular No. DC2015-06-0010, "Providing Policies to Facilitate the Full Implementation of RCOA in the Philippine Electric Power Industry". The Circular essentially provided for mandatory contestability.

On March 8, 2016, the ERC promulgated Resolution No. 05 Series of 2016 entitled "A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to RES and Prescribing the Requirements and Conditions Therefor". The Resolution removed the term local RES as one of the entities that may engage in the business of supplying electricity to the contestable market without need of obtaining a license therefor from the ERC. Moreover, while an affiliate of a DU is allowed to become a RES, the allowance is "subject to restrictions imposed by the ERC on market share limits and the conduct of business activities".

On May 12, 2016, the ERC issued Resolutions No. 10 and 11, Series of 2016, which:

- Provided for mandatory contestability. Failure of a contestable customer to switch to RES upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) MW and June 26, 2017 for at least 750 MW) shall result in the physical disconnection from the DU system unless it is served by the supplier of last resort ("SOLR"), or, if applicable, procures power from the WESM;

- Prohibits DUs from engaging in the supply of electricity to the contestable market except in its capacity as a SOLR;

- Mandates Local RESs to wind down their supply businesses within a period of three (3) years;

- Imposes upon all RESs, including DU-affiliate RESs, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

- Prohibits RESs from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On May 27, 2016, *MERALCO* filed a Petition before RTC-Pasig, praying that: (a) a TRO and subsequently a Writ of Preliminary Injunction ("WPI") enjoining the DOE and ERC from implementing the assailed rules be issued; and the assailed rules be declared null and void for being contrary to the EPIRA and its IRR. In an Order dated June 13, 2016, RTC-Pasig granted a 20-day TRO, which became effective on June 16, 2016. In an Order dated July 13, 2016, RTC-Pasig granted a WPI, which became effective on July 14, 2016, and shall be effective for the duration of the pendency of the Petition.

Meanwhile, the ERC filed a Petition for Certiorari and Prohibition with prayer for TRO and/or WPI before the SC, which asserted that RTC-Pasig has no jurisdiction to take cognizance of *MERALCO*'s Petition, citing Sec. 78 of the EPIRA. A similar petition was subsequently filed by the DOE before the SC.

On October 10, 2016, the SC, in relation to the Petition filed by the DOE, issued a TRO that restrained, *MERALCO*, the RTC-Pasig, their representatives, agents or other persons acting on their behalf from continuing the proceedings before the RTC-Pasig, and from enforcing all orders, resolutions and decisions rendered in Special Civil Action No. 4149 until the petition before the SC is finally resolved. In a Resolution dated November 9, 2016, the SC denied *MERALCO*'s MR.

On November 2, 2016, in relation to the Petition filed by the ERC, the SC issued a Resolution dated September 26, 2016, which partially granted the Petition of the ERC. While the SC allowed the RTC-

Pasig to proceed with the principal case of declaratory relief, it nonetheless issued a Preliminary Mandatory Injunction ("PMI") against RTC-Pasig to vacate the preliminary injunction it previously issued, and Preliminary Injunction ("PI") ordering the RTC-Pasig to refrain issuing further orders and resolutions tending to enjoin the implementation of EPIRA. On November 14, 2016, *MERALCO* filed a Motion for Partial Reconsideration with Very Urgent Motion to lift PMI/PI.

On November 24, 2016, the ERC promulgated a resolution moving the contestability date of end users with an average monthly peak demand of at least one (1) MW from December 31, 2016 to February 26, 2017. On January 17, 2017, *MERALCO*, through its counsel, received an SC Resolution dated December 5, 2016, which consolidated the SC DOE Petition with the SC ERC Petition. The same resolution also denied the Motion for Partial Reconsideration filed by *MERALCO*.

In relation to the ERC and DOE Petitions, a separate Petition for Certiorari, Prohibition and Injunction was filed by several institutional customers. In said Petition, said customers sought to declare as null and void, as well as to enjoin the DOE and ERC from implementing DOE Circular No. 2015-06-0010 and ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016. Acting on the Petition, the SC en banc through a Resolution dated February 21, 2017, issued a TRO enjoining the DOE and the ERC from implementing DOE Circular No. 2015-06-0010 and ERC Resolution Nos. 5, 10, 11 and 28, Series of 2016. Pursuant to the foregoing, PEMC has taken the position that the TRO enjoined the voluntary contestability of 750 kW to 999 kW customers and has not allowed them to switch to the contestable market. The DOE, in a press release, has advised that it is in the process, together with PEMC and ERC, of drafting a general advisory for the guidance of RCOA stakeholders. The PCCI petition was consolidated with two (2) other separate petitions filed by an educational institution and several DUs. The DOE and ERC have also filed a consolidated comment on these petitions.

On November 29, 2017, the DOE issued two (2) DOE Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of RCOA for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of RCOA for RES in the Philippine Electric Power Industry. The DOE Circulars became effective on December 24, 2017.

Under the DOE Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under RCOA-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 kW to 749 kW for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 kW for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 22, 2017, *MERALCO* wrote ERC and DOE to seek guidance on the impact of the DOE Circulars in the light of the TRO issued by the SC. On January 17, 2018, the DOE responded that there is no legal impediment to the implementation of the DOE Circulars but it defers to the OSG for guidance on the legal aspect of the issuances. The ERC has yet to respond to MERALCO's letter.

In a Notice dated September 23, 2020, the ERC released its draft "Resolution Prescribing the Timeline for the Implementation of RCOA" for comments of interested parties. *MERALCO* submitted its comments thereto. On December 28, 2020, the ERC released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access

("RCOA")". In said Resolution, the ERC expanded the coverage of RCOA for end-users with an average monthly peak demand of at least 500 KW in the preceding 12 months, on a voluntary basis.

On September 24, 2021, MERALCO received a copy of the SC Decision wherein, among other matters, the ERC was also directed to promulgate the supporting guidelines to DOE Circular No. DC2017-12-0013 and DC 2017-12-0014.

Government Approval of Principal Products or Services

On June 9, 2003, Republic Act ("RA") No. 9209, otherwise known as the "An Act Granting the Manila Electric Company A Franchise To Construct, Operate and Maintain A Distribution System for the Conveyance of Electric Power to the End-Users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal and Certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga", was signed into law and took effect on June 28, 2003.

MERALCO distributes electricity to customers within its franchise area. It is subject to the rate-making regulations and regulatory policies of the ERC. *MERALCO*'s billings to customers are itemized or "unbundled" into a number of bill components that reflect the various costs incurred in providing electric service.

The adjustment of each bill component is governed by mechanisms promulgated and enforced by the ERC, mainly: (i) the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities", which govern the recovery of pass-through costs, including over- or under-recoveries in the following bill components: generation charge, transmission charge, system loss charge, inter-class rate and lifeline subsidies, local franchise and business taxes, as modified by ERC Resolution No. 2, Series of 2021 ("Rules on the Recovery of Pass-Through Taxes (Real Property, Local Franchise and Business Taxes) of Distribution Utilities") with respect to the recovery of local franchise and business taxes; and (ii) the "Rules for the Setting of Distribution Wheeling Rates" ("RDWR"), which govern the determination of *MERALCO*'s distribution, supply, and metering charges, as modified by ERC Resolution No. 2, Series of 2021 with respect to the recovery of real property taxes.

Similarly, the Distribution rates billed by Clark Electric are approved by the ERC and are set at rates that allow a reasonable rate of return on investments, Clark Electric's rate structure also allows pass-through of certain purchased power costs based on approved PSAs, system loss charge up to an annual cap enforced by the ERC, as well as taxes, among others.

Government Approval and Regulation

Energy Regulatory Agency

In accordance with the Electric Power Industry Reform Act of 2001 ("*EPIRA*"), *MERALCO*, as a Distribution Utility and Electric Power Industry Participant, is subject to regulation by the *ERC* and recognizes the rate-making policies of the *ERC*.

Costs and Effects of Compliance with OSH and Environmental Laws

Organizational Safety

MERALCO remains committed to upholding the rights of its employees and stakeholders to a safe and healthy work environment. As part of this commitment, the Company affirms its unwavering dedication to compliance with all applicable legal and regulatory requirements, particularly the provisions of R.A. 11058, known as the Occupational Safety and Health Standards Act. In 2024, *MERALCO* maintained full compliance with the said requirements and successfully passed all random Department of Labor and Employment audits across its various operating facilities. As a result of strict compliance with all applicable regulatory requirements and concerted efforts to keep employees safe, the Company logged in 15 million safe man-hours. While the number of lost time injuries increased compared to the previous year, this presents an opportunity for the Company to enhance its safety protocols and further improve its overall safety performance.

The Company prioritizes the safety and well-being of its employees by implementing a range of robust Occupational Safety and Health (OSH) programs. Through its flagship campaign TARGET ZERO, Zero Incident, Zero Harm, and specialized programs such as the First Working Day Safety Campaign, the "safety first" mindset is embedded at every level of the Company. The introduction of Behavior-Based Safety program to *MERALCO* focuses on modifying unsafe practices and reinforcing safe behaviors to prevent workplace accidents. Additionally, the Safety Roadshow has strengthened collaboration between employees and management. This collaborative approach not only reinforced the Company's commitment to safety but also underscored the value of open communication in fostering a safety culture.

Moreover, *MERALCO*'s commitment to employee safety goes beyond mere compliance and campaigns, as reflected in its comprehensive suite of OSH training programs. The 8-hour Mandatory OSH Seminars ensure all employees are well-versed in fundamental safety protocols, while the foundational Basic Occupational Safety and Health (BOSH) course serves as a cornerstone, providing line supervision with essential principles and practices in occupational safety. The Hazard Identification and Risk Assessment, as well as the Accident Investigation and Reporting training, contribute to a comprehensive safety culture by capacitating employees to proactively address potential risks and ensure a prompt and thorough response to incidents. Additionally, the Defensive Driving Course, Safe Motorcycle Riding Seminar, and Heavy Equipment Operation impart crucial knowledge to those operating company vehicles, emphasizing safe driving practices and accident prevention. Furthermore, a Safety Summit for *MERALCO* professionals to enhance the culture by providing training, discussion, and networking opportunities aimed at improving safety standards and practices.

Lastly, *MERALCO*'s commitment to OSH is characterized by a proactive integration of innovation and sustainability into its Safety Innovation program. By embracing technological advancements, fostering a culture of innovation, prioritizing sustainability, and promoting collaboration, the Company not only ensures the safety of its workforce but also sets a benchmark for excellence in OSH practices within the industry.

Environment Management

Ensuring compliance with environmental regulations is a critical aspect of *MERALCO*'s operations. The company remains aligned with the requirements set by the Department of Environment

and Natural Resources - Environmental Management Bureau (DENR-EMB), Laguna Lake Development Authority (LLDA) and other environment regulatory bodies. Failure to understand and comply with any changes in their regulations can result in violations and monetary penalties. In 2024, *MERALCO* secured 273 permits, consisting of 63 new permits and 210 renewals/amendments. Additionally, the Company submitted 1,317 environmental monitoring reports to ensure ongoing environmental compliance.

To further enhance the environmental management knowledge and skills of *MERALCO*'s Pollution Control Officers and Managing Heads, the Company conducted 18 training sessions. Of these, seven (7) focused on regulatory compliance, while 11 addressed various environmental programs.

Effective waste management plays a key role in *MERALCO*'s environmental strategy. In 2024, the Company generated a total of 2,169 metric tons (MT) of hazardous waste, including electronic waste, used oil, and lead-acid batteries. These wastes were disposed of through a DENR-EMB-registered transporter and treater. *MERALCO* also generated 2,163 MT of non-hazardous solid waste, achieving a 95% diversion rate. Through its participation in the Philippine Business for Social Progress (PBSP) X-Trash Challenge, *MERALCO* collected and recycled 60.50 MT of plastics, paper, and metal, partnering with certified recycling companies for proper disposal.

MERALCO is committed to optimizing its water and electricity usage. Through its Resource Conservation and Efficiency Program (RCEP), *MERALCO* successfully reduced electricity consumption by 4% and water consumption by 10% compared to pre-pandemic levels in 2019. These impressive reductions were achieved through the implementation of energy- and water-saving initiatives across all of its operational facilities.

Disaster Resiliency

MERALCO continues to enhance its emergency management capability as it recognizes the importance of disaster preparedness to organizational resiliency. With its steadfast commitment to protect its employees and stakeholders, *MERALCO* has adopted the Disaster Risk Reduction and Management (DRRM) and the ISO 22301:2019 Business Continuity Management System (BCMS) frameworks to strengthen the organization's resilience. This proactive approach underscores the value of employee awareness, capacity building, and external engagements in ensuring life preservation and business continuity amidst disasters.

In 2024, a total of 17 trainings and orientations and three (3) webinars (earthquake, fire, and emergency preparedness) were facilitated by both internal and external resource persons, which garnered almost 5,000 attendees. These focused on the application of DRRM, provisions of the ISO22301:2019 BCMS Standard, and emergency response skills enhancement, such as Basic Skills for Responders Training, Boat Operations Training, Incident Command System, Emergency Operations Center, and Chemical Spill Response and Management. Furthermore, 3 awareness posters were released in observance of the Fire Prevention Month and 4 earthquake drills, 2 evacuation drills, and 6 fire training exercises were completed for the year.

In terms of capacity building, the *MERALCO* Rescue Program has been pivotal in enhancing *MERALCO*'s capability to respond and recover from natural hazards. Its manpower has been

complemented by highly trained employee-volunteers, security personnel, and Bureau of Fire Protection (BFP) special rescue force. The *MERALCO* Rescue Fire Station serves as their emergency base and houses *MERALCO's* patient transport vehicle (PTV), licensed basic life support ambulances, fire truck, water tankers, rescue tenders, and mobile filtration systems.

From January to December 2024, the *MERALCO* Rescue Program has performed 526 Emergency Medical Services (EMS) runs with an average response time of one (1) minute and 33 seconds within its area of responsibility (AOR), 356 Fire Brigade (FB) runs with an average emergency response time of 4 minutes and 6 seconds within its AOR, and 52 operational activities for Search and Rescue Unit (SRU), mostly resulting from the onslaught of strong typhoons and La Niña-like conditions experienced in 2024 – catering not only to *MERALCO* employees but also to nearby communities. They also participated in external events, such as the Feast of the Black Nazarene, National Fire Olympics, Music festivals, and BFP's initiatives (i.e., Fire Square roadshows, fire drills, visibility activities, and flood monitoring).

Because of the unwavering support from the management and untiring commitment from the *MERALCO* Rescue members and volunteers in serving both the company and the community, *MERALCO* received certificates of appreciation from the Minor Basilica and National Shrine of Jesus Nazareno Archdiocese of Manila, Pasig City Local Government Unit, and Bureau of Fire Protection for *MERALCO*'s active participation in their respective resilience initiatives. Moreover, *MERALCO* also won second runner-up in the over-all standing and silver medal for the fire hose event during the 2024 National Fire Olympics under Industrial Category. Lastly, the *MERALCO* Rescue Program won an "Award of Merit" from the 20th Philippine Quill Awards entitled, "*MERALCO* Rescue: Leveraging *MERALCO's* Corporate Resiliency for Social Responsibility and External Collaborations" which highlighted the importance of partnerships with external agencies, employee volunteerism, and emergency preparedness awareness among employees through a unique branding where the community sees another identity of *MERALCO* – a private enterprise rescue unit ready to provide support to the community it serves.

Number of Employees

As at December 31, 2024, MERALCO has a total of 6,027 regular employees (Managerial/Executive - 1,701, Supervisory – 3,031 and Rank and File – 1,295) covered by two (2) unions, namely, First Line Association of MERALCO Supervisory Employees ("FLAMES") and MERALCO Employees and Workers Association ("MEWA"). The Company has existing Collective Bargaining Agreements with these unions expiring on November 30, 2027 (FLAMES) and November 30, 2025 (MEWA). *MERALCO* does not expect that there will be significant hiring nor reduction of employees in the next 12 months.

Item 2. Properties

MERALCO's assets include utility plant assets, which are part of the regulatory asset base ("RAB"). RAB consists of electrical capital assets and non-electric capital assets. In addition, *MERALCO* also holds assets held for future substation or branch sites or retired office or sector sites, which are recognized as "Investment Properties" in the consolidated statement of financial position.

MERALCO's facilities in Pasig City host the networks system, which is the heart of the electric distribution operations, the telecommunications and trunk radio system, logistics process, customer retails services and other support services organizations.

As at December 31, 2024, in addition to the head office, *MERALCO* has 10 networks sector offices, 39 business centers and 16 customer centers or extension offices. Its network facilities consist of 151 substations (total capacity of 22,577 MVA), 999 circuits (sub-transmission and distribution) with linear length of 1,076 circuit-kms. for sub-transmission lines, 20,152 circuit-kms. of primary lines and 22,725 circuit-kms. secondary lines) and 230,658 distribution transformers in service (total capacity of 19,622 MVA).

Separately, Clark Electric facilities consist of sub-transmission and distribution assets and buildings and improvements located in CSEZ. Clark Electric distribution facilities include six (6) substations with a capacity of 100 MVA at 230 kV – 69 kV level and 283 MVA at 69 kV – 13.8 kV level (energize). Its present distribution network consists of 2,228 distribution transformers, 52.6 circuit-km. linear length of sub-transmission lines, 185.98 circuit-km. linear length of primary lines, and 33.33 circuit-km. linear length (133.30 conductor length) of secondary lines.

With an aggregate substation capacity of 383 MVA, Clark Electric is well-positioned to meet the power demands of its customers for the next three (3) to five (5) years. By the end of 2024, Clark Electric's robust distribution network is valued at ₱1.674 billion, reflecting its commitment to infrastructure development and service reliability.

Clark Electric remains dedicated to expanding its asset base and upgrading its distribution network to ensure power adequacy, stability, reliability, and quality at a reasonable cost.

Planned power interruptions in 2024 were significantly reduced, while the frequency of unplanned power outages was minimized to an average of 1.22 times. Notably, the system loss for the year stood at just 2.28%, significantly below the regulatory cap, positioning Clark Electric among the country's most efficient distribution utilities.

To address growing demand and enhance service quality, Clark Electric is set to implement key upgrades under its smart grid initiatives. These include the installation of Remote-Controlled Line Reclosers (RCLRs) and Online Condition Monitoring Systems. These enhancements will optimize the Advanced Distribution Management System (ADMS), further strengthening system reliability, flexibility, and overall operational efficiency.

MGen, through its subsidiaries, SPNEC, First Bulacan, GSEI, PHRI, Atimonan Land Ventures Development Corporation ("ALVDC") and Calamba Aero Power Corporation ("CAPC"), owns several

parcels of land for the development and construction of power plant projects. The land of ALVDC, located in Atimonan, Quezon, is intended to be used by A1E for its power plant project while the land of CAPC is held for future power plant project in Calamba, Laguna. A1E is a subsidiary of MGen. GBPC and its subsidiaries own coal and diesel power plants, including several parcels of land and buildings, in the Visayas and Mindanao islands. MGreen and its subsidiaries own solar power plants, including several parcels of land and buildings in Bulacan, Ilocos Norte, Rizal, Batangas, Tarlac and Nueva Ecija.

Radius, *MERALCO*'s telecommunications subsidiary, has 10,626 kilometers of fiber optic cables and telecommunications infrastructure in certain parts of Metro Manila, Bulacan, Rizal, Cavite, Laguna, Batangas, Pampanga and Cebu.

For more information on these properties, see Note 7 – Utility Plant, Generation Plant and Others to the accompanying audited consolidated financial statements in Item 7.

The properties of the DUs (*MERALCO* and Clark Electric) are located within the respective franchise areas to efficiently serve their customers. These properties are in good condition, except for ordinary wear and tear, and are adequately insured.

The properties of *MERALCO* and its subsidiaries are free from any mortgage, charge, pledge, lien or encumbrance except for the power plant complex of PHRI and the generation plant and equipment of First Bulacan which are pledged as securities for the long-term debt.

The *MERALCO* Group also has various lease contracts as lessee for periods ranging from one (1) year to 30 years covering certain office spaces, payment offices and substation sites and towers. The MERALCO Group incurred rent expense of ₱787 million and ₱842 million for the years ended December 31, 2024 and 2023, respectively.

The *MERALCO* Group has a Board-approved annual capital expenditure budget which mainly represents planned expenditures for the electric capital projects of the power distribution business and power generation projects. Power generation projects consist of A1E's development of a power plant project in Atimonan, Quezon, and solar power plants including 49 MWac in Cordon, Isabela, 450 MWac in Bugallon, Pangasinan, 110 *MWdc*/90*MWac* floating solar facility in Laguna de Bay and 3.5-*GWp* solar power plant with a 4,500-*MWhr* battery energy storage system of Terra Solar. . The distribution utility capital expenditure budget shall address the requirements in areas with large concentration of core customers, correct normal deficiencies in the system, stretch loading limits of *MERALCO* facilities and initiate practical and cost-effective projects to correct system deficiencies. These capital expenditures are financed through funds from operating and financing activities of *MERALCO*.

Item 3. Legal Proceedings

In accordance with the Securities Regulation Code Implementing Rules and Regulations, the following are the material legal proceedings to which the registrant (also referred to as, *MERALCO*,) is a party, or to which any of their property is a subject, including pending claims for damages against the registrant exceeding ten percent (10%) of its current assets:

1. **In the matter of the Joint Application for Approval of the Settlement Agreement between Manila Electric Company ("MERALCO") and National Power Corporation ("NPC"), with Prayer for Provisional Authority, National Power Corporation and Manila Electric Company, Applicants**
   ERC Case No. 2004-109
   (Filed by NPC and *MERALCO* on April 15, 2004)

This is a joint application filed by *MERALCO* and the NPC for the approval of their Settlement Agreement ("SA") which resolved their dispute concerning their 10-year Contract for Supply of Electricity ("CSE").

Under the SA, NPC acknowledged and accepted the losses incurred by *MERALCO* due to NPC's act of serving directly connected customers in violation of *MERALCO*'s franchise rights, and for transmission line delays affecting *MERALCO*'s Independent Power Producers ("IPPs"). On the other hand, *MERALCO* shall pay NPC the net settlement amount of ₱14,320 million, representing NPC's minimum charges corresponding to the fixed costs it incurred for the period 2002-2004. Variable costs, such as fuel and similar operating expenses that were not incurred by NPC, were not included in the minimum charge computation. Proceedings in this case remain suspended. However, with the final resolution on the validity of the SA by the Supreme Court ("SC") discussed below, *MERALCO* is preparing to file the proper motion in order to revive the proceedings in this case.

MERALCO v. NPC, Power Sector Assets and Liabilities Management Corporation ("PSALM"), and the Republic of the Philippines, represented by the Office of the Solicitor General
S.C.A. Case No. 3392, RTC Pasig City, Branch 71
(Filed on November 23, 2009)

MERALCO v. NPC, PSALM, and the Republic of the Philippines, represented by the Office of the Solicitor General
CA-GR CV No. 99110, Court of Appeals

Republic of the Philippines v. MERALCO v. NPC, PSALM
GR No. 212268, Supreme Court

In connection with the SA between *MERALCO* and NPC, *MERALCO* filed a petition seeking the declaration by the Regional Trial Court ("RTC") Pasig that said SA, independent of the pass-through provision which is reserved for approval by the Energy Regulatory Commission ("ERC"), is valid and binding.

The RTC Pasig rendered a Decision dated May 29, 2012 declaring the SA, independent of the pass-through provision which is reserved for ERC approval, valid and binding. The Office of the Solicitor General ("OSG") filed a Notice of Appeal and, in an Order dated June 28, 2012, the RTC Pasig forwarded the records to the Court of Appeals ("CA") for appeal proceedings.

In a Notice dated October 16, 2012, the CA required the OSG to file its appeal brief. Acting on a motion for extension filed by the OSG, the CA, in a Resolution dated December 20, 2012, granted the OSG the maximum extension of 90 days, or until March 20, 2013, within which to file its appeal brief. Both parties have submitted their respective appeal briefs. In a Decision dated April 15, 2014, the CA affirmed the validity of the RTC Pasig Decision.

The OSG then filed a Petition for Review with the SC to question the CA Decision. In a Resolution dated September 28, 2022, the SC denied the Petition filed by the OSG and affirmed the validity of the SA. The OSG filed a Motion for Reconsideration dated November 15, 2022. In a Resolution dated April 3, 2024, the SC denied the Motion for Reconsideration filed by the OSG. As of December 31, 2024, Entry of Judgment has been issued.

2. In the Matter of the Application for the Approval of the Unbundled Rates Pursuant to the Provision of Republic Act No. 9136, MERALCO, Applicant
ERC Case No. 2001-900 RC
(Filed on October 30, 2001)

In connection with the decision of the SC in G.R. Nos. 166769 and 166818, where the ERC was directed to request the Commission of Audit ("COA") to undertake a complete audit of the books, records and accounts of *MERALCO*, the COA submitted its Report No. 2009-01 on the rate audit of the unbundled charges of *MERALCO* for calendar years 2004 to 2007 to the ERC.

In an Order dated June 21, 2011, the ERC, acting on the COA Audit Report, resolved to maintain and affirm its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 20, 2003 in the original unbundling case.

National Association of Electricity Consumers for Reforms, Inc. ("NASECORE") filed its motion for reconsideration of the Order, which was opposed by *MERALCO*. In an Order dated February 4, 2013, the ERC denied NASECORE's motion for reconsideration for lack of merit.

NASECORE v. ERC and MERALCO
C.A.-G.R. SP No. 129052
(Petition dated April 2, 2013)

National Association of Electricity Consumers for Reforms, Inc. (NASECORE) v. Energy Regulatory Commission, Manila Electric Company and the Commission on Audit
G.R. No. 226443
(Petition dated September 30, 2016)

NASECORE filed a Petition for Review before the CA questioning the June 21, 2011 and February 4, 2013 Orders of the ERC. In a Decision dated February 29, 2016, the CA denied the petition

filed by NASECORE. NASECORE's motion for reconsideration was denied in a Resolution dated August 18, 2016.

NASECORE then filed a Petition for Review on Certiorari with the SC to assail the CA Decision and Resolution. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by NASECORE, which among other things, (i) voided the adoption by the ERC of the current or replacement cost in the valuation of *MERALCO*'s Regulatory Asset Base; and (ii) remanded the case to ERC to determine, within 90 days from finality of the Decision. *MERALCO*, the DU intervenors and the ERC filed their respective motions for reconsideration. As at December 31, 2024, the motions for reconsideration remain pending before the SC.

3. In the Matter of the Application for Refund of Overcharge (sic) Distribution Rates in the Residential Rates of ₱39 Billion in 2004-2007.
ERC Case No. 2008-092 CC
(Filed by the Applicant on July 15, 2008)

This application was filed against *MERALCO* by a customer, seeking the refund to residential consumers a total of ₱39 billion on the ground that *MERALCO* allegedly overcharged its distribution costs (distribution, metering, supply and systems loss charges) for the period of 2004-2007. *MERALCO* received the Joint Memorandum filed by the NASECORE, Federation of Village Association ("FOVA") and Federation of Las Piñas Village Association ("FOLVA") on October 22, 2008. *MERALCO* filed its Memorandum on October 24, 2008, while it received the customer's Memorandum on October 28, 2008. On September 14, 2010, the ERC issued a Decision dismissing the case. The customer filed a motion for reconsideration which, as at December 31, 2024, is pending resolution by the ERC.

4. In the Matter of the Application for Approval of: a) an Interim Average Rate ("IAR"); and b) Translation of the IAR into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2015-112 RC
(Filed on June 11, 2015)

On June 11, 2015, *MERALCO* filed its application for the approval of its proposed IAR of ₱1.3939 per kWh and translation thereof into rate tariffs by customer category. On July 10, 2015, the ERC provisionally approved an IAR of ₱1.3810 per kWh and the rate translation per customer class, which was reflected in the customer bills starting July 2015. Hearings on the case have been completed.

In a letter dated June 14, 2019, *MERALCO* advised the ERC that it shall continue implementing the existing ERC-approved IAR pending the regulatory reset process. In a letter dated July 4, 2019, the ERC authorized the continued implementation of the interim average rate but directed *MERALCO*, as well as other DUs, to refund any remaining amount pertaining to regulatory reset cost for the previous regulatory periods. While *MERALCO* complied with the directive to refund the total amount of ₱263.9 million, equivalent to ₱0.0731 per kWh in its July 2019 billing, it wrote a letter seeking clarification or reconsideration on the basis for the refund of the regulatory reset cost, including the imposition of and basis for the interest computed therein. The refund was included as a separate line item in *MERALCO*'s July 2019 billing to its customers and has been completed. The ERC has yet to reply to *MERALCO*'s

letter. However, in a letter dated April 29, 2022, the ERC directed all DUs to submit the schedule of its regulatory reset cost collection remaining balance to date. *MERALCO* has submitted the information requested by the ERC.

In a Decision dated June 16, 2022, which was received by *MERALCO* on July 13, 2022, the ERC approved a revised and final IAR of ₱1.3522 per kWh which shall be implemented as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The ERC likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the ERC-approved IAR of ₱1.3522 per kWh until otherwise directed. *MERALCO* implemented the Decision starting its August 2022 billing. The Decision is now final and executory.

5. In the Matter of the Application for Approval of: a) Confirmation of the True-Up Calculation of the Actual Weighted Average Tariff ("AWAT") vis-à-vis ERC-Approved Average Rate Implemented for the Lapsed Regulatory Years; and b) Approval of the Final Refund Scheme to Account for the Lapsed Regulatory Years, with Prayer for Provisional Authority, MERALCO, Applicant.
ERC Case No. 2020-043 RC
(Filed on December 23, 2020)

On December 23, 2020, *MERALCO* filed an Application for: (1) confirmation of the true-up calculation of the Actual Weighted Average Tariff ("AWAT") vis-à-vis ERC-approved average rate for the lapsed regulatory years; and (2) approval of the final refund scheme to account for the lapsed regulatory years. The lapsed regulatory years covered the period from June 30, 2015 to November 2020 when *MERALCO* implemented the IAR.

MERALCO prayed that a Decision be rendered:

a. Approving *MERALCO*'s proposed mechanism to address the issue of the rates governing the lapsed period from July 2015 to November 2020 through the true-up mechanism between *MERALCO*'s AWAT and IAR;

b. Confirming *MERALCO*'s resulting calculation of the total amount to be refunded from its customers in the total amount of ₱13.886 million;

c. Approving *MERALCO*'s proposed refund scheme and refund period, within 24 months or until fully refunded, to its customers;

d. Declaring all issues relating to *MERALCO*'s lapsed period (and until a new rate has been determined by the ERC for the next regulatory period), as resolved, closed and terminated with prejudice.

The initial hearing was on February 16, 2021. In an Order dated January 27, 2021, the ERC granted *MERALCO* provisional authority to implement the refund. The refund will be reflected as a separate line item in the billings to customers. The refund was implemented starting March 2021 billing.

In an Order dated February 23, 2022, which was received on March 7, 2022, the ERC issued an Order where it expanded the period covered by the refund to include December 2020 to December 2021. As such, *MERALCO* was directed to refund the total amount of ₱4,837 million, or an average refund rate

of ₱0.1064/kWh, covering the period from December 2020 to December 2021 beginning the billing cycle immediately following receipt of the Order. *MERALCO* implemented the revised refund rate starting its March 2022 billing.

In a Decision dated June 16, 2022, the ERC approved the application subject to certain conditions and modifications. *MERALCO* was directed to refund the additional amount of ₱21,769 million, or an average refund rate of ₱0.4790 per kWh, covering the period from July 2015 to June 2022. The refund shall be implemented over approximately 12 months, or until fully refunded. *MERALCO* implemented the Decision starting its July 2022 billing. The amounts were fully refunded in the May 2023 billing. In a letter dated June 14, 2023, *MERALCO* informed the *ERC* that the implementation of the refunds resulted in an over-refund of ₱860 million and proposed the recovery of such over-refund based on a fixed rate per *kWh* consumption in 12 months. As at December 31, 2024, the *ERC* has not responded to *MERALCO*'s letter.

In an Order dated January 25, 2024, received by MERALCO on June 13, 2024, the ERC denied the motions for reconsideration and affirmed its Decision dated June 16, 2022. An intervenor/consumer has filed a Petition for Review while another intervenor/consumer filed a Petition for Certiorari both with the CA. Similarly, on 1 August 2024, *MERALCO* received a copy of the Petition for Certiorari filed by a consumer group with the SC. As at December 31, 2024, all Petitions are pending before the CA/SC.

6. In Re Petition for Dispute Resolution. MERALCO v. Philippine Electric Market Corporation ("PEMC"), National Transmission Corporation ("TransCo"), National Power Corporation ("NPC") and Power Sector Asset and Liabilities Management Corporation ("PSALM")
ERC Case No. 2008-083 MC
(Filed on September 9, 2008)

PSALM vs. ERC, MERALCO and PEMC
CA GR. SP. No. 132446
(Petition received on October 24, 2013)

PSALM vs. ERC, MERALCO and PEMC
G.R. No. 219977
(Petition received on October 27, 2015)

This is a petition filed by *MERALCO* for dispute resolution against PEMC, TransCo, NPC and PSALM as a result of the congestion in the transmission system of TransCo arising from the outage of the San Jose-Tayabas 500 kV Line 2 on June 22, 2008, followed by the outage of the 500 kV 600 MVA Transformer Bank #2 of TransCo's San Jose, Bulacan substation on July 11, 2008. The petition seeks, among others, to direct NPC and PSALM to refund the transmission line loss components of the line rentals associated with NPC/PSALM bilateral transactions from the start of Wholesale Electricity Spot Market ("WESM") operation on June 26, 2006.

In a Decision dated March 10, 2010, the ERC granted *MERALCO*'s petition and ruled that there is double charging of the transmission line cost on *MERALCO* by NPC for the Transition Supply Contract ("TSC") quantities to the extent of 2.98% loss factor, since the start of the TSC in November 2006. Thus,

NPC was directed to refund/collect line rental adjustment to/from *MERALCO*. In the meantime, the ERC issued an Order on May 4, 2011 allowing PEMC to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the WESM. PEMC has filed its compliance submitting its alternative methodology.

In an Order dated March 4, 2013, the ERC approved the methodology proposed by *MERALCO* and PEMC in computing the double charged amount on line losses by deducting 2.98% from the NPC-TOU amount. Accordingly, the ERC determined that the computed double charge amount to be collected from NPC is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the NPC-TOU rates imposed on *MERALCO*. In this regard, NPC was directed by the ERC to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.944 million per month until the over-recoveries are fully refunded. In said Order, the ERC likewise determined that the amount to be collected from the Successor Generating Companies ("SGCs") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following SGCs: Masinloc Power Partners Co. Ltd. ("*MPPCL*"), Aboitiz Power Renewables, Inc. ("*APRI*"), TLI, San Miguel Energy Corporation ("SMEC") and Sem-Calaca Power Corporation ("SCPC"), within 30 days from receipt thereof, to recover the line loss collected by them. On April 30, 2013 and May 8, 2013, PSALM and NPC, respectively, filed motions seeking reconsideration of the March 4, 2013 Order.

In an Order dated July 1, 2013, the ERC issued the following clarifications/resolutions: 1) SPPC should be included as one of the SGCs against whom a petition for dispute resolution should be filed by *MERALCO*; 2) Amount to be refunded by NPC is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its TOU rates and Petition to be filed by *MERALCO* against the SGCs should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its TOU rates; 3) "SCPC Ilijan" pertains to SPPC instead. Thus, the refundable amount of ₱706 million pertaining to "SPPC Ilijan" should be added to SPPC's refundable amount of ₱1.1 billion; 4) Grant the "Motion for Extension" filed by *MERALCO* and directed *MERALCO* to file a petition against the following SGCs: MPPCL, APRI, TLI, SMEC, SCPC and SPPC, otherwise, it shall be the one liable to refund the subject amount to its customers; and 5) deny the respective Motions for Reconsideration ("MR") filed by NPC and PSALM.

On October 24, 2013, *MERALCO* received PSALM's Petition for Certiorari with the *CA* (With Urgent Temporary Restraining Order and/or Writ of Preliminary Mandatory Injunction Applications) to question the March 4, 2013 and July 1, 2013 Orders of the ERC. On December 1, 2014, the CA issued a decision dismissing the Petition for Certiorari filed by PSALM against the ERC, *MERALCO* and PEMC and affirming ERC's ruling on the refund of the ₱5.2 billion of transmission line losses double charged by PSALM and NPC. On January 30, 2015, PSALM filed its MR of the December 1, 2014 Decision of the CA. In a Resolution dated August 11, 2015, the CA denied PSALM's MR.

On October 27, 2015, *MERALCO* received PSALM's Petition for Review with the SC. The Petition has been given due course and the parties have filed their respective memoranda. As at December 31, 2024, *MERALCO* is still awaiting further action of the SC on the Petition.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SMEC and SCPC
ERC Case No. 2013-077 MC

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SMEC and SCPC in compliance with the March 4, 2013 and July 1, 2013 Orders of the ERC. Said Petition sought the following reliefs: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion inclusive of the ₱758 million line loss amount for the period September 2012 to June 25, 2013, from said SGCs; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, and when the same are received from the SGCs, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund to the computed monthly generation rate. On September 20, 2013, *MERALCO* received the SGCs' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion. As at December 31, 2024, *MERALCO* is awaiting the ERC's resolution of the SGCs' Joint Motion to Dismiss.

7. Bayan Muna Representatives Neri Javier Colmenares and Carlos Isagani v. ERC
NASECORE, et. al. v. MERALCO and ERC
SC G.R. Nos. 210245 and 210255
Filed: December 19, 2013

On December 19, 2013, several party-list representatives in Congress filed a Petition docketed as G.R. 210245 before the SC questioning the ERC's approval of *MERALCO*'s proposed staggered recovery of the increase in generation charge for the November 2013 supply month, allegedly for lack of due process. The increase in the generation charge was from ₱5.6673 per kWh in the November 2013 billing to ₱9.1070 per kWh for the December 2013 billing which *MERALCO* proposed to recover in three (3) tranches. A similar Petition was filed on December 20, 2013 challenging *MERALCO*'s automatic rate adjustments and increases, also allegedly for lack of due process. This Petition was docketed as G.R. 210255. Both Petitions prayed for the issuance of Temporary Restraining Order ("TRO") and Writ of Preliminary Injunction pending resolution of the case.

On December 23, 2013, the SC issued an Order consolidating the two (2) Petitions and granting the application for TRO effective immediately and, for 60 days, enjoining (1) ERC, its agents, representatives, or persons acting in its place and stead, from implementing its December 9, 2013 Order and acting further on the letter request of *MERALCO* dated December 5, 2013; and (2) *MERALCO*, its agents, representatives, or persons acting in its place and stead, from increasing the rates it charges to its consumers based on the matters it raised in its December 5, 2013 letter. Said Order likewise set the cases for oral arguments on January 21, 2014 and required respondents ERC and *MERALCO* to file their respective Comments on the cases. On January 8, 2014, *MERALCO* filed its Consolidated Comment/Opposition with Counter-Petition. In keeping with the spirit and intent of the SC, *MERALCO* maintained the pass-through charges at the November 2013 billing level for its January 2014 billing to customers.

On January 10, 2014, *MERALCO* received a related Petition for Certiorari, Prohibition and Mandamus filed before the SC by Rep. Hicap (Anak Pawis), et. al, docketed as G.R. No. 210334. In a Resolution dated August 1, 2023, the SC dismissed the Petition.

On January 21, 2014, *MERALCO* received another related Petition, dated January 16, 2014, which was filed before the SC by Mr. Augusto L. Syjuco, Jr. in his capacity as taxpayer and *MERALCO* customer. During the January 21, 2014 hearing, the SC, among other things, set the cases for additional hearings on February 4 and 11, 2014.

On February 18, 2014, the SC extended the TRO for another 60 days, or until April 22, 2014, and expanded the coverage to include the generation companies, PEMC and NGCP to enjoin them from collecting from *MERALCO*. In its Resolution dated April 22, 2014, the SC extended the TRO indefinitely.

In a Decision promulgated on August 3, 2022, the SC affirmed the December 9, 2013 ERC letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the ERC March 3, 2014 Order which voided the Luzon WESM prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The ERC and the petitioners filed motions for reconsideration which were denied with finality in the SC Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the ERC on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. In a letter dated December 11, 2023, the ERC invited *MERALCO* and Independent Electricity Market Operation of the Philippines ("IEMOP") to a meeting on January 4, 2024 to discuss its proposed implementation of the Decision. In a letter dated March 12, 2024, as directed by the ERC, *MERALCO* and IEMOP informed the ERC that it has jointly determined the amounts to be collected by IEMOP from *MERALCO* with respect to the November and December 2013 supply periods. As at December 31, 2024, MERALCO is awaiting the ERC's response on this matter.

ATTY. ISABELO JOSEPH P. TOMAS II, in his capacity as the Investigating Officer of the Investigatory Unit Constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 v. Manila Electric Company (MERALCO) and Therma Mobile, Inc. (TMO)
ERC Case No. 2015-025 MC
Complaint dated May 9, 2015

Manila Electric Company v. Energy Regulatory Commission and Director Alfredo R. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulatory Commission
CA-G.R. SP No. 152612
(consolidated with the Petitions filed by TMO and APRI docketed as CA-GR SP Nos. 152588 and 152613)
Petition filed on September 19, 2017

Energy Regulatory Commission v. Therma Mobile, Inc., Manila Electric Company, and AP Renewables, Inc.
G.R. Nos. 244449 and 244455-56

On December 26, 2013, the ERC constituted the Investigating Unit ("IU") under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the WESM during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the IU filed a Complaint dated May 9, 2015 against *MERALCO* and TMO for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the EPIRA and Rule 11, Section 1 and 8(e) of the EPIRA IRR. In an Order dated June 15, 2015 the ERC directed *MERALCO* to file its comment on the Complaint. *MERALCO* and TMO have filed their respective answers to the Complaint.

MERALCO likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by TMO in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission ("PCC") which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the ERC denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the ERC denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its MR to the Order on February 23, 2017. In an Order dated June 20, 2017, the ERC denied the MR. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the CA. TMO also filed a separate Petition for Review on Certiorari with the CA. In a Resolution dated January 10, 2018, the CA ordered the consolidation of the petitions of TMO and *MERALCO*. In a Decision dated May 23, 2018, the CA denied the consolidated Petitions filed by *MERALCO*, TMO, and APRI, and ruled that the jurisdiction to resolve the IU cases remains with the ERC because the Philippine Competition Act ("PCA") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an MR with the CA. The ERC likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the PCC over cases involving alleged anti-competitive conduct supposedly because the PCA did not repeal Section 45 of the EPIRA.

In a January 28, 2019 Resolution, the CA denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the PCC now holds original, exclusive, and primary jurisdiction over all competition-related cases, the CA reiterated its view that the PCA has no retroactive effect. The ERC elevated the CA Decision to the SC. *MERALCO*, TMO and APRI have all filed their respective manifestations before the SC. In a Resolution dated September 29, 2021, the SC affirmed the CA in that the ERC had jurisdiction over these cases as they were filed before the enactment of the PCA. However, the SC did not rule on whether the PCC and the ERC now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the ERC called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the SC. The ERC then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (a) resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (b) cancel the August 27, 2021 Pre-trial conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the ERC stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the ERC will first resolve *MERALCO*'s motions. The ERC also issued an open court order denying the motion of the ERC IU that the case be resolved through the submission of the position papers and other supporting documents. The ERC IU filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at December 31, 2024, *MERALCO* is awaiting further action by the ERC on the matter.

8. Recovery of the Differential Generation Charge for the December 2013 supply month
ERC Case No. 2014-013 RC
(Filed on February 17, 2014)

In the light of the clarification of the SC that the TRO in G.R. Nos. 210245 and 210255 only covered the December 2013 billing, *MERALCO* filed an Application, with a prayer for provisional authority, on February 17, 2014 with the ERC to recover the incremental generation charge for the December 2013 supply month (January 2014 billing), docketed as ERC Case No. 2014-013RC. This represented the difference between the actual and billed generation charge for the January 2014 billing. The Application prayed that *MERALCO* be allowed: (a) to impose an incremental generation charge of ₱0.8440 per kWh on its customers in their March 2014 billing, until the total incremental fuel costs amounting to ₱2.0 billion is fully recovered, and (b) to recover the remaining balance of the deferred generation costs equivalent to ₱0.7433 per kWh every month, for an additional period of five (5) months starting April 2014 billing until the balance of ₱9.0 billion is fully recovered, without prejudice to the resolution of G.R. Nos. 210245 and 210255 by the SC or *MERALCO*'s pending Omnibus Motion with Manifestation in ERC Case No. 2013-092 MC, or the findings of the ERC's Investigation Unit in ERC Case No. 2014-001 MC.

Subsequently, on March 11, 2014, *MERALCO* received the ERC's Order dated March 3, 2014 in ERC Case No. 2014-021 MC, declaring the Luzon WESM prices as void during the November and December 2013 supply months and imposing regulated prices in lieu thereof.

On March 25, 2014, *MERALCO* filed an Amended Application pursuant to the ERC Order and the recalculation made by PEMC of the December 2013 supply month bills.

During the hearing on May 26, 2014, the ERC resolved to suspend further hearings on the case in view of the following: (i) filings of the parties in the case, i.e., Motion to Dismiss, Supplemental Opposition to Amended Application etc; (2) indefinite extension of the TRO by the SC; and (3) pendency of the ERC case on the regulated WESM prices for the November and December 2013 supply months. According to the ERC, it will just issue an Order after the pending issues in the case have been resolved. As at December 31, 2024, *MERALCO* is awaiting further action by the ERC on the matter.

9. SMEC, SPPC, SPDC, SMC Powergen and Petron v. ERC and PEMC,
SNAP-Magat and SNAP-Benguet v. ERC and PEMC
1590 v. ERC and PEMC
APRI v. ERC, Team Energy v. ERC and PEMC
Sem Calaca v. ERC and PEMC
MPPCL v. ERC
TLI v. ERC
TMO v. ERC
Northwind v. ERC
CA-GR SP No. 133506, 138056, 138105, 138120, 138121, 138151, 138188, 138223, 138272, 138470
Court of Appeals

ERC v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind
S.C. GR No. 246621-30
Supreme Court

MERALCO v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind
S.C. GR No. 247352-61
Supreme Court

After the ERC issued its Order dated March 3, 2014 in ERC Case No. 2014-021 MC, declaring the Luzon WESM prices as void during the November and December 2013 supply months and imposing regulated prices in lieu thereof, and the subsequent Order dated October 15, 2014 denying their motions for reconsideration, generating companies appealed the Orders to the CA.

In a Decision dated November 7, 2017, the CA granted the consolidated petition and set aside the ERC orders which were declared null and void. The Decision reinstated and declared valid WESM Prices for the November and December 2013 supply months.

The ERC and *MERALCO* filed their respective motions for reconsideration. Several consumers likewise filed their own motions to intervene and motions for reconsideration. In a Resolution dated March 29, 2019, the CA denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

On June 14, 2019, *MERALCO* filed a Petition for Review on Certiorari with the SC assailing the CA Decision and Resolution. *MERALCO* is awaiting further action of the SC on the Petition.

The ERC filed a separate Petition with the SC assailing the CA Decision and Resolution. In a Resolution dated September 11, 2019, the SC required the respondents to file their comment to the Petition. The respondents have filed their respective comments.

In a Resolution dated November 4, 2020, the *SC* consolidated ERC's and *MERALCO*'s petitions and transferred *MERALCO*'s petition to the member-in-charge of ERC's petition which was the lower-numbered case. The petitions filed by the consumers were denied by the *SC*.

10. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2016, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2015-016 RC
(Filed on February 9, 2015)

Since the ERC has yet to issue the rules governing the reset for the Fourth Regulatory Period, *MERALCO* needed to secure approval of its CAPEX program before the end of the 3rd Regulatory Period on June 30, 2015. In view thereof, and pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act, *MERALCO*, on February 9, 2015, filed an application for approval of authority to implement its CAPEX program for RY 2016 (July 1, 2015 to June 30, 2016).

On June 15, 2016, *MERALCO* received a copy of the ERC Decision dated April 12, 2016 which partially approved *MERALCO*'s CAPEX program for RY 2016 amounting to ₱15.4 billion, subject to certain conditions. An intervenor has filed a Motion for Reconsideration of the Decision which is pending before the ERC. On July 25, 2016, *MERALCO* has filed its opposition to the Motion for Reconsideration. As at December 31, 2024, the ERC has yet to rule on the Motion for Reconsideration.

11. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2017, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2016-017 RC
(Filed on March 8, 2016)

On March 8, 2016, *MERALCO* filed an application for approval of authority to implement its CAPEX program for RY 2017 (July 1, 2016 to June 30, 2017) pursuant to the Public Service Act. On July 26, 2016, *MERALCO* received the Order dated May 5, 2016, granting *MERALCO* provisional authority to implement the nine (9) major projects and 37 residual projects, subject to certain conditions. On August 16, 2016, *MERALCO* filed a Motion for Partial Reconsideration on the requirement to submit an accounting of the depreciation fund. Hearings on the application have been completed. On September 14, 2016, *MERALCO* filed a Motion for Resolution. Subsequently, on April 25, 2017, *MERALCO* filed a Very Urgent Motion for Resolution of the application. Thereafter, on October 18, 2017, *MERALCO* filed a Manifestation and Urgent Motion for Resolution. On November 9, 2017, *MERALCO* filed a Manifestation with Third Urgent Motion to Resolve the Application. *MERALCO* is awaiting the final decision of the ERC.

In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC. In compliance with the directive of the ERC to provide additional data to assist in the evaluation of the Application, *MERALCO* filed its Compliance on February 17, 2020. As at December 31, 2024, *MERALCO* is awaiting the final decision of the ERC.

12. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2018, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2017-027 RC
(Filed on April 3, 2017)

On April 3, 2017, *MERALCO* filed an application for approval of authority to implement its CAPEX program for RY 2018 (July 1, 2017 to June 30, 2018) pursuant to the Public Service Act. Hearings have been completed and *MERALCO* is awaiting the final decision of the ERC. In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC. In compliance with the directive of the ERC to provide additional data to assist in the evaluation of the Application, *MERALCO* filed its Compliance on February 17, 2020. In an Order dated June 5, 2020, *MERALCO* was directed to submit additional information regarding certain projects. On September 1 , 2020, *MERALCO* filed its Partial Compliance and Manifestation with Motion for Extension. On November 3, 2020, *MERALCO* filed its Manifestation and Urgent Motion for Resolution. As at December 31, 2024, MERALCO is awaiting the final ERC decision.

13. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2019, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2018-032 RC
(Filed on April 30, 2018)

On April 30, 2018, *MERALCO* filed an application for approval of authority to implement its ₱21.0 billion CAPEX program for RY 2019 (July 1, 2018 to June 30, 2019) pursuant to the Public Service Act. Hearings on the case are ongoing. In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC. In an Order dated June 5, 2020, *MERALCO* was directed to submit additional information regarding certain projects. On September 1, 2020, *MERALCO* filed its Partial Compliance and Manifestation with Motion for Extension. On November 3, 2020, *MERALCO* filed its Manifestation and Urgent Motion for Resolution and is awaiting final decision. As at December 31, 2024, *MERALCO* is awaiting the final ERC decision.

14. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2020, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2019-050 RC
(Filed on July 1, 2019)

On July 1, 2019, *MERALCO* filed an application for approval of authority to implement its ₱15.5 billion CAPEX program for RY 2020 (July 1, 2019 to June 30, 2020) pursuant to the Public Service Act. Hearings on the case are ongoing. In the meantime, *MERALCO* filed several manifestations regarding its need to implement certain urgent CAPEX projects pending final decision of the ERC. As at December 31, 2024, *MERALCO* is awaiting further action of the ERC on this matter.

15. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2021, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2020-028 RC
(Filed on September 28, 2020)

On September 28, 2020, *MERALCO* filed an application for approval of authority to implement its ₱20.7 billion CAPEX program for RY 2021 (July 1, 2020 to June 30, 2021) pursuant to the Public Service Act. Hearings have been completed. As at December 31, 2024, *MERALCO* has filed its Formal Offer of Evidence ('FOE") and is awaiting final resolution of the ERC.

16. In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2022, with Prayer for Provisional Authority, Manila Electric Company, Applicant

ERC Case No. 2021-060 RC
(Filed on July 27, 2021)

On July 27, 2021, *MERALCO* filed an application for approval of authority to implement its ₱24.6 billion CAPEX program for RY 2022 (July 1, 2021 to June 30, 2022) pursuant to the Public Service Act. Hearings have been completed. As at December 31, 2024, *MERALCO* has filed its FOE and is awaiting final resolution of the ERC.

17. Bayan Muna Chairman Neri Colmenares and Bayan Muna Representative Carlos Zarate v. Department of Energy, et al.,
G.R. No. 248887
Supreme Court En Banc
Petition dated September 5, 2019

Bayan Muna Chairman Neri Colmenares and Representative Carlos Zarate filed a Petition for Certiorari and Prohibition with Application for the Issuance of a Writ of Preliminary Injunction and/or TRO dated September 5, 2019 before the SC against the DOE, *MERALCO*, and other DUs with published competitive selection process ("CSP") bids in the DOE website.

Petitioners sought to: (a) nullify the DOE Department Circular No. 2018-02-003 ("2018 DOE Circular") or, in the alternative, nullify Section 16.1 and the provisions related thereto or resulting therefrom; (b) prohibit DUs from implementing the CSP under the 2018 DOE Circular; (c) restrain the implementation of the 2018 DOE Circular pending the resolution of the Petition. Petitioners claim that the 2018 DOE Circular, which repealed DOE Department Circular 2015-06-0008 ("2015 DOE Circular"), is void for violating various policies and provisions intended to protect consumers under the EPIRA and under the Constitution. On December 17, 2019, *MERALCO* filed its Comment to the Bayan Muna Petition. As at December 31, 2024, *MERALCO* is awaiting further action of the SC on this matter.

However, on October 23, 2023, with the effectivity date of the new ERC CSP Guidelines (ERC Resolution No. 16, Series of 2023), the 2018 DOE Circular has been repealed. Thus, the main issue of the petitioners in this case should be considered moot already.

18. In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme for the Fifth Regulatory Period (2023 to 2026) in Accordance With the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), As Amended, With Prayer For Provisional Authority
ERC Case No. 2022-015 RC
Docketed on March 16, 2022

In accordance with the RDWR, on March 16, 2022, *MERALCO* filed its application for approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme ("PIS") for the Fifth Regulatory Period ("RP") or Regulatory Years ("RY") 2023 to 2026.

On September 28, 2023, *MERALCO* filed an Urgent Omnibus Motion to: (a) withdraw the Application; (b) allow *MERALCO* to re-file its 5th *RP* Application to cover the period from *RY* 2025-2028 and (c) consider *RY* 2023 and *RY* 2024 as lapsed period and use ₱1.3522 per *kWh* as the final rate during this period.

On May 3, 2024, *MERALCO* received ERC Order dated May 3, 2024 restarting the proceedings in the case without prejudice to the resolution of pending incidents. Thereafter, on May 10, 2024, *MERALCO* received the ERC Order dated April 16, 2024 which (a) denied *MERALCO*'s Omnibus Motion to Withdraw and Re-file Application; and (b) directed proceeding with the original application based on the last two (2) remaining year. The Order was without prejudice to the ERC's treatment of the "lapsed period of the 5RP" (RY2023-24).

From May 13 to 14, 2024, hearing resumed with *MERALCO* strongly opposed proceeding with the Application. Hearings were eventually suspended to await resolution of pending incidents.

On May 27, 2024, *MERALCO* filed its Motion for Partial Reconsideration to the ERC Order dated Apr 16, 2024. *MERALCO* posited that continuing with the proceedings in the instant Application at this point of time lacks factual and legal basis as proceeding with the application is not aligned with the RDWR which *MERALCO* used as basis for filing the Application. The Order cannot amend the RDWR without violating *MERALCO*'s right to due process.

On June 10, 2024, the ERC conducted a clarificatory hearing together with their third-party consultant regarding the submitted RAB report. On July 10, 2024, *MERALCO* submitted a partial compliance submitting its clarification to some of the issues raised by the ERC.

In an Order dated October 30, 2024, the ERC resolved the various pending motions of *MERALCO* and intervenors. The ERC granted *MERALCO*'s motion to withdraw and refile its 5RP Application in accordance with the rules to be adopted by the ERC. *MERALCO*'s 5RP was further modified to cover RYs 2025-2028 (July 1, 2024, to June 30, 2028). The Order dated October 30, 2024 was then questioned by other intervenors. In an Order dated December 17, 2024, the ERC denied the motions for reconsideration filed by intervenors. The ERC further resolved to declare the period from

July 1, 2022 to June 30, 2025 under *MERALCO*'s original 5RP as Lapsed and directed *MERALCO* to file within thirty (30) days from receipt its application for the true up of its Maximum Average Price versus Actual Weighted Average Tariff covering the period declared as lapsed, subject to evaluation, confirmation and approval of the ERC. As at December 31, 2024, *MERALCO* is preparing its application in compliance with the Order.

19. In the Matter of the Application for Authority to Issue Bonds or Evidence of Long-Term Indebtedness and to Mortgage, Pledge, or Encumber Property for this Purpose, with Prayer for Provisional Authority
ERC Case No. 2019-029 MC
Filed on October 28, 2019

In compliance with the provisions of the Public Service Act, on October 28, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to: (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. Hearings have been completed and *MERALCO* submitted its FOE. On January 25, 2021, *MERALCO* filed a Manifestation with Urgent Motion for Resolution. On September 12, 2021, *MERALCO* filed a Motion to Withdraw Application in light of the amendments to the Public Service Act which removed the requirement for prior regulatory approval for these matters. As at December 31, 2024, the motion is currently pending before the ERC.

20. Neri J. Colmenares, et. al. v. ERC, COA, MERALCO
G.R. No. 246422
Supreme Court
Petition for Certiorari dated April 27, 2019

Petitioners filed the instant Petition for Certiorari to question the legality of the collection of bill deposits by *MERALCO*. The Petition likewise questioned the interest rate earned by the bill deposit. In compliance with the SC's Resolution dated June 4, 2019, *MERALCO* filed its Comment on October 18, 2019.

In the meantime, the ERC has engaged the services of an independent party to verify whether *MERALCO* refunds, including bill deposits, have been fully accounted for, returned or credited to customers' accounts. As at December 31, 2024, *MERALCO* is awaiting further instructions from the ERC.

21. In the Matter of Alleged Violation of the Advisories issued by the Energy Regulatory Commission (ERC) during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ).
ERC Case No. 2020-001 SC
Energy Regulatory Commission
Show Cause Order received June 2, 2020

On June 2, 2020, *MERALCO* received a copy of the Show Cause Order issued by the ERC directing *MERALCO* to submit, within 10 days from receipt thereof, its explanation on why it should not

be held liable for alleged violations of the Honorable Commission's directives as contained in: (1) Item No. 3 of the March 26, 2020 Advisory, Item No. 4 of April 15, 2020 Advisory and Item No. 5 of May 5, 2020 Advisory; (2) Item No. 6 of April 15, 2020 Advisory; and (3) Item No. 2 of May 5, 2020 Advisory. In its Explanation to the Show Cause Order, *MERALCO* explained that it complied with the ERC advisories. In a Decision dated August 20, 2020, the ERC ordered *MERALCO* to pay a fine of ₱19 million and directed that the Distribution, Supply and Metering ("DSM") charges be set to zero for lifeline customers. On September 11, 2020, *MERALCO* paid the ₱19 million fine and filed a Motion for Partial Reconsideration with respect to the directive to set the DSM charges to zero for lifeline customers. *MERALCO* implemented the directive to set the DSM charges to zero for lifeline customers in its October 2020 billing to customers subject to the resolution of its Motion for Partial Reconsideration. As at December 31, 2024, the Motion for Partial Reconsideration is pending with the ERC.

22. In Re: Non-Compliance to the Directive to Submit Data on the Validation of Actual/Historical Expenditure
ERC Case No. 2020-106 SC
Energy Regulatory Commission
Show Cause Order received December 15, 2020

In reference to the validation of the actual or historical expenditure of private DUs being undertaken by the ERC through its appointed consultant, Royal Asia Appraisal Corporation ("RAAC"), the ERC sent a letter dated January 17, 2020 directing *MERALCO* to submit specific data regarding the actual/historical expenditure covering the last approved regulatory period, or *MERALCO*'s Third Regulatory Period (July 1, 2011 to June 30, 2015), on or before February 24, 2020.

On August 4, 2020, *MERALCO* received a letter dated July 30, 2020 from the ERC granting *MERALCO*'s request for extension to defer its submission, but only until August 2020, or 27 days from its receipt of the letter, without further extension. Unfortunately, despite exerting its best efforts, *MERALCO* was only able submit its partial but substantial compliance through a letter dated August 31, 2020, which was sent by electronic mail on September 1, 2020, given the magnitude of the detailed information required. As such, *MERALCO* could only submit information covering the Third Regulatory Period as well as other system statistics. However, *MERALCO* undertook to submit the remaining information within the next three (3) months. On November 2020, the ERC sent a letter dated 29 October 2020 inviting *MERALCO* and its concerned officers to a virtual clarificatory meeting to clarify *MERALCO*'s submission and discuss the Honorable Commission's initial review thereon on November 23, 2020. Similarly, the Honorable Commission informed *MERALCO* that it shall allow the submission of additional information as required during the meeting as well as answers to the clarificatory questions no later than five (5) business days from the date of the clarificatory meeting.

Through a letter dated November 30, 2020, which was sent via electronic mail on December 1, 2020, *MERALCO* submitted the expenditure data for the period from July 1, 2015 to September 30, 2019 as well as the additional information requested by the ERC during the November 23, 2020 clarificatory meeting.

In a letter dated December 15, 2020, which was received by *MERALCO* vis electronic mail on December 24, 2020, the ERC acknowledged *MERALCO*'s submission of expenditure data as of September 30, 2019 as well as the additional information requested during the clarificatory meeting held on November 23, 2020. On December 15, 2020, *MERALCO* received a copy of the Show Cause Order

issued by the ERC requiring *MERALCO* to submit an explanation on why no administrative penalty should be imposed for its one (1) delayed submission of data covering its last approved regulatory period; (2) no lapsed data submitted; (3) incomplete templates; and (4) inadequate supporting information on certain items required by the ERC. *MERALCO* filed its Compliance on January 14, 2021. As at December 31, 2024, *MERALCO* is awaiting further action of the ERC on the matter.

23. In Re: Refusal to Refund Bill Deposit in Accordance with Magna Carta and DSOAR
ERC Case No. 2023-078 SC
Energy Regulatory Commission
Show Cause Order received June 14, 2023

On June 14, 2023, *MERALCO* received the Show Cause Order dated April 12, 2023, directing *MERALCO* to submit, within 15 days from receipt thereof, its verified explanation and show cause why no administrative penalty should be imposed upon it for its alleged failure to refund to its consumers the amount of bill deposit and accrued interests, in violation of Article 7 in relation to Article 28 of the Magna Carta for Residential Electricity Consumers ("Magna Carta") and paragraph 3.4.1 of the Distribution Services and Open Access Rules ("DSOAR"). The case stemmed from complaints made by several customers who were not able to receive their refunds as the ERC suspended the annual update of bill deposit during the pandemic. As part of the Show Cause Order, *MERALCO* was directed to refund the bill deposit of the customers who filed complaints.

MERALCO explained that it did not violate the relevant provisions of the Magna Carta and DSOAR as its alleged failure to refund the bill deposit and interest to the customers was brought about by the suspension of the adjustment of bill deposit update during the effectivity of the advisory during the pandemic which suspended the annual update of the bill deposit. The suspension of the adjustment of bill deposits necessarily included the suspension of both the refund and collection of excess or insufficient bill deposit as well as the crediting of the corresponding interest.

On June 26, 2023, *MERALCO* filed a Compliance and Manifestation that, without prejudice to the final resolution of the Show Cause Order, it proceeded with the implementation of the directive for the refund of the bill deposits of customers who filed complaints. *MERALCO* will refund the full amount in their July 2023 bills. However, the refund can be made in full upon submission of certain documentary requirements.

In the case of another customer, upon verification of the records of the previous discussions before this Honorable Commission's Consumer Affairs Service ("CAS"), it appears that the case is not simply for Annual Update of Bill Deposit ("AUBD"). As confirmed during the mediation proceedings, the registered customer for the account, the developer of the condominium unit. As communicated with the customer, the case will involve termination of the account by the developer and creation of a new account in her name. Accordingly, the refund of the deposit and transfer of service in the customer's name shall be processed upon the submission of the documentary requirements. *MERALCO* is still awaiting the submission of the documentary requirements for it to be able to process the refund of deposits and consequent transfer of service.

MERALCO filed its verified Compliance and Explanation on July 4, 2023. As at December 31, 2024, *MERALCO* is awaiting further action of the ERC. In the meantime, *MERALCO* has proceeded with

the refund to these customers who filed complaints , *MERALCO* is still in coordination with the customers for the completion of the documentary requirements.

24. Prime Energy Resources Development B.V., Prime Oil and Gas, UC38 LLC and PNOC Exploration Corp. vs. MERALCO
Complaint for Temporary Restraining Order and/or Writ of Preliminary Injunction and Permanent Injunction
Civil Case No. 1039
Regional Trial Court ("RTC") – Taguig City

On July 30, 2024, Prime Energy Resources Development B.V., Prime Oil and Gas, UC38 LLC and PNOC Exploration Corp. ("Prime, et. al.") filed a Complaint for Temporary Restraining Order ("TRO")/Writ of Preliminary Injunction and Permanent Injunction seeking to enjoin *MERALCO* from continuing the conduct of activities in relation to its CSPs for the 600 MW baseload supply and the 400 MW mid-merit supply. Prime, et. al. anchored their claim on the supposed failure of *MERALCO* to observe the preference for indigenous natural gas in the Terms of References of the said CSPs, thus, due to this supposed failure, Prime, et. al. claims that it would stand to suffer irreparable damage if the two (2) CSPs would proceed as is. On July 31, 2024, *MERALCO* received a 72-hour TRO issued by the Executive Judge of the RTC of Taguig City, enjoining *MERALCO* from further conducting CSP activities. On August 2, 2024, *MERALCO* received the Order from the RTC of Taguig City, extending the TRO up to 20 days.

On August 19, 2024, the RTC of Taguig City issued an Order dismissing the complaint for lack of jurisdiction and rendering the TRO without force and effect. On October 29, 2024, the RTC issued an Order noting *MERALCO*'s Manifestation *Ad Cautelam* re: ERC Jurisdiction and Finality of Dismissal Order (filed on 2 September 2024), which informed the RTC that the bidding under 600 MW CSP had proceeded and the Pre-Bid Conference for the 400 MW CSP had been scheduled. As at December 31, 2024, entry of judgment has been issued.

25. In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and South Premiere Power Corp. with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-081

26. In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and San Miguel Energy Corporation (*now known as Sual Power Inc. [SPI]*) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-083
Court of Appeals, CA-G.R. SP No. 176036 and 176037

Supreme Court G.R. No. 267518 and 271341

27. **In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and ACEN Corporation (formerly known as AC Energy Philippines, Inc. (ACEN) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information**
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-078

28. **In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and ACEN Corporation (formerly known as AC Energy Philippines, Inc. (ACEN) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information**
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-079

On September 13, 2019, after being declared the winning power suppliers in a *CSP*, *MERALCO* signed three (3) *PSA*s for baseload capacity with *AC Energy* for 200 *MW*, *SPI* for 330 *MW*, and *SPPC* for 670 *MW*. On October 22, 2019, the joint applications for approval of these three (3) baseload *PSA*s were filed before the *ERC*. On December 23, 2019, the *ERC* granted provisional authority to implement *MERALCO*'s three (3) *PSA*s for baseload capacity with *AC Energy, SPPC and SPI.* In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.*

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances, claiming that the worsening conflict between Russia and Ukraine and other geopolitical and economic factors related and/or emanating therefrom had impacted *SPI* and *SPPC*'s capability to perform their obligations under the respective *PSA*s in terms of unexpected increase in fuel cost. Thus, on May 12, 2022, *SPI* and *SPPC* (joined by *MERALCO*) filed Joint Motions for Price Adjustment with the *ERC*. On October 3, 2022, the *ERC* promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment. On October 5, 2022, *SPI* and *SPPC* notified *MERALCO* that it will continue with its obligations under their respective baseload *PSA*s with *MERALCO* under protest and without prejudice to their rights and remedies under pertinent laws and contract. On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the *ERC* Orders dated September 29, 2022. On November 25, 2022, the *CA* issued a *TRO* for the *SPPC* case, hence, after the *TRO* bond was posted by *SPPC*, on December 7, 2022, *SPPC* stopped accepting *MERALCO* nominations. On January 25, 2023, the *CA* issued a *WPI* for the *SPPC* case, which shall remain in effect until the main case is finally decided. Meanwhile, for the *SPI* case, on January 13, 2023, the *CA* denied *SPI*'s prayer for *TRO* and *WPI*. On February 10, 2023 and February 13, 2023, *ERC* and *MERALCO*, respectively, filed its Motion for Reconsideration of the *CA*'s issuance of *WPI* for the *SPPC* case. On April 3, 2023, the *CA* promulgated its Resolution denying the Motions for Reconsideration filed by *ERC* and *MERALCO* vis-à-vis the *CA*'s issuance of *WPI* for the *SPPC* case. On

June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case.

On July 14, 2023, *MERALCO* received the *CA*'s Joint Decision dated June 27, 2023 (the "Joint Decision") that, among others: (a) annulled/set aside the *ERC* Orders which: (i) denied the Joint Motions for Price Adjustment and (ii) directed *MERALCO* to exhaust all options to preserve the *PSA*s; (b) granted *SPPC*'s and *SPI*'s Motions for Price Adjustment (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (c) made permanent the Preliminary Injunction issued in favor of *SPPC*. Starting on December 7, 2022 and July 24, 2023, *SPPC* and *SPI*, respectively, have ceased supplying energy under its baseload *PSA*s with *MERALCO*. Subsequently, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances dated August 18, 2023 claiming additional adjustment. In *MERALCO*'s letters to *SPI* and *SPPC*, both dated January 30, 2024, *MERALCO* advised *SPI* and *SPPC* to avail itself of legal remedies available to it under the law considering that it finds no basis under contract to join *SPI* and *SPPC* in the filing with the *ERC* since the *PSA*s had already been terminated.

In a Resolution dated December 28, 2023, the *CA* denied the Motions for Reconsideration ("*MR*") filed by the and Respondent-Intervenor *NASECORE*. Finding no merit in the arguments, the *CA* ruled that the grounds raised by *ERC* and *NASECORE* in their respective *MR*s had already been thoroughly considered by the *CA* in its Joint Decision and it had clearly provided the basis for its rulings, thus, the *MR*s were denied. On February 28, 2024, the *ERC* elevated the matter with the *SC* by filing a Petition for Review on Certiorari. On April 3, 2024, the *SC* issued a Resolution denying the *ERC's* Petition for Certiorari for failure to show that the *CA* committed any reversible error. On June 5, 2024, the *ERC* filed a Motion for Reconsideration. Also on April 3, 2024, the *SC* issued a Resolution dismissing the *ERC's* separate Petition for Certiorari (assailing the *TRO/WPI* issued by the *CA*) for being moot and academic. On June 27, 2024, the *ERC* filed a Motion for Reconsideration. As at September 13, 2024, the *SC* has not issued an order directing respondents *SPPC, SPI, MERALCO* and *NASECORE* to submit their respective comments to the *ERC's* motions for reconsideration.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related to and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform its obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. Thus, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving ₱618 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* to show the financial impact of the CIC to ACEN for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving an additional ₱910 million. On 2 September 2024, MERALCO received a Notice of Termination from AC Energy. To inform the ERC of this Notice of Termination, *MERALCO* filed a Manifestation and Urgent Motion to Resolve to the ERC on September 4, 2024 and September 16, 2024, respectively.

On October 28, 2024, *MERALCO* received AC Energy's second notice of termination, reiterating its earlier intention to terminate the subject PSA, specifically informing *MERALCO* that AC Energy would cease declaring its bilateral contract quantities (BCQ) under the PSA effective November 2, 2024. In response, *MERALCO* urged AC Energy through a letter dated October 29, 2024 not to proceed with the termination of the subject PSA and to instead await the resolution of the motion for price adjustment pending before the ERC for the benefit of the consuming public. Apart from the letter to AC Energy, *MERALCO* also filed with the ERC Urgent 3rd Motion to Resolve dated October 29, 2024.

However, without receiving any action from the ERC, on November 2, 2024, despite *MERALCO*'s nominations to AC Energy, the latter ceased declaring BCQs to *MERALCO* under the subject PSAs. As at December 31, 2024, the ERC has yet to act on the motion.

FGHPC, AC Energy and SPPC – Mid-merit PSAs

On September 16, 2019, after being declared the winning power suppliers in a *CSP, MERALCO* signed three (3) *PSA*s for mid-merit capacity with *FGHPC* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On October 22, 2019, the joint applications for approval of these three (3) *PSA*s were filed before the *ERC*. On January 30, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s *PSA* for mid-merit capacity with *AC Energy*. On March 16, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s other *PSA*s for mid-merit capacity with *FGHPC* and *SPPC.* In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.* As at July 29, 2024, the three (3) *PSA* applications are pending final decision by the *ERC*.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related to and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform its obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. Thus, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*, involving ₱87 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* to show the financial impact of the CIC to ACEN for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*, involving an additional ₱132 million. On September 2, 2024, MERALCO received a Notice of Termination from AC Energy. To inform the ERC of this Notice of Termination, *MERALCO* filed a Manifestation and Urgent Motion to Resolve to the ERC on September 4, 2024 and September 16, 2024, respectively.

On October 28, 2024, *MERALCO* received *AC Energy's* second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities (BCQ) under the PSA effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the ERC Urgent 3rd Motion to Resolve dated October 29, 2024. However,

without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO's* nominations to *AC Energy*, the latter ceased declaring BCQs to *MERALCO* under the subject *PSAs*. As at December 31, 2024 the *ERC* has yet to act on the motions.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

(1) Market Information

The principal market where *MERALCO*'s common equity is traded in the Philippine Stock Exchange. The quarterly high and low sales prices for the fiscal years 2024 and 2023 and first quarter 2025 are as follows:

FROM	TO	HIGH	LOW
		Share Price (in ₱)	Share Price (in ₱)
01/01/25	03/31/25	550.00	448.00
10/01/24	12/31/24	503.50	439.00
07/01/24	09/30/24	457.80	366.40
04/01/24	06/30/24	379.80	345.00
01/01/24	03/31/24	399.80	350.00
10/01/23	12/31/23	399.00	348.00
07/01/23	09/30/23	379.00	325.00
04/01/23	06/30/23	339.00	308.00
01/01/23	03/31/23	320.60	280.00

As of March 31, 2025, the share price of *MERALCO* is ₱550.00 per share.

(2) Holders

As of March 31, 2025, the Company has 40,371 stockholders.

Top 20 Stockholders as of March 31, 2025

	STOCKHOLDER NAME	NATIONALITY	NUMBER OF SHARES	%
1.	BEACON ELECTRIC ASSET HOLDINGS, INC.	FILIPINO	394,059,235	34.96
2.	JG SUMMIT HOLDINGS, INC.	FILIPINO	297,189,397	26.37
3.	PCD NOMINEE CORP - FILIPINO		148,263,141	13.15
4.	METRO PACIFIC INVESTMENTS CORPORATION	FILIPINO	140,906,807	12.50
5.	PCD NOMINEE CORP – NON-FILIPINO		64,880,059	5.76
6.	FIRST PHILIPPINE HOLDINGS CORPORATION	FILIPINO	44,382,436	3.94
7.	MANTES CORPORATION	FILIPINO	2,486,427	0.22
8.	LUCIO W. YAN	FILIPINO	403,208	0.04
9.	CHARLOTTE CUA CHENG	FILIPINO	314,534	0.03

	STOCKHOLDER NAME	NATIONALITY	NUMBER OF SHARES	%
10.	ALBERT FERREROS DEL ROSARIO &/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	291,140	0.03
11.	AVESCO MARKETING CORPORATION	FILIPINO	284,427	0.03
12.	B. P. INSURANCE AGENCY, INC.	FILIPINO	281,079	0.02
13.	MAKATI SUPERMARKET CORPORATION	FILIPINO	240,308	0.02
14.	ALBERT FERREROS DEL ROSARIO AND/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	182,500	0.02
15.	LAARNI NIEMAN ENRIQUEZ	FILIPINO	164,388	0.01
16.	AGIKIK CORPORATION	FILIPINO	120,100	0.01
17.	BP INSURANCE AGENCY, INC.	FILIPINO	116,730	0.01
18.	RAUL JOSEPH CONCEPCION	FILIPINO	112,431	0.01
19.	FORESIGHT REALTY & DEVELOPMENT CORPORATION	FILIPINO	108,350	0.01
20.	LOZANO A. TAN	FILIPINO	100,000	0.01

(3) Dividends

Following are the cash dividends declared by *MERALCO*'s *BOD* in favor of *MERALCO* common shares for the two (2) most recent years ended December 31, 2024 and 2023:

YEAR	RATE PER SHARE	RECORD DATE	PAYMENT DATE
2024	₱11.235	March 27, 2024	April 24, 2024
	₱10.295	August 28, 2024	September 23, 2024
2023	₱11.028	March 29, 2023	April 26, 2023
	₱8.520	August 30, 2023	September 14, 2023

On February 24, 2025, the BOD of *MERALCO* approved the declaration of cash dividends of ₱13.736 per share to all shareholders of record as of March 12, 2025, payable on April 4, 2025.

MERALCO's loan agreements contain restrictions on payments of cash dividends to common stockholders subject to meeting certain financial measures, which *MERALCO* complied with.

MERALCO strictly implements its dividend policy, approved by the BOD, in 2010, which prescribes the regular payment of dividends equivalent to 50% of consolidated core net income for the year, which may be supplemented by a special dividend determined on a "look-back" basis. Declaration and payment of special dividends are dependent on the availability of unrestricted retained earnings and free cash. In 2024, *MERALCO* paid cash dividends of ₱21.53 per share to all its shareholders.

(4) Recent Issuance of Securities Constituting an Exempt Transaction

None.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis of financial position and results of operations of Manila Electric Company ("*MERALCO*") and its subsidiaries, collectively referred to as the *"MERALCO Group*" should be read in conjunction with the audited consolidated financial statements as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022. The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (*"PFRS")* Accounting Standards. *PFRS* Accounting Standards include statements named *PFRS* and Philippine Accounting Standards, including Interpretations issued by the *PFRS* Council.

The financial information appearing in this report and in the accompanying audited consolidated financial statements is presented in Philippine peso, *MERALCO Group's* functional and presentation currency, as defined under *PFRS* Accounting Standards . All values are rounded to the nearest million pesos, except for earnings per share ("*EPS*") data. The exchange rate used to translate U.S. dollar to Philippine peso in this report and in the accompanying audited consolidated financial statements is US$1.00 to ₱57.85, the closing rate as at December 27, 2024 quoted through the Philippine Dealing System.

Financial Highlights and Key Performance Indicators
(amounts in million, except earnings per share, and operational data)

	As at December 31		Increase (Decrease)	
	2024	2023 (As restated*)	Amount	%
Condensed Statements of Financial Position				
Total assets	₱617,958	₱588,434	₱29,524	5
Current assets	179,616	162,622	16,994	10
Cash and cash equivalents	84,480	82,789	1,691	2
Equity attributable to equity holders of the parent	144,599	122,295	22,304	18
Total debt	94,776	99,446	(4,670)	(5)
Current liabilities	236,374	233,724	2,650	1
Total liabilities	432,076	420,331	11,745	3

* Restatement resulting from finalization of the fair value of the assets and liabilities of SP New Energy Corporation ("*SPNEC*"). See Note 3 to the consolidated financial statements.

	For the Years Ended December 31			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Condensed Statements of Income					
Revenues	₱470,362	₱443,612	₱426,529	6	4
Costs and expenses	425,329	407,279	406,348	4	-
Other income, net of expenses	11,651	10,456	15,055	11	(31)
Income before income tax	56,684	46,789	35,236	21	33
Net income	46,470	38,678	28,588	20	35
Net income attributable to equity holders of the parent	45,859	38,023	28,431	21	34
Core net income ("*CCNI*")[1]	45,142	37,110	27,105	22	37
Earnings per share ("*EPS*"), attributable to equity holders of the parent	40.69	33.74	25.23	21	34
Core EPS[2]	40.06	32.93	24.05	22	37

	For the Years Ended December 31			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
Condensed Statements of Cash Flows					
Net cash provided by operating activities	₱42,010	₱57,974	₱25,182	(28)	130
Net cash provided by (used in) investing activities	(18,763)	1,569	(22,081)	(1,296)	(107)
Net cash used in financing activities	(21,591)	(32,605)	(2,276)	(34)	1,333
Operational Data					
Number of customers (in thousands):					
Residential	7,432	7,231	7,041	3	3
Commercial	595	581	569	2	2
Industrial	11	11	11	-	-
Streetlight	5	5	5	-	-
Electricity sales volume (in *GWh*)	54,325	51,044	48,916	6	4
System loss (in percentage):					
MERALCO	5.99	5.88	5.77	2	2
Clark Electric Distribution Corporation ("*Clark Electric*")	2.28	1.92	1.81	19	6

[1] Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, impairment charges, mark-to-market adjustments and other one-time, non-recurring transactions, net of tax effect of the foregoing adjustments.

[2] Core net income divided by the number of common shares outstanding.

The Key Performance Indicators ("*KPI*") of *MERALCO* are as follows:

		For the Years Ended December 31		
Financial KPI	**Definition**	**2024**	**2023**	**2022**
Core EBITDA	*CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income, and provision for income tax	₱74,950	₱64,368	₱51,301
Debt to Equity	$\frac{\text{Total debt}}{\text{Equity attributable to equity holders of the parent company}}$	0.66	0.81	0.95
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.76	0.70	0.75
Profit Margin	$\frac{\text{Net income attributable to equity holders of the parent company}}{\text{Revenues}}$	10%	9%	7%
Return on Equity	$\frac{\text{Net income attributable to equity holders of the parent company}}{\text{Equity attributable to equity holders of the parent company}}$	32%	31%	26%
Asset Turnover	$\frac{\text{Revenues}}{\text{Average total assets}}$	78%	80%	85%

OVERVIEW

MERALCO is the Philippines' largest electric power distribution company, with franchise area covering 9,685 square kilometers. It provides power to over 8.04 million customer accounts in 39 cities and 72 municipalities, which include Metro Manila, all of the provinces of Rizal, Cavite and Bulacan, and parts of the provinces of Pampanga, Batangas, Laguna and Quezon.

The operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The power segment consists of (a) electricity distribution, (b) power generation and (c) retail electricity supply ("*RES*").

  Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers of *MERALCO*, Clark Electric Distribution Corporation ("*Clark Electric"*) and Shin Clark Power Corporation ("*Shin Clark Power")*. Electricity distribution within the *MERALCO* franchise area accounts for approximately 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone and the sub-zones, and *Shin Clark Power*'s franchise area covers the New Clark City ("*NCC*").

  Shin Clark Power Holdings, Inc. *("Shin Clark")* through a Joint Venture Agreement ("*JVA*") with Bases Conversion and Development Authority ("*BCDA*"), manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress under Republic Act No. 11420 to *BCDA* which assigned the same to *Shin Clark Power*, in exchange for 10% equity interest in *Shin Clark Power*. *Shin Clark Power* was incorporated and registered with the Securities and Exchange Commission ("*SEC*"). *Shin Clark Power* has a Certificate of Public Convenience and Necessity issued by the *ERC* to operate as a distribution utility ("*DU")* for a period of 25 years.

  MERALCO manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc ("*Comstech*") under an Investment Management Contract ("*IMC*"). *MERALCO* also manages the electric distribution facilities in the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*").

  Power generation – The *MERALCO Group* has a combined group generating capacity of 2,436 *MW* (net) of coal, liquid natural gas, and renewable and diesel plants in the Philippines and Singapore. In addition, it is currently developing a total of 3,552.8 *MW* (gross) of solar capacities.

  MERALCO PowerGen Corporation *("MGen")* has a 51% interest in San Buenaventura Power Ltd. Co. ("*SBPL*") which operates a 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon. Global Business Power Corporation *("GBPC")* owns 838 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. The portfolio also includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a

50% less one share interest in Alsons Thermal Energy Corporation ("*ATEC*"), which holds a 75% interest in *Sarangani Energy*.

MGen Renewable Energy, Inc. ("*MGreen*") is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan,* which owns and operates a 80 *MWdc*/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, and has an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.

Following *MGreen*'s acquisition of a majority stake in *SPNEC* in December 2023, *MGreen* further raised its voting interest in the listed renewable energy company to 53.7% from 50.5% with the acquisition of additional 2.17 billion *SPNEC* shares in January 2024. *Terra Solar* Philippines, Inc. ("*Terra Solar*"), a wholly owned subsidiary of *SPNEC*, is developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in the first quarter of 2026.

MGen and Therma NatGas, Inc. ("*TNGP*") have jointly entered into an Investment Agreement with the parties owning 60% and 40% interests in Chromite Gas Holdings, Inc. ("*CGHI")*, respectively.

In January 2025, *CGHI* completed the financial close of a partnership to invest in two gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*SMGP*"), the 1,200 *MW* Ilijan power plant, and a new 1,275 *MW* combined cycle power facility. Together with *SMGP*, *CGHI* acquired the liquefied natural gas ("*LNG*") import and regasification terminal owned by Linseed Field Corporation. The transaction was approved by the Philippine Competition Commission ("*PCC*") on December 23, 2024.

PH Renewables Inc. *("PHRI")*, a joint venture with Mitsui's local unit Mit-Renewables Philippine Corporation, owns and operates a 67.5 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Phase 2 of the *Baras Solar Plant* consisting of 12.6 *MWac* was completed last August 30, 2024.

Also, in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*") and *MGreen,* Nuevo Solar Energy Corporation ("*NSEC*") owns and operates a 68 *MWac* solar plant project in Ilocos Norte.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

MGen also has a combined 58% (direct and indirect interests) in PacificLight Power Pte Ltd. ("*PacificLight Power*"), which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. A 100 *MW* fast-start *LNG* plant is under construction and is expected to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("*EMA*").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility in Jurong Island by the *EMA* of

Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

RES – This business segment sources and supplies electricity to qualified contestable customers. As *DU*s, *MERALCO* and *Clark Electric* are also qualified and act as local retail electricity suppliers within their respective franchise area under a separate business unit, *MPower* and *Cogent Energy*, respectively. Under Retail Competition and Open Access ("*RCOA*"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, including *MPower* and *Cogent Energy*.

Vantage Energy Solutions and Management, Inc. ("*Vantage*") and Phoenix Power Solutions, Inc. ("*Phoenix Power*"), wholly owned subsidiaries of *MERALCO*; MeridianX Inc. ("*MeridianX*"), a wholly owned subsidiary of *Comstech*; and Global Energy Supply Corporation ("*GESC*"), a wholly owned subsidiary of *GBPC* are affiliate *RES*s. Clarion Energy Management Inc. ("*Clarion*"), a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. As at February 24, 2025, the approval of *Clarion*'s *RES* license is still pending with the *ERC.*

- Other Services

  The other services segment is involved principally in services associated with electricity distribution, such as: electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, Miescor Builders, Inc. *("MBI")* and Miescor Logistics, Inc. *("MLI")* (collectively known as "*MIESCOR Group*"), Corporate Information Solutions, Inc. *("CIS")*, CIS Bayad Center, Inc. *("Bayad") and* Customer Frontline Solutions, Inc. ("*CFSI*") (collectively referred to as "*CIS Group*"), eMeralco Ventures, Inc. ("*e-MVI")*, Paragon Vertical Corporation *("Paragon")* and Radius Telecoms, Inc. *("Radius")* (collectively referred to as "*e-MVI Group*"), *Comstech*, Lighthouse Overseas Insurance Limited *("LOIL"),* Meralco Financial Services, Inc. *("Finserve")*, Meralco Energy, Inc. ("*Mserv")*, Mspectrum, Inc. ("*Spectrum*) and Movem Electric Inc. ("*Movem*").

Below is the summary of *MERALCO Group*'s business segments:

BUSINESS SEGMENTS	
Power	**Other Services**
Electricity distribution ● *MERALCO* ● *Clark Electric* ● *Shin Clark Power* Power generation ● *MGen* and its subsidiaries *RES* ● *MERALCO* through *MPower* business unit ● *Clark Electric* through *Cogent Energy* business unit ● *Clarion* ● *GESC* ● *MeridianX* ● *Phoenix Power* ● *Vantage*	● *CIS Group* ● *Comstech* ● *e-MVI Group* ● *Finserve* ● *LOIL* ● *MIESCOR Group* ● *MServ* ● *Spectrum* ● *Movem*

RESULTS OF OPERATIONS

The consolidated results of operations and the contribution of each business segment to *MERALCO Group*'s revenues, costs and expenses, other income, and net income for the years ended December 31, 2024 and 2023 are discussed below.

	For the Year Ended December 31, 2024			
	Power	Other Services	Inter-segment Transactions	Consolidated
	(Amounts in millions)			
Revenues	₱456,918	₱18,767	(₱5,323)	₱470,362
Costs and expenses	415,410	15,118	(5,199)	425,329
Other income (expense) - net	11,001	(454)	1,104	11,651
Net income attributable to equity holders of the parent	44,673	1,797	(611)	45,859

	For the Year Ended December 31, 2023			
	Power	Other Services	Inter-segment Transactions	Consolidated
	(Amounts in millions)			
Revenues	₱430,181	₱17,848	(₱4,417)	₱443,612
Costs and expenses	397,692	14,328	(4,741)	407,279
Other income (expense) - net	10,973	(601)	84	10,456
Net income attributable to equity holders of the parent	37,262	1,416	(655)	38,023

2024 compared with 2023

REVENUES

The composition of *MERALCO Group*'s consolidated revenues by business segment is shown below.

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱456,918	97	₱430,181	97	₱26,737	6
Other services	18,767	4	17,848	4	919	5
Inter-segment transactions	(5,323)	(1)	(4,417)	(1)	(906)	21
Total	**₱470,362**	**100**	**₱443,612**	**100**	**₱26,750**	**6**

Consolidated revenues rose by 6% to ₱470,362 million from ₱443,612 million mainly due to higher volumes sold by the distribution utility and increase in pass through transmission charge. The

increase was mitigated by a) lower pass through generation average rates resulting from lower *WESM* prices and lesser emergency *PSA*, and b) lower energy fees with the decline in coal and fuel prices.

Other services revenue increased by 5% from ₱17,848 million to ₱18,767 million due to (1) transaction volume of *Bayad*; (2) project accomplishments of *MServ*; and (3) increase in completed communication towers to 1,829 as at September 2024 from 1,251 towers as at December 2023 of *MIDC*, offset by lower revenues from third party customers of *MIESCOR*. In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of *MIDC* on September 30, 2024.

Power

Revenues of power segment represent those from electricity distribution, *RES* and power generation businesses. *MERALCO*, *Clark Electric* and *Shin Clark Power* distribute electricity to captive industrial, commercial and residential customers while *MPower*, *Cogent Energy*, *Vantage, MeridianX, Phoenix Power* and *GESC* supply electricity to their respective contestable customers. Revenues of the power generation companies of *GBPC, First Bulacan*, *PHRI*, SP Calatagan and SP Tarlac are included in the power segment.

Revenues of the power segment in 2024 was at ₱456,918 million, ₱26,737 million or 6% higher compared with 2023 driven by higher distributed volume and higher pass-through transmission charge.

The generation charge, which accounted for 63% of the total retail rate, went down by almost 6% with lower Wholesale Electricity Spot Market ("*WESM*") prices as the Luzon supply situation improved, international coal prices declined, and generation over-recovery adjustments implemented based on the Energy Regulatory Commission's (*"ERC*") Resolution on Automatic Cost Adjustments and True-Up mechanisms of Pass-through Charges. These factors more than offset the impact of weakening of the peso to an average of ₱57.27 per US dollar in 2024 versus ₱55.63 in 2023; higher Malampaya natural gas prices at $10.73 per *GJ* (versus $9.60 per *GJ* in 2023); and costs related to the use of *LNG* by the Sta. Rita and San Lorenzo power plants. The average Malampaya natural gas price increased on account of implementation of the new Gas Sale and Purchase Agreements ("*GSPAs*") as approved by the *ERC* on a full pass-through basis.

Transmission charge, comprising 7% of the retail rate, went up by 14% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation of the Philippines ("*NGCP*") from new Ancillary Service Procurement Agreements ("*ASPAs*") and the Reserve Market.

MERALCO's average retail rate was flat at ₱10.54 per *kWh* in 2024 from ₱10.55 per *kWh* in 2023 due to lower generation charge that offset increases in transmission and other charges.

The following summarizes the customer count of the electricity distribution business as at December 31, 2024 and 2023 and the corresponding electric consumption per customer class for the years ended December 31, 2024 and 2023:

	No. of Customers		Electricity Sales		% Change	
	(in thousands)		*(in GWh)*		No. of	Electricity
Customer Class	**2024**	**2023**	**2024**	**2023**	**Customers**	**Sales**
Residential	7,432	7,231	19,455	17,781	3	9
Commercial	595	581	20,406	19,005	2	7
Industrial	11	11	14,318	14,113	–	1
Streetlights	5	5	146	145	–	1
Total	**8,043**	**7,828**	**54,325**	**51,044**	**3**	**6**

Consolidated distribution utility energy sales volumes recorded a 6% growth ending 2024 with a 54,325 *GWh* from 51,044 *GWh* the previous year. Volumes attributable to *MERALCO* and *Clark Electric* increased by 6% and 4%, respectively, while *Shin Clark Power* brought in additional 4 *GWh.*

Commercial segment had the biggest share of 38% in the energy sales mix, while residential and industrial accounted for 36% and 26%, respectively.

Commercial segment closed the year with 20,406 *GWh* of energy sold, 7% more than 19,005 *GWh* in 2023, buoyed by business expansion activities such as redevelopment of mall spaces, new store openings, and surge in office occupancy rates. Hotels, educational institutions, and restaurants also showed an upswing in demand with more in-person activities and tourist arrivals, coupled with higher demand for air-conditioning.

Residential segment grew 9% to 19,455 *GWh* from 17,781 *GWh* in 2023 as the strong El Niño phenomenon, which raised annual average temperatures by 0.45°C, triggered prolonged usage of cooling devices at home. Consistent energization of horizontal developments located in greater Metro Manila and resilient organic consumption further boosted residential sales.

On the other hand, industrial segment's sales volume improved marginally by 1% to 14,318 *GWh* from 14,113 *GWh* as the slight growth in top contributor semiconductor industry was not enough to offset the negative impact of operational disruptions and unfavorable market conditions in the steel industry and slowdown in dispatch from embedded generators. Higher production demand drove growth in sector pillars non-metallic, plastics, and food and beverage.

Meanwhile, consolidated customer count surpassed a historic 8-million mark, ending the year with 8.04 million customers, 3% higher than the 7.83 million customers recorded in 2023.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its *EPC* contracts; operations and maintenance works involving transmission and

telecommunications lines; and *MIDC* for leasing of communication towers (until September 30, 2024, with deconsolidation of *MIDC* beginning October 1, 2024); (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; and (e) *Movem* with its sales of e-vehicles to electric vehicles expansion enterprises and e-shuttle services.

Revenue of other services is higher this year compared with last year due to (1) higher transaction volume of *Bayad*; (2) higher project accomplishments of *MServ*; and (3) increase in completed communication towers to 1,829 as at September 2024 from 1,251 towers as at December 2023 of *MIDC*, offset by lower revenues from third party customers of *MIESCOR*. In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in *MIDC* from 51% to 26.56%. The transaction resulted in deconsolidation of *MIDC* on September 30, 2024.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2024, amounted to ₱425,329 million, higher by ₱18,050 million compared with ₱407,279 million in 2023. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Power	₱415,410	98	₱397,692	98	₱17,718	4
Other services	15,118	3	14,328	3	790	6
Inter-segment transactions	(5,199)	(1)	(4,741)	(1)	(458)	10
Total	**₱425,329**	**100**	**₱407,279**	**100**	**₱18,050**	4

Power

Costs and expenses of power segment for the year ended December 31, 2024 amounted to ₱415,410 million, higher by ₱17,718 million compared with ₱397,692 million in 2023. The details of costs and expenses are summarized in the following table:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Purchased power	₱346,239	83	₱328,082	83	₱18,157	6
Depreciation and amortization	15,401	4	14,624	4	777	5
Salaries, wages and employee benefits	14,604	4	13,057	3	1,547	12
Coal and fuel	11,705	3	16,133	4	(4,428)	(27)
Contracted services	10,072	2	9,442	2	630	7
Others	17,389	4	16,354	4	1,035	6
Total	**₱415,410**	**100**	**₱397,692**	**100**	**₱17,718**	4

***** Cost and expenses for the year ended December 31, 2024 included those of *SPNEC* following *MGreen*'s acquisition of a controlling stake in December 2023.

Purchased power cost ("*PPC*") increased by 6% to ₱346,239 million from ₱328,082 million consistent with the movement in pass-through revenues which increased due to higher volume purchased as well as higher transmission charge, partly offset by lower average generation cost per *kWh*. The average Malampaya natural gas price increased to US$ 10.73 per *GJ* in 2024 from US$ 9.60 per *GJ* a year ago due to higher oil price indices. Average Wholesale Electricity Spot Market ("*WESM*") prices, on the other hand, went down mainly due to the availability of Ilijan Natural Gas Plant, which was on shutdown from June 2022 to May 2023, following the end of its cooperation period with the suppliers of Malampaya gas.

Higher depreciation and amortization was due to completed projects during the period and consolidation of *SPNEC* in December 2023.

Salaries, wages and employee benefits expense increased due to employee annual merits and higher employee retirement benefits driven by adjustment in discount rate assumption used in determining the defined benefit obligation.

Coal and fuel are costs incurred by the power generation business, mainly *GPBC* and its subsidiaries. Coal and fuel costs decreased by 27% due to lower coal and fuel prices and scheduled outages of certain power plants.

Contracted services increased due to intensified maintenance work on *DU* facilities, higher cost of software maintenance and subscriptions and inclusion of expenses of *SPNEC*.

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2024 amounted to ₱15,118 million, 6% higher compared with ₱14,328 million in 2023.

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Salaries, wages and employee benefits	₱4,798	32	₱4,838	34	(₱40)	(1)
Contracted services	3,379	22	2,765	19	614	22
Depreciation and amortization	2,132	14	2,001	14	131	7
Others	4,809	32	4,724	33	85	2
Total	**₱15,118**	**100**	**₱14,328**	**100**	**₱790**	**6**

The increase in cost and expenses of other services business segment reflects the costs of increasing business activities for the year ended December 31, 2024 compared with 2023, consistent with the increase in related revenues. These costs pertain to (i) depreciation and amortization expenses from acquired/completed *SLB* and *BTS* towers of *MIDC* and (ii) project costs of *MIESCOR* group.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

			Increase/Decrease	
	2024	2023	Amount	%
	(Amounts in millions)			
Power	₱11,001	₱10,973	₱28	-
Other services	(454)	(601)	147	(24)
Intersegment transaction	1,104	84	1,020	1,214
Total	**₱11,651**	**₱10,456**	**₱1,195**	**11**

Other income, net of expenses for the year ended December 31, 2024 increased by ₱1,195 million mainly due to higher yield from financial investments and foreign exchange gains with the depreciation of Philippine peso against the U.S. dollar in 2024, offset by lower equity in net earnings of associates and joint ventures.

Power

Other income (expenses) of power segment consists of:

			Increase/Decrease	
	2024	2023	Amount	%
	(Amounts in millions)			
Equity in net earnings of associates and joint ventures	₱10,307	₱11,523	(₱1,216)	(11)
Interest and other financial charges	(4,543)	(4,443)	(100)	2
Interest and other financial income	3,674	3,168	506	16
Foreign exchange gains (losses)	178	(55)	233	(424)
Others	1,385	780	605	78
Total	**₱11,001**	**₱10,973**	**₱28**	-

Lower equity in net earnings of associates and joint ventures for the year ended December 31, 2024 compared with last year was driven by scheduled outages of *SBPL* and *PacificLight.*

Interest and other financial income increased by ₱506 million with higher interest rates of short-term placements compared with last year.

The depreciation of Philippine peso against the U.S. dollar resulted in foreign exchange gains in 2024 versus foreign exchange losses in 2023. The exchange rate of U.S. dollar is ₱57.85 as at December 31, 2024 compared with ₱55.37 as at December 31, 2023.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following shows the breakdown of net income attributable to equity holders of the parent for the years ended December 31, 2024 and 2023 by business segment:

	2024		2023		Increase/Decrease	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
			(Amounts in millions)			
Power	₱44,673	97	₱37,262	98	₱7,411	20
Other services	1,797	4	1,416	4	381	27
Inter-segment transactions	(611)	(1)	(655)	(2)	44	(7)
Total	**₱45,859**	**100**	**₱38,023**	**100**	**₱7,836**	21

Net income attributable to equity holders of the parent increased by ₱7,836 million due to (a) higher sales volume of the *DU* business compared with last year, owing to strong performance of commercial and residential segments and recovery of industrial segment, (b) higher yields from fixed income placements, (c) higher contribution from the power generation segment due to its operational stability and efficiency of its operating assets and strategic participation in co-optimized market bidding for both energy and ancillary services in the Visayas grid and (d) higher contribution of the *RES* business which continued to deliver competitive priced power to contestable customers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2024	December 31, 2023 (As restated*)	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱288,501**	₱272,441	₱16,060	6
Investments in associates and interests in joint ventures	**47,513**	38,388	9,125	24
Investment properties	**1,487**	1,493	(6)	-
Intangible assets	**41,559**	53,634	(12,075)	(23)
Deferred tax assets - net	**26,382**	24,628	1,754	7
Financial and other noncurrent assets	**32,900**	35,228	(2,328)	(7)
Total Noncurrent Assets	**438,342**	425,812	12,530	3
Current Assets				
Cash and cash equivalents	**84,480**	82,789	1,691	2
Trade and other receivables	**64,697**	48,270	16,427	34
Inventories	**11,422**	11,130	292	3
Financial and other current assets	**19,017**	20,433	(1,416)	(7)
Total Current Assets	**179,616**	162,622	16,994	10
Total Assets	**₱617,958**	₱588,434	₱29,524	5
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱144,599**	₱122,295	₱22,304	18
Non-controlling interests	**41,283**	45,808	(4,525)	(10)
Total Equity	**185,882**	168,103	17,779	11
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**54,797**	62,272	(7,475)	(12)
Customers' deposits - net of current portion	**33,274**	34,128	(854)	(3)
Long-term employee benefits	**16,263**	10,263	6,000	58
Provisions	**9,855**	11,350	(1,495)	(13)
Refundable service extension costs - net of current portion	**3,753**	4,051	(298)	(7)
Deferred tax liabilities - net	**8,769**	9,845	(1,076)	(11)
Other noncurrent liabilities	**68,991**	54,698	14,293	26
Total Noncurrent Liabilities	**195,702**	186,607	9,095	5
Current Liabilities				
Notes payable	**34,287**	27,583	6,704	24
Trade payables and other current liabilities	**191,472**	192,154	(682)	-
Customers' refund	**2,853**	2,846	7	-
Income tax payable	**2,070**	1,550	520	34
Current portion of interest-bearing long-term financial liabilities	**5,692**	9,591	(3,899)	(41)
Total Current Liabilities	**236,374**	233,724	2,650	1
Total Liabilities	**432,076**	420,331	11,745	3
Total Liabilities and Equity	**₱617,958**	₱588,434	₱29,524	5

**Restatement resulting from finalization of the fair value of the assets and liabilities of SPNEC. See Note 3 to the consolidated financial statements.*

***In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of MIDC.*

CHANGES IN FINANCIAL POSITION

In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of its equity interest in *MIDC* from 51% to 26.56%, and deconsolidation of *MIDC* and derecognition of its assets and liabilities in the consolidated statement of financial position.

Utility Plant, Generation Plant and Others

The ₱16,060 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, and development of power plant projects totaling ₱41,198 million. This was offset by depreciation and amortization of ₱15,542 million and the effect of deconsolidation of *MIDC* amounting to ₱8,076 million.

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to recognition of (a) investment in Pylon Holdings Corporation (a joint venture between *MIDC* and PhilTower Consortium, Inc.) of ₱6,594 million arising from the multi-party swap agreement entered into by *MIESCOR* and (b) equity in net earnings for the period of ₱10,267 million. This was offset by the dividends declared by associates and joint ventures totalling to ₱10,253 million.

Intangible Assets

The significant decrease in this account was due to the effect of deconsolidation of *MIDC* which resulted in the derecognition of intangible assets amounting to ₱15,104 million.

Financial and Other Noncurrent Assets

The decrease was due to the redemption of certain *FVOCI* financial assets, offset by recognition of under recoveries of pass through charges resulting from increasing generation and transmission charges during the year.

Trade and Other Receivables

Trade and other receivables increased mainly driven by higher retail rate and sales volume in December 2024 compared with December 2023.

Interest-bearing long-term financial liabilities

The decrease in this account was due to settlement of maturing debt of ₱8,133 million and effect of deconsolidation of *MIDC* amounting to ₱9,749 million, offset by loan availments of ₱6,523 million.

Long-term employee benefits

The increase in this account is due to the long-term employee benefits expense recognized during the year.

Notes payable

The increase in this account represents loan availments of ₱7,742 million, offset by settlement amounting to ₱1,038 million in 2024.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets and estimated liabilities for regulatory and tax related matters, among others.

2023 compared with 2022

REVENUES

The composition of *MERALCO Group's* consolidated revenues by business segment is shown below.

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱430,181	97	₱413,950	97	₱16,231	4
Other services	17,848	4	17,012	4	836	5
Inter-segment transactions	(4,417)	(1)	(4,433)	(1)	16	-
Total	**₱443,612**	**100**	**₱426,529**	**100**	**₱17,083**	**4**

Consolidated revenues rose by 4% to ₱443,612 million from ₱426,529 million mainly due to (a) higher generation pass-through charges reflecting the depreciation of peso and higher cost of replacement power; (b) growth in *kWh* sales with the easing of pandemic-related restrictions; and (c) significant contribution of the power generation business driven by increase in volume and fuel prices.

Non-electric revenues increased by 5% due to higher revenues of (a) *Radius* from net increase in corporate data and internet services circuits and connected GPON subscribers; (b) *MIDC* from 56 completed and revenue generating build-to-suit *("BTS")* towers and from 1,194 towers acquired from Globe Telecom, Inc *("Globe")*; and (c) higher transactions volume of *Bayad*.

Power

Revenues of power segment represent those from electricity distribution, *RES* and power generation businesses. *MERALCO* and *Clark Electric* distribute electricity to captive industrial, commercial and residential customers while *MPower*, *Cogent Energy*, *Vantage* and *MeridianX* supply electricity to their respective contestable customers. Revenues of the power generation companies of *GBPC, First Bulacan* and PH Renewables, Inc. ("*PHRI*") are included in the power segment. *GBPC* owns coal and oil plants with a net capacity of 970 *MW*, of which 800 *MW* are contracted under *PSA*s with captive and contestable

customers and Ancillary Services Procurement Agreements ("*ASPAs*"). *First Bulacan* owns and operates a 80 *MW*dc/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, the largest single operating solar plant in the country, which began commercial operations on May 12, 2021 and has since delivered solar energy to *MERALCO* under an *ERC*-approved *PSA. PHRI* owns a 75 MWac solar plant in Baras, Rizal in partnership with Mitsui & Co., Ltd.'s local unit, Mit-Renewables Philippine Corporation, which has started generating power since March 2023.

Revenues of the power segment in 2023 was at ₱430,181 million, ₱16,231 million or 4% higher compared with 2022.

MERALCO's average retail rate increased by 11% to ₱10.55 per *kWh* from ₱9.52 per *kWh* as generation charges, which accounted for about 66% of total retail rate, went up by 11%.

MERALCO's 12-month moving average ("*12-MMA*") system loss as at December 31, 2023 was at 5.88%, the 16th consecutive year that it performed well below the indicative regulatory cap that brought about ₱4.9 billion savings to its customers in 2023. In addition, system loss management initiatives also contributed to the lower *SL* rate. *Clark Electric*'s 12-*MMA* system loss was at 1.92% as at December 31, 2023.

The following summarizes the customer count of the electricity distribution business as at December 31, 2023 and 2022 and the corresponding electric consumption per customer class for the year ended December 31, 2023 and 2022:

	No. of Customers		**Electricity Sales**		**% Change**	
	(in thousands)		*(in GWh)*		**No. of**	**Electricity**
Customer Class	**2023**	**2022**	**2023**	**2022**	**Customers**	**Sales**
Residential	7,231	7,041	17,781	17,148	3	4
Commercial	581	569	19,005	17,403	2	9
Industrial	11	11	14,113	14,221	-	(1)
Streetlights	5	5	145	144	-	1
Total	**7,828**	**7,626**	**51,044**	**48,916**	**3**	**4**

Consolidated distribution utility energy sales volumes for the year ended December 31, 2023 rose to 51,044 *GWh* from 48,916 *GWh* in 2022 as volumes of *MERALCO* and *Clark Electric* increased by 4% and 6%, respectively.

In terms of the sales mix, residential sales accounted for 35%, commercial sales increased to 37% from 36% in 2022, while industrial sales was at 28% from 29% in 2022.

Residential sales volume continuously recovered in the fourth quarter to close the year ended December 31, 2023 at 17,781 *GWh,* 4% higher than 17,148 *GWh* the previous year. The above-average mean temperatures recorded by *PAGASA* brought about by the El Niño phenomenon prompted households to use cooling appliances more often. Additionally, increased consumption was noted in condominiums and dormitories as on-site classes in colleges and universities resumed and on-site work arrangements increased.

Commercial sales volumes grew to 19,005 *GWh* from 17,403 *GWh* amid the increase in economic activities. Demand in the real estate and education sectors posted growth as schools began face-to-face classes. Full operations of retail, restaurants, and hospitality sectors also contributed to the higher commercial sales volumes.

The industrial sector saw its sales volume slip by 1% to 14,113 *GWh* versus 14,221 *GWh* in 2022 as the semiconductors and cement industry recorded negative performance, despite gradual recovery in the second half as key accounts diversified into automotive chips and resumed full plant operations. Food and beverage sectors and generation wheeling from embedded generator sustained growth. However, demand for plastics and steel continued to be affected by high input costs and lower plant production.

Meanwhile, consolidated customer count grew steadily at 3% to 7.8 million by the end of December 2023 from 7.6 million in 2022. Energization of new customers for both ordinary service and project-covered applications recovered, as local government units and developers cleared backlogs and normalized operations.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its engineering, procurement and construction ("*EPC*") contracts; operations and maintenance works involving transmission and telecommunications lines; and *MIDC* for leasing of communication towers; (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; and (e) *eSakay* with its sales of e-vehicles to electric vehicles expansion enterprises, Makati-Mandaluyong route operations, and e-shuttle services.

Revenue of other services is higher this year compared with last year due to new *ECP* projects and leasing of communication towers of *MIESCOR Group*, higher transactions volume of *Bayad*'s bills payment transactions and increase in business activities of subsidiaries following more relaxed quarantine restrictions.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2023, amounted to ₱407,279 million, higher by ₱931 million compared with ₱406,348 million in 2022. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Power	₱397,692	98	₱397,152	98	₱540	-
Other services	14,328	3	13,667	3	661	5
Inter-segment transactions	(4,741)	(1)	(4,471)	(1)	(270)	6
Total	**₱407,279**	**100**	**₱406,348**	**100**	**₱931**	-

Power

Costs and expenses of power segment for year ended December 31, 2023 amounted to ₱397,692 million, higher by ₱540 million compared with ₱397,152 million in 2022. The details of costs and expenses are summarized in the following table:

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Purchased power	₱328,082	83	₱322,344	81	₱5,738	2
Coal and fuel	16,133	4	22,578	6	(6,445)	(29)
Depreciation and amortization	14,624	4	15,084	4	(460)	(3)
Salaries, wages and employee benefits	13,057	3	12,921	3	136	1
Contracted services	9,442	2	8,352	2	1,090	13
Others	16,354	4	15,873	4	481	3
Total	**₱397,692**	**100**	**₱397,152**	**100**	**₱540**	-

Purchased power cost ("*PPC*") increased by 2% to ₱328.1 billion from ₱322.3 billion due to a) higher volume sold and b) increase in purchased power cost reflecting the depreciation of the peso and higher cost of replacement power for the capacities terminated by *Ilijan* and *Sual* following the Decision of the Court of Appeals granting *Ilijan* and *Sual*'s petitions for fuel price adjustments. Mitigating the increase in the purchased power were the lower cost of Malampaya gas price which averaged US$9.60 per *GJ* as at December 31, 2023 from US$10.18 per *GJ* in the same period in 2022 and lower average Wholesale Electric Spot Market ("*WESM*") prices following the improved supply situation in Luzon.

Coal and fuel are costs incurred by the power generation business, mainly *GPBC* and its subsidiaries. The coal and fuel costs decreased by 29% due to lower coal and fuel prices.

Contracted services increased by 13% due to higher volume of customer related expenses for disconnection, reconnection and relocation and collection services.

Other expenses consist of business taxes and permits, provision for probable losses and expenses from claims (net of reversals and adjustments), provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2023 amounted to ₱14,328 million, 5% higher compared with ₱13,667 million in 2022.

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Salaries, wages and employee benefits	₱4,838	34	₱4,608	34	₱230	5
Contracted services	2,765	19	2,756	20	9	-
Depreciation and amortization	2,001	14	947	7	1,054	111
Others	4,724	33	5,356	39	(632)	(12)
Total	**₱14,328**	**100**	**₱13,667**	**100**	**₱661**	**5**

The increase in the cost and expenses of other business segment reflects the costs of increasing business activities for the year ended December 31, 2023 compared with the same period in 2022, consistent with the increase in revenues of other business segment. These costs pertain to (i) project costs of *Miescor* group and *MServ*, and (ii) major costs of *Radius* and *Bayad*.

Depreciation and amortization expenses for the year ended December 31, 2023 include ₱898 million depreciation expense of *MIDC* related to the acquired telecom towers and related passive infrastructure.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

			Increase/Decrease	
	2023	2022	Amount	%
		(Amounts in millions)		
Power	₱10,973	₱15,103	(₱4,130)	(27)
Other services	(601)	(10)	(591)	5,910
Intersegment transaction	84	(38)	122	(321)
Total	**₱10,456**	**₱15,055**	**(₱4,599)**	**(31)**

Other income, net of expenses for the year ended December 31, 2023 decreased by ₱4,599 million mainly due to lower share in net earnings of associates and joint ventures and lower yield from financial investments. The decrease was mitigated by higher interest and financial charges and foreign exchange losses due to appreciation of Philippine peso against US dollar between December 31, 2022 and December 31, 2023.

Power

Other income (expenses) of power segment consists of:

	2023	2022	Increase/Decrease Amount	%
		(Amounts in millions)		
Equity in net earnings of associates an joint ventures	₱11,523	₱12,053	(₱530)	(4)
Interest and other financial income	3,168	1,942	1,226	63
Interest and other financial charges	(4,443)	(3,555)	(888)	25
Foreign exchange gains (losses)	(55)	982	(1,037)	(106)
Others	780	3,681	(2,901)	(79)
Total	**₱10,973**	**₱15,103**	**(₱4,130)**	**(27)**

Interest and other financial income increased by ₱1,226 million with higher interest rates of short-term placements during the period.

The year ended December 31, 2023 resulted in foreign exchange losses due to the appreciation of Philippine peso against the U.S. dollar since December 31, 2022. The exchange rate of U.S. dollar is ₱55.37 as at December 31, 2023 compared with ₱55.76 as at December 31, 2022.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following shows the breakdown of net income attributable to equity holders of the parent for the years ended December 31, 2023 and 2022 by business segment:

	2023		2022		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Power	₱37,262	98	₱26,060	92	₱11,202	43
Other services	1,416	4	2,528	9	(1,112)	(44)
Inter-segment transactions	(655)	(2)	(157)	(1)	(498)	317
Total	**₱38,023**	**100**	**₱28,431**	**100**	**₱9,592**	34

The higher net income attributable to equity holders of the parent resulted from increase in energy volumes distributed, robust performance of the power generation business led by *PacificLight* in Singapore and recovery of the *RES* business from the negative effects of the fuel cost recovery adjustments of its suppliers in 2022.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2023 (As restated)	December 31, 2022	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱272,441**	₱243,323	₱29,118	12
Investments in associates and interests in joint ventures	**38,388**	31,888	6,500	20
Investment properties	**1,493**	1,495	(2)	-
Intangible assets	**53,634**	21,691	31,943	147
Deferred tax assets - net	**24,628**	22,657	1,971	9
Financial and other noncurrent assets	**35,228**	43,920	(8,692)	(20)
Total Noncurrent Assets	**425,812**	364,974	60,838	17
Current Assets				
Cash and cash equivalents	**82,789**	55,832	26,957	48
Trade and other receivables	**48,270**	54,683	(6,413)	(12)
Inventories	**11,130**	10,629	501	5
Financial and other current assets	**20,433**	33,143	(12,710)	(38)
Total Current Assets	**162,622**	154,287	8,335	5
Total Assets	**₱588,434**	₱519,261	₱69,173	13
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company	**₱122,295**	₱109,664	₱12,631	12
Non-controlling interests	**45,808**	14,445	31,363	217
Total Equity	**168,103**	124,109	43,994	35
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**62,272**	68,757	(6,485)	(9)
Customers' deposits - net of current portion	**34,128**	31,590	2,538	8
Long-term employee benefits	**10,263**	2,893	7,370	255
Provisions	**11,350**	12,657	(1,307)	(10)
Refundable service extension costs - net of current portion	**4,051**	4,653	(602)	(13)
Deferred tax liabilities - net	**9,845**	5,427	4,418	81
Other noncurrent liabilities	**54,698**	63,450	(8,752)	(14)
Total Noncurrent Liabilities	**186,607**	189,427	(2,820)	(1)
Current Liabilities				
Notes payable	**27,583**	29,491	(1,908)	(6)
Trade payables and other current liabilities	**192,154**	163,902	28,252	17
Customers' refund	**2,846**	2,905	(59)	(2)
Income tax payable	**1,550**	92	1,458	1,585
Current portion of long-term employee benefits	-	3,750	(3,750)	(100)
Current portion of interest-bearing long-term financial liabilities	**9,591**	5,585	4,006	72
Total Current Liabilities	**233,724**	205,725	27,999	14
Total Liabilities	**420,331**	395,152	25,179	6
Total Liabilities and Equity	**₱588,434**	₱519,261	₱69,173	13

Utility Plant, Generation Plant and Others

The ₱29,118 million increase in utility plant, generation plant and others reflects the completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, development of power plant projects and construction of tower assets, totaling to about ₱26,149 million. This was offset by the depreciation and amortization of ₱14,770 million. Also, additional ₱20,001 was recognized as a result of the acquisition of controlling interest of *SPNEC.*

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to (a) higher share in net earnings of associates and joint ventures amounting to ₱11,479 million, net of dividends received of ₱10,106 million; and (b) in December 2023, *MGen* re-assessed the estimated recoverable amount of its investment in *FPM Power* in view of the improvement in market condition in Singapore resulting in *PacificLight Power*'s positive operating results. The recoverable amount of *MGen*'s 40% share in *FPM Power* as at December 31, 2023 was calculated using the cash flow projections of *PacificLight Power.*

Intangible Assets

The increase in this account resulted from the identified intangible asset specifically the controlling interest in *SPNEC,* customer contract of *TSPI,* amounting to ₱29,347.

Financial and Other Noncurrent Assets

The decrease was due to the redemption of certain *FVOCI* financial assets and lower unbilled receivables with the recognition of net over recoveries of pass-through charges in 2023.

Trade and Other Receivables

The decrease in trade and other receivables balance was mainly driven by increased collections from customers as at December 31, 2023.

Financial and Other Current Assets

The decrease in this account resulted from the redemption of *FVOCI* assets.

Long-term employee benefits

The increase in this account was due to the long-term employee benefits expense recognized in 2023.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets and estimated liabilities for regulatory and tax matters, among others.

Trade Payables and Other Current Liabilities

Trade payables and other current liabilities substantially represent purchased power costs in December 2023 due for payment in the following month. The December 2022 balance of purchased power included amounts pertaining to November 2022 supply month which were settled in January 2023. There were also refunds to customers during the period.

LIQUIDITY AND CAPITAL RESOURCES

The following show the cash flows for the year ended December 31, 2024, 2023, and 2022 as well as the capitalization and other selected consolidated financial data as at December 31, 2024 and December 31, 2023:

	For the Years Ended December 31		
	2024	**2023**	**2022**
		(Amounts in millions)	
Cash Flows			
Net cash provided by operating activities	₱42,010	₱57,974	₱25,182
Net cash provided by (used in) investing activities	(18,763)	1,569	(22,081)
Net cash used in financing activities	(21,591)	(32,605)	(2,276)
Net increase in cash and cash equivalents	1,656	26,938	825
Capital Expenditures	44,705	29,421	42,597

	2024	**2023**
	(Amounts in millions)	
Capitalization		
Interest-bearing long-term financial liabilities		
Current	₱5,692	₱9,591
Noncurrent	54,797	62,272
Notes payable	34,287	27,583
Equity attributable to equity holders of the parent company	144,599	122,295
Other Selected Financial Data		
Total assets	617,958	588,434
Utility plant, generation plant and others	288,501	272,441
Cash and cash equivalents	84,480	82,789

Debt Financing

The details of *MERALCO*'s interest bearing financial liabilities are discussed in Notes 17 and 21 to the consolidated financial statements.

The power plant complex of *PHRI* and the generation plant and equipment of *First Bulacan*, with aggregate carrying value of ₱5,698 million as at December 31, 2024 are pledged as securities for long-term debt contracted.

The solar power plants of *Solar Philippines Calatagan* and *Solar Philippines Tarlac* were used as collateral to secure their respective long-term debts.

Under their respective loan agreements, *MERALCO*'s subsidiaries are required to meet certain pre-agreed financial ratios at all times until full payment of the obligations. There are also restrictions in terms of payment of dividends, distributions or other returns to its stockholders, granting additional liens on its assets, disposal of assets, entering into mergers or similar transactions or permitting a transfer of its interest and incurring additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entity.

As at December 31, 2024, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Equity Financing

As at December 31, 2024, *MERALCO*'s capital stock consists of (*amounts in millions except par value and number of shares*):

Common stock - ₱10 par value	
Authorized - 1,250,000,000 shares	₱12,500
Issued - 1,127,271,117 shares	11,273
Treasury - 178,608 shares	(13)

The balance of previously issued preferred shares which have been called for redemption amounted to ₱1,461 million and ₱1,465 million as at December 31, 2024 and 2023, respectively. Total unclaimed dividends amounted to ₱248 million as at December 31, 2024 and December 31, 2023. Interest is no longer accrued from the time such preferred shares were called for redemption.

Treasury shares represent 172,412 subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the Employee Stock Purchase Plan ("*ESPP*") were approved by the *SEC* for conversion to treasury shares. Consequently, the total number of treasury shares is 178,608 as at December 31, 2024. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

The following are the cash dividends declared on common shares for the years ended December 31, 2024, 2023 and 2022:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 29, 2024	August 28, 2024	September 23, 2024	₱10.30	₱11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430
July 25, 2022	August 23, 2022	September 14, 2022	5.81	6,544
February 28, 2022	March 30, 2022	April 26, 2022	10.23	11,526

On February 24, 2025, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱13.736 a share to all shareholders of record as at March 12, 2025, payable on April 4, 2025.

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year, and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and availability of free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

RISK FACTORS

The significant risk factors affecting *MERALCO*'s financial position and results of operations are:

- *MERALCO* franchise renewal
- Regulatory decisions affecting the distribution utilities' tariff
- Recovery of development investments, new businesses and significant capital expenditures
- Sales volume and Philippine economic conditions
- Power supply and demand management
- Competition and market

MERALCO Franchise Renewal

Management is aware that there is increasing risk attendant to franchise expiration and renewal. To address this, the Company formed a cross-functional team responsible for the oversight and management of the application for franchise renewal. There are three (3) House Bills to renew *MERALCO*'s franchise which were filed with Congress in early 2024. On February 4, 2025, the Senate approved on third and final reading House Bill 10926 renewing *MERALCO*'s franchise for another 25 years starting 2028. This followed the same approval granted by the House of Representatives in November 2024 on the proposed measure. As at February 24, 2025, the consolidated bill is set to be enacted into law once endorsed to the Office of the President.

Regulatory Decisions Affecting the Distribution Utilities' Tariff

MERALCO is similarly faced with material regulatory uncertainty in respect of the timing and detail of its next rate rebasing. The major determinants of *MERALCO*'s and *Clark Electric*'s and *Shin Clark Power*'s rate structure vis-à-vis operating results are determination and valuation of regulatory asset

base *("RAB")*, allowable return and permitted cost recoveries. Distribution rates billed by *MERALCO* and *Clark Electric* were approved by the *ERC* and were set at rates that allowed a reasonable rate of return on investments. *MERALCO* and *Clark Electric*'s rate structure also allows pass-through of purchased power costs based on approved *PSA*s, system loss ("*SL")* charge up to an annual cap enforced by the *ERC*, taxes, among others.

MERALCO is among the Group A entrants to the Performance-Based Regulations ("*PBR")*, together with two (2) other private distribution utilities ("*DU*s").

Rate-setting under *PBR* is governed by the *RDWR*. Under *PBR*, tariffs are set once every Regulatory Period ("*RP*") based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base ("*RAB*") of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC. PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RY*s"). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

On July 10, 2015, the *ERC* provisionally approved an interim average rate ("*IAR*") of ₱1.3810 per *kWh* (excluding efficiency adjustment) and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

On July 13, 2022, *MERALCO* received the Decision of the *ERC* dated June 16, 2022 which approved a revised and final IAR of ₱1.522 per *kWh* as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per *kWh* until otherwise directed. *MERALCO* implemented the Decision beginning its August 2022 billing.

Distribution Rate True-Up ("DRTU") Applications

The *ERC* has issued Orders for the *DRTU* refunds totaling to ₱48,247 million which were implemented starting 2021 and were fully refunded to the customers in May 2023 billing. This resulted in an excess refund of ₱862 million, which was reported to the *ERC* in June 2023, with proposed recovery mechanism. As at February 24, 2025, the *ERC* has not responded to *MERALCO*'s letter. Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the decision approving certain *DRTU* refund application. As at February 24, 2025, the petitions are pending before the *CA* and *SC*.

Regulatory Reset Process Application

After a series of resolutions, Omnibus Motions and Motions for Reconsideration by parties of interest, the *ERC* issued Resolution No. 17, Series of 2024, effective beginning January 3, 2025, modifying the 2021 *RDWR*, which clarified the coverage of the Lapsed Period of *MERALCO* to be from July 1, 2015 to June 30, 2025, and directed *MERALCO* to submit a reset application for the new 5*RP* (July 1, 2025 to June 30, 2029), not later than 30 days from effectivity of rules. *MERALCO* filed its reset

application for the new 5*RP* on February 7, 2025. Hearings at the *ERC* have been scheduled starting March 3, 2025.

In the meantime, in compliance with an Order of the *ERC* dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. A separate or supplemental application for the period January 1, 2025 to June 30, 2025 shall be filed once the actual weighted average rates are determined for the said period. Hearings at the *ERC* have been scheduled starting February 28, 2025.

Capital Expenditure ("CAPEX")

Absent the final rules governing the 4th *RP* and 5th *RP* rate-setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 24, 2025, *MERALCO* is awaiting the final resolution and approval of the ERC.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

PBR Reset for Clark Electric

Clark Electric is among the six (6) Group D entrants to the *PBR*. Similar to *MERALCO*, it is subject to operational performance and service level requirements approved by the *ERC*. Each *RY* for *Clark Electric* begins on October 1 and ends on September 30 of the following year.

Pending the issuance by the *ERC* of the final rules to govern 3rd and 4th *RP* of Group D entrants, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. Similarly, *Clark Electric* filed and manifested as urgent its *CAPEX* requirements with the *ERC* to be able to implement such projects immediately. As at February 24, 2025, the applications remain pending with the *ERC*.

Recovery of Development Investments, New Businesses and Significant Capital Expenditures

MGen, through its subsidiaries and associates, has significant investments in the development and/construction of the following power plants:

- 2 x 600 *MW* (net) coal-fired power plant in Atimonan Quezon
- 110 *MWdc*/90*MWac* floating solar facility in Laguna de Bay
- *Greenergy* for the development of a 40 *MWac* solar power plant in Cordon, Isabela
- 3.5-*GWp* solar power plant with a 4,500-*MWhr* battery energy storage system of Terra Solar

PHRI, a joint venture with Mitsui's local unit Mit-Renewables Philippine Corporation, owns and operates a 67.5 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Phase 2 of the *Baras Solar Plant* consisting of 12.6 *MWac* was completed last August 30, 2024.

Also, in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*") and Nuevo Solar Energy Corpporation ("*NSEC*"), *MGreen* owns and operates a 68 *MWac* solar plant project in Ilocos Norte.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation. The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power,* which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. A 100 *MW* fast-start *LNG* plant is under construction and is expected to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("*EMA*").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility in Jurong Island by the *EMA* of Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

If any of these ongoing developments and constructions are not executed as planned due to reasons or factors beyond *MERALCO*'s control, *MERALCO*'s results of operations and financial position could be adversely affected.

Sales Volume and Philippine Economic Conditions

Commercial segment had the biggest share of 38% in the energy sales mix, while residential and industrial accounted for 36% and 26%, respectively.

Commercial segment closed the year with 20,406 *GWh* of energy sold, 7% more than 19,005 *GWh* in 2023, buoyed by business expansion activities such as redevelopment of mall spaces, new store openings, and surge in office occupancy rates. Hotels, educational institutions, and restaurants also showed an upswing in demand with more in-person activities and tourist arrivals, coupled with higher demand for air-conditioning.

Residential segment grew 9% to 19,455 *GWh* from 17,781 *GWh* in 2023 as the strong El Niño phenomenon, which raised annual average temperatures by 0.45°C, triggered prolonged usage of cooling devices at home. Consistent energization of horizontal developments located in greater Metro Manila and resilient organic consumption further boosted residential sales.

On the other hand, industrial segment's sales volume improved marginally by 1% to 14,318 *GWh* from 14,113 *GWh* as the slight growth in top contributor semiconductor industry was not enough to offset the negative impact of operational disruptions and unfavorable market conditions in the steel industry and slowdown in dispatch from embedded generators. Higher production demand drove growth in sector pillars non-metallic, plastics, and food and beverage.

Meanwhile, consolidated customer count surpassed a historic 8-million mark, ending the year with 8.04 million customers, 3% higher than the 7.83 million customers recorded in 2023.

Power Supply and Demand Management

The electricity distributed by *MERALCO* and *Clark Electric* are contracted through *PSA*s with generators and long-term *PPA*s with *IPPs*. Any unsourced volume through the *PSA*s and *PPA*s is purchased from the *WESM*. *WESM* is a venue where suppliers and buyers trade electricity as a commodity.

Below is the summary of *MERALCO* and *Clark Electric*'s electricity suppliers and the respective amounts of power purchased for the year ended December 31, 2024, 2023 and 2022. The details of the relevant *IPP*s and *PSA*s are disclosed and discussed in Note 30 to the consolidated financial statements:

The amounts of purchased power costs including transmission and ancillary charges for the year ended December 31, 2024, 2023 and 2022 follow:

	2024	2023	2022
		(Amounts in millions)	
Independent Electricity Market Operator ("*IEMOP")*	**₱65,294**	₱57,420	₱40,655
South Premiere Power Corporation ("*SPPC*")	**56,649**	36,807	25,679
First Gas Power Corporation ("*FGPC*")	**50,114**	46,789	51,409
National Grid Corporation of the Philippines *("NGCP")*	**45,212**	35,319	43,356
FGP Corp. ("*FGP*")	**25,162**	23,490	24,736
Quezon Power (Philippines) Limited Company ("*QPPL")*	**21,550**	24,126	28,793
SBPL	**19,916**	24,837	26,795
Sual Power Inc. ("*SPI*")	**14,801**	14,603	21,625
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**14,327**	10,991	18,712
AC Energy Philippines, Inc. ("*AC Energy*")	**9,016**	10,586	10,562
Limay Power Inc. ("*LPI*")	**7,070**	–	–
Therma Luzon, Inc. ("*TLI*")	**5,067**	15,850	4,161
Southwest Luzon Power Generation Corporation	**3,289**	3,385	2,672
First NatGas Power Corp. ("*FNPC*")	**2,459**	15,218	14,971
Energy Development Corporation ("*EDC*")	**2,242**	2,398	1,015
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**620**	633	644
Solar Philippines Tarlac	**465**	418	370
NSEC	**451**	263	–
Others	**2,830**	5,115	6,490
	₱346,534	₱328,248	₱322,645

The continuing Malampaya gas restriction, increasing fuel indices in light of the ongoing Ukraine-Russia conflict, plant outages due to delayed preventive maintenance, forced outages, delays in commissioning of new projects are expected to result in overall tightening of the power supply situation in the country.

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of *CIC*. Following filing of Joint Motions for Price Adjustment with the *ERC* and public hearings, on October 3, 2022, the *ERC*, voting 3-2, promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment.

On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the *ERC* Orders dated September 29, 2022. The *CA* issued a *TRO*, then subsequently a *WPI*, for the *SPPC* case. On June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case.

On June 27, 2023, the *CA*'s (13th Division) issued a Joint Decision which, among other things, (a) annulled/set aside the *ERC* Orders that denied the Joint Motions for Price Adjustment and instead granted such motions (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (b) made permanent the Preliminary Injunction issued in favor of *SPPC*. On the basis of the *CA* orders and decision, starting on December 7, 2022 and July 24, 2023, respectively, *SPPC* and *SPI* ceased supplying energy under their baseload *PSA*s with *MERALCO*. On February 28, 2024, the *ERC* elevated the matter to the *SC* by filing a Petition for Review on Certiorari. On April 3, 2024, the *SC* issued a Resolution denying the *ERC's* Petition for Certiorari for failure to show that the *CA* committed any reversible error. On July 10, 2024, the *SC* issued a Resolution for both matters (*CA*'s *WPI* issuance and the *CA*'s Joint Decision), denying the *ERC's* Motions for Reconsideration considering there was no substantial argument to warrant any modification. Hence, the *SC* Resolutions have attained finality.

SPI and *SPPC* issued to *MERALCO* Notices of *CIC* dated August 23, 2023, claiming additional CIC claim ("*CIC 2*") covering the periods of January 2022 up to July 2023 in the amount of ₱14.6 billion (for *SMEC*) and January to December 2022 in the amount of ₱15.9 billion (for *SPPC*). In *MERALCO*'s letters to *SPI* and *SPPC*, both dated January 30, 2024, *MERALCO* advised *SPI* and *SPPC* to avail itself of legal remedies available to it under the law as it found no basis to join *SPI* and *SPPC* in an *ERC* filing since the *PSA*s had already been terminated. After an exchange of *SPPC*'s and *SMEC*'s request for validation of the *CIC 2* amounts, on August 30, 2024, *MERALCO* wrote to *SPPC* and *SMEC*, *MERALCO* has validated the computation of *SPPC* and *SMEC* but resulting in a lower amount of ₱13.3 billion (for *SMEC*) and ₱15.8 billion (for *SPPC*). On November 20, 2024, *SMEC* and *SPPC* filed Motions for Price Adjustment with the *ERC* covering the periods of June 2022 up to July 2023 in the amount of ₱13.3 billion (for *SMEC*) and June to December 2022 in the amount of ₱15.8 billion (for *SPPC*). As at February 24, 2025, the *ERC* has yet to act on the motions.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC* for the year 2022. Consequently, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving ₱618 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving an additional ₱910 million. On September 2, 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed Manifestations and Urgent Motions to Resolve to the *ERC* on September 4, 2024.

On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities ("*BCQ*") under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment

pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQ*s to *MERALCO* under the subject *PSA*s. As at February 24, 2025, the *ERC* has yet to act on the motion. *MERALCO* requested for proposals from various power suppliers for an emergency *PSA* ("*EPSA*") to replace it. An offer from *SPI* was found the most reasonable and lowest among the offers received, thus, on January 27, 2025 an *EPSA* was executed between *MERALCO* and *SPI* for 200 *MW* baseload supply for one (1) year. The said *EPSA* was implemented by the parties on January 28, 2025 pursuant to the prevailing *DOE CSP* Policy and *ERC CSP* Guidelines.

MERALCO's, Clark Electric's and *Shin Clark Power's* operations as *DU*s and the *RES* business may be disrupted if the electricity suppliers are not able to generate and deliver the power needed. The power generation business is likewise affected by the increasing fuel prices particularly for supply contracts which have fixed fuel rate arrangement vis-à-vis pass-through fuel arrangement.

Competition

With the effectivity of the *DOE* circulars on Competitive Selection Process ("*CSP*") and its amendments and revisions since it was published in 2018, the execution of *PSA* by *MERALCO*'s power generation business has become increasingly competitive. While the objective of the *CSP* is to promote competition and greater private sector participation in the provision of adequate generation capacity to meet the demand of the captive market, the power generation business of *MERALCO* may not be able to provide the most competitive bid which may adversely affect its financial condition and results of operations.

ELECTRIC POWER INDUSTRY DEVELOPMENTS AND UPDATES

The detailed discussions of the rate-making regulations and regulatory policies of the *ERC* which affect both *MERALCO, Clark El*ectric, and *Shin Clark Power* and other significant matters affecting the power industry players are found in Notes 2 and 32 to the consolidated financial statements.

OTHER QUANTITATIVE AND QUALITATIVE DISCLOSURES

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in *MERALCO*'s liquidity increasing or decreasing in any material way.

On December 27, 2023, *MGreen* acquired 50.5% voting equity interest of *SPNEC* consisting of 15.7 billion common and 19.4 billion redeemable voting preferred shares subscription price.

An agreement was executed by and among *MGreen, SP Holdings* and *SPNEC*, covering *MGreen*'s grant to *SP Holdings* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion.

Following *MGreen*'s acquisition of a majority stake in *SPNEC* in December 2023, *MGreen* further raised its stake in the listed renewable energy company to 53.7% from 50.5% with the acquisition of additional 2.17 billion shares of *SPNEC* in January 2024.

MGen and Therma NatGas Power, Inc. ("*TNGP*") have jointly entered into an Investment Agreement to acquire equity interest in Chromite Gas Holdings ("*CGHI*"). *MGen* will acquire 60% interest in *CGHI* while *TNGP* will acquire the balance of 40%. *CGHI* intends to invest in two gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*SMGP*"), the 1,278 *MW* Ilijan power plant, and a new 1,320 *MW* combined cycle power facility that is currently under construction. The transaction is subject to the customary review and approval of the Philippine Competition Commission ("*PCC*").

On March 1, 2024, *MIESCOR* entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("*Connect*"), PTCI Holdings Pte. Ltd. ("*PHPL*"), and Pylon Holdings Corp. ("*Pylon*"). Under the agreement, the shareholders of *MIDC* and PhilTower Consortium, Inc. ("*PhilTower*") (collectively referred to as the "*TowerCos*") shall transfer their respective ownerships in the *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 26.56% of *Pylon* with *Pylon* owning 100% each of *MIDC* and *PhilTower*. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors. Accordingly, upon approval by the *PCC* and the Securities and Exchange Commission ("*SEC*"), and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC*. No gain or loss was recognized as a result of the transaction.

(ii) Any events that will trigger direct or indirect contingent financial obligation that is material to *MERALCO*, including any default or acceleration of an obligation.

1. Mediation with National Power Corporation ("*NPC")*

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the Department of Energy ("*DOE*") to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE,* rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the first seven (7) years, *MERALCO*'s total purchases from NPC exceeded the contract level. After which, in 1997, the Asian crisis resulted in the curtailment of energy demand.

A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003. A series of oppositions, motions for reconsideration, *TRO* and petitions followed with the Office of the Solicitor General acting for and on behalf of *NPC*.

Finally, the *CA* rendered a decision on April 15, 2014 denying the appeal of the *OSG* and affirmed the decision of *RTC* – Pasig declaring the Settlement Agreement valid and binding. The *NPC* filed a Petition for Review with the *SC*. In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The

SC, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 24, 2025, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

2. Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC- Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 24, 2025, *MERALCO* is awaiting further action from the *SC* on the matter.

3. *RPT* Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the Local Government Code *("LGC")*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 24, 2025, the Petition is pending with the *ERC*. In the meantime, *MERALCO* proposed to include the recovery of the *RPT* for the period prior to the Resolution as part of its new 5th *RP* application.

4. LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code, only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

5. *SC* Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* issued an Order approving *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. The Order was elevated by certain consumer and civil society groups before the *CA* which set aside the *ERC*'s ruling on *MERALCO*'s rate unbundling and remanded the case to the *ERC.* Further, the *CA* opined that the *ERC* should have asked the Commission on Audit ("*COA*") to audit the books of *MERALCO*.

In an En Banc decision promulgated on December 6, 2006, the *SC* set aside and reversed the *CA* ruling saying that a *COA* audit was not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA*'s assistance to undertake a complete audit of the books, records and accounts of *MERALCO*. The *COA* audit, which began in September 2008, was completed with the submission of the *ERC* of its report on November 12, 2009.

On June 21, 2011, the *ERC* maintained and affirmed its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 30, 2003. The *ERC* stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. In a Decision dated February 29, 2016, the *CA* dismissed the Petition for Review and affirmed the Orders dated June 21, 2011 and February 4, 2013 of the *ERC*. The motion for reconsideration filed by the intervenors was denied by the *CA* through a Resolution dated August 8, 2016.

On October 11, 2016, *MERALCO* received a Petition for Review on Certiorari filed by the intervenors before the *SC* appealing the dismissal of its Petition. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by *NASECORE*, which among other things, (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (1) the valuation of the *RAB* of *MERALCO*; and (2) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers.

MERALCO, the other *DU*s and the *ERC* filed their respective motions for reconsideration which are pending before the *SC*. Two (2) additional *DU*s filed their respective Motions for Leave to intervene and to file their motions for reconsideration. As at February 24, 2025, the case is pending before the *SC*.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of *MERALCO* with unconsolidated entities or other persons created during the reporting period.

There are various outstanding contingent assets and liabilities which are not reflected in the accompanying consolidated financial statements. Refer to Note 29, *Contingencies and Legal*

Proceedings and Note 30, *Significant Contracts and Commitments* to the consolidated financial statements for the updates on the Company's financial obligations.

(iv) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

1. Retail Competition

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On May 12, 2016, the *ERC* issued Resolutions No. 10 and 11, Series of 2016, which:

a. Provided for mandatory contestability. Failure of a contestable customer to switch to *RES* upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) *MW* and June 26, 2017 for at least 750 *MW*) shall result in the physical disconnection from the *DU* system unless it is served by the supplier of last resort ("*SoLR*"), or, if applicable, procures power from the *WESM*;

b. Prohibits *DU*s from engaging in the supply of electricity to the contestable market except in its capacity as a *SoLR*;

c. Mandates Local *RES*s to wind down their supply businesses within a period of three (3) years;

d. Imposes upon all *RES*s, including *DU*-affiliate *RES*s, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

e. Prohibits *RES*s from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On November 29, 2017, the *DOE* issued two (2) *DOE* Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of *RCOA* for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of *RCOA* for *RES* in the Philippine Electric Power Industry. The *DOE* Circulars became effective on December 24, 2017. Under the *DOE* Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under *RCOA*-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 *kW to* 749 *kW* for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 *kW* for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access

("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014.

2. Petition for Dispute Resolution against *PEMC*, *TransCo*, *NPC* and *PSALM*

On September 9, 2008, *MERALCO* filed a Petition for Dispute Resolution, against *PEMC*, *TransCo*, *NPC* and *PSALM* with the *ERC* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition seeks to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the new price determined through the price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

In a Decision dated March 10, 2010, the *ERC* granted *MERALCO*'s petition and ruled that there is double charging of the transmission line costs billed to *MERALCO* by *NPC* for the Transition Supply Contract ("*TSC*") quantities to the extent of 2.98% loss factor, since the effectivity of the *TSC* in November 2006. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. In the meantime, the *ERC* issued an Order on May 4, 2011 allowing *PEMC* to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the *WESM. PEMC* has filed its compliance submitting its alternative methodology.

On September 8, 2011, *MERALCO* received a copy of *PEMC*'s compliance to the *ERC*'s directive and on November 11, 2011, *MERALCO* filed a counter-proposal which effectively simplifies *PEMC*'s proposal.

In an Order of the *ERC* dated June 21, 2012, *MERALCO* was directed to submit its computation of the amount of the double charging of line loss on a per month basis from June 26, 2006 up to June 2012. On July 4, 2012, *MERALCO* filed its Compliance to the said Order. Thereafter, the *ERC* issued an Order directing the parties to comment on *MERALCO*'s submissions. Hearings were conducted on October 2, 2012 and October 16, 2012 to discuss the parties' proposal and comments.

In an Order dated March 4, 2013, the *ERC* approved the methodology proposed by *MERALCO* and *PEMC* in computing the double charged amount on line losses by deducting 2.98% from the *NPC-TOU* amount. Accordingly, the *ERC* determined that the computed double charge amount to be collected from *NPC* is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the *NPC-TOU* rates imposed on *MERALCO*. In this regard, *NPC* was directed by the *ERC* to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.9 million per month until the over-recoveries are fully refunded. In the said Order, the *ERC* likewise determined that the amount to be collected from the successor generating companies ("*SGC*s") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following *SGC*s: *MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*"), *TLI*, *SPI* and *Sem-Calaca*, within 30 days from receipt thereof, to recover the line loss collected by them. On April 19, 2013, *MERALCO* filed a Motion for Clarification

with the *ERC* regarding the directives contained in the March 4, 2013 Order. On April 30, 2013 and May 8, 2013, *PSALM* and *NPC*, respectively, filed motions seeking reconsideration of the March 4, 2013 Order. *MERALCO* filed a motion seeking for an additional 15 days from its receipt of the *ERC*'s Order resolving its Motion for Clarification, within which to file its Petition against the *SGC*s.

In an Order dated July 1, 2013, the *ERC* issued the following clarifications/resolutions: (i) *SPPC* should be included as one of the *SGC*s against whom a petition for dispute resolution should be filed by *MERALCO*; (ii) amount to be refunded by *NPC* is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iii) petition to be filed by *MERALCO* against the *SGC*s should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iv) "Sem – Calaca Ilijan" pertains to *SPPC* instead. Thus, the refundable amount of ₱706 million pertaining to "Sem – Calaca Ilijan" should be added to *SPPC*'s refundable amount of ₱1.1 billion; (v) grant the Motion for Extension filed by *MERALCO* within which to file a petition against the following *SGC*s: *MPPCL*, *APRI*, *TLI*, *SPI*, *Sem-Calaca* and *SPPC*; and (vi) deny the respective *MR*s filed by *NPC* and *PSALM*.

On September 12, 2013, *MERALCO* filed a Manifestation with Motion with the *ERC* seeking approval of its proposal to offset the amount of ₱73.9 million per month against its monthly remittances to *PSALM*. *PSALM* and *NPC* filed their comments *Ad Cautelam* and Comment and Opposition *Ad Cautelam*, respectively, on *MERALCO*'s Manifestation with Motion. On November 4, 2013, *MERALCO* filed its reply. As at February 24, 2025, *MERALCO*'s Manifestation with Motion is pending resolution by the *ERC*.

On October 24, 2013, *MERALCO* received *PSALM*'s Petition for Review on Certiorari with the *CA* (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) questioning the March 4, 2013 and July 1, 2013 Orders of the *ERC*.

On February 3, 2014, *MERALCO* filed a Comment with Opposition to the Application for *TRO* or Writ of Preliminary Injunction dated January 30, 2014. *PEMC* filed a Comment and Opposition Re: Petition for Certiorari with Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction dated January 6, 2014. On June 4, 2014, the *CA* issued a Resolution declaring that *PSALM* is deemed to have waived the filing of a Reply to the comment and opposition of *MERALCO* and *PEMC* and directing the parties to submit their simultaneous memoranda within 15 days from notice. On December 1, 2014, the *CA* issued a decision dismissing the Petition for Certiorari filed by *PSALM* against the *ERC*, *MERALCO* and *PEMC* and affirming the *ERC*'s ruling on the refund of the ₱5.2 billion of transmission line losses double charged by *PSALM* and *NPC*. On January 30, 2015, *PSALM* filed its *MR* on the December 1, 2014 Decision of the *CA*. *MERALCO* has filed its Opposition to the *MR*. In a Resolution dated August 11, 2015, the *CA* denied *PSALM*'s *MR*. On October 27, 2015, *MERALCO* received *PSALM*'s Petition for Review with the *SC*. The Petition has been given due course and the parties have filed their respective memoranda. As at February 24, 2025, *MERALCO* is still awaiting further action of the *SC* on the Petition.

3. Petition for Dispute Resolution Against *SPPC, MPPCL, APRI, TLI, SPI* and *Sem-Calaca*

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly

refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*'s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 24, 2025, the Joint Motion to Dismiss is pending resolution by the *ERC*.

4. Petition for Dispute Resolution with *NPC* on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 24, 2025, the Petition is pending resolution by the *ERC*.

5. *SC TRO* on *MERALCO*'s December 2013 Billing Rate Increase

On December 9, 2013, the *ERC* gave clearance to the request of *MERALCO* to implement a staggered collection over three (3) months covering the December 2013 billing month for the increase in generation charge and other bill components such as *VAT*, *LFT*, transmission charge, and *SL* charge. The generation costs for the November 2013 supply month increased significantly because of the aberrant spike in the *WESM* charges on account of the non-compliance with *WESM* Rules by certain plants resulting in significant power generation capacities not being offered and dispatched, and the scheduled and extended shutdowns, and the forced outages, of several base load power plants, and the use of the more expensive liquid fuel or bio-diesel by the natural gas-fired power plants that were affected by the Malampaya Gas Field shutdown from November 11 to December 10, 2013.

On December 19, 2013, several party-list representatives of the House of Representatives filed a Petition against *MERALCO*, *ERC* and *DOE* before the *SC*, questioning the *ERC* clearance granted to *MERALCO* to charge the resulting price increase, alleging the lack of hearing and due process. It also sought for the declaration of the unconstitutionality of the *EPIRA*, which essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar petition was filed by a consumer group and several private homeowners' associations challenging also the legality of the *AGRA* that the *ERC* had promulgated. Both petitions prayed for the issuance of *TRO*, and a Writ of Preliminary Injunction.

On December 23, 2013, the *SC* consolidated the two (2) Petitions and granted the application for *TRO* effective immediately and for a period of 60 days, which effectively enjoined the *ERC* and *MERALCO* from implementing the price increase. The *SC* also ordered *MERALCO*, *ERC* and *DOE* to file their respective comments to the Petitions. Oral Arguments were conducted on January 21, 2014, February 4, 2014 and February 11, 2014. Thereafter, the *SC* ordered all the Parties to the consolidated Petitions to file their respective Memorandum on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the *SC*. *MERALCO* complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the *SC* extended for another 60 days or until April 22, 2014, the *TRO* that it originally issued against *MERALCO* and *ERC* on December 23, 2013. The *TRO* was also similarly applied to the generating companies, specifically *MPPCL*, *SPI*, *SPPC*, *FGPC*, and the *NGCP*, and the *PEMC* (the administrator of *WESM* and market operator at that time) who were all enjoined from collecting from *MERALCO* the deferred amounts representing the ₱4.15 per *kWh* price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, *MERALCO* filed an Omnibus Motion with Manifestation with the *ERC* for the latter to direct *PEMC* to conduct a re-run or re-calculation of the *WESM* prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, *MERALCO* filed with the *ERC* an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six (6)-month period.

On March 3, 2014, the *ERC* issued an Order voiding the Luzon *WESM* prices during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit ("*IU*") that these are not reasonable, rational and competitive, and imposing the use of regulated rates for the said period. *PEMC* was given seven (7) days upon receipt of the Order to calculate these regulated prices and implement the same in the revised *WESM* bills of the concerned *DU*s in Luzon. *PEMC*'s recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December 2013 supply month bill of the *WESM* by ₱9.3 billion. Due to the pendency of the *TRO*, no adjustment was made to the *WESM* bill of *MERALCO* for the November 2013 supply month. The timing of amounts to be credited to *MERALCO* is dependent on the reimbursement of *PEMC* from associated generator companies. However, several generating companies, including *MPPCL*, SN Aboitiz Power, Inc., Team (Philippines) Energy Corporation, PanAsia Energy, Inc. ("*PanAsia*"), and *SPI*, have filed *MR*s questioning the Order dated March 3, 2014. *MERALCO* has filed a consolidated comment to these *MR*s. In an Order dated October 15, 2014, the *ERC* denied the *MR*s. The generating companies have appealed the Orders with the *CA*. *MERALCO* has filed a motion to intervene and a comment in intervention. The *CA* consolidated the cases filed by the generation companies. In a Decision dated November 7, 2017, the *CA* set aside *ERC* Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 and declared the orders null and void. The Decision then reinstated and declared valid *WESM* prices for the November and December 2013 supply months. *MERALCO* and the *ERC* have filed their respective motions for reconsideration. Several consumers also intervened in the case and filed their respective motions for reconsideration. In a Resolution dated March 29, 2019, the *CA* denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

MERALCO and several consumers have elevated the *CA* Decision and Order to the *SC* where the case is pending. In a Resolution dated November 4, 2020, the *SC* consolidated *ERC*'s and

MERALCO's petitions and transferred *MERALCO*'s petition to the member-in-charge of *ERC*'s petition which was the lower-numbered case. The petitions filed by the consumers were denied by the *SC*.

In view of the pendency of the various submissions before the *ERC* and mindful of the complexities in the implementation of the *ERC*'s Order dated March 3, 2014, the *ERC* directed *PEMC* to provide the market participants additional 45 days to comply with the settlement of their respective adjusted *WESM* bills. In an Order dated May 9, 2014, the parties were then given an additional non-extendible period of 30 days from receipt of the Order within which to settle their *WESM* bills. However, in an Order dated June 6, 2014 and acting on an intervention filed by Angeles Electric Corporation, the *ERC* deemed it appropriate to hold in abeyance the settlement of *PEMC*'s adjusted *WESM* bills by the market participants.

On April 22, 2014, the *SC* extended indefinitely the *TRO* issued on December 23, 2013 and February 18, 2014 and directed generating companies, *NGCP* and *PEMC* not to collect from *MERALCO*. In a Decision promulgated on August 3, 2022, the *SC* affirmed the December 9, 2013, *ERC* letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the *ERC* March 3, 2014 Order which voided the Luzon *WESM* prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The *ERC* and the petitioners filed motions for reconsideration which were denied with finality in the *SC* Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the *ERC* on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. On January 4, 2024, *MERALCO, IEMOP* and the *ERC* met to discuss *MERALCO*'s proposed implementation of the Decision. As directed by the *ERC*, *MERALCO* and *IEMOP* have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 24, 2025, the same is pending with the *ERC*.

6. *ERC* Investigating Unit *("IU"*) Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the *IU* filed a Complaint dated May 9, 2015 against *MERALCO* and *TMO* for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the *EPIRA* and Rule 11, Section 1 and 8(e) of the *EPIRA IRR*. In an Order dated June 15, 2015, the *ERC* directed *MERALCO* to file its comment on the Complaint. *MERALCO* and *TMO* have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the *ERC* directed the investigating officer to file his reply to *MERALCO*. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the *ERC* promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the

commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the *ERC* set the pre-trial conference on August 18, 2016 and required *MERALCO* and *TMO* to submit their respective pre-trial briefs. However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs.

In the meantime, *MERALCO* likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by *TMO* in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission ("*PCC*") which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the *ERC* denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the *ERC* denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its *MR* to the Order on February 23, 2017. In an Order dated June 20, 2017, the *ERC* denied the *MR*. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the *CA*. In a Resolution dated October 2, 2017, the *CA* required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. *MERALCO* was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the *ERC* stated that it is a nominal party in the case as the quasi-judicial tribune that issued the assailed ordinances. The *IU* filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the *OSG* informed the *CA* that it will no longer represent the *IU* and will instead participate as "tribune of the people". In the meantime, *TMO* also filed a separate Petition for Review on Certiorari with the *CA*. In a Resolution dated January 10, 2018, the *CA* ordered the consolidation of the petitions of *TMO* and *MERALCO*. In a Decision dated May 23, 2018, the *CA* denied the consolidated Petitions filed by *MERALCO*, *TMO*, and *APRI*, and ruled that the jurisdiction to resolve the *IU* cases remains with the *ERC* because the Philippine Competition Act ("*PCA*") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an *MR* with the *CA*. The *ERC* likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the *PCC* over cases involving alleged anti-competitive conduct supposedly because the *PCA* did not repeal Section 45 of the *EPIRA*. In a Decision dated May 23, 2018, the CA denied the consolidated Petitions filed by MERALCO, TMO, and APRI, and ruled that the jurisdiction to resolve the IU cases remains with the ERC because the Philippine Competition Act ("PCA") does not apply retroactively.

On June 20, 2018, MERALCO filed an MR with the CA. The ERC likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the PCC over cases involving alleged anti-competitive conduct supposedly because the PCA did not repeal Section 45 of the EPIRA.

In Resolution dated January 28, 2019, the *CA* denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the *PCC* now holds original, exclusive, and primary jurisdiction over all competition-related cases, the *CA* reiterated its view that the *PCA* has no retroactive effect.

The *ERC* has elevated the matter to the *SC*. *MERALCO, TMO* and *APRI* have all filed their respective manifestations before the *SC*. In a Resolution dated September 29, 2021, the *SC* affirmed the *CA* in that the *ERC* had jurisdiction over these cases as they were filed before the enactment of the *PCA*. However, the *SC* did not rule on whether the *PCC* and the *ERC* now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the *ERC* called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the *SC*. The *ERC* then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (A) Resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (B) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the *ERC* stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the *ERC* will first resolve *MERALCO*'s motions. The *ERC* also issued an open court order denying the motion of the *ERC IU* that the case be resolved through the submission of the position papers and other supporting documents. The *ERC IU* filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at February 24, 2025, *MERALCO* is awaiting further action by the *ERC* on the matter.

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC, MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC, MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DU*s, like *MERALCO*, at the *WESM*. On June 10, 2024, *MERALCO* filed its Comment on the Petition. As at February 24, 2025, *MERALCO* awaits further action of the *SC* on the case.

7. Ombudsman Case Against Directors

On January 30, 2018, *MERALCO* received an Order dated January 22, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the alleged misappropriation of the bill deposits received from *MERALCO* consumers. On February 9, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. In a Resolution dated May 18, 2018, the criminal complaint for syndicated estafa was dismissed for insufficiency of evidence. The case was referred to the *COA* for the conduct of audit on the bill deposits collected by *MERALCO* from the public consumers and to inform the Ombudsman of the compliance therewith. The consumer group filed a Motion for Partial Reconsideration dated June 16, 2018 to which *MERALCO* filed its Comment. The consumer group's

Motion for Partial Reconsideration was denied through an Order dated July 30, 2018. *NASECORE* filed an *Urgent Motion for Immediate Execution* dated September 21, 2018 praying that the Ombudsman issue a writ of execution to implement the *Resolution* dated May 18, 2018. As at February 24, 2025, the Ombudsman has not acted on this matter.

On January 5, 2024, *MERALCO* received an Order dated January 2, 2024 from the Office of the Ombudsman directing *MERALCO*'s Chairman and *CEO* to file a counter-affidavit, together with the affidavit/s of supporting witnesses and other supporting documents, on the case filed by a certain consumer group against *ERC* and *MERALCO* seeking (a) indictment of *MERALCO*'s Chairman and *CEO* which alleged that there is a violation of certain provisions of *R.A. 3019* and *PD 269*, and (b) a finding that the *ERC* Chairperson is guilty of, among other things, gross misconduct and grave abuse of authority. In said case, the consumer group alleged that there is no basis for *MERALCO* to participate in, and purchase energy at, the *WESM*, given that, among other things, the *WESM* was created to cater to the contestable market. On February 6, 2024, *MERALCO* has filed the relevant counter-affidavit and supporting affidavit to the Office of the Ombudsman. On March 18, 2024, *MERALCO* received the reply-affidavit filed by the consumer group. On July 15, 2024, *MERALCO* filed its Rejoinder-Affidavit. As at February 24, 2025, *MERALCO* is awaiting further action by the Ombudsman on the matter.

8. SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers, the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion and authorized *MERALCO* to continue with the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme on how the unclaimed refund will be utilized for purposes of reducing the distribution rates of customers. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* that on July 1, 2019, *MERALCO* deposited all the unclaimed amounts of the *SC* Refund as of June 30, 2019 in a separate bank account. *MERALCO* further manifested in said Compliance that it shall continue with the processing of the refund claims of eligible customers and should the refund claims of these customers be evaluated to be valid, *MERALCO* shall, for the benefit of the customers, withdraw the refund amount from the bank account, release the same to the concerned customers and accordingly inform the *ERC* of the refunds paid. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 24, 2025, there has been no further action from the *ERC*.

9. *Overpayment of Income Tax related to SC Refund*

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, but corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 24, 2025, the Omnibus Motion is pending resolution by the *SC*.

(v) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

Not applicable.

(vi) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Seasonality of Operations and Growth Drivers

Approximately 97% of *MERALCO Group*'s operating revenues pertain to electricity sold and distributed by *MERALCO* and *Clark Electric* and revenues from power generation business of *MGen*.

The electricity sales of *MERALCO* and *Clark Electric* exhibit a degree of quarterly seasonality. The *kWh* sales in the first quarter is lower than the average of the year as this period is characterized by cooler temperature and softer consumer demand following heightened consumer spending in the last quarter of the year. The second quarter is marked by higher than average *kWh* sales. This is due to a number of factors, including: increased consumption of households and commercial establishments due to the summer season; increased production of industries to replenish stocks and in preparation for the opening of classes; and, heightened construction activity to take advantage of the sunny weather. In the third quarter of the year, manufacturing industries that cater to the export market have their peak production schedule at this time as they rush to meet shipping deadlines to foreign markets. Industries catering to the domestic market are also now starting production in preparation for the Christmas season. Lastly, the fourth quarter performance is about the average of the year. Industrial production winds down while households and commercial establishments also cut down on their cooling loads. Given this perspective on the seasonality of *kWh* sales, a higher proportion of the *MERALCO*'s and *Clark Electric*'s

revenues are earned on the second half of the year. Aside from the quarterly seasonal pattern, *kWh* sales on a year-on-year basis adjust as a result of a number of factors. Sales of electricity normally increase in periods of economic growth, low inflation and electricity rates, and in periods of high temperatures over extended period of time, e.g. the "*El Niño*" episodes.

The following table sets forth *MERALCO Group* quarterly sales in *GWh* for the year ended December 31, 2024, 2023 and 2022.

Period	2024	2023	2022
First Quarter	12,307	11,287	11,069
Second Quarter	14,647	13,505	12,899
Third Quarter	13,918	13,372	12,585
Fourth Quarter	13,453	12,880	12,363
Total	**54,325**	**51,044**	**48,916**

The power generation business generally follows the seasonality of the distribution utility business. The businesses of all other subsidiaries are not highly seasonal.

(vii) Any known trends, demands, commitments, events or uncertainties that will have a material impact of the issuer's liquidity.

Management is not aware of any known trends, demands, commitments, events or uncertainties that may deem potentially have a material impact on *MERALCO* Group's liquidity as at December 31, 2024, other than those already disclosed in this report and in the consolidated financial statements.

(viii) Discussion of *MERALCO*'s and its majority-owned subsidiaries top five (5) key performance indicators. It shall include a discussion of the manner by which *MERALCO* calculates or identifies the indicators presented on a comparable basis.

Listed hereunder are *MERALCO*'s five (5) major subsidiaries namely *Clark Electric*, *MGen*, *MIESCOR, e-MVI* and *CIS*. The following table summarizes their key financial performance and indicators as at and for the years ended December 31, 2024 and 2023.

Financial Highlights and Ratios[1] of Major Subsidiaries
As at and for the Years Ended December 31, 2024 and 2023
(Amounts in million except for financial ratios and % change)

	Clark Electric			*MGen*			*MIESCOR*			*e-MVI*			*CIS*		
	2024	**2023**	**% change**	**2024** [3]	**2023**	**% change**	**2024**	**2023**	**% change**	**2024**	**2023**	**% change**	**2024**	**2023**	**% change**
Percentage of ownership	65%	65%		100%	100%		100%	100%		100%	100%		100%	100%	
Condensed Statements of Financial Position															
Total assets	₱4,373	₱4,057	8	₱215,740	₱191,569	13	₱15,737	₱27,648	(43)	₱5,396	₱5,958	(9)	₱8,686	₱7,122	22
Current assets	1,893	1,562	21	44,303	34,310	29	8,191	10,276	(20)	1,295	958	35	8,487	6,961	22
Cash and cash equivalents	1,487	1,250	19	24,128	21,174	14	1,304	1,844	(29)	568	219	159	3,006	2,477	21
Equity	2,641	2,493	6	91,051	73,728	23	9,931	8,172	22	2,075	3,053	(32)	1,028	1,152	(11)
Total debt[2]	-	-	-	52,342	45,968	14	322	6,799	(95)	669	747	(10)	-	-	-
Current liabilities	834	514	62	32,351	25,301	28	5,377	7,180	(25)	1,421	2,092	(32)	7,523	5,919	27
Financial Ratios															
Debt-to-equity ratio	-	-	-	0.57	0.62	(8)	0.03	0.83	(96)	0.32	0.24	32	-	-	-
Current ratio	2.27	3.04	(25)	1.37	1.36	1	1.52	1.43	6	0.91	0.46	99	1.13	1.18	(4)
Condensed Statements of Income															
Revenues	3,780	3,513	8	32,091	30,518	5	8,636	8,036	7	2,440	2,481	(2)	2,190	2,112	4
Costs and expenses	3,425	3,196	7	25,405	27,425	(7)	8,094	7,607	6	2,314	2,219	4	2,069	1,996	4
Net income (loss)	448	334	34	13,382	12,033	11	(259)	(383)	(32)	80	156	(49)	152	142	7
Financial Ratios															
Profit margin	11.9%	9.5%	25	41.7%	39.4%	6	(3.0%)	(4.8%)	(37)	3.3%	6.3%	(48)	6.9%	6.7%	3
Return on equity	17.0%	13.4%	27	14.7%	16.3%	(10)	(2.6%)	(4.7%)	(44)	3.9%	5.1%	(25)	14.8%	12.3%	15
Asset turnover	0.90	0.88	2	0.16	0.19	(17)	0.40	0.32	24	0.43	0.40	9	0.28	0.32	(14)

[1]The manner of computing the financial ratios for subsidiaries is the same with that of *MERALCO's* as presented in *Financial Highlights and Key Performance Indicators*.
[2]Total Debt is composed of notes payable and interest-bearing long-term financial liabilities, current and noncurrent portions.
[3]In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in *MIDC* from 51% to 26.56%. The transaction resulted in the deconsolidation of *MIDC*.

ANNEX – Aging of Trade and Other Receivables

As at December 31, 2024

(Amounts in millions)

	Total	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables - energy	₱50,295	₱32,745	₱1,376	₱590	₱15,584
Other trade receivables – service contracts	13,920	8,482	714	541	4,183
Gross trade receivables	**64,215**	**41,227**	**2,090**	**1,131**	**19,767**
Non-trade receivables	9,336	8,041	766	21	508
Total receivables	**73,551**	**49,268**	**2,856**	**1,152**	**20,275**
Allowance for expected credit losses	**(8,854)**	**(139)**	**(408)**	**(885)**	**(7,422)**
Net receivables	**₱64,697**	**₱49,129**	**₱2,448**	**₱267**	**₱12,853**

Item 7. Financial Statements

Refer to Index to Financial Statements

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There are no changes in and disagreements with accountants on accounting and financial disclosures.

External Audit Fees

The External Auditors

The shareholders of *MERALCO* have reappointed *SGV* as its external auditors for the year ended December 31, 2024 during the annual stockholders' meeting on May 28, 2024. The signing partner of *SGV* for *MERALCO* is Mr. Narciso T. Torres, Jr.

(a) Audit and Audit-Related Fees

SGV was engaged to audit the annual financial statements of *MERALCO* and subsidiaries and perform related reviews. The consolidated fees, exclusive of value added tax were incurred as follows:

	2024	2023
	(Amounts in millions)	
Financial statements audit	₱25.8	₱20.5
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the *ERC* and Audit of universal charge reports as required by PSALM	₱0.9	₱0.8

(b) Tax Fees

Not applicable.

(c) The Audit Committee's approval of policies and procedures for the above services

The Audit Committee approves the terms of engagement and scope of services of the independent auditors as endorsed by Management. For non-audit services, Management is required to obtain pre-approval from the Audit Committee prior to engagement.

(d) Describe disagreements, if there were any, with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement(s) in connection with this report.

Not applicable.

(e) If there were any disagreements as described in subparagraph (2), the registrant shall request the former accountant to furnish the registrant with a letter addressed to the Commission stating whether it agrees with the statements made by the registrant and, if not, stating the respects in which it does not agree. The registrant shall file the former accountant's letter as an exhibit to the report or registration statement containing this disclosure.

Not applicable.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

As of March 31, 2025, the names of the incumbent Directors, nominees for election as directors and Executive Officers of *MERALCO* and their respective ages, citizenship, current positions, periods of service and business experiences during the past five (5) years are as follows:

Directors

MANUEL V. PANGILINAN
Filipino, 78 years old
Chairman, Board of Directors
Chairman, Executive Committee
Chairman, Remuneration and Leadership Development Committee
Chairman, Sustainability Committee
Chief Executive Officer ("*CEO*")
Director since May 26, 2009

Education and Training:
- BA Economics, Ateneo De Manila University
- Master's in Business Administration, Wharton School of Finance and Commerce University of Pennsylvania

Membership in the Board of Listed Companies:
- PLDT Inc., *Chairman, President and Chief Executive Officer*
- Philex Mining Corporation, *Chairman*
- PXP Energy Corporation, *Chairman*
- Roxas Holdings, Inc., *Vice-Chairman*
- SP New Energy Corporation, *Chairman*

Membership in the Board of Non-Listed Companies, Foundations and other Organizations:
- Associated Broadcasting Corporation [TV5], *Chairman*
- Beacon Electric Asset Holdings, Inc., *Chairman*
- First Pacific Company Limited, *CEO and Managing Director*
- Global Business Power Corporation, *Chairman*
- Kayana Solutions, Inc., *Chairman*
- Landco Pacific Corporation, *Chairman*

- Light Rail Manila Corporation*, Chairman*
- Maynilad Water Services, Inc., *Chairman*
- Mediaquest Holdings, Inc., *Chairman*
- Meralco Power Foundation, *Chairman*
- Meralco PowerGen Corporation, *Chairman*
- METPower Ventures Partners, *Chairman*
- MetroPac Water Investments Corporation, *Chairman*
- Metro Pacific Agro Ventures, Inc., *Chairman*
- Metro Pacific Foundation, *Chairman*
- Metro Pacific Health Corporation*, Chairman*
- Metro Pacific Investments Corporation, *Chairman, President and CEO*
- Metro Pacific Tollways Corporation, *Chairman*
- MVP Sports Foundation, Inc., *Chairman*
- NLEX Corporation, *Chairman*
- One Meralco Foundation, Inc., *Chairman*
- Philippine Business for Education
- Philippine Business for Social Progress, *Chairman*
- Philippine Disaster Resilience Foundation (PDRF), *Co-Chairman*
- PLDT Communications and Energy Ventures, Inc., *Chairman, President and CEO*
- PLDT-Smart Foundation, Inc., *Chairman*
- PT Indofood Sukses Makmur Tbk (Indonesia), *President Commissioner*
- Samahang Basketbol ng Pilipinas, *Chairman Emeritus*
- San Beda College, *Chairman*
- Smart Communications, Inc., *Chairman*
- Stratbase Albert del Rosario Institute, *Co-Chairperson of the Board of Trustees*
- Terra Solar Philippines, Inc., *Chairman*
- US-Philippines Society, *Co-Chairman*

In recognition of Mr. Pangilinan's contributions to the country, the Philippine Air Force awarded him the rank of Lieutenant Colonel (Res) in a promotion list approved by the Philippine President in July 2021. In 2010, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula with the rank of Bayani.

Mr. Pangilinan was awarded the First Honorary Doctorate Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorate in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

LANCE Y. GOKONGWEI
Filipino, 58 years old
Vice-Chairman, Board of Directors
Vice-Chairman, Executive Committee
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Director since December 16, 2013

Education and Training:

- BS Finance, Wharton School of Finance and Commerce University of Pennsylvania
- BS Applied Science, Penn Engineering School, University of Pennsylvania

Membership in the Board of Listed Companies:
- Altus Property Ventures, Inc.
- Cebu Air, Inc., *Chairman*
- Endeavor Acquisition Corporation
- JG Summit Holdings, Inc., *President and Chief Executive Officer*
- Oriental Petroleum and Minerals Corporation
- RL Commercial REIT, Inc.
- Robinsons Land Corporation, *Chairman, President and Chief Executive Officer*
- Robinsons Retail Holdings, Inc., *Board Adviser*
- Shakey's Asia Pizza Ventures, Inc.
- Singapore Land Group Limited
- SP New Energy Corporation
- Universal Robina Corporation, *Chairman*

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AB Capital and Investment Corporation
- Ateneo de Manila University, *Trustee and Chairman of the Finance Committee*
- Data Analytics Ventures, Inc.
- Gokongwei Brothers Foundation, Inc., *Chairman*
- JE Holdings, Inc., *Chairman and President*
- JG Digital Equity Ventures, Inc., *Chairman and President*
- JG Summit Olefins Corporation, *Chairman*
- World Economic Forum, Global Leaders for Tomorrow Program

JUNE CHERYL A. CABAL-REVILLA
Filipino, 51 years old
Chairperson, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Sustainability Committee
Director since May 30, 2023

Education and Training:

- Bachelor of Science in Accountancy, De La Salle University
- Master's in Business Management, Major in Finance, Asian Institute of Management
- Executive Program, Stanford Graduate School of Business

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:

- AF Payments, Inc.
- Beacon Electric Asset Holdings, Inc.
- Costa de Madera Corporation
- Fragrant Cedar Holdings, Inc.
- Global Business Power Corporation
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Maynilad Water Services, Inc.
- Meralco PowerGen Corporation
- Metro Pacific Agro Ventures, Inc.
- Metro Pacific Dairy Farms, Inc.
- Metro Pacific Fresh Farms, Inc.
- Metro Pacific Health Corporation
- Metro Pacific Health Tech Corporation - *President and Chief Executive Officer*
- Metro Pacific Investments Corporation, *Chief Finance and Sustainability Officer*
- Metro Pacific Investments Foundation, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Nova Agro Tech, Inc.
- Metro Pacific Tollways Corporation
- MetroPac Movers, Inc.
- Razor Crest Storage Infrastructure Holdings Corporation
- Surallah Biogas Ventures Corp.
- The Laguna Creamery, Inc.
- Indra Philippines, Inc.
- NLEX Corporation
- Iloilo Waste Recovery Holdings Corporation
- Iloilo Waste Recovery Joint Venture Corporation

Ms. Revilla is also an appointed member of the Financial Reporting and Sustainability Standards Council of the Philippines.

LYDIA B. ECHAUZ
Filipino, 77 years old
Member, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Independent Director since May 25, 2021

Education and Training:
- Bachelor of Arts, Major in Economics and Mathematics, St. Theresa's College
- Master's in Business Administration, Ateneo de Manila University
- Doctor of Business Administration, De La Salle University

Membership in the Board of Listed Companies:
- D&L Industries, Inc., *Independent Director*
- Shell Pilipinas Corporation, *Independent Director*
- SP New Energy Corporation, *Independent Director*

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- Akademyang Filipino Association. Inc., *Trustee*
- FERN Realty Corporation
- Mano Amiga Academy, *Trustee*
- Museo del Galeon Foundation, Inc., *Trustee*
- NBS Educational Services, Inc., *Vice-Chairperson*
- Riverside College Inc.
- SM Foundation, Inc., *Independent Trustee*

RAY C. ESPINOSA
Filipino, 68 years old
President and CEO from May 28, 2019 to May 30, 2023
Member, Risk Management Committee
Member, Related Party Transactions Committee
Director since May 26, 2009

Education and Training:
- BS General Studies, University of Santo Tomas
- Bachelor of Laws, Ateneo De Manila University
- Master of Laws, University of Michigan Law School

Membership in the Board of Publicly Listed Companies:
- EEI Corporation, *Independent Director*
- Lepanto Consolidated Mining Company, *Independent Director*
- PLDT Inc.
- PXP Energy Corporation

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AGN Philippines, Inc., *Co-Chairman*
- Aurora Managed Power Services Inc., *Chairman*
- BTF Holdings, Inc.
- Beacon Electric Asset Holdings, Inc.

- Bell Telecommunication Philippines, Inc., *Co-Chairman*
- Bow Arken Holding Company, Inc., *Co-Chairman*
- Brightshare Holdings Corporation, *Co-Chairman*
- CIS Bayad Center, Inc., *Chairman*
- Cobaltpoint Telecom, Inc., *Co-Chairman*
- Connectivity Unlimited Resource Enterprise Inc.
- Corporate Information Solutions, Inc., *Chairman*
- Dominer Pointe, Inc., *Co-Chairman*
- Eastern Telecommunications Philippines, Inc., *Co-President*
- Enterprise Investments Holdings, Inc.
- e-Meralco Ventures, Inc., *Chairman*
- ePLDT, Inc.
- e Telco, Inc., *Co-Chairman*
- ESPI Real Estate Ventures Inc., *President*
- Excellent Energy Resources, Inc.
- First Agri Holdings Corporation, *President*
- First Coconut Manufacturing Inc., *Vice-Chairman*
- First Delta Group Security Services, Inc.
- First Pacific Leadership Academy, Inc., *Trustee*
- Hi Frequency Telecommunications, Inc., *Co-Chairman*
- Ilijan Primeline Industrial Estate Corporation
- Liberty Telecom Holdings, Inc., *Co-Chairman*
- Linseed Field Corporation
- Maya Bank Inc.
- Mediaquest Holdings, Inc.
- Meralco PowerGen Corporation, *Vice-Chairman*
- Meridian Power Ventures Limited
- Metro Pacific Assets Holdings, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Resources, Inc.
- MPioneer Insurance, Inc., *Chairman*
- Multi Technology Investments Holdings, Inc., *Co-Chairman*
- MVP Rewards and Loyalty Solutions Inc.
- New Century Telecoms, Inc., *Co-Chairman*
- One Meralco Foundation, Inc., *Vice-Chairman and Trustee*
- Pacific Aurora Plantation Corp., *Vice-Chairman*
- Pacific Global One Aviation Company, Inc.
- PacificLight Power PTE Ltd (Singapore Company)
- PacificLight Renewables Pte. Ltd. (Singapore Company)
- Paragon Vertical Corporation*, Chairman*

- Perchpoint Holdings, Inc., *Co-Chairman*
- PH Broadband Networks Holdings, Inc., *Co-Chairman*
- PH Communications Holdings Corporation
- Philippine Telecommunications Investment Corp., *Director and Corporate Secretary*
- Pilipinas Global Network Limited
- Pilipinas Pacific Telecom Holdings, Inc., *Assistant Corporate Secretary*
- PLDT - Beneficial Trust Fund, *Vice-Chairman and Trustee*
- PLDT Capital PTE Ltd.
- PLDT Communications and Energy Ventures, Inc., *President*
- PLDT Digital Investments PTE Ltd.
- PLDT Global Investments Corporation
- PLDT Global Investments Holdings, Inc.
- PLDT Online Investments PTE Ltd.
- Power Smart Capital Limited
- Radius Telecoms, Inc., *Chairman*
- Roxas Power Corporation
- Skyphone Logistics, Inc., *Co-Chairman*
- Somete Logistics & Development Corporation, *Co-Chairman*
- Smart Communications, Inc.
- Talas Data Intelligence Inc.
- Telecommunications Service Providers, Inc.,
- Telecommunication Technologies Philippines, Inc., *Co-Chairman and Co-President*
- Tori Spectrum Telecom, Inc., *Co-Chairman*
- Two Cassandra - CCI Conglomerate, Inc., *Co-Chairman*
- Two Rivers Pacific Holdings Corporation
- Vega Telecom, Inc., *Co-Chairman*
- WREIT, Inc., *Independent Director*

Position and Membership in Other Organizations:
- Executive Committee Member of LAWASIA Energy Section
- Member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association

JAMES L. GO
Filipino, 85 years old
Member, Executive Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Director since December 16, 2013

Education and Training:
- BS Chemical Engineering, Massachusetts Institute of Technology
- Master's in Chemical Engineering, Massachusetts Institute of Technology

Membership in the Board of Listed Companies:
- JG Summit Holdings, Inc., *Chairman*
- Oriental Petroleum and Minerals Corporation, *Chairman and Chief Executive Officer*
- Robinsons Land Corporation, *Chairman Emeritus*
- Universal Robina Corporation, *Chairman Emeritus*
- Robinsons Retail Holdings, Inc., *Vice-Chairman*
- PLDT Inc.

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- JG Summit Olefins Corporation, *Chairman Emeritus*
- Gokongwei Brothers Foundation, Inc., *President and Trustee*
- Meralco PowerGen Corporation

Position and Membership in Other Organizations and Corporations:
- Board Adviser, Cebu Air, Inc.

PATRICK HENRY C. GO
Filipino, 55 years old
Chairman, Risk Management Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Related Party Transactions Committee
Member, Sustainability Committee
Director since January 29, 2024

Education and Training:
- Bachelor of Science Degree in Management – Ateneo De Manila University
- General Management Program – Harvard Business School

Membership in the Board of Listed Companies:
- JG Summit Holdings, Inc.
- Universal Robina Corporation, *Executive Vice-President*
- Robinsons Land Corporation

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- JG Summit Olefins Corporation
- Meralco PowerGen Corporation
- Merbau Corporation, *President and Chief Executive Officer*
- Peak Fuel Corporation

- Gokongwei Brothers Foundation, Inc., *Trustee and Treasurer*

JOSE MA. K. LIM
Filipino, 72 years old
Member, Executive Committee
Member, Finance Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Director since May 29, 2012

Education and Training:
- BA Philosophy, Ateneo De Manila University
- Master's in Business Administration, Asian Institute of Management

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AF Payments Inc.
- Global Business Power Corporation
- Indra Philippines
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Light Rail Manila Holdings, Inc.
- Maynilad Water Holding Company, Inc.
- Maynilad Water Services, Inc.
- Medical Doctors, Inc.
- Meralco PowerGen Corporation
- Metro Pacific Health Tech Corporation
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation, *Strategic Adviser*
- Metro Pacific Investments Foundation Inc., *Trustee*
- Metro Pacific Management Services, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Tollways Corporation, *President and Chief Executive Officer effective March 1, 2025*
- MetPower Ventures Partners Holdings, Inc., *Chairman*
- Metro Strategic Infrastructure Holdings Incorporated, *Chairman*
- Metro Vantage Properties, Inc.
- NLEX Corporation
- Philippine Telecommunications Investment Corp.

Position and Membership in Other Organizations and Corporations:
- Founding Member of the Shareholders Association of the Philippines

- Member, Management Association of the Philippines

ARTEMIO V. PANGANIBAN
Filipino, 88 years old
Lead Independent Director
Chairman, Audit Committee
Member, Executive Committee
Member, Related Party Transactions Committee
Member, Risk Management Committee
Independent Director since May 27, 2008

Education and Training:
- Associate in Arts Degree ("With Highest Honors"), Far Eastern University
- Bachelor of Laws ("Cum Laude"), Far Eastern University
- Doctor of Laws ("Honoris Causa"), University of Iloilo/Far Eastern University/University of Cebu/Angeles University/ Bulacan State University

Membership in the Board of Listed Companies:
- Asian Terminals, Inc., *Independent Director*
- GMA Holdings, Inc., *Independent Director*
- GMA Network, Inc., *Independent Director*
- JG Summit Holdings, Inc., *Independent Director*
- Jollibee Foods Corporation
- Petron Corporation, *Independent Director*
- PLDT Inc., *Lead Independent Director*
- RL Commercial REIT, Inc., *Independent Director*

Adviser to the Board of the following Listed Companies:
- Bank of the Philippine Islands
- Double Dragon Properties Corp.
- Merry Mart Consumer Corp.
- Metropolitan Bank and Trust Co.

Membership in Board of Non-Listed Companies, Foundations, and other Organizations:
- Asian Hospital Inc., *Independent Director*
- Claudio Teehankee Foundation, *Vice-Chairman, Board of Trustees*
- Foundation for Liberty and Prosperity, *Chairman of the Board of Trustees*
- Manila Metropolitan Cathedral-Basilica Foundation, Inc., *President*
- Metro Pacific Investments Corporation, *Independent Advisor*
- Metro Pacific Tollways Corporation, *Independent Director*
- Philippine Judges Foundation, *Chairman of the Board of Trustees*
- Tan Yan Kee Foundation, *Trustee*
- TeaM Energy Corporation, *Independent Director*

Position and Membership in Civic Organizations, Foundations and Corporations:

- Chairman of the Board of Advisers of Metrobank Foundation
- Chairman Emeritus of the Philippine National Committee of the Asean Law Association
- Columnist of the Philippine Daily Inquirer
- Senior Legal Advisor of the Department of Energy (Law and Energy Advisory Panel)
- Retired Chief Justice of the Supreme Court of the Philippines
- President of the Association of Retired Justices of the Supreme Court of the Philippines
- Chairman, Philippine Center for Diabetes Education Foundation, Inc.

PEDRO EMILIO O. ROXAS
Filipino, 69 years old
Chairman, Related Party Transactions Committee
Chairman, Nomination and Governance Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Independent Director since May 25, 2010

Education and Training:

- BS Business Administration, University of Notre Dame Indiana, USA

Membership in the Board of Listed Companies:

- Roxas and Company, Inc., *Chairman*
- Roxas Holdings, Inc., *Chairman*
- Cemex Holdings Inc., *Independent Director*

Membership in Board of Non-Listed Companies, Foundations, and other Organizations:

- Brightnote Assets Corporation
- Club Punta Fuego, Inc., *Chairman*
- Fundacion Santiago, Inc.
- Global Business Power Corporation, *Independent Director*
- Meralco PowerGen Corporation, *Independent Director*
- Metro Pacific Investment Corporation, *Independent Director*
- Oona Insular Insurance Corporation, *Independent Director*
- Roxaco Land Corporation, *Chairman*
- Chromite Gas Holdings, Inc.

VICTORICO P. VARGAS
Filipino, 73 years old
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Director since May 28, 2019

Education and Training:
- BS Psychology, University of Santo Tomas

Membership in Board of Non-Listed Companies:
- Association of Boxing Alliances in the Philippines, *Chairman*
- Beacon Electric Asset Holdings, Inc.
- Beacon PowerGen Holdings, Inc.
- Cignal TV, Inc.
- First Pacific Leadership Academy, *President and member of the Board of Trustees*
- Hastings Holdings, Inc., *Chairman*
- Ideaspace Foundation, *Trustee*
- Kayana Solutions, Inc., *President*
- Media5 Marketing Corporation, *Chairman*
- Metro Pacific Tollways Corporation
- MGen Global Power
- MQuest Ventures, Inc.
- MVP Sports Foundation, Inc., *Trustee*
- Philippines Basketball Association, *Chairman (Season 2017 to present)*
- Philstar Daily, Inc., *Chairman*
- PhilStar Global, Inc., *Chairman*
- PhilPop Music Fest Foundation, *President*
- Pilipino Star Ngayon, Inc., *Chairman*
- Pilipino Star Printing, *Chairman*
- PLDT Clark Telecom, Inc.
- PLDT Global, Inc., *Chairman*
- PLDT Smart Foundation, *Trustee*
- PLDT Subic Telecom, Inc.
- Smart Communications, Inc.
- TV5 Network, Inc.

Position and Membership in Other Organizations, Foundation and Corporations:
- First Pacific Company Limited, *Associate Director*
- Head of Leadership Transition Office of the PLDT Group, Office of the Chairman
- Samahang Basketbol ng Pilipinas, *Vice President and Former Vice Chairman*
- World Boxing Council, *Executive Board Member*
- Philippine Olympic Committee, *Immediate Past President*

Maynilad Water Services, Inc., *Former President and Chief Executive Officer*

Executive Officers

SIMEON KEN R. FERRER
Filipino, 68 years old
Corporate Secretary (since May 26, 2009)

Atty. Ferrer is an Independent Director of Grand Plaza Hotel Corporation, a company listed on the Philippine Stock Exchange. He is also the Corporate Secretary of another public company, Century Peak Holdings Corporation (formerly Century Peak Metals Holdings Corporation). He continues to serve as Director or Corporate Secretary of various non-public companies. He is Of Counsel at SyCip Salazar Hernandez & Gatmaitan, having recently retired as Senior Partner and head of the Corporate Services Department. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association, and a Fellow of the Institute of Corporate Directors.

Atty. Ferrer is an SEC-accredited lecturer on corporate governance and is a member of the faculty of the School of Law of the Ateneo de Manila University. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association.

Atty. Ferrer completed his Bachelor of Science degree in Business Economics and Bachelor of Laws degree at the University of the Philippines and obtained his Master of Laws degree from the University of Michigan as a DeWitt Fellow.

RONNIE L. APEROCHO
Filipino, 56 years old
Executive Vice President and Chief Operating Officer (since July 1, 2023)

Mr. Aperocho also serves as the Chairman of the Board of Directors of Clark Electric Distribution Corporation, Shin Clark Power Holdings, Inc., and Comstech Integration Alliance, Inc. and Vice Chairman of the Board of Directors of Shin Clark Power Corporation. He is also a member of the Board of Directors of Meralco Industrial Engineering Services Corporation, Meralco Energy, Inc., Aclara Meters Philippines, Inc., and Radius Telecoms, Inc. He serves as the President and Vice Chairman of the Board of Trustees of Meralco Power Academy and sits in the Board of Trustees of One Meralco Foundation, Inc. and Philippine Disaster Resilience Foundation.

He holds a Bachelor of Science degree in Electrical Engineering from Mindanao State University and topped the October 1991 Electrical Engineering Board Exams. A registered Professional Electrical Engineer and ASEAN Chartered Professional Engineer, he holds a Master's degree in Business Administration from J.L. Kellogg School of Management of Northwestern University/The Hong Kong University of Science and Technology. He is awarded by the Philippine Professional Regulation Commission (PRC) as the 2024 Most Outstanding Electrical Engineer in the country.

MARIA LUISA V. ALVENDIA
Filipino, 62 years old
Senior Vice President (since January 1, 2024)
Chief Supply Chain Officer (since July 1, 2023)

Prior to being appointed to her current role, Ms. Alvendia served as the Chief of Staff to the President and Chief Executive Officer, and Supply Chain Advisor of *MERALCO*. Before joining the Company, she was the Chief of Staff to the Chief Corporate Services Officer of PLDT, Inc. (PLDT) and Smart Communications, Inc. (SMART), and Group Head of PLDT and SMART Supply Chain Planning and Procurement. With her industry-recognized supply chain expertise, she became a Director of the Philippine Institute of Supply Management. She also led various Supply Chain process improvements and system implementation for different companies and held global procurement roles.

Ms. Alvendia holds a Bachelor of Science degree in Psychology from the University of the Philippines.

EDGARDO V. CARASIG
Filipino, 60 years old
Senior Vice President (since January 1, 2024)
Chief HR Officer (since July 1, 2023) and Head of HR and Corporate Services (since July 1, 2018)

Mr. Carasig is the Chairman of Customer Frontline Solutions, Inc. and a Director of Meralco Industrial Engineering Services Corporation, Miescor Builders, Inc., and Miescor Logistics, Inc., and MRAIL, Inc. He is also a trustee of Meralco Pension Fund and Meralco Power Academy.

He holds a Bachelor of Science degree in Industrial Management Engineering from the De La Salle University.

ARNEL PACIANO D. CASANOVA
Filipino, 55 years old
Senior Vice President and Chief External and Government Affairs Officer (since July 1, 2023)

Atty. Casanova is the founder of New Clark City, the first master-planned smart and green metropolis in the Philippines. Prior to that, he led AECOM, the NYSE listed and Fortune 500 engineering consulting business in the Philippines designing the first subway stations of the country, the new Philippine Senate and numerous projects. His almost 30-year career includes rising from the ranks to become the youngest President and Chief Executive Officer ("CEO") of the Bases Conversion and Development Authority (BCDA). He was part of the team that developed the Bonifacio Global City (BGC) from its beginnings and the development of the Clark and Subic special economic zones. He was part of the leadership team that built the Subic-Clark Expressway and led the award of its O&M contract. He led the successful recovery of government prime assets by winning a number of high-profile cases in the Supreme Court. He serves as the Chairman of Governance and Human Resource Committee and Member of the Board of Trustees of the Center for Agriculture and Rural Development, Inc. (CARD, Inc.). He was President and CEO of Ablr Pte. Ltd., a Singapore registered advisory firm with expertise on PPP, green cities, smart infrastructure and sustainable real estate developments. He also serves on the Board of ETON Properties, Inc., Alcantron Corporation, and Solar Village Foundation, Inc. He is a major shareholder of Fadz Casanova, Inc. and Trustee of St. Louise De Marillac College. He is a member of Makati Business Club, Management Association

of the Philippines and Chairman of the Infrastructure and Logistics Committee of the American Chamber of Commerce of the Philippines.

He is a recipient of two prestigious awards in public service given by two Philippine Presidents – the Philippine Legion of Honor Medal for his work as peace negotiator in the peace talks with RAM military rebels and with the MILF rebel groups during the Ramos presidency and the Presidential Medal of Merit for his exemplary service in BCDA during the Aquino presidency. He is active in development work as well as a volunteer serving Filipino migrant workers and social entrepreneurs across the globe. Aside from serving former Philippine Presidents, he advised governments and international leaders in development including Bhutan and Armenia to challenging places such as Afghanistan and North Korea. He is an active fellow of Asia Society's Young Leaders.

Atty. Casanova is an expert in the fields of real estate law, Public-Private Partnerships and infrastructure, urban planning and real estate and public finance. He teaches in the University of the Philippines College of Law and earned his Master of Public Administration in Harvard University's Kennedy School of Government as a Mason Fellow and World Bank scholar. He was chosen as The Most Outstanding Alumni of the Decade by the School of Urban and Regional Planning of the University of the Philippines and writes a weekly column in Manila Times titled "City Builder".

FERDINAND O. GELUZ
Filipino, 60 years old
Senior Vice President and Chief Revenue Officer (since July 1, 2023)

Mr. Geluz was First Vice President and served as Chief Commercial Officer, Customer Retail Services from August 2020 until his appointment to his current role.

He is the Chairman of MSpectrum, Inc., Meralco Energy, Inc., Miescor Logistics, Inc., Miescor Builders, Inc., Movem Electric, Inc. and Meralco Industrial Engineering Services Corporation, He is also a director of Corporate Information Solutions, Inc., Customer Frontline Solutions, Inc., Aurora Managed Power Services, Inc., Paragon Vertical Corporation, Radius Telecoms, Inc., Pure Meridian Hydropower Corporation, PMHC Lalawinan Inc., PMHC Pulanai Inc., One Meralco Foundation, Meralco Power Academy, Clark Electric Distribution Corporation, Aclara Meters Philippines, Inc. and Kayana Solutions Inc.

He previously occupied the position of First Vice President and Head of *MERALCO*'s Supply Chain and Logistics Management from July 2018 to July 2020, managing the supply chain (strategic sourcing, vendor management, procurement, and materials management) and facilities engineering and security services.

Mr. Geluz holds a Bachelor of Science in Electrical Engineering from the University of the Philippines. He was the sixth placer in the Board Examination for a Registered Electrical Engineer in 1998 and was the recipient of the 2019 Professional Degree Award in Electrical Engineering from the UP Alumni Engineers/UP College of Engineering.

He was also awarded as 2024 Outstanding Electrical Engineer in the field of Management by the Institute of Integrated Electrical Engineers of the Philippines, Inc.

MELANIE T. OTEYZA
Filipino, 54 years old
Senior Vice President (since January 1, 2024)
Chief Audit Executive (since October 1, 2018)

Ms. Oteyza, appointed as Senior Vice President and Chief Audit Executive, brings a wealth of experience in Corporate Governance and Internal Audit to her role. Formerly a Director at Rajawali Corpora in Indonesia, she managed Corporate Governance and Internal Audit functions. Ms. Oteyza held key positions, serving as the Ethics Committee Chairman, Audit and Risk Committee Deputy Chairman, and a Member of the HR and IT Board Committees for RC Holding.

In Singapore, Ms. Oteyza assumed the role of Audit Director at Singapore Telecommunications Limited Inc. (SingTel), overseeing international investments, joint ventures, and regional mobile associates in Africa and the Asia Pacific for the SingTel group. She has held executive positions such as Assistant Vice President for Internal Audit at San Miguel Corporation and Country Audit Head for National Foods Limited, managing internal audit activities across Australia and other international entities in the Asia Pacific region. Her extensive career also includes roles as Audit Center Head at PLDT Inc. and Internal Audit Executive at Digital Telecommunications Philippines Inc. She has contributed her expertise to renowned assurance and consulting firms such as Protiviti Singapore and SyCip Gorres Velayo & Co. (previously a Member Firm of Arthur Andersen).

Ms. Oteyza served as a distinguished member of the Board of Governors for the Singapore Institute of Internal Auditors (IIA) and as a Board and Director for the Philippine Institute of Internal Auditors. Additionally, she played a pivotal role as a Certified Internal Auditor (CIA) Reviewer and Trainer at the Institute of Internal Auditors – Philippines (IIAP).

Educationally accomplished, Ms. Oteyza holds a Bachelor of Science Degree in Commerce, Major in Accounting, with Magna Cum Laude honors, and was recognized as a PICPA Awardee for Academic Excellence. She was granted a full scholarship by SGV in acknowledgment of her outstanding academic achievements. Ms. Oteyza pursued further studies and earned her Master's degree in Business Administration from the University of Santo Tomas, graduating Summa Cum Laude, the highest academic distinction. She also completed the Executive Management Leadership Program at the Asian Institute of Management, earning the Superior Performance Award.

A Certified Public Accountant, Ms. Oteyza also holds international certifications from IIA USA, including the Certified Internal Auditor (CIA) and William S. Smith Awardee, Certification in Risk Management Assurance (CRMA), Certification in Self-Control Assessment (CCSA), and Qualified Validator in Quality Assurance for Internal Audit. In December 2023, she attained the Certification in Information Systems Auditor (CISA) issued by the Information Systems Audit and Control Association (ISACA). Notably, Ms. Oteyza achieved the Qualification in Internal Audit Leadership (QIAL) from IIA USA in December 2022, making her the only Filipino recipient to join the global circle of Chief Audit Executives with this premier designation.

She also successfully passed the Professional Directors Program (PDP) examination and completed the PDP Program of the Institute of Corporate Directors (ICD) in September 2019, where she is currently a Graduate Member and a Teaching Faculty. Actively engaged, Ms. Oteyza actively contributes to the Corporate Governance Standards and Thought Leadership Committees of ICD. She also supports ICD's

initiatives to advance corporate governance practices, particularly through her involvement in the Annual Corporate Governance Report (ACGR) assessment for publicly listed companies.

WILLIAM S. PAMINTUAN
Filipino, 63 years old
Senior Vice President
Chief Legal Counsel and Assistant Corporate Secretary (since January 2012)
Compliance Officer and Head, Legal and Corporate Governance Office

Atty. Pamintuan is the Corporate Secretary of the following companies: Meralco Industrial Engineering Services Corporation, Meralco Power Foundation, Inc., Meralco PowerGen Corporation, Miescor Infrastructure Development Corporation and MRAIL, Inc.

He also serves as Director of the following companies: Aclara Meters Philippines, Inc., Aurora Managed Power Services, Inc., Comstech Integration Alliance, Inc., e-Meralco Ventures, Inc., Indra Philippines, Inc., Lighthouse Overseas Insurance Limited, Meralco Energy, Inc., Meridian Atlantic Light Company Ltd., Meridian Power Ventures, Ltd., Miescor Infrastructure Development Corporation, MOVEM Electric, Inc., , MPioneer Insurance, Inc., Paragon Vertical Corporation, and Pylon Holdings Corporation. He is also a trustee of the Meralco Pension Fund.

Atty. Pamintuan serves as the Chairman of the Board of PMHC Lalawinan Inc., PMHC Pulanai Inc., and Pure Meridian Hydropower Corporation. He is also a member of the Board of Governors of the Philippine Basketball Association.

He served as Vice Chair of the MAP Energy Committee. He was a former Trustee of the Shareholders' Association of the Philippines, Inc. He served as Officer-in-Charge and Acting President of Meralco Energy, Inc. He was a former Corporate Secretary and Senior Vice President of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. He was a General Manager of Digitel Crossing, Inc. He was a former Assistant Corporate Secretary of Cebu Pacific Inc.

Atty. Pamintuan is a member of the board of directors of the University of the Philippines Alumni Association (UPAA) and UP Vanguard, Inc. He is a member of the Management Association of the Philippines (MAP), Integrated Bar of the Philippines (IBP), and Philippine Bar Association (PBA). He is also a member of ICC Philippines-Arbitration and ADR Commission.

Atty. Pamintuan holds a Bachelor of Arts degree in Political Science and a Bachelor of Laws degree from the University of the Philippines.

BETTY C. SIY-YAP
Filipino, 63 years old
Senior Vice President and Chief Finance Officer (since July 2009)

Ms. Siy-Yap is a Director of Clark Electric Distribution Corporation, CIS Bayad Center, Inc., Meralco Industrial Engineering Services Corporation, Aclara Meters Philippines, Inc., Radius Telecoms, Inc., MPioneer Insurance Inc., Indra Philippines, Inc., Redondo Peninsula Energy, Inc., Atimonan One Energy Inc., Meralco PowerGen Corporation, and MRAIL, Inc., among others.

She is the President of Lighthouse Overseas Insurance Limited. She is a Trustee of the Meralco Pension Fund, One Meralco Foundation, Inc., Treasurer of First Pacific Leadership Academy, Inc. and MVP Sports Foundation, Inc. She was previously a Director of Rockwell Land Corporation, a member of the Market Governance Board of the Philippine Dealing Exchange Corp., Vice Chairman and member of the Board of Accountancy of the Professional Regulation Commission. She was a Partner of SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global) from 1995 to 2009.

Ms. Siy-Yap holds a Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines and a Master's in Business Administration from J.L. Kellogg School of Management at Northwestern University/The Hong Kong University of Science and Technology.

JOSE RONALD V. VALLES
Filipino, 54 years old
Senior Vice President (since January 1, 2024)
Head, Regulatory Affairs and DU Regulatory Management Office (since July 1, 2023)

Atty. Valles is a member of the Board of Directors of Clark Electric Distribution Corporation and Philippine Electricity Market Corporation.

He holds a Bachelor of Science degree in Commerce Major in Management of Financial Institutions from the De La Salle University, a Juris Doctor's degree from San Beda University – College of Law, and a Master's degree in Business Economics from the University of Asia and the Pacific. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida and the Global Strategic Leadership Program by Wharton University of Pennsylvania and First Pacific Leadership Academy.

ROQUE D. BACANI
Filipino, 49 years old
First Vice President
Head, Information Communications, Technology and Transformation (since October 2019)

Mr. Rocky Bacani is the First Vice President and Head of *MERALCO*'s Information, Communication, Technology and Transformation since October 2019. He also serves as Chief Technology Officer of Kayana Solutions, Chief Information Officer and Member of the Board of Directors of CIS Bayad Center, Inc., and Chief Technology Advisor of Radius Telecoms, Inc. He has over 25 years of experience in the field of information technology and telecommunications.

Prior to joining *MERALCO*, he took on concurrent roles as Vice President and Head of Group IT Corporate Technology and Head of Data Management Office of Smart Communications, Inc. and PLDT, Inc. He was also a former Chief Technology Officer of Talas Data Intelligence Inc. (a wholly owned subsidiary of PLDT).

BENNETTE D. BACHOCO
Filipino, 56 years old
First Vice President (since January 1, 2024)
Head, DU Finance and Financial Planning and Reporting

Ms. Bachoco is a Director of Miescor Builders Inc., Customer Frontline Solutions, Inc., and Meralco Financial Services Corporation. She is also an agent of the Meralco Pension Fund.

Prior to joining *MERALCO*, she was a Partner of SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global) and was a former Senior Vice President for Finance of Trans-Asia Oil and Energy Development Corporation.

Ms. Bachoco holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

REDEL M. DOMINGO
Filipino, 56 years old
First Vice President and Head, MPower (since July 1, 2023)

Outside of the *MERALCO* Group, Mr. Domingo is an Executive Director of Lifestream Ministries, Inc. - Capitol City Foursquare Church . He is also the Executive Vice President of the Society of Philippine Electrotechnical Constructors and Suppliers, Inc. since 2022.

Mr. Domingo graduated from the Nueva Ecija University of Science and Technology (NEUST) with a Bachelor of Science degree in Electrical Engineering. He completed his Master's degree in Electrical Engineering from the University of the Philippines-Diliman.

CHARINA P. PADUA
Filipino, 56 years old
First Vice President (since July 1, 2023)
Head, Customer Retail Services

Ms. Charina P. Padua currently serves as First Vice President and Head of Customer Retail Services at *MERALCO*. With over three decades of extensive leadership experience in the energy sector Ms. Padua now oversees critical business functions, including customer service, commercial strategy, sales, marketing, and product development.

Throughout her career at *MERALCO*, she has held pivotal roles, including Vice President and Head of Commercial Operations, overseeing key back-end customer processes; Vice President & Head of Home and MicroBiz – North Business Area, leading customer service operations and stakeholder engagement in North Metro Manila and Bulacan; and Assistant Vice President and Head of Customer Payments, ensuring timely collections from major accounts. Earlier in her career, she was positioned as Assistant Vice President and Head of Corporate Planning, where she directed the organization's strategic planning and performance management framework.

She served as a Trustee on the Board of Meralco Savings and Loans Association (2013-2016, 2021-2023) and currently serves as a Director of Movem Electric, Inc.

Ms. Padua holds a Bachelor of Science degree in Business Economics (BSBE) from the University of the Philippines - Diliman and an Executive Master's in Business Administration (EMBA) from the Asian Institute of Management (AIM).

ROSS RAYMOND B. RAVELO
Filipino, 47 years old
First Vice President (since January 1, 2022)
Chief Sustainability Officer

Mr. Ravelo is concurrently the President and CEO of Movem Electric, Inc. He also serves as a Director of MSpectrum, Inc.

He previously served as the President and CEO and Board Director of eSakay, Inc. from 2018 to 2023, and the President and CEO and a member of the Board of Directors of Radius Telecoms, Inc. from 2011 to 2016. He was also a Board Director of MGen Renewable Energy, Inc., and First Bulacan.

Prior to joining *MERALCO*, he was part of McKinsey and Company's Washington DC Office where he led the strategy development efforts and operations performance transformations for top companies in North America, Latin America, Europe, Southeast Asia, and across a wide range of industries.

Mr. Ravelo holds a Bachelor of Science degree, Magna cum Laude, in Management Engineering from the Ateneo de Manila University. He earned his Master's degree in Business Administration at The Wharton School of the University of Pennsylvania where he was a Joseph Wharton Fellow and an Omnicom Communication Fellow. Mr. Ravelo is also a former Trustee of the Wharton-Penn Alumni Association, Inc.

FROILAN J . SAVET
Filipino, 56 years old
First Vice President and Head, Networks (since July 1, 2023)

Mr. Savet is a Director of Miescor Builders, Inc., Miescor Logistics, Inc., Comstech Integration Alliance, Inc., MSpectrum, Inc., and Clark Electric Development Corporation. His other professional affiliations include serving as the principal representative of the Private Distribution Utility Sector to the Philippine Electricity Market Corporation (PEMC) Technical Committee as part of the WESM Governance Committees and Interim Grid Management Committee (IGMC), and as a member representative of the Consortium of PEPOA, *MERALCO*, and PHILRECA for the Energy Virtual One-Stop Shop (EVOSS) Steering Committee. He was also appointed as a member of PRC's Career Progression and Specialization Program-Credit Accumulation and Transfer System (CPSP-CATS) Committee of Electrical Engineering since February 2021.

He was also a Director of the Distribution Management Committee, Inc. from 2014 to 2019. Furthermore, he was the Vice Chairman and Committee Member of the Third-Party Bids and Awards Committee (TPBAC), overseeing *MERALCO*'s Competitive Selection Process for its Power Supply Agreements, until 2023. He also served as an Independent Trustee in the Board of Meralco Savings and

Loans Association from May 2021 until May 2023. He is a Professional Electrical Engineer and has been recognized as an ASEAN Chartered Professional Engineer since November 2018.

In 2023, he was recognized by both the University of the Philippines Alumni Engineers (UPAE) and the Mapua Electrical Engineering Alumni Association, Inc. (MEEAA) as the Electrical Engineering awardee for his exceptional professional achievements and significant contributions to the field of electrical engineering. He was further distinguished in 2024 as he was awarded by Mapúa University and the National Association of Mapúa Alumni (NAMA) as The Outstanding Mapuan (TOM) for the field of Electrical Engineering.

FRANCIS EUSTON R. ACERO
Filipino, 47 years old
Vice President (since January 1, 2022)
Data Privacy Officer (since December 13, 2021)

Atty. Acero joined *MERALCO* in November 2019. He serves as the Data Privacy Officer for the MERALCO Distribution Utility and all of MERALCO's subsidiaries. Before his role at *MERALCO*, he was the Division Chief of the Data Security and Technical Standards Division and the Complaints and Investigation Division at the National Privacy Commission, from March to October 2019 and since August 2016, respectively. In these roles, he actively contributed to the Implementing Rules and Regulations of the Data Privacy Act and other issuances from the National Privacy Commission.

While serving as the Data Protection Officer for *MERALCO* and its subsidiaries, Atty. Acero also holds the position of Vice President for the National Privacy Commission's DPO Council, which acts as an advisory body to the Office of the Privacy Commissioner. He is a Certified Master Data Protection Trainer accredited by the National Association of Data Protection Officers of the Philippines.

Atty. Acero earned his Bachelor of Arts degree in Journalism from the University of the Philippines and his Juris Doctor from Ateneo de Manila University.

IRENEO B. ACUÑA
Filipino, 58 years old
Vice President (since January 1, 2013)
Head, Utility Partnerships

Mr. Acuña heads the Utility Partnerships, which is responsible for the development of business opportunities in electricity distribution.

He is a Director of Comstech Integration Alliance Inc., Customer Frontline Solutions, Inc., Meridian Power Ventures Limited, and Power Distribution Services (Ghana).

He graduated with a Bachelor of Science degree in Electrical Engineering from Far Eastern University-Institute of Engineering. He completed his Executive Master's in Business Administration from the Asian Institute of Management (with Distinction).

JOSEPH L. AMOSCO
Filipino, 56 years old
Vice President (since January 1, 2022)
Head, Energy Management, MPower

Mr. Amosco heads the Energy Management organization of the Retail Electricity Supply unit of *MERALCO*. He previously held headship positions in the Energy Sourcing Office of *MERALCO* and was part of the Management Team who established Meralco Energy, Inc.

He holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University, a Bachelor of Science degree in Electrical Engineering and ranked 6th in the 1991 Mechanical Engineering Board Examinations. He completed his Master's in Management at the Asian Institute of Management.

FRANCIS DINO S. ANTONIO
Filipino, 50 years old
Vice President (since January 1, 2025)
Head, Regulatory Legal Case Management

Atty. Antonio brings with him more than 20 years of experience in the electric power industry handling regulatory legal matters of the Company.

He started at the Company in 2004 as a regulatory staff-corporate legal, handling various legal and regulatory cases. In 2008, he responded to the call of the Company to join the newly created Regulatory Legal Office, which focused on the specialized field of energy law. Said Office became the clearing house of most, if not all, decisions related to regulatory matters. Said Office also handled the most critical, highly sensitive, and significant impact cases of the Company. He rose from the ranks and became its head in 2017. Due to the evolving regulatory landscape, in December 2019, Regulatory Legal Case Management was created, which he continues to head.

Atty. Antonio holds a Bachelor of Arts-Major in Economics from San Beda College and a Bachelor of Laws from Lyceum of the Philippines-College of Law. He attended the University of Florida-Public Utility Research Center's 40th International Training Program on Utility Regulation and Strategy. He has also completed the New Frontiers Pilot Batch Management Program.

REMIGIO R. ANGELES, JR.
Filipino, 54 years old
Vice President (since January 1, 2025)
Head, South Distribution Services

Mr. Angeles is responsible for the construction, operations and maintenance of electric distribution facilities in the southern part of *MERALCO*'s franchise area which includes Provinces of Cavite, Laguna, Quezon and Batangas and Southern Metro Manila. He currently leads the task force for pole relocation projects of *MERALCO*.

With 32 years of work experience in *MERALCO*, he has been assigned to various technical offices of Networks assuming the role of an engineer as well as supervisor in engineering design, construction,

maintenance and operations of electric distribution facilities, system analysis, and electric distribution asset management.

Mr. Angeles attained his Bachelor's Degree in Electrical Engineering from University of Santo Tomas. He is a licensed Registered Electrical Engineer and a lifetime member of the Institute of Integrated Electrical Engineers of the Philippines. He is a certified safety practitioner having attended successfully the Basic Occupational Safety and Health, Construction Occupational Safety and Health, Behavioral Based Safety and other related trainings. A certified in-house auditor for ISO 9001, 14001 and 45001.

PATRICK DAVE B. BACANI
Filipino, 54 years old
Vice President (since January 1, 2017)
Head, Sustainability Programs and Communications

Mr. Bacani has been with *MERALCO* since August 2012. He joined the Corporate Sustainability Office in September 2021. Prior to his current role, he performed various roles under Human Resources & Corporate Services. As an HR practitioner for over 25 years, Mr. Bacani served companies across various industries: 24/7, Convergys, Chevron, Change Management International, and SyCip Gorres Velayo & Co.

He holds a degree in Management major in Human Resources Management from De La Salle University - College of St. Benilde and Master's in Business Administration from De La Salle University.

JOSEPH ALLAN C. BALTAZAR
Filipino, 58 years old
Vice President (since January 1, 2016)
Head, Integrated Asset Management

Mr. Baltazar was a former Trustee of Meralco Employees Fund for Charity, Inc. and former Director and Corporate Secretary of the Grid Management Committee. He was a member of the Wholesale Electricity Spot Market (WESM) Technical Committee under the Independent Electricity Market Operator of the Philippines.

Mr. Baltazar is a Professional Electrical Engineer and a graduate of Bachelor of Science in Electrical Engineering at Mapua Institute of Technology.

CHRISTOPHER REDEEMSON R. BROCALES
Filipino, 42 years old
Vice President (since January 1, 2025)
Head, Shared Services HR and Employee & Labor Relations

Attorney Brocales has extensive experience in Labor and Corporate Law, Labor Relations and Litigation, Government Affairs, and Human Resources. He currently serves as Head of Shared Services HR and Employee & Labor Relations of *MERALCO*. Concurrently, Atty. Brocales is Legal Counsel of the Meralco Employees Mutual Aid and Benefits Association, Inc. (MEMABA), and a Director of Customer Frontline Solutions, Inc. (CFS).

Prior to joining *MERALCO*, Atty. Brocales was Commission Attorney of the National Labor Relations Commission (NLRC) where he assisted the Commission in its appellate and adjudicatory functions. He also served as Legal Counsel for the Office of Senator Juan Miguel Zubiri, subsequent to his stint as Legal and Legislative Officer for the Office of Senator Gregorio Honasan. Concurrent with the latter, Atty. Brocales served as Legal Officer of the Joint Congressional Power Commission (JCPC).

Attorney Brocales is a member of the Philippine Bar, earned Juris Doctor from the Ateneo de Manila University, and completed his Bachelor of Arts degree in Development Economics from San Beda University – Manila.

SANTE C. BUELLA
Filipino, 58 years old
Vice President (since January 1, 2022)
Head, Energy Management

Mr. Buella has been with *MERALCO* since September 1990. He has been the Head of Energy Management since July 1, 2023. Prior to his current assignment, he held various key positions under the Networks organization, such as Head of Central Distribution Services, and Head of Revenue Assurance and Metering Services.

Mr. Buella holds a Bachelor of Science in Electrical Engineering degree from the Technological Institute of the Philippines - Manila.

RICARDO CARMELO D. BUENAFE
Filipino, 56 years old
Vice President (since January 1, 2022)
Head, Regulatory Compliance

Mr. Buenafe has been the Head of Regulatory Compliance Office of *MERALCO* since 2008. He has been with *MERALCO* for 34 years. Prior to his appointment in his current role, he was part of the Executive Staff of the President and Chief Operating Officer, a member of the Interruption Frequency Rate/Cumulative Interruption Time Task Force Secretariat, and Power Quality Office and Technical Quality Assurance Staff. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida.

Mr. Buenafe holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Master of Business Administration degree from the University of the Philippines.

ALBERTO N. CASTILLO
Filipino, 58 years old
Vice President (since January 1, 2022)
Head, Sub-Transmission Services

Mr. Castillo has been employed by *MERALCO* for 36 years. Prior to his assignment as Head of Sub-transmission Services, he led the Substation Department for five (5) years with his expertise in substation construction, operation, and maintenance works.

Mr. Castillo holds a Bachelor Science degree in Electrical Engineering from the Mapua Institute of Technology. He is also a licensed Professional Electrical Engineer.

ANTHONY MATTHEW N. CO
Filipino, 35 years old
Vice President (since July 16, 2023)
Business Development Officer

Mr. Co is currently Vice President and Business Development Officer for One Meralco. Prior to joining *MERALCO*, he served as Vice President for Finance and Investment of Aboitiz Renewables, Inc. and Assistant Vice President for Portfolio Management for Aboitiz Power Corporation. He also held various positions in finance and investments for Citicore Power, Inc.

Mr. Co graduated from Ateneo de Manila University with a Bachelor of Science in Management Engineering. He is also a Chartered Financial Analyst.

MA. CECILIA M. DOMINGO
Filipino, 56 years old
Vice President (since January 1, 2019)
Head, Enterprise and National Government

Ms. Domingo is the head of *MERALCO* Enterprise and National Government since July 2019, the segment that caters to the needs of *MERALCO*'s top 2000 Enterprises, conglomerates, multinationals and national government accounts. She also serves as the President and Chief Executive Officer of MSpectrum, Inc., a wholly owned subsidiary of *MERALCO* providing solar solutions to all customers of *MERALCO* and even in the whole Philippines. She started in *MERALCO* as a cadet engineer in 1990 and has been assigned in different offices and positions within the Company.

Ms. Domingo is a registered electrical engineer who graduated Magna Cum Laude from Nueva Ecija University of Science and Technology in Cabanatuan City. She holds an Executive Master's in Business Administration from the Asian Institute of Management. She served as Council Leader of Capitol City Foursquare Church until January 2024, a Born-Again Christian church where she and her family actively worship and serve.

LAWRENCE S. FERNANDEZ
Filipino, 56 years old
Vice President (since January 1, 2015)
Head, Utility Economics

Mr. Fernandez served as a Director of the Philippine Economics Society and was also a Director of the Energy Efficiency Practitioners of the Philippines (formerly Energy Management Association of the Philippines). He is a member of the Renewable Energy Market Governance Committee and represents private distribution utilities. Mr. Fernandez currently chairs *MERALCO*'s Bids and Awards Committee for Power Supply Agreements (BAC-PSA).

Mr. Fernandez received his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines and is a licensed mechanical engineer.

MARVIN G. GONSALVES
Filipino, 57 years old
Vice President (since January 1, 2023)
Head, Revenue Assurance and Metering Services

Mr. Gonsalves has been with *MERALCO* for 35 years. Currently, he is the Head of Revenue Assurance and Metering Services. He is the Company's subject matter expert in electrical metering having taken various positions in Networks Metering group for the last 27 years. Prior to his current role, he headed the Networks Technology Asset Management from August 2020 to February 2021 and Networks Project Portfolio Management from February 2021 to February 2023, respectively.

Mr. Gonsalves is *MERALCO*'s official representative to the Economic and Environment Development Sector and Infrastructure Committee of the Regional Development Council – National Capital Region under the Metro Manila Council. He has authored technical book references such as the kwh Meter Measurement Uncertainty and Timely Identification and Prediction of the Potential Impact of Increasing Variable Renewable Energy Sources to the Distribution System of a distribution utility using AMI Technology that is used by the Company's Network Group for metering. He was elected as the member of the Board of Trustees of the Meralco Employees Mutual Aid and Benefits Association, Inc. (MEMABA) for the term starting January 1, 2023, and ending on May 31, 2026. He initially served as its Chairman from January 1, 2023, to May 31, 2024, and is currently serving as its President beginning June 1, 2024.

Mr. Gonsalves completed his Master of Science in Electrical Engineering (MSEE) from the University of the Philippines - Diliman in 2006. He is a Professional Electrical Engineer (PEE) by profession.

DANILO R. IGNACIO
Filipino, 59 years old
Vice President (since January 1, 2024)
Head, Networks Portfolio and Resource Management

Mr. Ignacio has been employed by *MERALCO* for 36 years and has held various positions in the Company. He earned his Bachelor of Science degree in Electrical Engineering in 1987 from the University of Santo Tomas. He is a registered Electrical Engineer.

JERRY B. LAO
Filipino, 54 years old
Vice President (since January 1, 2022)
Head, Facilities and Safety Management

Mr. Lao has been employed by *MERALCO* for 31 years and was the former Head of Networks Project Portfolio Management from February 16, 2023 until November 15, 2023. Prior to this assignment, he led the Central Distribution Services Team until February 15, 2023. He served as the Company's head of the San Pablo, Balintawak, Manila, and Pasig sectors for 9 years. He served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2018 to 2019. He has been a member of the

MERALCO Kuryenteng Ligtas (KLigtas) Awards Program since 2017. He was also appointed as a Director of Miescor Logistics, Inc. on August 14, 2024.

Mr. Lao obtained his Bachelor of Science Degree in Electrical Engineering from Holy Angel University and is a Professional Electrical Engineer.

EDELIZA T. LIM
Filipino, 50 years old
Vice President (since January 1, 2025)
Head, Marketing and Brand Experience

Ms. Lim leads a dynamic team responsible for the governance and holistic management of the *MERALCO* brand equity and reputation, ensuring consistent messaging and representation of the *MERALCO* brand in all forms and across all channels for One Meralco. She oversees the development and execution of comprehensive marketing strategies based on consumer data and market research to deliver the optimum user and customer experience for residential, government and business customers of the distribution utility.

Prior to joining *MERALCO*, she thrived in the cut-throat telecommunications industry, driven to ensure that Filipinos nationwide had access to connectivity, developing products, promotions and campaigns based on their needs, life stages and capabilities. The teams she led in PLDT were instrumental in managing the long tail of voice, maximizing its profitability with toll features, prepaid lines and cards, while encouraging the transition to digital through convergent PLDT-Smart products and future home offerings.

Ms. Lim is a seasoned marketing executive with extensive experience through key roles in multiple industries including banking and credit cards within the finance sector (Citytrust/ BPI and AIG), personal care in fast-moving consumer goods (Swedish company SCA), and oral health and consumer healthcare in pharmaceuticals (GSK). Her experience in both local and multinational companies, leading teams in product development and category management, corporate and product branding, strategic marketing, and consumer insighting has equipped her with a comprehensive understanding of market dynamics and consumer behavior.

Ms. Lim completed her Bachelor's Degree in Management Economics from the Ateneo de Manila University. She earned her Master's in Business Administration with distinction from the Regis Program of the Ateneo Graduate School of Business and is UX Certified by the British Computer Society. She was part of *MERALCO*'s pioneer batch of New Frontiers by Harvard Business Review.

ARIEL G. LUCAS
Filipino, 56 years old
Vice President (since January 1, 2024)
Head, Central Distribution Services

Mr. Lucas also served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2019 until 2021, and was its Vice-Chairman the year prior.

Mr. Lucas graduated from Mapua Institute of Technology with a Bachelor's degree in Electrical Engineering. He is a certified Electrical Engineer.

Mr. Lucas completed the New Frontier Middle Management Course at Harvard Business Consulting from 2015 to 2016.

ERVILLE D. MAGTUBO
Filipino, 50 years old
Vice President (since January 1, 2022)
Head, Customer Care Group

Mr. Magtubo is an expert in IT services and outsourcing services with 28 years of experience in these areas. As the head of the Customer Care Group of *MERALCO*, he plays a crucial role in planning, leading, and steering the organization towards digital transformation with focus on delivering Customer Experience.

Prior to joining *MERALCO* in August 2020, he was part of the ePLDT Group for 12 years. He was an Assistant Vice-President and Head of the Systems Integration Group that provided various IT integration services for the customers of ePLDT. He was later appointed as Vice President and General Manager of iPlus Intelligent Networks, Inc., a subsidiary of ePLDT that provides managed IT services and outsourcing services. Concurrent to this assignment, he served as the Sales Director of Infocom Technologies, Inc., another subsidiary of ePLDT that provided connectivity services and contact center services. Before joining ePLDT, he was the Channels Manager for Southeast Asia and India of Internet Security Systems, a U.S. based data security company.

Mr. Magtubo graduated with a Bachelor's Degree in Computer Science from the University of the Philippines.

RALPH M. MENCHAVEZ
Filipino, 39 years old
Vice President (since January 1, 2024)
Head, Commercial Strategy Management and Energy Solutions

Mr. Menchavez has 18 years of experience in strategy, analytics, business performance improvement, solutions planning, and execution, both in the Philippines and in the United States. Before joining *MERALCO* in 2013, he was a Senior Engagement Manager at Mitchell Madison Group, a global management consulting firm based in the US. His experience as strategy consultant spans various industries such as airlines, telecommunications, insurance, media and entertainment, and publishing.

Mr. Menchavez graduated from Ateneo de Manila University in 2006 with a degree in Economics, minor in Global Politics.

RODERICK DENNISON N. NACU
Filipino, 53 years old
Vice President (since January 1, 2023)
Head, Tariff Management

Mr. Nacu is the Head of Tariff Management since 2018. He joined *MERALCO* in 1994 and was part of the *MERALCO* Mechanical Engineering Program, Non-Technical System Loss Reduction Program and Utility Economics.

Mr. Nacu holds Bachelor of Science in Mechanical Engineering and Master of Business Administration degrees from the University of the Philippines. He is a licensed mechanical engineer.

NOEL S. PORCIUNCULA
Filipino, 56 years old
Vice President (since January 1, 2024)
Head, Customer Process and Revenue Assurance

Prior to his appointment as Head of Customer Process and Revenue Assurance, Mr. Porciuncula was an Assistant Vice President and Head of *MERALCO*'s South Business Area where he managed ten Business Centers, four Auxiliary Business Centers and six Extension Offices. Prior to this, he held various positions in the Company from 2003 until 2020.

Mr. Porciuncula graduated from Mapua Institute of Technology with a Bachelor's degree in Electrical Engineering. He completed the Management Development Program of the Asian Institute of Management in 2007, and the Middle Manager's Development Program of the Harvard Business School in 2014.

PAUL JAYSON I. RAMOS
Filipino, 41 years old
Vice President (since July 1, 2024)
Chief Investor Relations Officer

Mr. Paul Jayson Ramos has 17 years' experience in the equity market equipped with his Institutional Sales background. Fundamentally molded and armed with valuable experiences gained over the years of bull and bear markets, he has developed deep relationships entrenched with trust among investors that have yielded industry recognitions.

Before joining *MERALCO*, he dedicated 17 years with Maybank Securities, previously ATR Kim Eng Securities, with his last stint as Senior Vice President wherein he provided investment recommendations to domestic and foreign institutional investors anchored on research and technical analysis. He narrowed the gap between investors and corporate issuers through corporate access, strategy briefings, and research presentations. He started with the group as Sales Associate for Institutional Sales in 2007 wherein he secured his license and certification as a Securities Representative issued by the Securities and Exchange Commission (SEC). After three years, he transitioned to a Managerial post and oversaw key accounts that significantly contributed to the company's profitability. Within one year, he transitioned to an Assistant Vice President role where he took primary lead of key big institutional accounts. Two years after, he moved up as Vice President of the group.

Trusted by his peers and clients, Mr. Ramos gained the confidence of investors and was recognized as the Best Equities Salesperson of the Fund Managers Association of the Philippines (FMAP) from 2016 to 2019 and 2021 to 2022. He was a significant key core member of the group which was awarded the Best Equities Sales Team of FMAP from 2008 to 2016 and 2019 to 2023.

He completed his Bachelor's Degree in Management Economics from the Ateneo De Manila University.

He brings his dedication and commitment to *MERALCO*'s Investor Relations team which aims to bridge the Company to investors and stakeholders for increased visibility and transparency.

JOSE S. REYES, JR.
Filipino, 55 years old
Vice President (since January 1, 2018)
Head, Networks Technology Management

Mr. Reyes is a Professional Electrical Engineer with extensive expertise in electric distribution asset and technology management, construction, repair and maintenance, power system analysis, and electric power system quality. He plays a pivotal role in *MERALCO*'s smart grid modernization and digitalization program, including the implementation of its advanced metering infrastructure. Currently, he serves as the chairman of the technical working group on smart grid and asset management for the Association of the Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP).

Mr. Reyes has been with *MERALCO* since 1991, starting as a Cadet Engineer, where he earned Academic Excellence and Exemplary Leadership awards. Over the years, he has held various key positions in electric power distribution, power quality, and grid modernization. He led North Distribution Services in 2016, Network Technology and Asset Management in 2021, and was appointed to his current role in 2024. His exceptional contributions have earned him recognition as one of *MERALCO*'s outstanding employees in the Supervisory Category in 2008 and 2009, and his office under his headship then, received the *MERALCO* Presidential Awards for Technical Services in 2005 and 2008. Additionally, he has served as the President and is a current Trustee of the Meralco Employees Fund for Charity, Inc. (MEFCI).

Mr. Reyes holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology. He completed his Master of Science degree in Electrical Engineering from the University of the Philippines and is currently pursuing a Doctorate Degree in Electrical and Electronics Engineering from the same university. He has also completed the Management Development Program at the Asian Institute of Management with an Academic Excellence award, the New Frontiers Middle Management Program with an Outstanding Action Learning Project award, and the ASEAN Business Leaders Program held in Singapore and Tokyo. He is a Life Member of the Institute of Integrated Electrical Engineers of the Philippines, Inc. and the current President of the University of the Philippines Electrical and Electronics Engineers Alumni Association Inc. (UPEEEAAI).

GLEN N. SAN PEDRO
Filipino, 60 years old
Vice President (since November 1, 2020)
Head, Supply Chain Management

Mr. San Pedro was the Head of Procurement of PLDT, Inc. and then as Group Head of Procurement and Logistics for eight years at ePLDT, Inc. After he migrated to Canada, he became the purchaser for the food processing specialist of Newly Weds Foods Inc. where he honed his knowledge and experience in international standards and best practices in Supply Chain Management.

Mr. San Pedro holds a Bachelor of Science degree in Management Engineering from Manuel L. Quezon University. He completed "Supply Management Training in Procurement" as well as "Principles of Buying" from the Purchasing Management Association of Canada (in Edmonton, Alberta, Canada).

ANDREW JASON B. TAN
Filipino, 35 years old
Vice President (since July 16, 2023)
Head, DU Business Development Office

Mr. Tan serves as Vice President and Head of Business Development at *MERALCO*, playing a pivotal role in driving *MERALCO*'s expansion efforts through mergers and acquisitions, strategic partnerships, and special projects aimed at advancing the company's long-term growth initiatives.

Concurrently, he serves as a Director of On-Us Solutions Inc. ("BYAHE"). Prior to joining *MERALCO*, Mr. Tan served as the Assistant Vice President for Business Development at Aboitiz Power Corporation and was a former Manager with Citibank N.A.

Mr. Tan earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed his Master of Business Administration degree from Singapore Management University in 2014 where he graduated as Valedictorian.

JEFFREY O. TARAYAO
Filipino, 45 years old
Vice President (since January 1, 2022)
Chief Corporate Social Responsibility Officer
President, One Meralco Foundation (since June 2011)

Mr. Tarayao has led and managed corporate social responsibility (CSR), community relations, sustainability, and communications programs in the last 20 years. He is a Global Reporting Initiative- certified sustainability reporting specialist. When he joined *MERALCO* in 2011, he led the transformation of its CSR and community relations initiatives into a more strategic and business- aligned program. He is currently a Trustee of the Archdiocese of Manila's Caritas Margins program and is a member of the Management Association of the Philippines. He also served in the inaugural board of trustees of the Humanitarian Leadership Academy based in London, United Kingdom from 2016 to 2019 and previously Chaired the League of Corporate Foundations, President of the Coalition for Better Education and Trustee of the International Association of Business Communicators Philippines. In 2011, he was chosen as one of the Asia 21 Fellows of Asia Society, a group of emerging leaders of Asia below 40 and in 2012, one of the 40 under 40 International Development Leaders by the Washington DC-based Development Exchange. Mr. Tarayao was recognized with a Gold Award (2023) and Silver Award (2024) for Thought Leadership in the Non-Profit and Government Sectors by the International Business Awards held in Rome, Italy and Istanbul, Turkey respectively. Prior to joining *MERALCO*, he served as Head of Community Relations and CSR of Globe Telecom, Inc.

Mr. Tarayao obtained his Master of Sustainable Development degree from Macquarie University in Sydney, Australia in 2018 as an Australia Awards Scholar and completed his undergraduate studies from the University of Santo Tomas, Manila, Philippines where he also served as a lecturer on Corporate Social Responsibility and Good Governance in the College of Commerce and Business Administration.

MARILENE P. TAYAG
Filipino, 52 years old
Vice President (since January 1, 2024)
Chief Information Security Officer

Ms. Tayag has 30 years of experience in the field of Information and Communications Technology. She has held various Technology leadership positions in her career, having managed diverse teams – both offshore and onshore. She has 17 years of telecommunications industry experience, 12 years of information security, and more than 14 years of consulting and service delivery experience. She managed large portfolio projects across various sectors, such as distribution, manufacturing, retail, food, banking, communications, and transportation industries.

Prior to her joining *MERALCO*, she was the Global Cybersecurity Managed Services Delivery Excellence Leader and the Technology Consulting Executive Director for Ernst and Young (EY) Global Delivery Services Philippines. Before EY, she held the position of Vice President/Deputy Chief Information Security Officer for the PLDT Group, having primary responsibility of formulating and executing the company's cyber strategy and program roadmap, as well as the operationalization of various cybersecurity processes. She was also then the concurrent Group CISO of ePLDT, the ICT arm of PLDT Group, having responsibility over for the company's cybersecurity business portfolio, which includes ownership of the P&L, go-to-market activities, client service delivery, and operations management – serving customers, the parent company, its subsidiaries, and affiliate firms.

Preceding her role as a cybersecurity leader, she was the Head for Smart's Technology Program Management Office (PMO) responsible for the delivery of key technology programs – Telco Core Network, Compliance, Security, Governance, and Customer Service Platforms.

In 2012, Ms. Tayag worked as a Consulting Manager for Amdocs Philippines, a global telecommunications consulting firm where she led the implementation of both the Data warehousing and the Mobile Virtual Network Operator (MVNO) strategic initiatives for one of the major telecommunications service providers in the country.

Ms. Tayag worked for Hewlett-Packard (HP) as a Customer Program Manager based in Manila. She reported to the ASEAN Delivery Manager in Singapore and worked closely with the regional Professional Services Organization (PSO) in delivering projects for key accounts in the Philippines.

In 2004, she was a Senior Principal Consultant in Oracle Consulting Services, delivering technology projects and ERP solutions to various client organizations in the Philippines and the Asia Pacific. She assumed a concurrent Bid Management role in Oracle, where she teamed up with Sales Managers during the pre-sales cycle, providing her delivery expertise to manage and respond to bids – establishing project plans, estimating implementation efforts, writing proposals, and facilitating client oral presentations.

Prior to her Consulting career, she served as the IT Systems Implementation and Support Director for Nextel Communications, where she held both delivery and support responsibilities for the organization's Customer Care and Billing system and Operational Support systems (in-house developed as well as packaged applications).

Her other business and functional exposures include Financials, Distribution, Order Management, Manufacturing, CRM, Data Warehousing, Telco Billing, and IT Performance Management.

She started her career as a cybersecurity professional performing analysis and debugging of malwares and providing technical support to Trend Micro clients.

Ms. Tayag is a BS Computer Engineering graduate and has acquired various post-graduate technology and cybersecurity trainings and certifications throughout her career. She was an adjunct faculty of the Asian Institute of Management (AIM), having delivered Cybersecurity Executive Courses (CECs) for the institute.

PAOLA MARGUERITE A. VERAYO
Filipino, 41 years old
Vice President (since January 1, 2024)
Head, Revenue HR and Corporate Talent Management

Ms. Verayo is currently the Head of Revenue HR and Corporate Talent Management of *MERALCO*. She has over 19 years of experience in Human Resources, having led the Learning and Development, Talent Management and Organization Development functions in the Company before taking on her recent role in Corporate Talent Management and HR Business Partnering.

She is a cum laude graduate of the Ateneo De Manila University with a degree in Interdisciplinary Studies, minoring in Communications and Sociology. She completed her Master's in Business Administration degree from De La Salle University as well as the Executive Human Resource Management Program of the University of Michigan - Michigan Ross School of Business.

MARIA ZARAH R. VILLANUEVA-CASTRO
Filipino, 54 years old
Vice President (since January 1, 2019)
Head, Corporate Legal Services

Atty. Villanueva-Castro also serves as director of Meralco Financial Services, Inc. and Corporate Secretary of One Meralco Foundation, Comstech Integration Alliance, Inc., Meralco Pension Fund, Meralco Employees Fund for Charity, Inc., Pure Meridian Hydropower Corporation, Inc., and Meralco Employee Savings and Loan Association. She is also a part-time professor of law and a bar review lecturer for Mercantile Laws.

Atty. Villanueva-Castro holds a Bachelor of Arts degree major in Political Science from the University of the Philippines and a Bachelor of Laws degree from San Beda University.

JOCELYN C. VILLAR-ALTAMIRA
Filipino, 53 years old
Vice President (since January 1, 2024)
Head of the Corporate Governance and Compliance Group (since March 1, 2014)

Atty. Altamira is a Corporate Governance and Compliance expert with almost two decades of experience in both fields.

Prior to joining *MERALCO*, she worked for the following government agencies: Securities and Exchange Commission as an Assistant Director of the Enforcement and Corporation Finance Departments, the Civil Aeronautics Board as a Chief Hearing Officer, and the Senate of the Philippines as a Supervising Legislative Officer. She was briefly part of Citadel Holdings as a Legal Officer after her stint as an Associate at Ponce Enrile, Reyes & Manalastas (Pecabar) Law Office. She also taught Business Law at Entrepreneurs School Asia (formerly Thames Business School) from 2000 to 2002.

Outside of the *MERALCO* Group, she is a Trustee and Vice-Chairman of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). GGAPP is an association whose aim is to empower and enhance the capacity of ethics, compliance and governance officers through consensus building, research and by engaging regulators and non-government actors in the fields of business ethics and corporate governance particularly in policy reform and capability-building. She is a graduate member of the Institute of Corporate Directors, an organization dedicated to the professionalization of Philippine corporate directorship as well as raising the level of the country's corporate governance policy and practice to world class standards. It is also the Domestic Ranking Body for the Philippines in the ASEAN CG Scorecard Experts Group. She is also the Chairperson of the Corporate Governance Committee of the Philippine Chamber of Commerce and Industry (PCCI).

She graduated with Second Honors from Ateneo Law School where she obtained her Juris Doctor degree. She earned her Leadership Professional in Ethics and Compliance Certificate from the Ethics and Compliance Initiative (ECI), the oldest international (established in 1922) non-profit organization in the ethics and compliance industry.

AGAPITO R. ZALDARRIAGA
Filipino, 61 years old
Vice President (since December 1, 2020)
Head, Corporate Communications

Mr. Zaldarriaga serves as the Head of Corporate Communications since December 1, 2020. He was the Head of the Public Information Office under the Corporate Communications group of *MERALCO* from 2016 to 2020. He is currently the Chairman of the International Association of Business and Communications of the Philippines since 2018 and served as its President from 2016 to 2018.

Mr. Zaldarriaga earned his bachelor's degree in Asian Studies in 1985 from the De La Salle University.

MA. CYNTHIA C. SOLUREN
Filipino, 60 years old
Senior Assistant Vice President (since January 1, 2018)
Interim Treasurer and Head of Treasury-Distribution Utility

Ms. Soluren is the Treasurer of Meralco Financial Services Corporation and Comstech Integration Alliance, Inc.

Ms. Soluren holds a Bachelor of Science degree in Statistics and a Master's degree in Business Administration from the University of the Philippines.

Term of Office

The Directors are elected at the annual meeting of stockholders for a term of one (1) year, until their successors are duly elected and qualified.

Attendance of Directors in Board and Committee Meetings

Below is the record of attendance of the directors in 2024:

2024 ASM AND BOARD MEETING ATTENDANCE			
Name	**Designation**	**Annual Stockholders' Meeting**	**Board Meetings[1]**
Manuel V. Pangilinan	Chairman	Present	16/16
Lance Y. Gokongwei	Director	Present	16/16
Ray C. Espinosa	Director	Present	16/16
June Cheryl A. Cabal-Revilla	Director	Present	16/16
Frederick D. Go[2]	Director	Not Applicable	Not Applicable
James L. Go	Director	Present	14/16
Patrick Henry C. Go[3]	Director	Present	13/13
Jose Ma. K. Lim	Director	Present	16/16
Victorico P. Vargas	Director	Present	16/16
Lydia B. Echauz	Independent Director	Present	16/16
Artemio V. Panganiban	Independent Director	Present	16/16
Pedro Emilio O. Roxas	Independent Director	Present	16/16

2024 BOARD COMMITTEE MEETING ATTENDANCE				
Name	**Finance**	**Audit**	**Risk Management**	**Related Party Transactions**
Manuel V. Pangilinan				
Lance Y. Gokongwei	15/15			
Ray C. Espinosa			1/2	2/2
June Cheryl A. Cabal-Revilla[4]	15/15	6/7		
Frederick D. Go[5]		N.A.	N.A.	N.A.
James L. Go	12/15	5/7	1/2	1/2
Patrick Henry C. Go[6]		7/7	2/2	2/2

[1] Regular, Special, and Organizational Board Meetings
[2] Resigned as a member of the Board of Directors on January 8, 2024
[3] Elected as a member of the Board of Directors on January 29, 2024
[4] Chairperson of the Finance Committee beginning May 28, 2024
[5] Resigned as member of the Audit, Related Party Transactions, Nomination and Governance, and Sustainability Committee, and as Chairperson of the Risk Management Committee on January 8, 2024.
[6] Elected as a member of the Audit, Related Party Transactions, Nomination and Governance, and Sustainability Committee, and as Chairperson of the Risk Management Committee on January 29, 2024.

Jose Ma. K. Lim[7]	15/15	7/7	2/2	2/2
Victorico P. Vargas	15/15			
Lydia B. Echauz	15/15	7/7		
Artemio V. Panganiban		7/7	2/2	2/2
Pedro Emilio O. Roxas	15/15	6/7	2/2	2/2

Name	Nomination and Governance	Remuneration and Leadership Development	Executive	Sustainability
Manuel V. Pangilinan		4/4	6/6	3/3
Lance Y. Gokongwei		4/4	6/6	3/3
Ray C. Espinosa				
June Cheryl A. Cabal-Revilla	5/5			3/3
Frederick D. Go [5]	N.A.			N.A.
James L. Go	4/5		4/6	
Patrick Henry C. Go [6]	5/5			2/2
Jose Ma. K. Lim [7]	5/5		6/6	
Victorico P. Vargas		4/4		
Lydia B. Echauz	5/5			
Artemio V. Panganiban			6/6	
Pedro Emilio O. Roxas	5/5	3/4		3/3

[7] Chairperson of the Finance Committee until May 27, 2024

The Board recognizes the importance of a regular performance assessment, individually and collectively as part of their accountability. Assessments are conducted annually to evaluate their specific and overall performance for the past calendar year. The Board evaluated their individual and collective performances regarding the Board and its committees' structures, processes, and responsibilities. The assessment likewise identified the training and skills development program needed by the Board. The Board also reviewed the performance of the Company's key officers. Four (4) assessment instruments with corresponding evaluation criteria were accomplished by the directors, namely the Collective Board Assessment, Individual Director's Self-Rating, Officers' Rating, and the Board Committee Assessment. The assessment criteria or metrics include board structure and qualification, board duties and responsibilities, duties and responsibilities as an individual director, and board committee functions and over-all performance vis-à-vis the respective charters. The aggregated results are presented to the Board during meeting immediately following the end of the assessment process. Every three years, the assessments are supported by an external facilitator. In 2023, the Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines ("GGAPP") as external facilitator in the evaluation of the 2022 performance of the board, board committees, the Chairman, the CEO, and other key officers.

Significant Employees

The Company considers its whole manpower complement working as a team as imperative in the attainment of its goals. The Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei and Mr. Patrick Henry C. Go, all of whom are Directors of *MERALCO*.

Ms. Maria Luisa V. Alvendia, the Chief Supply Chain Officer of the Company is the first cousin of Mr. Jose Ma. K. Lim, and Mr. Victorico P. Vargas, who are both directors of *MERALCO*.

Ms. Charina P. Padua, the Head of Customer Retail Services of the Company is a cousin-in-law of Mr. Victorico P. Vargas, a director of *MERALCO*.

Mr. Redel M. Domingo, the Head of Mpower is married to Ms. Ma. Cecilia M. Domingo, the Head of Enterprise and National Government of *MERALCO*.

Other than the foregoing, there are no family relationships up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees.

Involvement in Certain Legal Proceedings

No director, nominee for election as director, or executive officer of the Company has been involved in or the subject of, during the past five (5) years up to the latest date, any of the following events that is material to an evaluation of his ability or integrity to serve *MERALCO*: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding; (c) order, judgment, or decree barring, suspending, or limiting involvement in any type of business, securities, commodities, or banking activities; (d) judgment for violation of a securities or commodities law or regulation.

Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 23 to the consolidated financial statements as at December 31, 2024 and 2023 and for each of the three (3) years in the period ended December 31, 2024, there was no transaction during the last three (3) years involving *MERALCO* in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of *MERALCO's* total outstanding shares and members of their immediate family had a material interest.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies and practices.

Item 10. Executive Compensation

The aggregate annual compensation for the last two fiscal years and projected compensation for the ensuing year of *MERALCO*'s Chief Executive Officer ("CEO") and four most highly compensated executive officers, as a group, and all other key officers, other officers, and directors, as a group, are as follows:

NAME	YEAR	SALARIES[1]	BONUS[2]	OTHER ANNUAL COMPENSATION[3]
		Amounts in Millions Php		
Chief Executive Officer (CEO) and four (4) most highly compensated executive officers[4]	Projected 2025	143	96	20
	2024	142	101	16
	2023	104	308	13
All other key officers, other officers and directors as a group (excluding the CEO and four most highly compensated executive officers)	Projected 2025	377	191	47
	2024	347	194	42
	2023	278	584	36

[1] Basic salaries and allowances.
[2] Includes government-mandated payout and variable pay.
[3] Commutation of unused leave benefits.
[4] Comprised of the following: Manuel V. Pangilinan, Chairman and CEO; Betty C. Siy-Yap, Senior Vice President and Chief Finance Officer; Ronnie L. Aperocho, Executive Vice President and Chief Operating Officer; William S. Pamintuan, Senior Vice President, Chief Legal Counsel, Assistant Corporate Secretary, Compliance Officer and Head, Legal and Corporate Governance Office; Edgardo V. Carasig, Senior Vice President, Chief Human Resources Officer, and Head, Corporate Services.

Compensation of Directors

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed 1% of the income before income tax of *MERALCO* during the preceding year.

Each of the Directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Governance, Related Party Transactions, Sustainability and Nomination Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each Director which was implemented beginning May 2013 as approved by the Stockholders. The Directors have the option to receive the number of shares granted or the equivalent cash value.

MERALCO does not have standard arrangement on the remuneration of its existing directors and officers aside from the compensation herein stated.

Below are the details of the remuneration paid to the directors in 2024:

	Remuneration for Board Meetings Attended in 2024	Remuneration for Committee Meetings Attended in 2024	TOTAL
EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱1,820,000	₱312,000	₱2,132,000
NON-EXECUTIVE DIRECTORS			
Lance Y. Gokongwei	1,820,000	600,000	2,420,000
June Cheryl A. Cabal-Revilla	1,820,000	600,000	2,420,000
Ray C. Espinosa	1,820,000	72,000	1,892,000
James L. Go	1,540,000	552,000	2,092,000
Patrick Henry C. Go[1]	1,680,000	408,000	2,088,000
Jose Ma. K. Lim	1,820,000	792,000	2,612,000
Victorico P. Vargas	1,820,000	384,000	2,204,000
INDEPENDENT DIRECTORS			
Lydia B. Echauz	1,820,000	552,000	2,372,000
Artemio V. Panganiban	1,820,000	408,000	2,228,000
Pedro Emilio O. Roxas	1,820,000	768,000	2,588,000
TOTAL INDEPENDENT DIRECTORS	**5,460,000**	**1,728,000**	7,188,000
GRAND TOTAL	**₱19,600,000**	**₱5,448,000**	**₱25,048,000**

[1] Elected as a Director effective January 29, 2024.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Based on *MERALCO*'s stock and transfer book, the security ownership as of March 31, 2025 of certain record and beneficial owners of more than 5% of any class of its voting securities is as follows:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held	Percent
Common	**Beacon Electric Asset Holdings, Inc.** Unit 9-2 9/F Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig City Stockholder	Same as the record owner	Filipino	394,059,235	34.96%
Common	**JG Summit Holdings, Inc.** 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center Pasig City Stockholder	Same as the record owner	Filipino	297,189,397	26.37%
Common	**Philippine Central Depository ("PCD") Nominee Corporation** 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226 No relationship with Issuer	PCD Participants	Filipino and Foreign	213,143,200	18.91%
Common	**Metro Pacific Investments Corporation** 9/F Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City Stockholder	Same as the record owner	Filipino	140,906,807	12.50%

Beacon Electric Asset Holdings, Inc. ("Beacon Electric") is a special purpose entity wholly owned by Metro Pacific Investments Corporation ("MPIC"), organized to hold MPIC's shares in *MERALCO*. Mr. Manuel V. Pangilinan, Ms. June Cheryl A. Cabal-Revilla, Mr. Jose Ma. K. Lim, Atty. Ray C. Espinosa, Mr. Victorico P. Vargas, or the Chairman of the Stockholders' Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to Beacon Electric.

JG Summit Holdings, Inc. ("JG Summit") was incorporated in November 1990 as the holding company for a group with substantial business interests in branded consumer foods, agro-industrial and commodity food products, property development and hotel management, air transportation, petrochemicals, and international capital and financial services. In addition, JG Summit has business interests in other sectors, including power generation and insurance. JG Summit conducts its businesses throughout the Philippines, but primarily in and around Metro Manila and in the regions of Visayas and Mindanao. JG Summit, through its subsidiaries, also has branded foods businesses in the People's Republic of China and the ASEAN region, including an interest in a property development

company in Singapore. Each of Mr. James L. Go and Mr. Lance Y. Gokongwei are duly authorized as proxies to vote its *MERALCO* shares as they may deem proper or beneficial to JG Summit.

PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Depository and Trust Corporation ("PDTC"). Originally, stock certificates were issued to investors every time they acquired shares of the Company. However, with the Philippine Central Depository's ("PCD") computerized Book Entry System that took effect in November 1997, investors of *MERALCO* shares now have an option whether they will be issued certificates or not. Their shares may be lodged at the PCD and further trading will be scripless (computerized with no certificates) until they request for the issuance of certificates. The PCD Nominee Corporation holds the shares as the registered owner thereof in *MERALCO*'s books on behalf of PCD Participants and their clients. The participants of PCD are the beneficial owners of such shares and may be nominated as proxy to vote the same. Stockholders with PCD-lodged shares have no record of their shareholdings with *MERALCO* or its transfer agent, Rizal Commercial Banking Corporation. Only shares with stockholders' certificates are recorded in *MERALCO*'s books, which may be voted by the registered owners or their proxies.

Metro Pacific Investments Corporation ("MPIC") is a leading Philippine infrastructure investment and management company committed to nation-building. MPIC develops and manages some of the Philippines' most vital infrastructure assets and facilities through strategic investments and partnerships, spanning power, toll roads, water, light rail, healthcare, real estate, and agriculture. Aside from *MERALCO*, its operating companies include, Metro Pacific Tollways Corporation (MPTC), Maynilad Water Services, Inc. (Maynilad), MetroPac Water Investments Corporation (MPW), Light Rail Manila Corporation (LRMC), METPower Venture Partners (METPower), Metro Pacific Health Corporation (MPH), Metro Pacific Health Tech Corporation (mWell), Landco Pacific Corporation (LandCo), and Metro Pacific Agro Ventures, Inc. (MPAV).

Mr. Manuel V. Pangilinan, Ms. June Cheryl A. Cabal-Revilla, Mr. Jose Ma. K. Lim, Atty. Ray C. Espinosa, Mr. Victorico P. Vargas, or the Chairman of the Stockholders' Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to *MPIC*.

(2) Security Ownership of Management

As of March 31, 2025, the securities owned beneficially, directly or indirectly, by directors and executive officers of *MERALCO* are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
1.	Common	Manuel V. Pangilinan	65,000	Direct and Indirect	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	29,313	Direct and Indirect	Filipino	0.00%
3.	Common	Ray C. Espinosa	66,000	Direct	Filipino	0.01%
4.	Common	June Cheryl A. Cabal-Revilla	5,010	Direct	Filipino	0.00%
5.	Common	Lydia B. Echauz	16,100	Direct	Filipino	0.00%
6.	Common	Patrick Henry C. Go	1,677	Direct	Filipino	0.00%
7.	Common	Victorico P. Vargas	23,917	Direct	Filipino	0.00%

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
8.	Common	Jose Ma. K. Lim	178,910	Direct and Indirect	Filipino	0.02%
9.	Common	James L. Go	209,450	Direct and Indirect	Filipino	0.02%
10.	Common	Pedro Emilio O. Roxas	1,000	Direct	Filipino	0.00%
11.	Common	Artemio V. Panganiban	32,251	Direct and Indirect	Filipino	0.00%
12.	Common	Simeon Ken R. Ferrer	767	Direct	Filipino	0.00%
13.	Common	Ronnie L. Aperocho	14	Direct	Filipino	0.00%
14.	Common	Maria Luisa V. Alvendia	–	–	Filipino	0.00%
15.	Common	Edgardo V. Carasig	–	–	Filipino	0.00%
16.	Common	Arnel Paciano D. Casanova	–	–	Filipino	0.00%
17.	Common	Ferdinand O. Geluz	15,877	Direct	Filipino	0.00%
18.	Common	Melanie T. Oteyza	–	–	Filipino	0.00%
19.	Common	William S. Pamintuan	–	–	Filipino	0.00%
20.	Common	Betty C. Siy-Yap	–	–	Filipino	0.00%
21.	Common	Jose Ronald V. Valles	–	–	Filipino	0.00%
22.	Common	Roque D. Bacani	–	–	Filipino	0.00%
23.	Common	Bennette D. Bachoco	–	–	Filipino	0.00%
24.	Common	Redel M. Domingo	–	–	Filipino	0.00%
25.	Common	Charina P. Padua	42,609	Indirect	Filipino	0.00%
26.	Common	Raymond B. Ravelo	–	–	Filipino	0.00%
27.	Common	Froilan J. Savet	8,435	Direct	Filipino	0.00%
28.	Common	Francis Euston R. Acero	500	Direct	Filipino	0.00%
29.	Common	Ireneo B. Acuña	18,355	Direct	Filipino	0.00%
30.	Common	Joseph L. Amosco	5,198	Direct	Filipino	0.00%
31.	Common	Francis Dino S. Antonio	1,203	Indirect	Filipino	0.00%
32.	Common	Remigio R. Angeles, Jr.	1,075	Direct and Indirect	Filipino	0.00%
33.	Common	Patrick Dave B. Bacani	–	–	Filipino	0.00%
34.	Common	Joseph Allan C. Baltazar	–	–	Filipino	0.00%
35.	Common	Christopher Redeemson R. Brocales	–	–	Filipino	0.00%
36.	Common	Sante C. Buella	–	–	Filipino	0.00%
37.	Common	Ricardo Carmelo D. Buenafe	6,070	Indirect	Filipino	0.00%
38.	Common	Alberto N. Castillo	600	Direct	Filipino	0.00%
39.	Common	Anthony Matthew N. Co	2,150	Indirect	Filipino	0.00%
40.	Common	Ma. Cecilia M. Domingo	1,495	Indirect	Filipino	0.00%
41.	Common	Lawrence S. Fernandez	4,500	Indirect	Filipino	0.00%
42.	Common	Marvin G. Gonsalves	11,780	Direct and Indirect	Filipino	0.00%
43.	Common	Danilo R. Ignacio	7,871	Direct	Filipino	0.00%
44.	Common	Jerry B. Lao	–	–	Filipino	0.00%
45.	Common	Edeliza T. Lim	–	–	Filipino	0.00%

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
46.	Common	Ariel G. Lucas	–	–	Filipino	0.00%
47.	Common	Erville D. Magtubo	–	–	Filipino	0.00%
48.	Common	Ralph M. Menchavez	–	–	Filipino	0.00%
49.	Common	Roderick Dennison N. Nacu	31	Direct	Filipino	0.00%
50.	Common	Noel S. Porciuncula	144	Direct	Filipino	0.00%
51.	Common	Paul Jayson I. Ramos	–	–	Filipino	0.00%
52.	Common	Jose S. Reyes, Jr.	8,827	Direct and Indirect	Filipino	0.00%
53.	Common	Glen N. San Pedro	–	–	Filipino	0.00%
54.	Common	Andrew Jason B. Tan	3,000	Indirect	Filipino	0.00%
55.	Common	Jeffrey O. Tarayao	–	–	Filipino	0.00%
56.	Common	Marilene P. Tayag	–	–	Filipino	0.00%
57.	Common	Paola Marguerite A. Verayo	–	–	Filipino	0.00%
58.	Common	Maria Zarah R. Villanueva-Castro	–	–	Filipino	0.00%
59.	Common	Jocelyn C. Villar-Altamira	–	–	Filipino	0.00%
60.	Common	Agapito R. Zaldarriaga	10,369	Direct and Indirect	Filipino	0.00%
61.	Common	Ma. Cynthia C. Soluren	11,575	Indirect	Filipino	0.00%

As of March 31, 2025, the securities owned beneficially by the nominees for election to the Board of Directors (“*BOD”)* are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen-ship	Percent of Class
1.	Common	Manuel V. Pangilinan	65,000	Direct and Indirect	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	29,313	Direct and Indirect	Filipino	0.00%
3.	Common	Ray C. Espinosa	66,000	Direct	Filipino	0.01%
4.	Common	June Cheryl A. Cabal-Revilla	5,010	Direct	Filipino	0.00%
5.	Common	Lydia B. Echauz	16,100	Direct	Filipino	0.00%
6.	Common	Patrick Henry C. Go	1,677	Direct	Filipino	0.00%
7.	Common	Victorico P. Vargas	23,917	Direct	Filipino	0.00%
8.	Common	Jose Ma. K. Lim	178,910	Direct and Indirect	Filipino	0.02%
9.	Common	James L. Go	209,450	Direct and Indirect	Filipino	0.02%
10.	Common	Pedro Emilio O. Roxas	1,000	Direct	Filipino	0.00%
11.	Common	Artemio V. Panganiban	32,251	Direct and Indirect	Filipino	0.00%

The aggregate number of shares owned on record by the Chief Executive Officer, Executive Officers, Directors, and Nominees as of March 31, 2025 is 791,073 shares or 0.07% of *MERALCO*'s total outstanding shares.

(3) Voting Trust Holders

MERALCO is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

(4) Changes in Control

Based on *MERALCO*'s stock and transfer book, there is no change in the control of *MERALCO* since the beginning of the last fiscal year.

Item 12. Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 23 to the consolidated financial statements as at December 31, 2024 and 2023 and for each of the three (3) years in the period ended December 31, 2024, there was no transaction during the last three (3) years involving *MERALCO* in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of *MERALCO's* total outstanding shares and members of their immediate family had a material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Compliance with Leading Practices on Corporate Governance

MERALCO as a Philippine publicly listed company ("PLC"), is in full compliance with the rules and regulations of the Securities and Exchange Commission ("SEC"), including the Code of Corporate Governance, the Philippine Stock Exchange ("PSE"), the Philippine Dealing and Exchange Corporation ("PDEx") and all other rules and regulations for the development of the Philippine capital market.

As a testament to the Company's good corporate governance practices, *MERALCO* was awarded Four Golden Arrows by the Institute of Corporate Directors ("ICD"), acting as the domestic ranking body of the ASEAN Capital Market Forum (ACMF) for the ASEAN Corporate Governance Scorecard ("ACGS"), for the Company's remarkable governance structure, programs, and practices in the 2023 Assessment, for its 2022 performance, where the Company received a score of 110.27.

Pursuant to the governance principle of transparency, *MERALCO* fully complied with the *SEC* and PSE's reportorial requirements on corporate governance, including:

1. The 2024 Certification by the Compliance Officer of *MERALCO*'s full compliance with the Revised Manual of Corporate Governance. No deviations from the Manual transpired.

2. Certification of Board attendance, reports involving financial statements, disclosure of material information and events, clarifications on specific news articles concerning *MERALCO*, and trainings attended by Board members and key officers on corporate governance.

3. Disclosure requirements on direct and indirect ownership of securities under the Securities Regulation Code, and the reporting of trading transactions of directors and concerned officers of *MERALCO* by the Compliance Officer not later than the following day after the required event or transaction. There has been no case of insider trading involving directors and management of *MERALCO*.

The Company continues to strengthen its governance structure, policies, programs and practices, and stakeholder engagement, in accordance with best corporate governance practices aligned with the recommendations under the SEC's 2017 Code of Corporate Governance for Publicly Listed Companies, the Integrated Annual Corporate Governance Scorecard (I-ACGR) and the ACGS.

A. Governance Structure

The Board of Directors (the "Board" or "BOD") is the highest governance body of the Company. The Board is composed of directors with collective working knowledge, experience, and expertise relevant to power, energy, and electric distribution industry/sector. It represents an appropriate mix of competence and expertise in the area of business, finance, operations, regulatory, and legal disciplines relevant to the Company's industry, with each director capable of adding value and exercising independent judgment, ensuring that the directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.

Composition

The Board consists of eleven (11) directors, three (3) of whom are independent directors (including 1 female independent director), seven (7) are non-executive directors, and one (1) is an executive director:

Director	Designation
Manuel V. Pangilinan	Chairman and Executive Director
Lance Y. Gokongwei	Non-Executive Director
Ray C. Espinosa	Non-Executive Director
James L. Go	Non-Executive Director
Victorico P. Vargas	Non-Executive Director
Jose Ma. K. Lim	Non-Executive Director
June Cheryl A. Cabal-Revilla	Non-Executive Director
Frederick D. Go[1]	Non-Executive Director
Patrick Henry C. Go[2]	Non-Executive Director
Artemio V. Panganiban	Lead Independent Director
Pedro Emilio O. Roxas	Independent Director
Lydia B. Echauz	Independent Director

[1] Non-Executive Director until January 8, 2024.
[2] Non-Executive Director beginning January 29, 2024.

Board Diversity

In line with its commitment to the principles of good corporate governance, the *Company* adopted a Board Diversity Policy to ensure that the Board has an appropriate mix of expertise, experience, independence, and skills that would encourage critical discussion and promote a balanced decision in the attainment of the Company's strategic objectives and sustainable development.

The Board Diversity Policy, in particular, recognizes the important role of women with appropriate and relevant expertise and experience that can contribute to the diversity of perspectives in the Board. Under the Policy, the Board shall aim to have at least one (1) female director as its member. Currently, the Board has two (2) female directors, one of who is independent.

Directors are selected from a broad pool of qualified nominees. In order to achieve a diverse board, varied aspects are to be considered as measurable objectives, including, but not limited to academic, professional and business background, age, gender, and other regulatory requirements. The final composition of the Board is grounded on merit and potential contribution of the selected directors to the Company.

Measurable Objectives	**2024 Board**	**Description**	**2023 Board**	**Description**
Gender Diversity	√	Mix of Male and Female Directors 9 male and 2 female directors	√	Mix of Male and Female Directors 9 male and 2 female directors
Racial Diversity	√	Mix of Racial or Ethnic Backgrounds	√	Mix of Racial or Ethnic Backgrounds
Age Diversity	√	Age ranges from 51 to 88 years old	√	Age ranges from 50 to 87 years old
Board Tenure	√	Tenure ranges from 1 to 17 years	√	Tenure ranges from 1 to 16 years
Expertise				
E.1. Industry Expertise	√	Mix of directors siting as members of the BOD in Energy, Electric Retail and Power Generation companies	√	Mix of directors siting as members of the BOD in Energy, Sustainability, Petrochemical, Telecommunications, Electric Retail and Power Generation companies
E.2. Management or Operations	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications, realty, media, medical, insurance and other companies	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications petrochemical, realty, media, medical, insurance and other companies

E.3. Financial, Audit, or Risk Management Expertise	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies
E.4. Legal or Regulatory Expertise	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Permanent Court of Arbitration, Judicial and Bar Council and Philippine Judicial Academy
E.5. Corporate Governance	√	Director with membership in Shareholders Association of the Philippines, Fellowship in ICD, Former Governor of Philippine Stock Exchange,	√	Director with membership in Shareholders Association of the Philippines, Former Governor of Philippine Stock Exchange,
E.6. Technology or Digital Media Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, technology or telecommunications companies	√	Mix of directors who are likewise directors, advisors, or consultants of media, technology, or telecommunications companies
E.7. Retail, Sales or Marketing Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, telecommunications, realty, media, medical, insurance and retail companies	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, telecommunications, realty, media, medical, insurance and retail companies
Professional, Academic or Advocacy Background or Affiliations				
F.1. Academic Institutions	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of

		Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program		Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program
F.2. Advocacy Groups or Foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations
F.3. Professional Organizations	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Philippine Stock Exchange	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Federation of Philippine Industries, Philippine Olympic Committee

Chairman of the Board

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

Together with the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, independent directors may raise, and ensures that the Board exercises strong oversight over the Company and its Management, such that the prospect of any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the Corporate Governance (CG) Manual accessible at the Company's website.

Independent Directors

On March 14, 2024, the Nomination & Governance Committee ("Nom&Gov") assessed the profiles of the directors and found that the independent, non-executive directors are indeed free of relationships with the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they do not hinder in any way the performance of their duties to the Company.

Given the nomination for election to the Board of Directors of independent directors, Retired Chief Justice Artemio V. Panganiban and Mr. Pedro O. Roxas after the maximum nine-year term, the Board provided for the meritorious justification for their retention in accordance with the Manual of Corporate Governance ("CG Manual") which was consequently approved by the shareholders during the 2024 Annual Stockholders' Meeting.

The proposal to retain Retired Chief Justice Panganiban and Mr. Roxas as independent directors was crucial given the Company's then pending franchise renewal application with the Congress. Their expertise in market dynamics, regulatory compliance, and strategic planning ensures stability, mitigates risks, and supports the Company's sustained growth. Their strong stakeholder relationships likewise foster trust and constructive dialogue, which is also imperative for successful franchise renewal. Additionally, their forward-thinking approach and strategic insights are vital as the Company navigates market challenges and diversifies into renewable energy investments.

Board Committees

The Board has formed various Board Committees delegated with specific responsibilities. These Committees are established and guided by their respective committee charters. The same is disclosed in the Annual Report and posted in the Company Website.

Currently, there are eight (8) standing Board Committees:

- Executive Committee (ExCom);
- Nomination and Governance Committee (Nom & Gov);
- Audit Committee (AuditCom);
- Risk Management Committee (RMC);
- Remuneration and Leadership Development Committee (RLDC);
- Finance Committee (FinCom);
- Related Party Transactions Committee (RPTCom);
- Sustainability Committee (SusCom)

Corporate Secretary and Compliance Officer

All Board members have direct and independent access to the Corporate Secretary, the Compliance Officer and Management.

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

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

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

Nomination and Election

The Company's Nomination and Election Policy sets forth the procedures in the director selection process, including the acceptance of nominations from minority shareholders and the

evaluation and screening of nominees vis-à-vis the applicable qualifications and disqualifications set forth in the CG Manual, By-laws and other applicable law, policy or regulation, how the board shortlists candidates, and an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.

The Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners such as the Institute of Corporate Directors (ICD) to search for candidates to the Board. These candidates would be skilled in core competencies such as strategic planning, business expertise, and industry knowledge. The shareholders will then elect the directors during the Annual Stockholders' Meeting (ASM) held every last Tuesday of May.

The Company granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the Company's website on January 29, 2024 for submission of proposed agenda and nomination of qualified candidates on or before March 8, 2024. The agenda and nominees were approved by the Board on January 29, 2024 and March 22, 2024, respectively.

The 2024 ASM was held on Tuesday, May 28, 2024, at 10:22 AM at the *MERALCO* Compound, Ortigas Avenue, Barangay Ugong, Pasig City. The Company conducted its fifth virtual ASM via live broadcast of the proceedings through the Stockholders Electronic Registration and Voting Express (SERVE).

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of approximately over 885,518,431 or 78.57% of the total issued and outstanding shares of 1,127,098,705 represented in person and by proxy. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online. Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, the Chairman of the AuditCom, the Chairman of the RLDC, the Chairman of the Nom&Gov, the Chairman of the Finance Committee, other members of the Board, the Chief Finance Officer (CFO), the Corporate Secretary, the Assistant Corporate Secretary, other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

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

Board Independence

The Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently. The Board shall consider designating a lead director among the independent directors if the Chairman of the Board is not independent and if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

Considering that the Chairman of the Board is not an independent director, the appointment of a Senior or Lead Independent Director was endorsed to, and approved by, the Board of Directors. The Board subsequently appointed Independent Director (ID) Ret. Chief Justice Artemio V. Panganiban as the Lead Independent Director to serve as such until the next Lead ID is appointed. As Lead ID, he has the following functions:

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

The Lead Independent Director does not, however, act as Chairman in the absence of the Chairman, the same having been delegated to the Vice-Chairman.

Board Responsibilities

Serving as corporate governance steward of the Company, the Board fosters the long- term success of the Company, and ensures that the Company sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.

The Board is responsible for defining and reviewing the Company's vision, mission, overall strategic directions, corporate objectives, long-term goals and core values annually. It oversees and monitors the development and implementation of the Company's business objectives and strategy and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

Pursuant to the SEC Corporate Governance Code, the Board adopted in 2017 a CG Manual which provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and adhere to in dealing with various stakeholders. Management in turn, ensures that the operations of the Company are aligned with the CG Manual.

The CG Manual conforms to regulations set forth by the SEC, the PSE, PDEx, and other relevant regulatory bodies and is reviewed annually to ensure that it is up to date with local and international best practices, and in keeping with the Company's strategic direction. The CG Manual was amended by the Board on July 29, 2024.

The Board, in its regular meeting held on January 29, 2024 as part of the Board's assessment of the Company's performance in the past year, reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance. In 2021, the Board revised the vision, mission, and values statements as well as the corporate strategic objectives of the Company and the same was again reviewed and confirmed by the Board in 2024.

Continuing Education for the Board and Senior Management

Corporate governance education continues with orientations and trainings for the Board and Senior Management. The Board keeps abreast with the latest developments in the corporate governance regulatory landscape and implements a policy on orientation and continuing training for all directors and key officers, including an annual CG training with SEC-Accredited providers, in accordance with the Board Charter and the MCG.

The Company has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of the Company's CG Manual the ERC Resolution No. 1, Series of 2004, and the SEC Memorandum Circular No. 20, Series of 2013, the Directors, together with the Senior Management, attended in person or via online platform, the MVP Group Annual Corporate Governance Enhancement Session (ACGES) on September 27, 2024, entitled Achieving Escape Velocity: Harnessing High Technology to Spark Creativity and Innovation by Mr. David Morey and Dr. Erika Fille T. Legara. This session covered four (4) hours of governance training and was accredited by the SEC.

2024 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS		
Director	**Program**	**Resource Person/ Name of Training Institution**
Manuel V. Pangilinan Ray C. Espinosa Victorico P. Vargas June Cheryl A. Cabal-Revilla Jose Ma. K. Lim Ret. Chief Justice Artemio V. Panganiban Lydia B. Echauz Pedro Emilio O. Roxas	MVP Group Annual Corporate Governance Enhancement Session Achieving Escape Velocity: Harnessing High Technology to Spark Creativity and Innovation	Mr. David Morey Dr. Erika Fille T. Legara
Lance Y. Gokongwei Patrick Henry C. Go	Building a Resilient Gokongwei Group: Corporate Governance Training on Sustainability, Cybersecurity, and Integrity	2024 Gokongwei Group Corporate Governance Training for Directors and Officers
James L. Go	SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	

Succession Planning

Together with the Board, the Nomination and Governance Committee (Nom&Gov) is responsible for recommending a succession planning program for its members while the Remuneration and Leadership Development Committee (RLDC) is responsible for overall guidance and direction on succession planning and leadership development of the President and/or CEO and Senior Management. The Committee, working closely with the head of Human Resources (HR), drives the strategy for succession planning, leadership development, and talent management. The HR head develops and implements the processes and the tools to ensure robust pools of succession candidates for the President and/or CEO, senior management, middle management and first line management.

Talent Management and Succession Planning Programs are top priorities in the HR agenda by ensuring that the right leaders and talents are in place to drive our business plans. Progressive talent management assessment tools and methodologies were used to identify, assess, and develop leaders for critical positions.

Presently, the succession plan covers the top 670 leaders of the Company. The succession planning process involves the assessment of the Company's leaders' career aspirations, strengths, and development needs. A key feature of the Company's succession planning process is the talent review conducted at the senior management level and at various levels of the organization. The senior management talent review has resulted in a pool of about of 48 candidates who, subject to realization of their development plans, could become management committee members within the next five (5) years.

Retirement Policy

The Board adopts a policy on the retirement for directors and key officers. The Remuneration and Leadership Development Committee assists the Board in the development of the Company's overall performance management, compensation, retirement and leadership development policies and programs based on the Company-approved philosophy and budget.

Remuneration

The Board ensures that the remuneration of directors and officers is consistent with the Company's culture, strategy, and the business environment in which it operates and aligned with the long-term interest of the Company. 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 Remuneration and Leadership Development Committee.

The Remuneration and Leadership Development Committee recommends to the Board, for the approval of the shareholders, a framework of remuneration for directors and Management, including the President and/or CEO. For the President and/or CEO, and Management, the framework takes into account all aspects of executive remuneration including salaries, allowances, bonuses, and benefits in kind. The framework is benchmarked against pay and employment conditions within the industry and it links rewards to corporate and individual performance.

In particular, the Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets and provides for long term incentives such

as deferred bonus or pay based on *MERALCO* Group's (the "Group") achievement of specified level of consolidated core net income approved by the Board and determined on an aggregate basis for a three-year period as well as executives' attainment of a minimum level of performance rating. Specifically, the Long-term Incentive Plan ("LTIP"), essentially partaking the nature of deferred bonus, covers qualified employees and is based on the Group's achievement of specified level of CCNI approved by the BOD and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to LTIP must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

Board, Committee, and Key Officers' Performance Assessment

The Board annually conducts a self-assessment of its performance individually, collectively, and as members of the different Board Committees. The self-assessment results are key factors in the enhancement of directors' performance and effectiveness in the discharge of their duties.

The Board conducted the performance assessment from February 20 to March 14, 2024 wherein directors were given opportunity to give their opinions and suggestions or identify special issues of interest about their performance or different aspects of the Company's operation. For the performance year 2024, the assessment was conducted from February 24 to March 13, 2025.

The Board also conducts an annual assessment of the key officers' effectiveness in driving the company's vision, mission, and strategic objectives while upholding core values such as integrity, diligence, and good governance. It also measures the key officers' entrepreneurial mindset, stewardship of resources, and commitment to transparency, accountability, and fairness in advancing the company's growth and sustainability. The Remuneration and Leadership Development Committee exercises functional oversight in the development and administration of leadership development/succession planning and retention programs for executives and officers such as heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive) which include career development, promotions, and performance evaluation.

Every three years, the assessments are supported by an external facilitator. The Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) for the evaluation of the 2019 and 2022 Board, Committee, and Key Officers' performance assessment.

BOARD, COMMITTEE AND CEO PERFORMANCE ASSESSMENT FORMS

1. **Collective Board Assessment** - each director assessed the Board performance as a whole based on the following categories:
   a) Board composition;
   b) Board efficiency and performance;
   c) Board meetings and participation.

2. **Individual Director Self-Rating –** each director evaluated their performance for the previous year.

3. **Board Committee Assessment –** each director assessed the overall performance of the Board Committees as well as the individual Board Committees based on the provisions of Board Committee Charters.

4. **Key Officer Ratings –** each director assessed the performance of the Chief Compliance Officer Chief Risk Officer, Chief Audit Executive, and the President and/or CEO. In addition, the Chairman participated in the self-assessment of his performance in the previous year.

Continuing Policy Formulation

With the establishment of a Corporate Governance Office ("CGO") in *MERALCO* in 2010, corporate governance policies and programs were adopted by the Board and implemented in the *Company* such as the Manual of Corporate Governance, Code of Business Conduct and Ethics (Code of Ethics), Policy on Blackout Period/Restriction on Trading of Shares, Policy on Solicitation and Acceptance of Gifts, "Speak Out Policy (formerly whistle-blowing policy), Conflict of Interest Policy, Related Party Transactions Policy, Code of Business Conduct and Ethics for Vendors, Human Rights Policy, Anti-Bribery and Corruption Policy, Social Media Policy, Vendor's Code of Business Conduct and Ethics, among others.

In compliance with the recommendations under the I-ACGR, *MERALCO* adopted a standalone Anti-Bribery and Corruption Policy which formalizes its stand against corrupt practices and specifies in detail the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption. The Board also adopted and made available, at the option of a shareholder, an established Alternative Dispute Resolution ("ADR") mechanism to resolve intra-corporate disputes in an amicable and effective manner as provided in the Revised Manual of Corporate Governance.

In accordance with the CG Manual, the Company, through its Board of Directors, annually reviews, confirms and/or updates the vision, mission, and corporate strategic objectives of the Company. In 2021, the Board reviewed and updated its vision, mission and value statements to align with the Company's current strategic imperatives and initiatives:

VISION: To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come.

MISSION: To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably.

CORE VALUES: Excellence, Customer Centricity, Sustainability, Integrity, Innovation, *Malasakit,* and *Bayanihan.*

These are annually reviewed and/or confirmed by the *BOD.*

The Company likewise identified the following strategic objectives to ensure that its obligations to shareholders and to all stakeholders are understood and met:

1. Revenue enhancement;
2. Customer-centricity;
3. Digital Transformation; and
4. Sustainability.

Furthermore, to reinforce board independence and pursuant to the recommendation under ASEAN Corporate Governance Scorecard and the SEC's Code of Corporate Governance for PLCs, the Board appointed independent director Ret. Chief Justice Artemio V. Panganiban, as the Lead Independent Director. In 2024, the shareholders of the Company elected lady independent director, Ms. Lydia Echauz. The Board Charter of the Board of Directors was also drafted to sets the Board's purposes, authority, duties, and responsibilities, structure and procedures. The Board Charter also included the provision for guidelines on Board Meetings through Teleconferencing and Videoconferencing.

Following developments in governance policies and practices that are aligned with the recommendations under the Code of Corporate Governance for PLCs, the I-ACGR, and the ASEAN Corporate Governance Scorecard, *MERALCO* also introduced amendments to its CG Manual, Finance Committee Charter, Nomination and Governance Committee Charter, Related Party Transaction Charter, and Risk Management Committee Charter. Other existing governance policies of the Company are also continuously reviewed to align with developments in regulations and governance best practices.

Management and Employee Performance Management

The Board has established an effective performance management framework that ensures that the performance of Management and employees is at par with the standards set by the Board and Senior Management.

The achievement of financial and non-financial indicators is reflected in management performance assessment which drives the Company's merit and incentive pay programs.

PERFORMANCE INDICATORS	
Financial	**Non-Financial**
Measures reflecting the financial results and financial position of the Company to stakeholders, such as revenues, consolidated core net income, reported net income, EBITDA, cash and cash equivalents, debt and stockholders' equity, dividend payouts, etc.	▪ S-Factor Indicators - System Loss - System Average Interruption Frequency Index (SAIFI) - System Average Interruption Duration Index (SAIDI) - Momentary Average Interruption Frequency Index (MAIFI) - Time to Process Applications (TPA) - Time to Connect Premises (TCP) - Call Center Performance (CCP) ▪ Guaranteed Service Level (GSL) Metrics ▪ Energy Sales in GWh ▪ Customer Count

The Company's performance management process for employees assesses employee performance on the basis of 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. Specifically, the annual performance of Management and employees is assessed through the achievement of the Company's Goals and Initiatives (GAINs) indicators.

Performance of the Management and employees is evaluated on a biennial basis based on two critical factors:

GOALS & INITIATIVES (GAINs) – measures the employee's work accomplishments during the performance period (i.e., individual goals vs. actual work accomplishments); and

VALUES & BEHAVIOR (V&B) – measures how well the employee met expectations based on the behavioral manifestations of the seven Corporate Values, namely: Customer Service, Performance, Accountability/Empowerment, Integrity/Transparency, Teamwork/ Collegiality, Malasakit, and Makabayan

Internal Control and Audit

Audit Committee

The Board is supported by an Audit Committee (AuditCom) to strengthen its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The AuditCom has the power to 1) review with Management and the external auditors the results of the audit of the financial statements and evaluation of internal accounting controls; 2) review and evaluate procedures and criteria for the selection, appointment, annual performance evaluation and if appropriate, termination of services of the external auditors and recommend to the Board for approval, the appointment, reappointment or removal of the external auditors, duly accredited by the SEC and ratified by the shareholders; and 3) Monitor compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities.

The AuditCom, which is composed of non-executive directors undertakes executive sessions with the Chief Audit Executive and the External Auditors without the presence of Management. The conduct of executive session with the external auditors and the chief audit executive at least once a year is provided for in the charter of the AuditCom. On December 05, 2024, the Audit Com held separate executive session with the engagement partner of the external auditors, SGV, including the private session of the Audit Committee Chair with the Chief Audit Executive. The agenda in these meetings involved matters the AuditCom and the auditors believe should be discussed without the presence of the executive director or officers from management.

Internal Audit

The Company has in place an in-house independent internal audit function. *MERALCO* Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that aligns to the key strategies and risks across the Group's business and is reassessed quarterly to consider business changes and emerging risks. This plan is developed in coordination with the relevant business units and subsidiaries and reviewed and approved by the AuditCom.

The assurance and control advisory reviews are aimed at assisting the Board through the AuditCom in promoting sound enterprise risk management, robust internal controls, and good corporate governance. Design and operating effectiveness of controls that govern the key business processes, systems and risk areas at the Distribution Utility and subsidiaries are evaluated particularly on financial reporting, operations, information technology systems reviews, cybersecurity, data privacy, sustainability, revenue assurance, legal and regulatory compliance, and subsidiary oversight. This provides an independent assurance to the AuditCom on the adequacy and effectiveness of the governance, risk management, internal controls, and compliance systems.

MERALCO Internal Audit communicates the results of audit engagements covering various units of the Company and its subsidiaries including specific areas of concerns identified by Management to the AuditCom. The findings and any improvement opportunities are reviewed by AuditCom which then are reported to the Board for guidance and oversight. Significant concerns, which have been reported by Internal Audit Group and the implementation of responsive remedial measures by Management, are acted upon by Management and monitored by AuditCom. The AuditCom Report

to the Board included the review of *MERALCO* Group's system of internal controls (financial, operational, and compliance controls) and risk management systems which are found to be in place and functioning.

A Certification attestation of the Internal Controls is issued annually as a result of the combined risk and control assessment of the Management and Internal Audit including the scope of audit review for the financial year.

MERALCO's Internal Audit (IA) is headed by the Group Chief Audit Executive and Senior Vice President, Ms. Melanie T. Oteyza, who reports functionally to the AuditCom and administratively to the President and/or CEO, as outlined in the Company's Internal Audit Charter. The appointment and removal of the Chief Audit Executive require the approval of the AuditCom.

All internal auditors are members of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework. The internal auditors are comprised of highly certified professionals – Certified Public Accountants, Certified Internal Auditors, Certified Information Systems Auditors, Certified Quality Assurance Validator, Certified Fraud Examiner, Registered Electrical Engineers and others with Certification in Control Self-Assessment, Certification in Risk Management Assurance, and Qualification in Internal Audit Leadership.

MERALCO Internal Audit recruits and employs suitable and qualified professional staff with the requisite skillsets, competencies, and experience. Relevant trainings and continuing professional development are provided to its staff to ensure that internal audits are performed effectively and that the team possess the technical knowledge needed for the job and to remain relevant and value-adding to the organization.

MERALCO Internal Audit also provide a confirmation of their independence to the Audit Committee on an annual basis.

External Audit

The Company's external auditor, SGV was evaluated, nominated, and recommended for appointment including its audit fees by the AuditCom, and such recommendation was approved by the Board. The re-appointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 28, 2024. In 2024, the fees paid to the external auditor for non-audit services do not outweigh the fees paid for audit services.

	CONSOLIDATED EXTERNAL AUDITOR'S FEES* (Amounts in million PhP)	
	2024	**2023**
Financial Statements Audit*	₱25.8	₱20.5
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM	₱0.9	₱0.8
Note: The fees for non-audit services did not exceed those for audit services.		

Confirmation on Adequacy of Internal Controls

For the year ended December 31, 2024, Management, through the Chairman and CEO and Chief Audit Executive, has reviewed the adequacy and effectiveness of the overall internal control system of *MERALCO* and its subsidiaries. The review covered material controls, including financial, operational and compliance controls.

The approach adopted to support this year-end assessment on the adequacy of the *MERALCO* Group's system of internal control was based on the results of the Risks and Controls Self-Assessment (RCSA) of Management and the various audits undertaken by Internal Audit within the *MERALCO* Group of companies as of December 31, 2024. Control issues have been disclosed by Management and validated by Internal Audit to provide reasonable level of assurance. While this approach covers a large part of the Company's internal control systems, it is not intended to cover all areas of the Company, nor all possible areas of risk.

Based on the results of Management's Control Self-Assessments and the Internal Audit's review of key business processes focusing on identified or potential areas of business risks, Management confirms that the *MERALCO* Group's systems of internal control are in place and functioning. There are no major internal control issues that have not been acted upon by management as of December 31, 2024.

Risk Management

A detailed discussion regarding Risk Management can be found on pages 33 to 35 of the Sustainability Report which is incorporated in this Annual Report.

Governance Process around IT issues

The Board, through its Risk Management Committee, oversees the governance process around IT issues including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the board.

The Management, through ICT Governance Office and ICT Planning and Program Management Office, uses Control Objectives for Information and Related Technology (COBIT) framework to ensure that IT goals and objectives are in line with the overall business strategy of *MERALCO*. This involves delivering value from IT investments, managing IT risks, optimizing IT resources, measuring performance, and communicating with stakeholders. ICT Governance Office provides a comprehensive approach to aligning IT with business objectives, mitigating risks, and ensuring compliance with policies and standards.

Management is accountable to the Board for the Company's information security governance. As a key pillar of *MERALCO*'s sustainability, the Management–through the Cyber Security Group (CSG)–drives *MERALCO*'s cybersecurity initiatives, providing strategic direction and resources to effectively manage the information security risks. It ensures the highest standard of protection across all aspects of operations, with a strong focus on mission-critical and business critical assets.

The Group conducts regular assessments, and reviews, approving information security policies and standards to ensure continuous monitoring, implementation, and enhancement of a robust information security management system. Aligned with global best practices and international

standards, including ISO/IEC 27001, ISO/IEC 27002, and the NIST Cybersecurity Framework, these initiatives are effectively coordinated and integrated into the Organization's relevant processes and core business functions, with clear designation of authority, roles, and responsibilities.

MERALCO's information security policies and standards integrate cybersecurity into the workforce's responsibilities in our increasingly digital world. These policies form the foundation for developing strategies and controls to prevent and mitigate cybersecurity risks, ensuring that the company and its employees are cyber-resilient and capable of effectively detecting, protecting against, and responding to cyber threats.

The Group evaluates the organization's maturity posture and identifies any gaps that require action based on the result of the regular maturity assessment. Moreover, the CSG ensures that business units, shared units, and third-party vendors remain compliant and accountable for the organization's cybersecurity requirements and protocols.

The commitment to inculcating adoption and compliance within the organization will not only protect information assets but also cultivate a culture of trust, accountability, and resilience, which are essential for *MERALCO*'s long-term sustainability.

Related Party Transactions

The Company strictly complies with its Related Party Transactions (RPT) Policy as well as pertinent rules issued by the SEC. The RPT Policy requires the review of material/significant RPTs, to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms.

Under the Policy, the Board, through the RPT Committee, reviews material/significant RPTs to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms. The Policy provides for materiality thresholds, i.e., de minimis, significant, material RPTs including SEC material RPTs which constitute ten percent (10%) of the Company's assets. Also, under of the RPT Policy, the Company does not grant loans or any special financial assistance to directors.

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

In 2024, all the RPTs were conducted in fair and at arm's length terms and there was no case of insider trading or policy violations involving directors and officers of the Company. Also, no RPT that can be classified as financial assistance to entities other than wholly owned subsidiary companies. The Company is fully compliant with the Code and policies on corporate governance.

Conflict of Interest (COI) Policy

The COI Policy requires all directors, officers and employees to annually disclose their interest in transactions and any other conflicts of interest affecting the Company through the FBID Form for directors and officers, and the COI Form for employees. The Company requires directors and key Management personnel to abstain from and/or inhibit themselves from participating in discussions on

a particular agenda when a conflict exists or may exist between their personal interest and that of the Company.

Respecting the Rights of Shareholders

- Shareholders

The Company recognizes the rights of all shareholders as provided in the Corporation Code of the Philippines, other pertinent laws, rules, and regulations, the Company's Articles of Incorporation, Amended By-Laws, and CG Manual.

Right to Dividends

Dividend Policy

The Company's dividend policy, as approved by the Board on February 22, 2010, and ratified by the shareholders during the May 25, 2010 ASM, calls for the payment of regular cash dividends equivalent to 50% of the audited CCNI for the year with a "look-back" basis, which allows the Company to pay special dividends beyond 50% of the CCNI for the year, subject to the availability of unrestricted retained earnings in accordance with the guidelines of the SEC.

Following are the cash dividends declared by the Board on common shares for 2024:

Declaration Date	Record Date	Payable Date	Rate per Share
February 26, 2024	March 27, 2024	April 24, 2024	₱11.235
July 29, 2024	August 28, 2024	September 23, 2024	10.295

Right to Participate in Decisions

The Company upholds the rights of all shareholders, including the minority shareholders, to participate in:

- changes or amendments to the Company's Articles of Incorporation or By-laws
- authorization for issuance of additional shares
- authorization of extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Company
- approval of remuneration or increase in remuneration of directors
- voting by proxy and attendance in stockholders' meeting in *absentia* or through remote communication.

Right to Vote and Participate Effectively Disclosure and Release of Notice to Annual Stockholders' Meeting

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on January 29, 2024. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 17, 2024, 28 business days before the ASM. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

Annual Stockholders' Meeting

It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2024 ASM was held on Tuesday, May 28, 2024, at 10:22 AM at the *MERALCO* Compound, Ortigas Avenue, Barangay Ugong, Pasig City. The Company conducted its fifth virtual ASM via live broadcast of the proceedings through the Stockholders Electronic Registration and Voting Express (SERVE). Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

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

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 885,518,431 shares or approximately 78.57% of the total issued and outstanding shares of the Company. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online, including election of directors individually. Stockholders were given the opportunity to propound questions and raise concerns to the Board during the meeting.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, Chairman of the AuditCom, Chairman of the RLDC, Chairman of the Nom&Gov, Chairman of the Finance Committee, the Board, Chief Finance Officer (CFO), Corporate Secretary, Assistant Corporate Secretary other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

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

Right to Approve Mergers and Acquisitions

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

Institutional Investors

The Company recognizes the exercise of ownership rights by all shareholders, including institutional investors. The Company does not have any shareholder owning more than 50% of its total outstanding shares. The complete list of the Public Ownership Report of *MERALCO* as at December 31, 2024 was disclosed to the SEC, PSE, and PDEx on January 15, 2025, where approximately 73.83% of the Company's shares are held by principal and strategic shareholders, while approximately 0.074% are held by the Company's directors and officers. The remaining 26.10% of the Company's shares are held by the investing public. The Company has a straightforward structure of alliance among its affiliates, and joint ventures. There is no pyramid shareholding structure within the Group. Details of holding companies, subsidiaries, and other related companies are disclosed in the map showing relationships among the Companies within the Group.

Equitable Treatment of Shareholders

Shares and Voting Rights

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

Notice of Annual Stockholders' Meeting and Definitive Information Statement

The Notice of ASM and the Definitive Information Statement (DIS) contain, among others, the resolutions to be considered by the stockholders for each agenda item during the ASM. There is no bundling of several items into one resolution. It also provides the following information:

1. Profiles of each director seeking election/ re-election—age, academic qualification, date of first appointment, experience, and directorships in other listed companies;
2. External auditor seeking appointment/ re-appointment;
3. Dividend policy;
4. Amount of dividends declared and any dividends payable; and
5. Readily available proxy statements

The Notice of ASM and DIS are available on the Company's website.

Policy on Dealings in Company Shares of Stocks (Insider Trading/Blackout Period)

The Insider Trading Policy prohibits directors, officers, and employees from benefiting from information that is not generally available to the investing public through observance of a blackout period ten (10) trading days before and two (2) trading days after the release or announcement of the Company's material information or financial and operating results, during which trading in Company shares is prohibited.

The Company strictly enforces and monitors compliance with its policy on insider trading. Under the revised policy approved for implementation on December 1, 2014, directors and officers are required to disclose to the Compliance Officer the details of any trading, dealing, acquisition, disposal, or change in their beneficial ownership of the Company (MER) shares, not later than one (1) trading day after the transaction.

Protecting Minority Shareholders from Abusive Actions

The Company's policies recognize and protect the rights of the minority stockholders while pursuing corporate interest. Some salient provisions include:

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

Role of Stakeholders

The Company strictly observes the principles of fairness, accountability, integrity, transparency, and honesty (FAITH) in its obligations to, and dealings with, its various stakeholders. The Company values its stakeholders and protects their rights, as mandated by relevant laws and internal policies. Sanctions and penalties based on the provisions of the Company's Code on Right Employee Conduct (COREC) and other related policies are imposed upon violators.

Customers

The Company renders excellent service, ensures fair treatment, and provides complete and accurate information, to its customers.

Suppliers/Contractors

To ensure a mutually beneficial relationship with its suppliers and contractors, the Company prescribes clearly defined and transparent procurement and supplier selection process through the Vendor's Code of Business Conduct and Ethics and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts and applicable laws and regulations like the ERC Procurement Guidelines for the Regulated Transmission and Distribution Assets to Regulated Entities.

Creditors

The Company faithfully complies with all loan agreements with creditors. It ensures timely payment of its loans and efficiently operates its business to assure creditors of the Company's sound financial standing and loan payment capabilities.

Environment and Community

As an advocate of sustainable development, the Company is committed to operate profitably within the bounds of its social and environmental responsibility.

Employees

MERALCO is committed to the development and welfare of its employees. The Company provides its employees with opportunities for learning and development, fair and competitive

remuneration, and programs to promote health and safety. The Company devotes conscious effort to build a culture of excellence, knowledge sharing, personnel integrity, and development.

Employee Development Programs

Training programs and other developmental interventions including job-specific development training programs and managerial/leadership development training are implemented to enable employees and officers to acquire the technical and leadership competencies to effectively perform their jobs for their professional growth. The Company uses globally accepted training and development metrics relevant to value creation for business and society. Learning and development initiatives are delivered using the strategic framework of 70-20-10: 70% on-the-job learning, 20% from coaching and feedback, and 10% formal training. In 2024, the average training man-hours is at 57.40 hours per person.

Company-wide training programs on corporate governance including those pertaining to anti-bribery and corruption were also implemented in 2024 and participated by 825 senior managers, 809 middle managers, 4,372 rank and file employees, and 409 employees of the Company's business partners.

Compensation Philosophy/Principles

The Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest. The Company's performance management process measures employee performance on the basis of 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. The achievement of financial and non-financial indicators is reflected in performance planning and assessment, which drives the Company's merit and incentive pay programs.

The Company implements short-term and long-term incentive programs to attract, retain, and motivate its employees. The Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets. The Company evaluates performance beyond short- term financial measures. It also provides for short- term incentives through variable pay, such as annual performance-based bonuses and variable incentive plan, to reward individual and team performance that contribute to the achievement of corporate goals and objectives.

Long-term incentives include additional compensation conditioned on *MERALCO*'s achievement of a specified level of Consolidated Core Net Income (CCNI) approved by the Board and determined on an aggregate basis for a three (3)-year period as well as executives' attainment of a specified performance rating.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics prescribes the ethical values and behavioral standards, which all directors, officers, and employees of the Company are required to observe in the performance of their respective duties and responsibilities. Copies of the Code of Ethics are disseminated to all officers and employees.

The Company, through the Corporate Governance Office (CGO), monitors the implementation of, and compliance to, the Code of Ethics. An online HR Express Corporate Governance Facility is made available to all employees for the Corporate Governance (CG) disclosures and commitment

required from them. All directors, senior management, and employees are required to annually submit duly accomplished Full Business Interest Disclosure (FBID) Forms and/or Conflict of Interest (COI) Forms. They are also required to disclose gifts they received from third-party business partners through the online Gift Registry. Failure to comply with CG disclosures is sanctioned accordingly. On July 25, 2022, the Code of Ethics was amended and remade "Code of Business Conduct and Ethics."

The Management Control Policy prescribes Management's responsibility to ensure a system of checks and balances and emphasizes the importance of internal control processes as an integral part of the Company's governance system and risk management.

Effective management control is necessary to ensure that behavior and decisions of people in the organization are consistent with the Company's objectives and strategies.

Anti-corruption Programs and Procedures

The Code of Business Conduct and Ethics requires directors, officers, and employees to observe professionalism, integrity, and good faith in transactions with and obligations to the Company's customers, suppliers, business partners, regulators, creditors, competitors, and employees. It enforces practicing ethical standards of behavior and avoiding the commission of any act that may be construed as direct or indirect bribery and corruption, as defined by law, to facilitate any transaction to gain any perceived or actual favor or advantage.

The Anti- Bribery and Corruption Policy of the Company strictly prohibits corporate gift-giving to private and public entities that constitutes bribery or corruption. It cites specific instances of said corrupt practices to better guide directors, officers, and employees.

The Policy on Solicitation and Acceptance of Gifts, on the other hand, prohibits the acceptance of gifts offered and given by suppliers, contractors, and other third-party business partners to prevent all directors, officers, and employees from putting themselves in situations that could affect the fair, objective, and effective performance of their duties and responsibilities.

The Amended Suppliers Business Conduct, in turn, requires vendors to comply, at all times, with all applicable anti-bribery and corruption laws, and to not offer, accept, promise, pay, permit, or authorize bribes and kickbacks, which include giving of gifts to the Company's directors, officers or employees or other means to obtain an undue or improper advantage.

The Company's Internal Audit reviews the compliance of directors, officers, and employees to the Code of Ethics and other corporate governance related policies, including the required Company disclosures. The result of the Internal Audit review is reported to the Audit Committee (AuditCom).

In 2024 there were no confirmed cases of violations of Anti-Graft and Corruption Policy of the Company.

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

Effective Redress for Violation of Stakeholders' and Means of Communication/ Reporting of Illegal or Unethical Practices

Speak Out Policy (Whistleblowing Policy) encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by the Company's directors, officers, and employees.

Employees, suppliers, customers, and other stakeholders can download, through the Company website, a Whistleblower Report Form and submit the same via email or regular mail to the CGO through the contact information provided therein.

Corporate Governance Office
Manila Electric Company
(*MERALCO*)

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

Tel: +632 1622 2798
Mobile: +632 920 948 4787
Email: cgo.staff@meralco.com.ph

The Company provides appropriate protection against retaliation to an employee/stakeholder who reports illegal/ unethical behavior. In the event of retaliation, the reporting person or witness may file a report to the CGO by filling out a Retaliation Protection Report Form.

To maintain the integrity and impartiality of the review process, the Company's whistleblowing system is managed by an independent party. Currently, the Chairman of the Nomination and Governance Committee, who is an independent director, spearheads the review of all whistleblowing reports received by the Corporate Governance Office. This includes overseeing the investigation of reported concerns, ensuring appropriate follow-up actions are taken, and safeguarding the anonymity and protection of whistleblowers in accordance with the company's Speak Out Policy and other relevant regulations.

In 2024, the Company received certain reports of alleged violations and illegal/unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

Annual Corporate Governance Performance Assessments

MERALCO's Performance in the field of corporate governance was assessed and found to be exemplary in the ACGS which evaluates the level of CG practices of Philippine PLCs vis-à-vis regional and international standards and best practices. This was conducted by the ICD in cooperation with *SEC* and *PSE*.

Corporate Governance Advocacies and Outlook

Believing that corporate governance is about shining a light through the whole organization, *MERALCO* has an extensive good governance awareness program for its internal stakeholders. CG orientations for its new employees and roadshows for its directors, officers, employees, and suppliers are regularly held, and online CG policy information campaigns are periodically issued. *MERALCO* has also enhanced its CG compliance monitoring through a unique online HR Express Corporate Governance Facility and SharePoint platform where employees can file their annual *CG* commitment, conflict-of-interest disclosures and gift registry. In 2024, 100% of *MERALCO* employees complied with these disclosure requirements and attended the CG Refresher program containing discussions on relevant CG policies of the Company.

MERALCO is in the process of embedding CG policies and programs in its business responsibility unit through its line leadership to make the full transition from compliance to a culture of good governance from Top Management to the ranks in the Company in pursuit of sustainability of relationships with and interests of all stakeholders.

MERALCO also ensures that the governance structure and policies of subsidiaries and affiliates are aligned with its current standards. The Company aided them in the review and drafting of their own Corporate Governance manuals, policies, codes, and best practices.

MERALCO believes that it is necessary to maintain a culture of good governance by utilizing innovative ways in reaching out to its stakeholders in these challenging times. In line with this, *MERALCO* afforded stockholders the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. Also, the Company introduced its enhanced Stockholders Electronic Registration and Voting Express (SERVE). SERVE allows the Company's stockholders to cast their votes online and participate in the Annual Stockholders' Meeting via remote communication. This also allows the stockholders to send their questions and clarifications regarding other agenda items.

The Company also provided online learning modules to its employees in January 2024 to strengthen the awareness of all employees on the governance policies promulgated by the Board. This provided an accessible platform that helped ensure that employees are continuously updated on the best practices in corporate governance.

In pursuit of further improvements in the discipline of governance, *MERALCO* is also actively involved with national and international CG advocates and organizations such as the ICD, and the Good Governance Advocates and Practitioners of the Philippines *("GGAPP")*. The Company participates in best practice and knowledge-sharing events organized by these organizations with CG practitioners, BOD and Senior Management, as unified by their CG principles and philosophy that responsible professionals yield ethical companies and ultimately, economically sustainable businesses.

For a full discussion on the Corporate Governance practices and achievements of *MERALCO*, please refer to the Company website: www.meralco.com.ph.

PART V. SUSTAINABILITY REPORT

Refer to attached 2024 Sustainability Report

PART VI. EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports

(a) Report on SEC Form 17-C and other Disclosures

DATE OF REPORT	SUBJECT OF DISCLOSURE
JANUARY 2024	
January 03	SEC Form 23-A of Ariel G. Lucas
January 03	SEC Form 23-A of Ralph M. Menchavez
January 03	SEC Form 23-A of Jocelyn C. Villar-Altamira
January 03	SEC Form 23-A of Danilo R. Ignacio
January 03	SEC Form 23-A of Marilene P. Tayag
January 03	SEC Form 23-A of Paola Marguerite A. Verayo
January 03	SEC Form 23-A of Noel S. Porciuncula
January 04	Foreign Ownership Report as of December 31, 2023
January 04	Report on the Number of Shareholders as of December 31, 2023
January 08	SEC Form 23-B of Frederick D. Go
January 08	Amended General Information Sheet
January 09	Public Ownership Report as of December 31, 2023
January 09	Clarification of News Article: “CA affirms decision voiding ERC ruling on rate hike plea”
January 12	Certificate of Attendance and Compliance to CG Manual for the Year 2023
January 12	List of Top 100 Stockholders as of December 31, 2023
January 15	[Amend-1] Clarification of News Article: “CA affirms decision voiding ERC ruling on rate hike plea”
January 22	Clarification of News Article: "Meralco sees 4.5% growth in energy sales volume for 2024"
January 29	Results of Board Meeting
January 29	Notice of Annual Stockholders' Meeting
January 29	Election of Director
January 30	Amended General Information Sheet
January 30	Proposed investment in Radius Telecoms, Inc. (“Radius”) by PLDT Inc.
January 31	SEC Form 23-A of Patrick Henry C. Go
FEBRUARY 2024	
February 06	Foreign Ownership Report as of January 31, 2024
February 06	Report on the Number of Shareholders as of January 31, 2024
February 06	Clarification of News Article: “Meralco sales likely up 10%”
February 07	Clarification of News Article: “Salceda pushes Meralco franchise’s 25-year extension”
February 07	PhilTower and MIDC announce plans to create Philippine-wide digital infrastructure provider
February 13	SEC Form 23-B of Jose Ma. K. Lim
February 13	SEC Form 23-B of Jose Ma. K. Lim
February 21	Notice of Analysts’ Briefing: Presentation of the Company’s Full Year 2023 Financial and Operating Results
February 26	Clarification of News Article: “Meralco sets green capex”
February 26	Results of Board Meeting
February 26	Declaration of Cash Dividends
February 26	Press Release: The Company’s Financial and Operating results for the Full Year 2023 with comparatives for 2022

February 28	Clarification of News Article: “Meralco awaits ERC on First Gen’s ask”
February 29	2023 Audited Consolidated Financial Results
MARCH 2024	
March 01	Meralco PowerGen Corporation (“MGen”) to acquire 60% interest in Chromite Gas Holding Inc. (“CGHI”)
March 05	Reply to Exchange’s Query: Response to the PSE's Letter dated March 4, 2024 requesting MERALCO to provide the information regarding Therma NatGas Power, Inc.’s (“TNGP”) Investment Agreement with Meralco PowerGen Corporation (“MGEN”) and acquisition of a 40% equity interest in Chromite Gas Holdings, Inc. (“Chromite Gas”)
March 06	[Amend-1] Reply to Exchange’s Query: Response to the PSE's Letter dated March 4, 2024 requesting MERALCO to provide the information regarding Therma NatGas Power, Inc.’s (“TNGP”) Investment Agreement with Meralco PowerGen Corporation (“MGEN”) and acquisition of a 40% equity interest in Chromite Gas Holdings, Inc. (“Chromite Gas”)
March 06	Foreign Ownership Report as of February 28, 2024
March 06	Report on the Number of Shareholders as of February 28, 2024
March 08	Reply to Exchange’s Query: Response to PSE’s correspondence dated March 6, 2024 (received thru (received thru EDGE Submission System at 5:14 p.m.) requesting additional information in relation to our disclosure regarding Chromite Gas Holdings, Inc.’s (“CGHI”) intention to acquire 67% stake of each of San Miguel Global Power Holdings Corp.’s (“SMGP”) gas-fired power plants
March 08	SEC Form 23-B of Andrew Jason B. Tan
March 15	[Amend-1] Change in Stock Transfer Agent
March 18	SEC Form 23-B of Andrew Jason B. Tan
March 19	SEC Form 23-B of Jose Ma. K. Lim
March 26	Clarification of News Article: “Meralco sees Q1 power sales increasing by 9% amid hot weather”
APRIL 2024	
April 01	[Amend-1] Notice of Annual Stockholders' Meeting
April 02	Preliminary Information Statement
April 04	Foreign Ownership Report as of March 31, 2024
April 04	Report on the Number of Shareholder as of March 31, 2024
April 12	SEC Form 23-B of Anthony Matthew N. Co
April 12	Public Ownership Report as of March 21, 2024
April 15	List of Top 100 Stockholders as of March 31, 2024
April 15	Annual Report as of December 31, 2023
April 16	[Amend-1] Annual Report
April 17	Definitive Information Statement
April 18	Notice of Analysts’ Briefing: Presentation of the Company's First Quarter 2024 Financial and Operating Results
April 29	Results of Board Meeting
April 29	Press Release: The Company’s Financial and Operating Results for the First Quarter of 2024 with comparatives for 2023
April 29	[Amend-2] Notice of Annual Stockholders’ Meeting
April 30	PLDT, Inc.'s Investment in Radius Telecoms, Inc.
MAY 2024	
May 03	[Amend-1] Definitive Information Statement
May 03	Clarification of News Article: “Meralco to build nuclear power plants by 2028”
May 08	Foreign Ownership Report as of April 30, 2024

May 08	Report on the Number of Shareholders as of April 30, 2024
May 10	Special Form for Financial Statements (Consolidated and Parent Company as of December 31, 2023)
May 15	Quarterly Report for the period ended March 31, 2024
May 17	Clarification of News Article: "Supreme Court asks Meralco, ERC, IEMOP to explain WESM deals"
May 23	Clarification of News Article: "Meralco, San Miguel win rate hike appeal in final court ruling"
May 28	Results of the 2024 Annual Stockholders' Meeting
May 28	Results of the 2024 Organizational Meeting of the Board of Directors
May 29	Integrated Annual Corporate Governance Report for the fiscal year ended December 31, 2024
May 30	[Amend-1] Clarification of News Article: "Meralco, San Miguel win rate hike appeal in final court ruling"
May 31	Legal Proceedings: Decision of the Supreme Court in Energy Regulatory Commission vs. South Premiere Power Corporation, San Miguel Energy Corporation, Manila Electric Company, and National Association of Electricity Consumers for Reforms, Inc. with G.R. Nos. 271341 and 271983.
JUNE 2024	
June 04	SEC Form 23-B of Jose Ma. K. Lim
June 06	Foreign Ownership Report as of May 31, 2024
June 06	Report on the Number of Shareholders as of May 31, 2024
June 10	Clarification of News Article: "JV of Meralco unit, PhilTower faces 'more in-depth' PCC scrutiny"
June 24	Results of Board Meeting
June 25	2024 General Information Sheet
JULY 2024	
July 01	SEC Form 23-A of Paul Jayson I. Ramos
July 03	Foreign Ownership Report as of June 30, 2024
July 03	Report on the Number of Shareholders as of June 30, 2024
July 03	Amended 2024 General Information Sheet
July 11	Public Ownership Report as of June 30, 2024
July 12	List of Top 100 Stockholders as of June 30, 2024
July 19	Notice of Analysts' Briefing: Presentation of the Company's First Half 2024 Financial and Operating Results
July 29	Corporate Information Solutions, Inc. Sells 10% of its Share Interest in Bayad
July 29	Press Release: The Company's Financial and Operating Results for the First Six (6) Months of 2024 with comparatives for 2023
July 29	Results of Board Meeting
July 29	Declaration of Cash Dividends
July 29	Change in the Number of Treasury Shares and Outstanding Shares and Amendment of the Corporate Governance Manual
AUGUST 2024	
August 01	Corporate Information Solutions, Inc. Completes Sale of its Share Interest in Bayad
August 01	Clarification of News Article: "Court halts bidding for Meralco's 1,000-MW power supply contracts"
August 02	Clarification of News Article: "MGen eyes LNG deal financial close by September"
August 06	Report on the Number of Shareholders as of July 31, 2024
August 06	Foreign Ownership Report as of July 31, 2024

August 06	Clarification of News Article: “Meralco: Consumers may suffer pricier electricity as Taguig court extends bidding injunction”
August 13	SEC Form 23-B of Patrick Henry C. Go
August 13	SEC Form 23-B of Ray C. Espinosa
August 13	SEC Form 23-B of Victorico P. Vargas
August 13	SEC Form 23-B of Jose Ma. K. Lim
August 13	SEC Form 23-B of Manuel V. Pangilinan
August 14	SEC Form 23-B of James L. Go
August 14	SEC Form 23-B of Lydia B. Echauz
August 14	Quarterly Report for the period ended June 30, 2024
August 19	Clarification of News Article: “Pangilinan keen on hiking stake in SP New Energy”
August 20	Clarification of News Article: “Taguig RTC junks injunction plea; Meralco to reschedule CSP for 1,000MW capacity”
August 29	Meralco’s S&P Credit Rating Upgrade
SEPTEMBER 2024	
September 02	Advisement Letter – Attendance in Meralco Group Corporate Compliance Seminar held on August 29, 2024
September 05	Report on the Number of Shareholders as of August 31, 2024
September 05	Foreign Ownership Report as of August 31, 2024
September 05	Clarification of News Article: “Meralco invests P7.5 billion more to gain control of SPNEC”
September 06	Change in Number of Outstanding Shares
September 06	Response to Request for Additional Information by the Philippine Stock Exchange
September 06	Meralco Power Gen and SPNEC Announce Strategic Partnership Actis to Acquire a 40% Stake in Terra Solar
September 09	Foreign Ownership Report as of September 6, 2024
September 09	Public Ownership Report as of September 6, 2024
September 10	Clarification of News Article: “Meralco seeks to proceed with Atimonan power project”
September 12	Amended 2024 General Information Sheet
September 13	MIESCOR Infrastructure Development Corporation Completes Transaction to Form One of the Largest Independent Tower Companies in the Philippines
September 16	MIESCOR’s Tower Subsidiary MIDC Completes Transaction to Form One of the Largest Independent Tower Companies in the Philippines
September 17	Advisement Letter-September 17, 2024 – Attendance of Mr. Lance Y. Gokongwei in Corporate Governance Seminar
September 20	Manila Electric Company Receives 4-Golden Arrow Award from the Institute of Corporate Directors
September 23	SEC Form 23-B of Artemio V. Panganiban
September 23	Advisement Letter – September 23, 2024 - Attendance of Mr. Patrick Henry C. Go in Corporate Governance Seminar
September 24	Advisement Letter – September 25, 2024 - Attendance of Chief Justice Artemio V. Panganiban in Corporate Governance Seminar
September 24	Clarification of News Article: “Court rules in favor of Meralco in dispute over power supply charges”
September 30	Meralco subscribes to additional shares in DigiCo
OCTOBER 2024	
October 02	Meralco subscribes to additional shares in DigiCo (PSE Disclosure Form 4-2)
October 03	Report on the Number of Shareholders as of September 30, 2024
October 03	Foreign Ownership Report as of September 30, 2024

October 07	Advisement Letter – September 27, 2024 ACGES – Training of Directors and Officers
October 07	Notice of Analyst's Briefing: Presentation of the Company's Financial and Operating Results for the Nine Months of 2024 with comparatives for 2023
October 08	List of Top 100 Stockholders as of September 30, 2024
October 08	Public Ownership Report as of September 30, 2024
October 08	Clarification of News Article: "Meralco sales volume up"
October 10	Clarification of News Article: "Meralco eyes nuclear option with South Korea's Doosan"
October 10	SEC Form 23-B of Artemio V. Panganiban
October 22	Clarification of News Article: "How MGen's RE focus could lead to MGreen IPO"
October 28	Results of Board Meeting
October 28	Press Release: The Company's Financial and Operating Results for the Nine Months of 2024 with comparatives for 2023
NOVEMBER 2024	
November 04	Clarification of News Article: "El Niño heats up Meralco's energy sales this year"
November 06	Report on the Number of Shareholders as of October 31, 2024
November 06	Foreign Ownership Report as of October 31, 2024
November 14	Quarterly Report for the period ended September 30, 2024
November 14	Retirement of Ms. Rita D. Bantigue
November 20	Amended 2024 General Information Sheet
November 21	Clarification of News Article: "Meralco sets P25-B to storm-proof power systems"
November 25	Results of Board Meeting
November 28	Clarification of News Article: "Meralco pursuing 1,280-MW coal plants"
DECEMBER 2024	
December 02	Clarification of News Article: "MGen plans to convert 2 stranded assets into gas-fired power plants"
December 03	Advisement Letter – November 28, 2024 – Attendance of Atty. Jocelyn C. Villar-Altamira in Corporate Governance Seminar
December 05	Report on the Number of Shareholders as of November 30, 2024
December 05	Foreign Ownership Report as of November 30, 2024
December 09	Acquisition of Bayad Shares
December 20	Clarification of News Article: "Interconnection of gas pipelines for sharing of LNG imports proposed"
December 23	Clarification of News Article: "Meralco's power sales grew 6.6% in 11 months"
December 23	PCC approves LNG Deal between MGEN, AP, and SMGP

SIGNATURES

REFER TO THE FOLLOWING PAGE

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of Pasig this 31 MAR 2025 day of _____ 2025.

By:

MANUEL V. PANGILINAN
Chairman and Chief Executive Officer
TIN: 914-481-801
Passport No.: P9969361A

BENNETTE D. BACHOCO
First Vice President and Head,
DU Finance & Financial Planning
and Reporting
TIN: 129-433-970
Passport No.: P9683448B

MA. CYNTHIA C. SOLUREN
Senior Assistant Vice President,
Interim Treasurer and Head,
Treasury – Distribution Utility
TIN: 109-268-543
Driver's License: N02-90-121627

SIMEON KEN R. FERRER
Corporate Secretary
TIN: 116-283-788
Driver's License: N15-74-034666

SUBSCRIBED AND SWORN to before this 31 MAR 2025 day of __2025 in Pasig City, by the above-named persons who exhibited to me their respective identification documents.

Doc. No. 387 ;
Page No. 79 ;
Book No. XXVIII ;
Series of 2025

DOCUMENTARY STAMP TAX PAID
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DST SERIAL NUMBER | DATE OF PAYMENT

ATTY CORNELIO MANUEL II C. DICCION, C.P.A
Notary Public
Pasig and Pateros
Issued on March 25, 2024
Appointment No. 172 (2024-2025)
Roll No. 45053/ IBP Lifetime Member No. 19740/ RSM Chapter
PTR No. 2831093 01/02/2025 Pasig City
MCLE No. VIII - 0006616 04/14/2028
5th Floor, Lopez Bldg., Ortigas Avenue, Pasig City

MANILA ELECTRIC COMPANY
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

- Statement of Management's Responsibility for Consolidated Financial Statements
- Report of Independent Auditors
- Consolidated Statement of Financial Position as at December 31, 2024 (With Comparative Figures as at December 31, 2023)
- Consolidated Statement of Income for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Consolidated Statement of Changes in Equity for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Consolidated Statement of Cash Flows for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Notes to Consolidated Financial Statements
- Supplementary Schedules
    - Report of Independent Auditors on Supplementary Schedules
    - Schedule A. Financial Assets*
    - Schedule B. Amounts Receivable From Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Related Parties)*
    - Schedule C. Amounts Receivable From Related Parties which are Eliminated during the Consolidation of Financial Statements
    - Schedule D. The Movement of Intangible Assets - Other Assets*
    - Schedule E. Long-term Debt
    - Schedule F. Indebtedness to Related Parties*
    - Schedule G. Guarantees of Securities of Other Issuers*
    - Schedule H. Capital Stock
    - Schedule I. List of Effective Standards and Interpretations*
    - Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration
    - Schedule K. Map Showing the Relationships among the Companies within the Group
    - Financial Soundness Indicators
    - Supplementary Schedule of External Auditor Fee - Related Information
- Parent Company Financial Statements

**These schedules have been omitted because they are either not applicable or schedule is in the Consolidated Financial Statements.*

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MERALCO

STATEMENT OF MANANGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Manila Electric Company (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2024 and 2023, and for each of the three years ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion upon completion of such audit.

Signed this 24th day of March 2025.

MANUEL V. PANGILINAN
Chairman of the Board and Chief Executive Officer

BETTY C. SIY-YAP
Chief Finance Officer

SUBSCRIBED AND SWORN to before this ___ day of MAR 24 2025 2025 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers as follows:

MANUEL V. PANGILINAN	914-481-801
BETTY C. SIY-YAP	102-100-627

Doc. No. 134;
Page No. 28;
Book No. XI;
Series of 2025.

DST NO: 20744740 - 3/24/25

ATTY. CRISTOPHER B. ARPON
Notary Public
For and in Pasig and Pateros
Appointment No. 33 (2025-2026) December 16, 2024
At Pasig City Until December 31, 2026
Roll No. 41620//IBP No. 492764, 1/2/2025, RSM Chapter
PTR No. 2831094, 1/2/2025, Pasig City
MCLE No. VIII-0003630 - 04/14/2028
8th Floor, Lopez Bldg. Ortigas Avenue, Pasig City

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Manila Electric Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue from sale of electricity

The Group's revenue from its electricity distribution business represents 91% of its consolidated revenues and arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within the Group's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the information technology (IT) systems involved in processing the billing transactions.

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

Audit response

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

Adequacy of allowance for expected credit losses for receivables

The Group applies the simplified approach in calculating expected credit loss (ECL). Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. The balance of the allowance and the provision for credit losses as of and for the year ended December 31, 2024 amounted to ₱8,854 million and ₱871 million, respectively. The use of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include the following: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), in calculating ECL.

The disclosures in relation to the allowance for credit losses using the ECL model are included in Notes 5, 13 and 27 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs, and the effects of any financial support and credit enhancements provided by any party; (d) compared the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we compared the data used in the ECL models, such as the historical aging analysis and default and recovery data from the source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

Provisions and contingencies

The Group is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

Notes 2, 19, 22 and 29 to the consolidated financial statements provide the relevant disclosures related to this matter.

Audit response

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's consolidated financial statements and involved our internal specialists when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence. We also reviewed the disclosures on provisions and contingencies in the Group's consolidated financial statements.

Accounting for business combination

As disclosed in Note 3 to the consolidated financial statements, in 2023, MGen Renewable Energy, Inc. ("MGreen"), a wholly owned subsidiary of the Company through MERALCO PowerGen Corporation, acquired 50.5% voting equity interest in SP New Energy Corporation ("SPNEC") for a total consideration of ₱27,900 million. The acquisition was accounted for as a business combination under PFRS 3, *Business Combinations,* and reported in the 2023 consolidated financial statements based on provisional purchase price allocation. In 2024, the fair values of the net assets acquired and the purchase price allocation were finalized. Apart from the significance of the amounts involved, we consider the accounting for this acquisition as a key audit matter because the determination of the fair values of the assets acquired and liabilities assumed coming from SPNEC requires significant management judgment and estimation based on the available information, specifically about the acquired property and equipment and intangible assets, as at the acquisition date.

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
Tax Identification No. 102-099-147
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-111-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465393, January 2, 2025, Makati City

February 24, 2025

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023 (As restated - Note 3)
		(Amounts in millions)	
ASSETS			
Noncurrent Assets			
Utility plant, generation plant and others	*7 and 10*	**₱288,501**	₱272,441
Investments in associates and interests in joint ventures	*8 and 23*	**47,513**	38,388
Investment properties	*9*	**1,487**	1,493
Intangible assets	*7 and 10*	**41,559**	53,634
Deferred tax assets - net	*28*	**26,382**	24,628
Financial and other noncurrent assets	*2, 11, 15, 26, 27 and 30*	**32,900**	35,228
Total Noncurrent Assets		**438,342**	425,812
Current Assets			
Cash and cash equivalents	*12 and 27*	**84,480**	82,789
Trade and other receivables	*13, 24 and 27*	**64,697**	48,270
Inventories	*14*	**11,422**	11,130
Financial and other current assets	*11, 15, 23 and 27*	**19,017**	20,433
Total Current Assets		**179,616**	162,622
Total Assets		**₱617,958**	₱588,434
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent Company			
Common stock	*16*	**₱11,273**	₱11,273
Additional paid-in capital		**4,111**	4,111
Equity reserve	*3*	**955**	(111)
Employee stock purchase plan	*16*	**1,049**	1,049
Hedging reserve	*16 and 27*	**1,277**	–
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("*FVOCI*")	*11*	**801**	490
Remeasurement adjustments on retirement and other post-employment liabilities	*26*	**942**	3,418
Share in remeasurement adjustments on associates' retirement liabilities	*8*	**(28)**	(29)
Share in other comprehensive income and cumulative translation adjustments of associates	*8*	**1,575**	307
Cumulative translation adjustments of subsidiaries		**(682)**	52
Treasury shares	*16*	**(13)**	(11)
Retained earnings	*16*	**123,339**	101,746
Equity Attributable to Equity Holders of the Parent Company		**144,599**	122,295
Non-controlling Interests	*16*	**41,283**	45,808
Total Equity		**185,882**	168,103

(Forward)

	Note	December 31 2024	2023 (As restated - Note 3)
		(Amounts in millions)	
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	*17 and 27*	**₱54,797**	₱62,272
Customers' deposits - net of current portion	*18, 22 and 27*	**33,274**	34,128
Long-term employee benefits	*26*	**16,263**	10,263
Provisions	*19, 22 and 29*	**9,855**	11,350
Refundable service extension costs - net of current portion	*22 and 27*	**3,753**	4,051
Deferred tax liabilities - net	*28*	**8,769**	9,845
Other noncurrent liabilities	*2, 5, 7, 24 and 29*	**68,991**	54,698
Total Noncurrent Liabilities		**195,702**	186,607
Current Liabilities			
Notes payable	*21 and 27*	**34,287**	27,583
Trade payables and other current liabilities	*2, 16, 22, 23, 27 and 29*	**191,472**	192,154
Customers' refund	*2, 20 and 27*	**2,853**	2,846
Income tax payable		**2,070**	1,550
Current portion of interest-bearing long-term financial liabilities	*17 and 27*	**5,692**	9,591
Total Current Liabilities		**236,374**	233,724
Total Liabilities		**432,076**	420,331
Total Liabilities and Equity		**₱617,958**	₱588,434

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

		Years Ended December 31		
	Note	**2024**	2023	2022
		(Amounts in millions, except per share data)		
REVENUES				
Sale of electricity	*6, 23, 24, 30 and 32*	**₱456,918**	₱430,181	₱413,950
Sale of other services	*23*	**13,444**	13,431	12,579
		470,362	443,612	426,529
COSTS AND EXPENSES				
Purchased power	*24 and 30*	**346,534**	328,248	322,645
Salaries, wages and employee benefits	*25 and 26*	**17,974**	16,521	15,836
Depreciation and amortization	*7, 9, 10 and 25*	**17,529**	16,625	16,031
Coal and fuel		**11,705**	16,133	22,577
Contracted services		**10,037**	10,074	8,440
Provision for probable losses and expenses from claims - net	*2, 19 and 29*	**6,401**	6,848	5,831
Taxes, fees and permits		**2,662**	2,325	2,132
Power plant operations and maintenance cost		**2,225**	1,881	1,906
Provision for expected credit losses ("*ECL*")	*13*	**849**	998	2,498
Other expenses	*23 and 25*	**9,413**	7,626	8,452
		425,329	407,279	406,348
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates and joint ventures	*8*	**10,267**	11,479	12,035
Interest and other financial charges	*17, 18 and 21*	**(5,302)**	(5,129)	(3,754)
Interest and other financial income	*11 and 12*	**3,884**	3,321	2,063
Foreign exchange gains (losses)		**185**	(44)	1,011
Others	*2, 5, 7, 8, 23, 30 and 32*	**2,617**	829	3,700
		11,651	10,456	15,055
INCOME BEFORE INCOME TAX		**56,684**	46,789	35,236
PROVISION FOR (BENEFIT FROM) INCOME TAX	*28*			
Current		**12,232**	9,153	4,122
Deferred		**(2,018)**	(1,042)	2,526
		10,214	8,111	6,648
NET INCOME		**₱46,470**	₱38,678	₱28,588
Attributable To				
Equity holders of the parent company	*31*	**₱45,859**	₱38,023	₱28,431
Non-controlling interests		**611**	655	157
		₱46,470	₱38,678	₱28,588
Earnings Per Share Attributable to Equity Holders of the Parent Company	*31*			
Basic		**₱40.69**	₱33.74	₱25.23
Diluted		**40.69**	33.74	25.23

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2024**	2023	2022
			(Amounts in millions)	
NET INCOME		**₱46,470**	₱38,678	₱28,588
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent years:				
Unrealized fair value gains (losses) on fair value through other comprehensive income ("*FVOCI*") financial assets	*11*	**194**	88	(280)
Share in cumulative translation adjustments of associates	*8*	**333**	8	654
Cumulative translation gains of subsidiaries		**16**	1	11
Net other comprehensive income that will be reclassified to profit or loss in subsequent years		**543**	97	385
Items that will not be reclassified to profit or loss in subsequent years:				
Remeasurement gains (losses) on retirement and other post-employment liabilities	*26*	**(3,301)**	(5,152)	6,135
Income tax effect		**825**	1,288	(1,534)
		(2,476)	(3,864)	4,601
Change in fair value of cash flow hedges	*16 and 27*	**1,277**	–	–
Unrealized fair value gains on equity securities at *FVOCI*		**130**	101	99
Income tax effect		**(13)**	(10)	(10)
		117	91	89
Share in other comprehensive income (losses) of associates		**185**	329	(990)
Share in remeasurement gains (losses) on associates' retirement liabilities	*8*	**1**	(13)	9
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years		**(896)**	(3,457)	3,709
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		**(353)**	(3,360)	4,094
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		**₱46,117**	₱35,318	₱32,682
Total Comprehensive Income Attributable To				
Equity holders of the parent company		**₱45,506**	₱34,663	₱32,525
Non-controlling interests		**611**	655	157
		₱46,117	₱35,318	₱32,682

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	Equity Attributable to Equity Holders of the Parent Company														
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Equity Reserve** (Note 3)	**Employee Stock Purchase Plan** (Note 16)	**Hedging Reserve** (Note 16)	**Unrealized Fair Value Gains on Financial Assets at *FVOCI*** (Note 11)	**Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities** (Note 26)	**Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities** (Note 8)	**Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates** (Note 8)	**Cumulative Translation Adjustments of Subsidiaries**	**Treasury Shares** (Note 16)	**Retained Earnings** (Note 16)	**Equity Attributable to Equity Holders of the Parent Company**	**Non-controlling Interests** As restated - Note 3)	**Total Equity**
	(Amounts in millions)														
At January 1, 2024	**₱11,273**	**₱4,111**	**(₱111)**	**₱1,049**	**₱–**	**₱490**	**₱3,418**	**(₱29)**	**₱307**	**₱52**	**(₱11)**	**₱101,746**	**₱122,295**	**₱45,808**	**₱168,103**
Net income	–	–	–	–	–	–	–	–	–	–	–	**45,859**	**45,859**	**611**	**46,470**
Other comprehensive income (loss)	–	–	–	–	**1,277**	**311**	**(2,476)**	**1**	**518**	**16**	–	–	**(353)**	–	**(353)**
Total comprehensive income (loss)	–	–	–	–	**1,277**	**311**	**(2,476)**	**1**	**518**	**16**	–	**45,859**	**45,506**	**611**	**46,117**
Dividends	–	–	–	–	–	–	–	–	–	–	–	**(24,266)**	**(24,266)**	**(1,264)**	**(25,530)**
Effect of deconsolidation of Miescor Infrastructure Development Corporation ("*MIDC*")	–	–	–	–	–	–	–	–	–	–	–	–	–	**(6,571)**	**(6,571)**
Effect of changes in ownership in CIS Bayad Center, Inc. ("*Bayad*") and Radius Telecoms, Inc. ("*Radius*")	–	–	**1,066**	–	–	–	–	–	–	–	–	–	**1,066**	**1,079**	**2,145**
Others	–	–	–	–	–	–	–	–	**750**	**(750)**	**(2)**	–	**(2)**	**1,620**	**1,618**
	–	–	**1,066**	–	–	–	–	–	**750**	**(750)**	**(2)**	**(24,266)**	**(23,202)**	**(5,136)**	**(28,338)**
At December 31, 2024	**₱11,273**	**₱4,111**	**₱955**	**₱1,049**	**₱1,277**	**₱801**	**₱942**	**(₱28)**	**₱1,575**	**(₱682)**	**(₱13)**	**₱123,339**	**₱144,599**	**₱41,283**	**₱185,882**

	Equity Attributable to Equity Holders of the Parent Company													
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Equity Reserve** (Note 3)	**Employee Stock Purchase Plan** (Note 16)	**Unrealized Fair Value Gains (Losses) on Financial Assets at *FVOCI*** (Note 11)	**Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities** (Note 26)	**Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities** (Note 8)	**Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates** (Note 8)	**Cumulative Translation Adjustments of Subsidiaries**	**Treasury Shares** (Note 16)	**Retained Earnings** (Note 16)	**Equity Attributable to Equity Holders of the Parent Company**	**Non-controlling Interests** (Notes 3 and 6)	**Total Equity**
	(Amounts in millions)													
At January 1, 2023	₱11,273	₱4,111	(₱111)	₱1,049	₱311	₱7,282	(₱16)	(₱30)	₱51	(₱11)	₱85,755	₱109,664	₱14,445	₱124,109
Net income	–	–	–	–	–	–	–	–	–	–	38,023	38,023	655	38,678
Other comprehensive income (loss)	–	–	–	–	179	(3,864)	(13)	337	1	–	–	(3,360)	–	(3,360)
Total comprehensive income (loss)	–	–	–	–	179	(3,864)	(13)	337	1	–	38,023	34,663	655	35,318
Dividends	–	–	–	–	–	–	–	–	–	–	(22,032)	(22,032)	(66)	(22,098)
Effect of consolidation of SP New Energy Corporation ("*SPNEC*")	–	–	–	–	–	–	–	–	–	–	–	–	30,382	30,382
Others	–	–	–	–	–	–	–	–	–	–	–	–	392	392
	–	–	–	–	–	–	–	–	–	–	(22,032)	(22,032)	30,708	8,676
At December 31, 2023 (As restated - Note 3)	₱11,273	₱4,111	(₱111)	₱1,049	₱490	₱3,418	(₱29)	₱307	₱52	(₱11)	₱101,746	₱122,295	₱45,808	₱168,103
At January 1, 2022	₱11,273	₱4,111	(₱116)	₱1,049	₱502	₱2,681	(₱25)	₱306	₱40	(₱11)	₱75,394	₱95,204	₱10,124	₱105,328
Net income	–	–	–	–	–	–	–	–	–	–	28,431	28,431	157	28,588
Other comprehensive income (loss)	–	–	–	–	(191)	4,601	9	(336)	11	–	–	4,094	–	4,094
Total comprehensive income (loss)	–	–	–	–	(191)	4,601	9	(336)	11	–	28,431	32,525	157	32,682
Dividends	–	–	–	–	–	–	–	–	–	–	(18,070)	(18,070)	(95)	(18,165)
Others	–	–	5	–	–	–	–	–	–	–	–	5	4,259	4,264
	–	–	5	–	–	–	–	–	–	–	(18,070)	(18,065)	4,164	(13,901)
At December 31, 2022	₱11,273	₱4,111	(₱111)	₱1,049	₱311	₱7,282	(₱16)	(₱30)	₱51	(₱11)	₱85,755	₱109,664	₱14,445	₱124,109

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2024	2023	2022
		(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱56,684**	₱46,789	₱35,236
Adjustments for:				
Depreciation and amortization	*7, 9 and 10*	**17,529**	16,625	16,031
Equity in net earnings of associates and joint ventures	*8*	**(10,267)**	(11,479)	(12,035)
Interest and other financial charges	*17, 18 and 21*	**5,302**	5,129	3,754
Interest and other financial income	*11 and 12*	**(3,884)**	(3,321)	(2,063)
Provision (reversal of provision) for impairment losses	*7 and 8*	**(117)**	(1,179)	2,601
Provision (reversal of provision) for probable losses and expenses from claims – net	*2 and 29*	**2,627**	791	(15,022)
Provision for expected credit losses ("*ECL*")	*8*	**1,821**	998	2,548
Others		**(141)**	5	(592)
Operating income before working capital changes		**69,554**	54,358	30,458
Decrease (increase) in:				
Trade and other receivables		**(31,336)**	1,589	(15,083)
Inventories		**(293)**	(753)	(812)
Financial and other current assets		**(1,721)**	3,034	(4,100)
Increase (decrease) in:				
Trade payables and other current liabilities		**10,565**	(2,961)	18,253
Customers' deposits		**(753)**	2,066	1,143
Customers' refund		**7**	(59)	(24)
Long-term employee benefits		**2,670**	2,218	(1,336)
Cash generated from operations		**48,693**	59,492	28,499
Income tax paid		**(6,683)**	(1,518)	(3,317)
Net cash flows provided by operating activities		**42,010**	57,974	25,182
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at *FVOCI*	*11*	**(22,730)**	(43,013)	(26,267)
Utility plant, generation plant and others	*7*	**(39,150)**	(24,800)	(33,663)
Intangible assets	*10*	**(5,361)**	(4,137)	(8,533)
Short-term investments		**(1,060)**	(2,482)	(2,784)
Debt securities at amortized cost	*11*	**(247)**	(1,058)	(18,587)
Investments in associates and interests in joint ventures	*8*	**(2,095)**	(13)	(504)
Investment properties	*9*	**–**	(2)	(3)
Proceeds from maturity of:				
Financial assets at *FVOCI*		**23,161**	43,039	30,396
Debt securities at amortized cost		**7,710**	20,761	22,707
Short-term investments		**1,059**	2,675	3,025
Acquisition of *SPNEC* – net of *SPNEC*'s cash upon acquisition	*3*	**–**	(5,853)	–
Interest and other financial income received		**3,900**	3,120	2,033
Proceeds from disposal of utility plant, generation plant and others		**194**	7	914
Proceeds from cash flow hedge	*16*	**2,238**	–	–
Dividends received from associates and joint ventures		**10,253**	10,106	4,039
Increase in non-controlling interests		**881**	454	4,164
Decrease in financial and other noncurrent assets		**2,484**	2,765	982
Net cash provided by (used in) investing activities		**(18,763)**	1,569	(22,081)

(Forward)

	Note	Years Ended December 31		
		2024	2023	2022
		(Amounts in millions)		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of:				
Notes payable	*21 and 33*	**₱7,742**	₱1,331	₱2,920
Interest-bearing long-term financial liabilities	*17 and 33*	**6,523**	2,803	32,507
Payments of:				
Dividends	*16 and 33*	**(23,823)**	(21,691)	(16,890)
Interest-bearing long-term financial liabilities	*17 and 33*	**(8,133)**	(8,500)	(18,679)
Interest and other financial charges		**(2,608)**	(4,564)	(4,310)
Notes payable		**(1,038)**	(3,239)	(2,263)
Proceeds from disposal of non-controlling interests		**–**	–	6
Increase (decrease) in other noncurrent liabilities		**(254)**	1,255	4,433
Net cash used in financing activities		**(21,591)**	(32,605)	(2,276)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,656**	26,938	825
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**82,789**	55,832	55,007
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		**35**	19	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	*12*	**₱84,480**	₱82,789	₱55,832

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

The businesses of Manila Electric Company ("*MERALCO*") and its subsidiaries (the "*MERALCO Group*") consist of certain unregulated and regulated segments of the energy supply chain; engineering design services; construction and consulting services; payment fulfilment and bills collection services; after-the-meter and energy management services; insurance and reinsurance; electric mobility; and telecommunication and information technology services.

The regulated and unregulated segments of the energy supply chain of the *MERALCO Group* include electricity distribution, power generation, retail electricity supply ("*RES*"), and management of electric distribution facilities.

MERALCO holds a 25-year congressional franchise under Republic Act ("*RA*") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("*ERC*") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("*CPCN*") for the operation of electric service within its franchise area, which shall be valid within the franchise period. On February 4, 2025, the Senate approved on third and final reading House Bill 10926 renewing *MERALCO*'s franchise for another 25 years starting 2028. This followed the same approval granted by the House of Representatives in November 2024 on the proposed measure. As at February 24, 2025, the consolidated bill is set to be enacted into law once endorsed to the Office of the President.

Clark Electric Distribution Corporation ("*Clark Electric*"), a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("*CDC*") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Through a 60%-owned subsidiary, Shin Clark Power Holdings, Inc. ("*Shin Clark*"), *MERALCO* together with a consortium, composed of 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. ("*Kansai*")], and Chubu Electric Power Co., Inc. ("*Chubu*"), hold a 90% interest in Shin Clark Power Corporation ("*Shin Clark Power")*. *Shin Clark Power* is a company formed with Bases Conversion and Development Authority ("*BCDA*") through a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("*NCC*"). *NCC* consists of a 9,450 hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc. ("*Comstech*") under a 25-year Investment Management Contract ("*IMC*") until August 10, 2034 and that of the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*") until May 25, 2039.

MERALCO Group's participation in *RES* is directly through the local *RES* units, *MPower* and *Cogent Energy,* and indirectly through affiliate *RES* entities, Vantage Energy Solutions and Management, Inc. ("*Vantage*"), MeridianX Inc. ("*MeridianX*"), Phoenix Power Solutions, Inc. ("*Phoenix Power*") and Global Energy Supply Corporation ("*GESC*"). Clarion Energy Management Inc. ("*Clarion*"), a

wholly-owned subsidiary of *Clark Electric,* filed its application for a *RES* license with the *ERC* is awaiting issuance of license by the *ERC.*

MERALCO PowerGen Corporation ("*MGen*") is *MERALCO*'s power generation investment vehicle. Global Business Power Corporation ("*GBPC*"), which has a total of 838 *MW* of coal and diesel capacities, is a wholly-owned subsidiary of *MGen.* Through MGen Renewable Energy, Inc. ("*MGreen*"), *MGen* owns, operates and engages in the development, construction and operation of solar-powered generation facilities. To date, it owns a total of 343 *MWac* of operating solar plant facilities. Through 53.7% stake in SP New Energy Corporation ("*SPNEC*"), *MGreen* is developing 3,500 *MW* (gross) solar facilities with a 4,000 *MWh* battery energy storage system. *MGen* also holds a combined 58% interest in PacificLight Power Pte Ltd. ("*PacificLight Power*"), which owns and operates a 2 x 400 *MW* liquefied natural gas ("*LNG*") plant in Jurong Island, Singapore. *PacificLight Power* is developing a 100 MW of fast-start *LNG* plant due to commence operations in the second quarter of 2025.

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation ("*Metro Pacific*") and JG Summit Holdings, Inc. ("*JG Summit*"). As at December 31, 2024, *Metro Pacific* has combined direct equity interest in *MERALCO* and indirect ownership through its wholly-owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*'s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO.* The remaining 26.17% common shares are held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange ("*PSE*") with ticker symbol, *MER*.

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

The consolidated financial statements were approved and authorized for issue by the Board of Directors ("*BOD*") on February 24, 2025.

2. Rate Regulations

As distribution utilities ("*DU*s"), *MERALCO, Clark Electric* and *Shin Clark Power* are subject to the rate-making regulations and regulatory policies of the *ERC.* Billings of *MERALCO*, *Clark Electric* and *Shin Clark Power* to customers are itemized or "unbundled" into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is governed by mechanisms promulgated and enforced by the *ERC*, mainly: [i] the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities, as amended", which govern the recovery of pass-through costs, including over- or under-recoveries of the bill components, namely, (a) generation charge, (b) transmission charge, (c) system loss ("*SL*") charge, (d) lifeline and inter-class rate subsidies, and (e) local franchise and business taxes as modified by Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of Distribution Utilities; and [ii] the "Rules for the Setting of Distribution Wheeling Rates" ("*RDWR*"), as modified, which govern the determination of *MERALCO*'s distribution, supply, and metering charges.

The following is a discussion of matters related to rate-setting of *MERALCO* and *Clark Electric*:

Performance-Based Regulations ("*PBR*")

MERALCO

MERALCO is among the Group A entrants to the *PBR*, together with two (2) other private *DU*s.

Rate-setting under *PBR* is governed by the *RDWR*. Under *PBR*, tariffs are set once every Regulatory Period ("*RP*") based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base ("*RAB*") of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC. PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RY*s"). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Interim Average Rate beginning RY 2016

On July 10, 2015, the *ERC* provisionally approved an interim average rate ("*IAR*") of ₱1.3810 per *kWh* (excluding efficiency adjustment) and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

On July 13, 2022, *MERALCO* received the Decision of the *ERC* dated June 16, 2022 which approved a revised and final *IAR* of ₱1.3522 per *kWh* as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per *kWh* until otherwise directed. *MERALCO* implemented the Decision beginning its August 2022 billing.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards ("*PFRS*") Accounting Standards as it may prejudice the position of *MERALCO*.

Regulatory Reset Costs

While *MERALCO* was implementing and billing its customers using the *ERC*-approved *IAR* of ₱1.3522, the *ERC* further ordered the refund of all regulatory reset costs approved, authorized and included in the *IAR*. The total amount of ₱263.9 million covering the *2RP* and *3RP*, or an equivalent of ₱0.0731 per *kWh,* has been fully refunded in July 2019.

On December 17, 2024 the *ERC* also ordered *MERALCO* to refund the collected regulatory reset costs, including interest, amounting to ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers, and *MERALCO* will no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset experts costs. In a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the

computations and basis for the refund. As at February 24, 2025, the *ERC* has yet to reply to *MERALCO*'s letter.

See *Note 20 – Customers' Refund.*

Distribution Rate True-Up ("DRTU") Applications

The *ERC* has issued Orders for the *DRTU* refunds totalling to ₱48,247 million which were implemented starting 2021 and were fully refunded to the customers in May 2023 billing. This resulted in an excess refund of ₱862 million, which was reported to the ERC in June 2023, with proposed recovery mechanism. As at February 24, 2025, the *ERC* has not responded to *MERALCO*'s letter.

Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the decision approving certain *DRTU* refund application. As at February 24, 2025, the petitions are pending before the *CA* and *SC*.

Capital Expenditure ("CAPEX")

Absent the final rules governing the 4th *RP* and 5th *RP* rate-setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 24, 2025, *MERALCO* is awaiting the final resolution and approval of the *ERC.*

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

After a series of resolutions, Omnibus Motions and Motions for Reconsideration by parties of interest, the *ERC* issued Resolution No. 17, Series of 2024, effective beginning January 3, 2025, modifying the 2021 *RDWR*, which clarified the coverage of the Lapsed Period of *MERALCO* to be from July 1, 2015 to June 30, 2025, and directed *MERALCO* to submit a reset application for the new 5*RP* (July 1, 2025 to June 30, 2029), not later than 30 days from effectivity of rules. *MERALCO* filed its reset application for the new 5*RP* on February 7, 2025. Hearings at the *ERC* have been scheduled starting March 3, 2025.

In the meantime, in compliance with an Order of the *ERC* dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. A separate or supplemental application for the period January 1, 2025 to June 30, 2025 shall be filed once the actual weighted average rates are determined for the said period. Hearings at the *ERC* have been scheduled starting February 28, 2025.

Clark Electric

Clark Electric is among the six (6) Group D entrants to the *PBR*. Similar to *MERALCO*, it is subject to operational performance and service level requirements approved by the *ERC*. A *RY* for *Clark Electric* begins on October 1 and ends on September 30 of the following year.

PBR Reset for Clark Electric

Pending the issuance by the *ERC* of the final rules to govern the reset of Group D entrants, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. Similarly, *Clark Electric* filed and manifested as urgent its *CAPEX* requirements with the *ERC* to be able to implement such projects immediately. As at February 24, 2025, the applications remain pending with the *ERC*.

Clark Electric recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Provisions" account in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in *PFRS* Accounting Standards as it may prejudice the position of *Clark Electric*.

SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* issued an Order approving *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. The Order was elevated by certain consumer and civil society groups before the *CA* which set aside the *ERC*'s ruling on *MERALCO*'s rate unbundling and remanded the case to the *ERC.* Further, the *CA* opined that the *ERC* should have asked the Commission on Audit ("*COA*") to audit the books of *MERALCO.*

In an En Banc decision promulgated on December 6, 2006, the *SC* set aside and reversed the *CA* ruling saying that a *COA* audit was not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA*'s assistance to undertake a complete audit of the books, records and accounts of *MERALCO*. The *COA* audit, which began in September 2008, was completed with the submission of the *ERC* of its report on November 12, 2009.

On June 21, 2011, the *ERC* maintained and affirmed its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 30, 2003. The *ERC* stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. In a Decision dated February 29, 2016, the *CA* dismissed the Petition for Review and affirmed the Orders dated June 21, 2011 and February 4, 2013 of the *ERC*. The motion for reconsideration filed by the intervenors was denied by the *CA* through a Resolution dated August 8, 2016.

On October 11, 2016, *MERALCO* received a Petition for Review on Certiorari filed by the intervenors before the *SC* appealing the dismissal of its Petition. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by *NASECORE*, which among other things, (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (1) the valuation of the *RAB* of *MERALCO*; and (2) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers.

MERALCO, the other *DU*s and the *ERC* filed their respective motions for reconsideration which are pending before the *SC*. Two (2) additional *DU*s filed their respective Motions for Leave to intervene and to file their motions for reconsideration. As at February 24, 2025, the case is pending before the *SC*.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

MERALCO

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, local franchise and business taxes, including the timelines for *DU*s to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications for net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at February 24, 2025, hearings are still ongoing.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at February 24, 2025, the *ERC* has not acted on such application.

On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax ("*RPT*") under-recoveries of ₱229 million and net local franchise tax ("*LFT*") over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were conducted.

In the Decision dated March 8, 2023, received by *MERALCO* on August 29, 2023, which approved the termination of the Power Supply Agreement ("*PSA*") between *MERALCO* and Panay Energy Development Corporation ("*PEDC*"), it was directed that the recovery of *PEDC*'s actual fuel losses due to Change in Circumstances ("*CIC*") from April 2 to September 25, 2022, amounting to ₱884 million, be included in the *ERC*'s evaluation of *MERALCO*'s true-up confirmation.

In compliance therewith, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* on October 3, 2023. The Supplemental Application prayed that *MERALCO* be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*. As at February 24, 2025, the *ERC* has yet to act on *MERALCO*'s motion.

Clark Electric

Clark Electric filed an application for the approval of the calculations for the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and *SL* rates on April 1, 2014 covering the period January 2011 to December 2013 in conformity with the *ERC* resolutions. After a clarificatory meeting with the *ERC, Clark Electric* filed a Manifestation for the implementation of the January 2017 *ERC* Decision starting in its March 2022 billing. The Other Transmission Cost Adjustment ("*OTCA*") and Other Generation Rate Adjustment ("*OGA*") were fully refunded and the Other System Loss Cost Adjustment ("*OSLA*") was fully collected in April 2023.

On May 31, 2023, *Clark Electric* filed its True-up Application covering the years 2020-2022 with the *ERC*. Hearings were conducted on August 24 and 31, 2023. As at February 24, 2025, the application remains pending with the *ERC*.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*'s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at February 24, 2025, the *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market ("*WESM*") billing adjustments based on regulated Luzon *WESM* prices. The *ERC* suspended the proceedings, pending resolution of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period.

In a Decision dated August 3, 2021, the *SC* voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory and entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As directed by the *ERC*, *MERALCO* and the Independent Electricity Market Operator ("*IEMOP*") have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 24, 2025, the same is pending with the *ERC*.

Deferred Purchase Price Adjustment

On October 12, 2009, the *ERC* released its findings on *MERALCO*'s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007. The *ERC* directed *MERALCO* to refund to its customers ₱268 million of deferred purchased power adjustment ("*PPA*") transmission line costs related to Quezon Power (Philippines) Limited Company ("*QPPL*") and deferred accounting adjustments incurred along with ₱184 million in carrying charges, or an equivalent ₱0.0169 per *kWh*. *MERALCO* implemented the refund beginning November 2009 until September 2010. However, the *ERC* did not rule on *MERALCO*'s deferred *PPA* under-recoveries of ₱106 million, which is not a transmission line fee. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at February 24, 2025, the *MR* is still pending resolution by the *ERC*.

Applications for Recovery of LFT

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Binan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

The *ERC* Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approved the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded the same among the financial building blocks in the annual revenue requirement of the *PBR*. In compliance therewith, recovery of *LFT* after 2021 is on a pass-through basis.

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers, the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion and authorized *MERALCO* to continue with the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme on how the unclaimed refund will be utilized for purposes of reducing the distribution rates of customers. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* that on July 1, 2019, *MERALCO* deposited all the unclaimed amounts of the *SC* Refund as of June 30, 2019 in an interest-bearing bank account. *MERALCO* further manifested in said Compliance that it shall continue with the processing of the refund claims of eligible customers and should the refund claims of these customers be evaluated to be valid, *MERALCO* shall, for the benefit of the customers, withdraw the refund amount from the bank account, release the same to the concerned customers and accordingly inform the *ERC* of the refunds paid. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 24, 2025, there has been no further action from the *ERC*.

See Note 20 – Customers' Refund.

3. Statement of Compliance and Basis of Consolidation

Statement of Compliance

The consolidated financial statements of *MERALCO* and its subsidiaries have been prepared in compliance with *PFRS* Accounting Standards.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of *MERALCO* and its directly and indirectly owned subsidiaries, collectively referred to as the *MERALCO Group.* The following table presents such subsidiaries and the respective percentage of ownership:

			2024		2023	
	Place of		Percentage of Ownership			
Subsidiaries	Incorporation	Principal Business Activity	Direct	Indirect	Direct	Indirect
Corporate Information Solutions, Inc. ("*CIS*")	Philippines	e-Transactions	**100**	**–**	100	–
Bayad [1]	Philippines	Bills payment collection	**5**	**87.75**	–	95
Customer Frontline Solutions, Inc. ("*CFSI*") [1]	Philippines	Tellering services	**–**	**100**	–	95
Meralco Energy, Inc. ("*MServ*")	Philippines	Energy systems management	**100**	**–**	100	–
eMeralco Ventures, Inc. ("*e-MVI*")	Philippines	e-Business development	**100**	**–**	100	–
Paragon Vertical Corporation ("*Paragon*")	Philippines	Information technology *("IT")* and multi-media services	**–**	**100**	–	100
Radius [2]	Philippines	Telecommunication services	**–**	**65.1**	–	100
MGen	Philippines	Development of power generation plants	**100**	**–**	100	–
Calamba Aero Power Corporation [3]	Philippines	Power generation	**–**	**100**	–	100
Atimonan Land Ventures Development Corporation	Philippines	Real estate	**–**	**100**	–	100
Atimonan One Energy, Inc. ("*A1E*") [3]	Philippines	Power generation	**–**	**100**	–	100
MPG Mauban LP Corporation	Philippines	Holding company	**–**	**100**	–	–
MPG Holdings Phils., Inc.	Philippines	Holding company	**–**	**100**	–	100
MPG Asia Limited ("*MPG Asia*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Solvre, Inc. [3]	Philippines	Retail electricity supplier	**–**	**100**	–	100
MGreen	Philippines	Renewable energy	**–**	**100**	–	100
LagunaSol Corporation ("*LagunaSol*") [3]	Philippines	Renewable energy	**–**	**100**	–	100
Greentech Solar Energy, Inc. *("GSEI")*	Philippines	Renewable energy	**–**	**100**	–	100
MGreen International Limited ("*MGreen International*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Nortesol III Inc. ("*NorteSol*") [3]	Philippines	Renewable energy	**–**	**70**	–	70
Powersource First Bulacan Solar, Inc. ("*First Bulacan*")	Philippines	Renewable energy	**–**	**60**	–	60
CACI Power Corporation	Philippines	Power generation	**–**	**60**	–	60
PH Renewables Inc. ("*PHRI*")	Philippines	Power generation	**–**	**60**	–	60
Greenergy For Global Inc. ("*Greenergy*") [8]	Philippines	Renewable energy	**–**	**98.16**	–	57
SPNEC [5]	Philippines	Development of power generation plants	**–**	**53.7**	–	50.5
Terra Nueva, Inc. ("*TNI*")	Philippines	Real estate	**–**	**53.7**	–	50.5
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	Philippines	Renewable energy	**–**	**53.7**	–	50.5
Terra Solar Philippines, Inc. ("*Terra Solar*")	Philippines	Renewable energy	**–**	**53.7**	–	50.5

Subsidiaries	Place of Incorporation	Principal Business Activity	**2024** Percentage of Ownership Direct	**2024** Percentage of Ownership Indirect	2023 Percentage of Ownership Direct	2023 Percentage of Ownership Indirect
Solar Philippines Calatagan Corporation ("*Solar Philippines Calatagan*")	Philippines	Renewable energy	–	**33.3**	–	34.3
SP Holdings, Inc.	Philippines	Holding company	–	**53.7**	–	**50.5**
GBPC	Philippines	Holding company	–	**100**	–	100
ARB Power Ventures, Inc.	Philippines	Holding company	–	**100**	–	100
Toledo Power Company ("*TPC*")	Philippines	Power generation	–	**100**	–	100
Toledo Holdings Corporation	Philippines	Real estate		**100**		100
Global Trade Energy Resources Corp.	Philippines	Trading of coal	–	**100**	–	100
GBH Power Resources, Inc.	Philippines	Power generation	–	**100**	–	100
GESC	Philippines	Retail electricity supplier	–	**100**	–	100
Mindanao Energy Development Corporation	Philippines	Power generation	–	**100**	–	100
Global Hydro Power Corporation	Philippines	Power generation	–	**100**	–	100
Global Renewable Power Corporation	Philippines	Renewable energy	–	**100**	–	100
Panay Power Holdings Corporation	Philippines	Holding company	–	**89**	–	89
PEDC	Philippines	Power generation	–	**89**	–	89
Panay Power Corporation	Philippines	Power generation	–	**89**	–	89
Global Formosa Power Holdings, Inc.	Philippines	Holding company	–	**93**	–	93
Cebu Energy Development Corporation ("*CEDC*")	Philippines	Power generation	–	**52**	–	52
Global Luzon Energy Development Corporation ("*GLEDC*")	Philippines	Power generation	–	**57**	–	57
Lunar Power Core, Inc.	Philippines	Holding company	–	**57**	–	57
MGen Gas Energy Holdings, Inc. ("*MGas*") [7]	Philippines	Holding company	–	**100**	–	–
MSpectrum, Inc. ("*Spectrum*")	Philippines	Renewable energy	**100**	–	100	–
Vantage	Philippines	Retail electricity supplier	**100**	–	100	–
Meralco Financial Services Corporation ("*Finserve*")	Philippines	Property management and leasing	**100**	–	100	–
Lighthouse Overseas Insurance Limited ("*LOIL*")	Bermuda	Insurance	**100**	–	100	–
MRAIL, Inc. ("*MRail*")	Philippines	Engineering, construction and maintenance of mass transit system	**100**	–	100	–
Phoenix Power [3]	Philippines	Retail electricity supplier	**100**	–	100	–
Movem Electric, Inc. ("*Movem*")	Philippines	Maintenance and operation of transport service networks	**100**	–	100	–
Meralco Industrial Engineering Services Corporation ("*MIESCOR*") [4]	Philippines	Engineering, construction and consulting services	**100**	–	100	–
Miescor Builders Inc. ("*MBI*")	Philippines	Electric transmission and distribution operation and maintenance services	–	**100**	–	100
Miescor Logistics Inc. ("*MLI*")	Philippines	General services, manpower/maintenance	–	**100**	–	100
MIDC [6]	Philippines	Construction and leasing of communication towers and other infrastructure	–	–	–	51
Clark Electric	Philippines	Power distribution	**65**	–	65	–
Clarion [2]	Philippines	Retail electricity supplier	–	**65**	–	65
Comstech	Philippines	Management of power distribution	**60**	–	60	–
MeridianX	Philippines	Retail electricity supplier	–	**60**	–	60
Greater Pampanga Power Corp. [3]	Philippines	Power distribution	–	**60**	–	60
Meridian Power Ventures Limited ("*MPV Limited*") [3]	Hongkong	Investment holdings	**100**	–	100	–

Subsidiaries	Place of Incorporation	Principal Business Activity	**2024** Percentage of Ownership Direct	**2024** Percentage of Ownership Indirect	2023 Percentage of Ownership Direct	2023 Percentage of Ownership Indirect
Shin Clark	Philippines	Holding company	**60**	**–**	60	–
Shin Clark Power	Philippines	Power distribution	**–**	**54**	–	54

[1] *On July 31, 2024, CIS has agreed to sell 10% of its equity interest in Bayad to Kayana Solutions, Inc [("Kayana"), formerly Limitless Growth Ventures Inc.]. On December 2, 2024, MERALCO acquired 5% equity interest of Densan System Co., Ltd ("Densan") in Bayad and CFSI.*

[2] *On April 30, 2024, PLDT, Inc. ("PLDT") subscribed to 2,491,516 common shares of Radius, representing 34.9% equity interest.*

[3] *Has not started commercial operations.*

[4] *MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.*

[5] *The Option Agreement between MGen, SPNEC and Solar Philippines Power Project Holdings, Inc. ("SP Holdings") gives SPNEC an option to transfer some or all of the subsidiaries to SP Holdings but in any case, excluding SPNEC, SPTC, SPCC, TNI and Terra Solar. In January 2024, MGreen acquired additional 2.17 billion shares of SPNEC, resulting in 53.7% equity interest, consisting of 17.9 million common shares and 19.4 million redeemable voting preferred shares,*

[6] *In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 25.56%.*

[7] *Incorporated on February 5, 2024.*

[8] *On March 26, 2024, MGreen infused additional ₱96.9 million in CACI which was used to return the capital of Mit-Renewables Philippines Corporation for its 40% proportionate share in Greenergy. As a result, MGreen's effective ownership increased to 98.16%.*

The *MERALCO Group* controls an investee if and only if it has (a) power over the investee; (b) exposure or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the *MERALCO Group* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the *MERALCO Group*'s voting rights and potential voting rights.

The *MERALCO Group* re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Consolidation of a subsidiary begins when the *MERALCO Group* obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date it gains control until the date it ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to *MERALCO*.

Non-controlling interests account is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent company.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if such results in a deficit.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the parent company in the consolidated statement of financial position.

If the *MERALCO Group* loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the cumulative translation adjustments deferred in equity; (d) derecognizes the equity reserve attributable to the change in ownership of the subsidiary without loss of control; (e) recognizes the fair value of the consideration received; (f) recognizes the fair value of any investment retained; (g) recognizes any surplus or deficit in profit or loss; and (h) reclassifies *MERALCO*'s share of components previously recognized in the consolidated statement of comprehensive income to the consolidated statement of income.

Business Combination

On October 12, 2023, *MGreen* executed an Option Agreement together with *SP Holdings*, then parent company of *SPNEC,* and *SPNEC*, to secure a right to subscribe to common and redeemable voting preferred shares of *SPNEC* for a total consideration of ₱15.9 billion.

On the same date, a Put Option Agreement was executed by and among *MGreen, SP Holdings* and *SPNEC*, covering *MGreen*'s grant to *SP Holdings* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion. The Put Option Agreement also includes additional put option price equivalent to ₱0.10 per share or ₱800.0 million, subject to certain conditions.

On December 27, 2023, *MGreen* acquired 50.5% voting equity interest of *SPNEC* upon full payment of its subscription of common shares and redeemable voting preferred shares under the foregoing agreements.

The purchase consideration included the value of certain entities which may be transferred back to *SP Holdings* at the option of *SPNEC*.

The details of the purchase consideration are as follows:

	Amounts in millions (As restated)
Cash paid	₱15,894
Liabilities related to Put Option Agreement	12,006
Total purchase consideration	₱27,900

The assets and liabilities of *SPNEC* recognized in the consolidated statements of financial position as at December 31, 2024 and 2023 included those which were based on their fair values as at the acquisition date.

The fair values of the assets and liabilities of *SPNEC* as at the date of acquisition are as follows:

	As previously reported	As restated
Generation plant and others	₱20,001	₱22,603
Deposits for land acquisition	3,696	3,397
Intangible assets	29,347	29,630
Deferred tax assets	10	5
Other noncurrent assets	583	531
Cash and cash equivalents	10,041	10,041
Trade and other receivables	415	290
Inventories	75	25
Other current assets	706	744
Interest-bearing long-term financial liabilities	(3,097)	(3,097)
Deferred tax liabilities	(3,532)	(4,686)
Other noncurrent liabilities	(477)	(480)
Trade and other payables	(453)	(483)
Other current liabilities	(617)	(238)
Net identifiable assets	56,698	58,282
Less: Non-controlling interests	3,034	3,034
Net assets	₱53,664	55,248
Equity interest acquired	50.5%	50.5%
Net assets acquired	₱27,100	₱27,900

MERALCO elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest of the latter's identifiable net assets.

In January 2024, *MGreen* acquired additional 2.17 billion shares of *SPNEC,* resulting in 53.7% equity interest, consisting of 17.9 million common shares and 19.4 million redeemable voting preferred shares.

On September 3, 2024, *SPNEC* exercised its put option and executed a Deed of Absolute Sale of Shares with *SP Holdings* to sell its shares in certain entities for ₱80.0 million. Consequently, *SPNEC* derecognized in its financial statements the related assets, liabilities, non-controlling interests and equity reserve of these entities with net amount of ₱176.0 million and recognized a loss of ₱96.0 million.

Changes in Ownership

MIDC

On March 1, 2024, *MIESCOR* entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("*Connect*"), PTCI Holdings Pte. Ltd. ("*PHPL*"), and Pylon Holdings Corp. ("*Pylon*"). Under the agreement, the shareholders of *MIDC* and PhilTower Consortium, Inc. ("*PhilTower*") (collectively referred to as the "*TowerCos*") shall transfer their respective ownerships in the *TowerCos* to Pylon. After the swap, *MIESCOR* owns 35.6% of *Pylon* with *Pylon* owning 100% each of *MIDC* and *PhilTower*. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors. Accordingly, upon approval by the Philippine Competition Commission ("*PCC")* and the Securities and Exchange Commission ("*SEC")*, and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an

investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC.* No gain or loss was recognized as a result of the transaction.

Derecognized assets, liabilities and non-controlling interests of *MIDC* are as follows:

	Amounts in millions
Property and equipment	₱8,088
Intangible assets	15,092
Other noncurrent assets	53
Cash and cash equivalents	465
Trade and other receivables	912
Inventories	974
Other current assets	3,285
Interest-bearing long-term financial liabilities	(9,749)
Trade and other payables	(5,710)
Net identifiable assets	13,410
Less: Non-controlling interests	6,571
Net assets	₱6,839

Radius

On April 30, 2024, *PLDT* subscribed to 2,491,516 common shares of *Radius*, representing 34.9% equity interest for ₱2.1 billion. As a result, *MERALCO* recognized a non-controlling interest and equity reserve of ₱1.0 billion and ₱1.1 billion, respectively, as it retained majority of voting rights in *Radius.*

Bayad

On July 31, 2024, *CIS* sold 10% equity interest in *Bayad* to *Kayana* for ₱320.0 million. *MERALCO* recognized a non-controlling interest and equity reserve of ₱35.8 million and ₱237.6 million, respectively, as it retained majority of voting rights in *Bayad.*

On December 9, 2024, *Densan* sold its 5% equity interest in *Bayad* and *CFSI* for ₱241.5 million to *MERALCO*. Consequently, *MERALCO* recognized a reduction in non-controlling interest and equity reserve of ₱19.9 million and ₱221.6 million, respectively.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The *MERALCO Group* has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the *MERALCO Group*.

- Amendments to *PAS 1, Classification of Liabilities as Current or Non-current*
  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to *PFRS 16, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to *PAS 7* and *PFRS 7, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments have no material impact on the consolidated financial statements of the *MERALCO Group*.

Pronouncements issued but not yet effective are listed below. The *MERALCO Group* intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the *MERALCO Group*'s consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2025
- *PFRS 17, Insurance Contracts*
- Amendments to *PAS 21, Lack of exchangeability*

Effective beginning on or after January 1, 2026
- Amendments to *PFRS 9* and *PFRS 7*, *Classification and Measurement of Financial Instruments*
- Annual Improvements to *PFRS* Accounting Standards - Volume 11
  - Amendments to *PFRS 1*, *Hedge Accounting by a First-time Adopter*
  - Amendments to *PFRS 7*, *Gain or Loss on Derecognition*
  - Amendments to *PFRS 9*, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to *PFRS 10*, *Determination of a 'De Facto Agent'*
  - Amendments to *PAS 7*, *Cost Method*

Effective beginning on or after January 1, 2027

- *PFRS 18*, *Presentation and Disclosure in Financial Statements*
- *PFRS 19*, *Subsidiaries without Public Accountability*

Deferred effectivity

Amendments to *PFRS 10*, *Consolidated Financial Statements*, and *PAS 28*, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are as follows:

Utility Plant, Generation Plant and Others

Utility plant, generation plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Cost includes the cost of replacing part of such utility plant, generation plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are charged to operating expenses as incurred in the consolidated statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

The *MERALCO Group*'s utility plant, generation plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 16 – Equity* for the related discussion.

Depreciation and amortization of utility plant, generation plant and others are computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Power plant machinery and equipment	3-25 years
Buildings and improvements	15-40 years
Data transmission cables and communication equipment	5-15 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others [(include right-of-use ("*ROU*") assets]	2-45 years

An item of utility plant, generation plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting year to ensure that the residual values,

periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant, generation plant and others.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Associates and Interests in Joint Ventures

An associate is an entity where *MERALCO Group* has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and interests in joint ventures are accounted for using the equity method of accounting and are initially recognized at cost.

Under the equity method, the investment in an associate or interest in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

If its share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the *MERALCO Group* discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment or joint venture determined using the equity method together with any long-term interest that in substance forms part of the

MERALCO Group's net investment in associate or joint venture. After the *MERALCO Group*'s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the *MERALCO Group* has incurred legal or constructive obligation or made payments in behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, it resumes recognizing its share of their profits only after its share of the profit equals the share of loss not recognized.

The consolidated statement of income reflects the *MERALCO Group*'s share in the results of operations of the associate or joint venture. Any change in the other comprehensive income ("*OCI*") of those investees is presented as part of the *MERALCO Group*'s *OCI*. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the *MERALCO Group* recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the *MERALCO Group* and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the *MERALCO Group*'s share in the profit or loss of its associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting year as the *MERALCO Group*. When necessary, adjustments are made to bring the accounting policies in line with those of the *MERALCO Group*.

After application of the equity method, the *MERALCO Group* determines whether it is necessary to recognize an impairment loss on its investment in associate or interest in joint venture. At each reporting date, the *MERALCO Group* determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the *MERALCO Group* calculates the amount of impairment as the difference between the recoverable amount of the investment in associate or interest in joint venture and its carrying value, then recognizes the loss as part of equity in net earnings of an associate or a joint venture in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the *MERALCO Group* measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the investment in associate or interest in joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the *MERALCO Group* elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs in a business combination are recognized as expense.

When a business is acquired, an assessment is made of the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at acquisition date and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability will be recognized in accordance with *PFRS 9* in the consolidated statement of income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, over the fair value of net identifiable assets acquired. If the difference is negative, such difference is recognized as gain in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the business combination occurs, the provisional amounts of the items for which the accounting is incomplete are reported in the consolidated financial statements. During the measurement period, which shall be no longer than one (1) year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new facts and circumstances obtained that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. During the measurement period, additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units, beginning on the acquisition date.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstance is measured based on relative values of the operation disposed and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for similar to the pooling-of-interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as additional paid-in capital. The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities were under common control.

Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

The *MERALCO Group*'s investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 16 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the consolidated statement of income in the year these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, this is accounted in accordance with the policy stated under utility plant, generation plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 30 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such

indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the year these are incurred.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the *MERALCO Group*.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques used are those that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the *MERALCO Group* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the classes of assets and liabilities are identified on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Impairment of Nonfinancial Assets

At each reporting date, an assessment is done to determine whether there is an indication that a nonfinancial asset [utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures and receivable from the Bureau of Internal Revenue ("*BIR*")], may be impaired. If any such indication exists, an estimate of the asset's recoverable amount is made. An asset's recoverable amount is the higher of an individual asset's or a cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm's-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the individual asset's or cash-generating unit's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior year. Such reversal is recognized in the consolidated statement of income. After such reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level, as appropriate. The amount of impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the consolidated statement of income. Impairment losses relating to intangible assets may be reversed in future years.

Goodwill is reviewed for impairment annually at every reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill shall not be reversed in future years.

If the allocation of goodwill acquired in a business combination to cash-generating units or group of cash-generating units is incomplete, an impairment testing of goodwill is only carried out when impairment indicators exist. Where impairment indicators exist, impairment testing of goodwill is performed at a level at which the acquirer can reliably test for impairment.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss ("*FVPL*").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the *MERALCO Group* initially measures a financial asset at its fair value, and in the case of a financial asset not at *FVPL*, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest ("*SPPI*") on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The business model for managing financial assets refers to how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized at the trade date, i.e., the date that a commitment to purchase or sell the asset is made.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the *MERALCO Group*. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("*EIR*") method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired. The *MERALCO Group*'s financial

assets at amortized cost include cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

Debt instruments are measured at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in *OCI*. Upon derecognition, the cumulative fair value change recognized in *OCI* is recycled to profit or loss. The *MERALCO Group*'s debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, equity investments may be classified irrevocably as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32*, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to receive payment has been established, except when such proceeds are partial recovery of the cost of the financial asset, in which case, such gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

The *MERALCO Group* elected to classify irrevocably its non-listed equity investments and investments in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The rights to receive cash flows from the asset have been transferred or when an obligation to pay the received cash flows is assumed in full without material delay to a third party under a 'pass-through' arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) when all the risks and rewards of the asset are neither transferred nor retained substantially but control of the asset has been transferred.

When the rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered, an evaluation of the extent that such risks and rewards of ownership is retained shall be made.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the transferred asset to the extent of *MERALCO Group's* continuing involvement and an associated liability are recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Modification of Financial Assets

A financial asset is derecognized when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated statement of income, to the extent that an impairment loss has not already been recorded.

Both qualitative and quantitative factors are considered in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the following factors, among others, are used:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered *SPPI*

A quantitative assessment similar to that being performed for modification of financial liabilities is also done. In performing the quantitative assessment, the new terms of a financial asset are considered to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR* is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is calculated as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and a modification gain or loss is recognized in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCI*").

Impairment of Financial Assets

An allowance for *ECL* is assessed for all debt instruments not held at *FVPL*. *ECL*s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original *EIR*. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*ECL*s are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*ECL*s are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECL*s are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECL*s are recognized and interest revenue is calculated by applying the credit-adjusted *EIR* to the amortized cost of the financial assets.

For trade receivables and contract assets, a simplified approach is applied in calculating *ECL*s. Changes in credit risk are not tracked, instead a loss allowance based on lifetime *ECL*s of each customer segment (e.g., residential, commercial, industrial, etc.) is recognized at each reporting date. A provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established and used. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forward-looking factors as well as the economic environment, was considered.

For debt instruments, the low credit risk simplification is applied. At every reporting date, an assessment is made on whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the internal credit rating of the debt instrument is reassessed. There is significant increase in credit risk when contractual payments are more than 30 days past due.

The *MERALCO Group*'s debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. As a policy, *ECL*s are measured on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.

Credit losses are recognized based on a 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, an assessment is made for any significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria from the time of origination.

An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent year, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-month *ECL*.

A financial asset is considered in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, a financial asset is also considered to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The *MERALCO Group*'s financial liabilities include interest-bearing long-term financial liabilities, customers' deposits and refunds, refundable service extension costs, notes payable, and trade payables and other current liabilities.

Subsequent Measurement

Financial liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. The *MERALCO Group* has not designated any financial liability as at *FVPL*.

Loans and borrowings

This is the category most relevant to the *MERALCO Group*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the *EIR* amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Exchange or Modification of Financial Liabilities

Both qualitative and quantitative factors are used in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR*, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in the consolidated statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the gross carrying amount of the financial liability is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and a modification gain or loss is recognized in the consolidated statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for

as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

The *MERALCO Group* has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average and weighted average cost method, as applicable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Financial and other current assets" account.

Provisions

Provisions are recognized when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When a provision, or a portion of such provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

Retirement Benefits

MERALCO and certain subsidiaries have distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits for employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 are for defined payment upon retirement of qualified

employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the year in which they arise. Remeasurements are not reclassified to profit or loss in subsequent year.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the *MERALCO Group*, nor can they be paid directly to *MERALCO* or any of its subsidiaries or affiliates. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The *MERALCO Group*'s right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

The retirement costs under the defined contribution plan are recorded based on contributions to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for employee's severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting year is recognized for services rendered by employees up to the end of the reporting year.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the *BOD*-approved long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration in exchange for those goods or services. The revenue arrangements are assessed against specific criteria to determine if the seller is acting as a principal or as an agent. The *MERALCO Group* has concluded that it is acting as a principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

As *DU*, revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of any discounts and/or rebates. The Uniform Filing Requirements ("*UFR*") on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment ("*CERA*") I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* (beginning March 2021), the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance ("*FiT-All*") are also separately presented in the customer's billing statement. Taxes billed and collected on behalf of the national government and local government unitss"), universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation ("*PSALM*") and National Transmission Corporation ("*TransCo*"), respectively] do not

form part of the revenues of the distribution utilities. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

As *RES*, revenues are recognized upon supply of power to the customers, based on the actual energy delivered.

Revenue from Contracts with Customers - Recognized at Point in Time

Revenues from the following are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods:

Coal Sales

Coal sales are recognized when the coal is delivered and the legal title is passed to the customer. Coal sales are included in sale of electricity in the consolidated statement of income.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

Lease Income

Income arising from lease of investment properties and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is presented as part of sale of other services in the consolidated statement of income.

Revenue from Contracts with Customers - Recognized Over Time

MGen and its subsidiaries ("*MGen Group*") has Electric Power Purchase Agreement ("*EPPA*") with customers, Ancillary Services Procurement Agreement ("*ASPA*") with National Grid Corporation of the Philippines ("*NGCP*"), and electricity trading transactions in *WESM*.

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, it is determined whether control of a promised good or service shall be transferred over time. If the *MGen Group* does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

Revenue from contracts with customers is consummated whenever the electricity generated is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity is recognized monthly based on the actual energy delivered and made available to customers or minimum energy off take or contracted capacity, adjusted by actual days of downtime, whichever is higher.

Revenue from sale of electricity through ancillary services to *NGCP* is recognized monthly based on the capacity scheduled and/or dispatched and provided.

Energy fees derived from trading operations are recognized based on actual delivery of such electricity supplied and made available to customers multiplied by the applicable tariff rate as agreed with its customers.

Sale of Services

Revenue from construction contracts of *MIESCOR* and its subsidiaries ("*MIESCOR Group*") and *MServ* is recognized over time on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract (output method). Progress is measured based on the monthly project accomplishment which integrates the performance to date of the construction activities.

Construction contracts are generally accounted for as a single performance obligation and are not segmented among types of services. For engineering and construction contracts, these two (2) are combined into one performance obligation since these are not distinct within the context of the contract. The combined performance obligation qualifies as a good or service (or a bundle of goods or services) that is distinct.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If goods or services are transferred to a customer before the customer settles its obligation, a contract asset is recognized for the earned consideration that is conditional.

The *MERALCO Group*'s contract assets include unbilled receivables and under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which a consideration (or an amount of consideration) is due from the customer. If a customer pays the consideration before the good or services are transferred to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the performance under the contract is satisfied.

The following are considered as contract liabilities:

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("*DSOAR*"), the costs of non-standard connection facilities to connect the customers to a distribution utility's distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. The distribution utility assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with *PAS 16*. If the definition of an asset is met, such asset is recognized at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the consolidated statement of financial position, and is recognized as income over the average duration of relationship with the customer. Assets funded by customers do not form part of the distribution utility's regulatory asset base until amounts are refunded to the customers.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred.

Contract costs relating to satisfied performance obligations are recognized as these are incurred. Contract costs principally include all direct materials, labor costs and indirect costs related to contract performance. Project mobilization costs and incremental costs of obtaining a contract with a customer are recognized as an asset if it is expected that such costs will be recovered and the contract term is for more than one (1) year. The project mobilization costs and costs of obtaining a contract are amortized over the expected construction period following the pattern of revenue recognition. Costs incurred prior to obtaining a contract with a customer are not capitalized but are expensed as incurred. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenues. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, based on the stage of completion of the contract activity, or the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

Total contract costs incurred and estimated earnings recognized in excess of total billings are recognized as an asset.

Lease Liabilities

At the commencement date of the lease, lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if it is likely that the option to terminate under the lease will be exercised. The variable lease payments that do not depend on an index or a rate are recognized as expense in the year which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

At contract inception, an assessment is made whether such contract contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.

Company as Lessee

At commencement date of the lease, a *ROU* asset and a corresponding lease liability are recognized on the statement of financial position, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are booked as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the *MERALCO Group*'s incremental borrowing rate. Incremental borrowing rate is the rate of interest that would have to be paid to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the *ROU* asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consist of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the *ROU* asset, or profit and loss if the *ROU* asset is already reduced to zero.

ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

ROU assets are depreciated on a straight-line basis using the expected useful life or lease term, whichever is shorter. *ROU* assets are also assessed for impairment when such indicators exist.

Company as Lessor

Leases where the risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Foreign Currency-Denominated Transactions and Translations

The Philippine peso is primarily the functional and presentation currency of all entities in the *MERALCO Group* except for *LOIL* and *MPG Asia*. It is the currency of the primary economic environment. This is also the currency that mainly influences the revenue from and cost of rendering services. Each entity in the *MERALCO Group* determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of *LOIL* and *MPG Asia* is the United States ("*U.S.*") dollar.

Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the reporting date. All differences are recognized in the consolidated statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

As at the reporting date, the monetary assets and liabilities of subsidiaries, *LOIL* and *MPG Asia* whose functional currency is other than Philippine peso, are translated into Philippine peso at the rate of exchange prevailing at the end of the reporting date, and income and expenses are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of *OCI* as cumulative translation adjustments. On the disposal or derecognition of a subsidiary, the amount of cumulative translation adjustments recognized in *OCI* is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transactions either in profit or loss or directly in equity.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post reporting date events that provide additional information as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the *MERALCO Group*'s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Functional Currency

The functional currencies of the entities under the *MERALCO Group* are the currencies of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of rendering services.

Based on the economic substance of the underlying circumstances, the functional and presentation currency of *MERALCO* and its subsidiaries, except *LOIL* and *MPG Asia*, is the Philippine peso, while that of *LOIL* and *MPG Asia* is the *U.S.* dollar.

Uncertain Tax Position

The *MERALCO Group* assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. Significant judgement is applied in identifying uncertainties over the income tax treatments. Based on review and assessment of the income tax computations and filings, in consultation with external tax expert, it is determined that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. Any effect of each uncertain tax treatment is quantified using the most likely amount which the *MERALCO Group* expects to better predict the resolution of the uncertainty.

Operating Lease Commitments

As Lessor

There are several lease arrangements where the entities in the *MERALCO Group* act as a lessor. Based on the terms and conditions of the arrangements, it has evaluated that the significant risks and rewards of ownership of such properties are retained, ownership of the assets is not transferred to the lessees at the end of the lease term and the lessees do not have a bargain purchase option over the assets. Consequently, the lease agreements are accounted for as operating leases.

As Lessee

There are also various operating lease agreements used in operations.

For lease accounted under *PFRS 16*, *ROU* assets are recognized and lease liabilities are measured at the present value of lease payments to be made over the lease term using the *MERALCO Group*'s incremental borrowing rate.

The *MERALCO Group* availed the exemption of *PFRS 16* for its short-term lease with the term of 12 months or less and low value assets. Accordingly, lease payments on these leases are recognized as expense on a straight-line basis over the lease term.

Arrangement that Contains a Lease

As assessed, the *PPA*s and *PSA*s do not qualify as leases and are accounted for as ordinary service contracts, since the distribution utilities do not have the right to direct the use, operate and were not involved in the design of the identified assets.

Principal versus Agent

Revenue recognition requires certain judgments on its arrangements with power generation companies such as *PPA*s and *PSA*s to be made. The *MERALCO Group* has concluded that it is acting as a principal in substantially all of its revenue arrangements.

Revenue from sale of electricity requires *MERALCO, Clark Electric* and *Shin Clark Power* to bill customers based on various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The difference between the amounts initially billed to customers and the settlement of the actual billings with power

generation companies is adjusted to revenue at month end based on *ERC* Resolution No. 16, *A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities, as amended*.

Moreover, revenues from electricity, re-connection and other non-standard connection services arise from a single performance obligation which is satisfied over the period when the services are expected to be provided.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as a Joint Venture

MERALCO, through *MGen*, has a 51% interest in *SBPL.* While *MERALCO* has majority of the voting rights in *SBPL,* it does not have sole control of *SBPL*. *MERALCO's* investment in *SBPL* is accounted for as a joint venture since key operating and financial decisions of *SBPL* require the unanimous vote and consent of the parties sharing control.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as an Associate

MERALCO, through *MGen*, has a total of 58% direct and indirect interest in *PacificLight* and PacificLight Renewables Pte Ltd ("*PLP Renewables*"). *MERALCO's* investments in *PacificLight* and *PLP Renewables* are accounted for as associates since their relevant and significant activities and policies require the majority votes of the *BOD* and *MGen* does not hold the majority of the *BOD*.

Entity in which the MERALCO Group Holds 50% *of the Voting Rights Accounted for as an Associate*

MERALCO, through *MGen*, has 50%-less-one-share stake in Alsons Thermal Energy Corporation ("*ATEC*"). *MERALCO*'s investment in *ATEC* is accounted for as an associate since *MERALCO* has no presumptive control over *ATEC* as it does not represent the majority of the total voting interest, and none of the qualitative factors denoting control exists based on *PFRS 10*.

Entity in which the MERALCO Group Holds less than 20% of the Voting Rights Accounted for as an Associate

MERALCO, through *Finserve*, has 10% interest in AF Payments, Inc. ("*AF Payments*"). *AF Payments* is considered an associate and, thus, *MERALCO/Finserve*'s interest in *AF Payments* is accounted for using the equity method as *MERALCO/Finserve* is deemed to have significant influence as evidenced by its representation in the *BOD* which guarantees *MERALCO/Finserve*'s participation in the decision making and policy making process of *AF Payments*.

Acquisitions

The *MERALCO Group* evaluates each investment under *PFRS 3* to determine whether to treat an acquisition as an asset acquisition or a business combination. For those transactions treated as asset acquisitions, the purchase price is allocated to the assets acquired, with no recognition of goodwill. For those acquisitions that meet the definition of a business combination, the acquisition method of accounting is applied where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included with our results from the dates of the respective acquisitions. When determining the fair value of tangible assets acquired, the age, condition and the economic useful life of the asset are taken into consideration to determine the

estimated cost to replace the asset. When determining the fair value of intangible assets acquired, the applicable discount rate and the timing and amount of future cash flows, including rate and terms of renewal and attrition are considered.

The date when control is obtained is determined based on when power to direct the relevant activities of the acquiree is established. *MGreen* assessed that the control in *SPNEC* was obtained on December 27, 2023, with the election of *MGreen*'s nominees as directors and key officers of *SPNEC.*

Contingencies

There are possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

See *Note 3 - Statement of Compliance and Basis of Consolidation, Note - 22 Trade Payables and Other Current Liabilities and Note 29 - Contingencies and Legal Proceedings*.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed as follows:

Estimating Useful Lives of Utility Plant, Generation Plant and Others, Intangible Assets with Finite Lives, and Investment Properties

The useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties are estimated based on the periods over which such assets are expected to be available for use. The estimate of the useful lives of the utility plant, generation plant and others, intangible assets with finite lives, and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant, generation plant and others amounted to ₱15,542 million, ₱14,770 million and ₱14,117 million for the years ended December 31, 2024, 2023 and 2022, respectively. Total carrying values of utility plant, generation plant and others, net of accumulated depreciation and amortization, amounted to ₱288,501 million and ₱272,441 million as at December 31, 2024 and 2023, respectively.

Total depreciation of investment properties amounted to ₱4 million for each of the years ended December 31, 2024, 2023 and 2022. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,487 million and ₱1,493 million as at December 31, 2024 and 2023, respectively.

Total amortization of intangible assets with finite lives amounted to ₱1,983 million, ₱1,851 million and ₱1,910 million for the years ended December 31, 2024, 2023 and 2022, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization, amounted to ₱41,559 million and ₱53,634 million as at December 31, 2024 and 2023, respectively.

See *Note 7 – Utility Plant, Generation Plant and Others, Note 9 – Investment Properties* and *Note 10 – Intangible Assets*.

Impairment of Nonfinancial Assets

PFRS Accounting Standards require that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash-generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the consolidated financial statements. Future events may cause management to conclude that utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets are impaired. Any resulting impairment loss could have material adverse impact on the consolidated financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under *PFRS* Accounting Standards.

The carrying values of nonfinancial assets subject to impairment review are as follows:

Account	**2024**	2023 (As restated – Note 3)
	(Amounts in millions)	
Utility plant, generation plant and others	**₱288,501**	₱272,441
Investments in associates and interests in joint ventures	**47,513**	38,388
Intangible assets	**41,559**	53,634
Investment properties	**1,487**	1,493
Receivable from the *BIR*	**181**	181

See *Note 7 – Utility Plant, Generation Plant and Others, Note 8 – Investments in Associates and Interests in Joint Ventures, Note 9 – Investment Properties, Note 10 – Intangible Assets and Note 11 – Financial and Other Noncurrent Assets.*

Realizability of Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting year and these may be reduced to the extent that such deferred tax assets are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting period. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the recorded or recognized deferred tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised.

Based on the foregoing assessment, following are the relevant consolidated information with respect to deferred income tax assets:

	2024	2023
	(Amounts in millions)	
Recognized deferred income tax assets	**₱34,224**	₱32,433
Unrecognized deferred income tax assets	**7,280**	6,055

See *Note 28 – Income Taxes and Local Franchise Taxes*.

Provision for ECL of Receivables and Contract Assets

The *MERALCO Group* applies the *PFRS 9* simplified approach to measure *ECL* which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

ECL is provided for certain identified trade receivables which have been the subject of disputes from customers. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forwarding looking factors, and taking into account the economic environment is considered. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. The *MERALCO Group* has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Forward-looking information is incorporated in the assessments for any significant increase in credit risk since the initial recognition and measurement of *ECL*. A range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of *ECL*s are considered.

*ECL*s for trade and other receivables amounted to ₱871 million, ₱1,036 million and ₱2,311 million for the years ended December 31, 2024, 2023 and 2022, respectively. Trade and other receivables, net of allowance for *ECL*, amounted to ₱64,697 million and ₱48,270 million as at December 31, 2024 and 2023, respectively.

See *Note 13 – Trade and Other Receivables.*

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the electricity distribution, power generation and services segments, and are valued at the lower of cost or net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes (i.e., pre-termination of contracts). The lower of cost or net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and no longer usable are written off and charged as expense in the consolidated statement of income.

The carrying values of inventories amounted to ₱11,422 million and ₱11,130 million as at December 31, 2024 and 2023, respectively.

See *Note 14 – Inventories*.

Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement benefits increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱1,668 million, ₱1,180 million and ₱1,686 million for the years ended December 31, 2024, 2023 and 2022, respectively. Retirement and other post-employment benefit liabilities as at December 31, 2024 and 2023 amounted to ₱13,389 million and ₱8,823 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement benefits increases are based on expected future inflation rates for the Philippines.

See *Note 25 – Expenses and Income* and *Note 26 – Long-term Employee Benefits*.

Provisions

Note 2 – Rate Regulations and *Note 29 – Contingencies and Legal Proceedings* discuss various claims, assessments and cases of the *MERALCO Group*. An estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel and/or internal counsels handling the defense for these claims, assessments and cases and is based upon thorough analysis of potential outcome.

In consultation with its external and internal legal counsels, management does not believe that these claims and legal proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by

changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

The *MERALCO Group* recognized net provisions on various claims and assessments amounting to ₱6,401 million, ₱6,848 million and ₱5,831 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at December 31, 2024 and 2023, provisions and other noncurrent liabilities are presented net of the effect of the time value of money of ₱8,265 million and ₱4,497 million, respectively.

See *Note 19 – Provisions* and *Note 22 – Trade Payables and Other Current Liabilities.*

Revenue Recognition

The overall revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

Revenues from sale of electricity by *MERALCO, Clark Electric* and *Shin Clark Power* are billed based on customer-specific billing cycle cut-off date for each customer, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional invoices and the settlement of the actual billings by power generation companies is taken up in the subsequent year. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC*.

Revenues from sale of electricity also account for variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations is included as part of "Trade payables and other liabilities" and "Other noncurrent liabities" accounts in the consolidated statement of financial position. As at December 31, 2024 and 2023, the balance of refund liability amounted to ₱18,822 million and ₱9,591 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future years.

Revenues and costs from construction contracts of *MIESCOR* and *MServ* are recognized based on the output method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Revenue from Contracts with Customers

The power generation units applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying Performance Obligations

The *MGen Group* identifies performance obligations and determines which promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer

can benefit from the good or service on its own or together with other resources that are readily available to the customer and where the promise to transfer such good or service to the customer is separately identifiable from the other promises in the contract.

An assessment of performance obligations of a series of distinct goods and services, is conducted for those which are substantially the same and have the same pattern of transfer if:

a. each distinct good or services in the series are transferred over time; and
b. the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For revenue contracts under *EPPA*s, *ASPA*, and spot market sales to *WESM*, these are combined and considered as one (1) performance obligation since these are not distinct within the context of *PFRS 15* as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

Variable considerations are estimated and included but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Both the likelihood and magnitude of the revenue reversal are considered in evaluating the extent of variable consideration or constraint.

Factors such as the following are considered:
a. high susceptibility to factors outside the Group's influence;
b. timing of the resolution of the uncertainty; and
c. having a large number and broad range of possible outcomes.

Some contracts with customers provide for volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, either the expected value method or the most likely amount method is used depending on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The *MGen* Group determined that the expected value method is the more appropriate method for estimating the variable consideration given the number of contracts with customers that have similar characteristics and the range of possible outcomes.

Allocation of Variable Consideration

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For revenue contracts under *EPPA*s and *ASPA,* as well as spot market sales to *WESM*, revenue streams which are considered as series of distinct services that are substantially the same and have the same pattern of transfer, the variable amount that is no longer subject to constraint is allocated to the satisfied portion (i.e., month or actual electricity delivery) which forms part of the single performance obligation and the monthly billing.

Revenue Recognition

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, an assessment is conducted to determine whether control of a promised good or service is transferred over time. If a performance obligation is not satisfied over time, then such is considered satisfied at a point in time.

The *MGen* Group concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the *MGen* Group supplies power.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The method of measuring progress is either through input or output method. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

The *MGen* Group determined that the output method is the more appropriate way of measuring progress as actual electricity is supplied to customers.

6. Segment Information

Each operating segment of the *MERALCO Group* engages in business activities from which revenues are earned and expenses are incurred (including intercompany transactions with other business segments within the *MERALCO Group*). The operating results of each of the operating segments are regularly reviewed by *MERALCO*'s Management Committee to evaluate how resources shall be allocated and to assess their performances based on available financial information.

For management purposes, operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The Power segment consists of (a) electricity distribution, (b) power generation and (c) *RES*.

  Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers of *MERALCO, Clark Electric* and *Shin Clark Power*. Electricity distribution within the *MERALCO* franchise area accounts for approximately 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone and the sub-zones and *Shin Clark Power*'s franchise area covers the *NCC*.

  Shin Clark through a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress under Republic Act No. 11420 to *BCDA,* which assigned the same to *Shin Clark Power*, in exchange for 10% equity interest in *Shin Clark Power*. *Shin Clark Power* was incorporated and registered with

the *SEC*. *Shin Clark Power* has a *CPCN* issued by the *ERC* to operate as a *DU* for a period of 25 years.

MERALCO manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

Power generation – The *MERALCO Group* has a combined group generating capacity of 2,436 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore. In addition, it is currently developing a total of 3,552.8 *MW* (gross) of solar capacities.

MGen has a 51% interest in *SBPL* which operates a 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon.

GBPC owns 838 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. The portfolio also includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a 50% less one share interest in *ATEC*, which holds a 75% interest interest in *Sarangani Energy*.

MGreen is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan*, which owns and operates a 80 *MWdc*/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, and has an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.

Following *MGreen*'s acquisition of a majority stake in *SPNEC* in December 2023, *MGreen* further raised its voting interest in the listed renewable energy company to 53.7% from 50.5% with the acquisition of additional 2.17 billion *SPNEC* shares in January 2024. *Terra Solar*, a wholly owned subsidiary of *SPNEC*, is developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in the first quarter of 2026.

MGen and Therma NatGas, Inc. ("*TNGP*") have jointly entered into an Investment Agreement with the parties owning 60% and 40% interests in *CGHI,* respectively.

In January 2025, *CGHI* completed the financial close of a partnership to invest in two gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*SMGP*"), the 1,200 *MW* Ilijan power plant, and a new 1,275 *MW* combined cycle power facility. Together with *SMGP*, *CGHI* acquired the *LNG* import and regasification terminal owned by Linseed Field Corporation. The transaction was approved by the *PCC* on December 23, 2024.

PHRI, a joint venture with Mitsui's local unit Mit-Renewables Philippine Corporation, owns and operates a 67.5 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Phase 2 of the *Baras Solar Plant* consisting of 12.6 *MWac* was completed last August 30, 2024.

Also, in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*") and *MGreen*, Nuevo Solar Energy Corporation ("*NSEC*") owns and operates a 68 *MWac* solar plant project in Ilocos Norte.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy

Corporation ("*Barracuda Energy*"). The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power,* which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. A 100 *MW* fast-start *LNG* plant is under construction and is expected to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("*EMA*").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility in Jurong Island by the *EMA* of Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

See *Note 8 – Investments in Associates and Interests in Joint Ventures.*

RES – This business segment sources and supplies electricity to qualified contestable customers. Being distribution utilities, *MERALCO* and *Clark Electric* are also qualified and act as local retail electricity suppliers within their respective franchise area as a separate business unit, *MPower* and *Cogent Energy*, respectively. Under Retail Competition and Open Access ("*RCOA*"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, or through either *MPower* and *Cogent Energy.*

Vantage and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a wholly owned subsidiary of *Comstech*; and *GESC,* a wholly owned subsidiary of *GBPC* are affiliate *RES*s. *Clarion*, a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. As at February 24, 2025, the approval of *Clarion*'s *RES* license is still pending with the *ERC.*

- Other Services

  The "Other Services" segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, *MBI* and *MLI* (collectively known as "*MIESCOR Group*"), *CIS*, *Bayad* and *CFSI* (collectively referred to as "*CIS Group*"), *e-MVI*, *Paragon* and *Radius* (collectively referred to as "*e-MVI Group*"), *Comstech, LOIL, Finserve*, *MServ*, *Spectrum* and *Movem*.

The Management Committee evaluates the performance of the business segments based on (i) net income attributable to equity holders of the parent company, (ii) consolidated net earnings before interest, taxes, and depreciation and amortization ("consolidated *EBITDA*"); and (iii) consolidated core net income ("*CCNI*"). Net income is measured consistent with reported net income in the consolidated statement of income.

Consolidated *EBITDA* is measured as *CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income and provision for income tax.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent company adjusted for foreign exchange gain or loss, mark-to-market gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

Billings between operating segments are at an arm's-length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers among business segments. Those transfers are eliminated upon consolidation.

The *MERALCO Group* operates and generates substantially all of its revenues in the Philippines (i.e., one (1) geographical location). Thus, geographical segment information is not presented. The *MERALCO Group* has no revenues from transactions with a single external customer amounting to 10% or more of its revenues from external customers.

		Power			Other Services			Inter-segment Transactions			Total		
	Note	**2024**	2023	2022	**2024**	2023	2022	**2024**	2023	2022	**2024**	2023	2022
						(Amounts in millions)							
Revenues		**₱456,918**	₱430,181	₱413,950	**₱18,767**	₱17,848	₱17,012	**(₱5,323)**	(₱4,417)	(₱4,433)	**₱470,362**	₱443,612	₱426,529
Segment results		**₱66,202**	₱54,472	₱44,946	**₱5,563**	₱4,940	₱4,411	**₱–**	₱–	₱–	**₱71,765**	₱59,412	₱49,357
Depreciation and amortization	*7, 9, 10 and 25*	**(15,397)**	(14,624)	(15,084)	**(2,132)**	(2,001)	(947)	**–**	–	–	**(17,529)**	(16,625)	(16,031)
Equity in net earnings (losses) of associates and joint ventures	*8*	**10,307**	11,523	12,053	**(40)**	(44)	(18)	**–**	–	–	**10,267**	11,479	12,035
Provision for probable losses and expenses from claims		**(6,362)**	(6,875)	(5,799)	**(39)**	27	(32)	**–**	–	–	**(6,401)**	(6,848)	(5,831)
Interest and other financial charges	*25*	**(4,543)**	(4,443)	(3,554)	**(759)**	(686)	(200)	**–**	–	–	**(5,302)**	(5,129)	(3,754)
Interest and other financial income	*25*	**3,674**	3,168	1,942	**210**	153	121	**–**	–	–	**3,884**	3,321	2,063
Provision for (reversal of) impairment losses		**–**	1,179	(2,603)	**–**	–	–	**–**	–	–	**–**	1,179	(2,603)
Provision for income tax - net	*28*	**(9,208)**	(7,138)	(5,841)	**(1,006)**	(973)	(807)	**–**	–	–	**(10,214)**	(8,111)	(6,648)
Net income attributable to non-controlling interests		**–**	–	–	**–**	–	–	**(611)**	(655)	(157)	**(611)**	(655)	(157)
Net income attributable to equity holders of the parent company		**₱44,673**	₱37,262	₱26,060	**₱1,797**	₱1,416	₱2,528	**(₱611)**	(₱655)	(₱157)	**₱45,859**	₱38,023	₱28,431
CCNI		**₱43,352**	₱35,705	₱24,605	**₱1,790**	₱1,405	₱2,500	**₱–**	₱–	₱–	**₱45,142**	₱37,110	₱27,105

The inter-segment revenues mainly represent revenues of other services segment earned from the power segment.

The following table shows the reconciliation of *EBITDA*, net income and *CCNI*:

	2024	2023	2022
		(Amounts in millions)	
EBITDA	**₱75,533**	₱65,341	₱52,032
Add (deduct):			
Depreciation and amortization	**(17,529)**	(16,625)	(16,031)
Interest and other financial charges net of income and foreign exchange adjustments	**(1,320)**	(1,927)	(765)
Income before income tax	**56,684**	46,789	35,236
Provision for income tax - net	**(10,214)**	(8,111)	(6,648)
Net income	**46,470**	38,678	28,588
Net income for the year attributable to non-controlling interests	**(611)**	(655)	(157)
Net income for the year attributable to equity holders of the parent company	**45,859**	38,023	28,431
Add (deduct) non-core items, net of tax:			
Non-core gains - net	**(563)**	(959)	(591)
Foreign exchange losses (gains)	**(154)**	46	(735)
CCNI	**₱45,142**	₱37,110	₱27,105

7. Utility Plant, Generation Plant and Others

The movements in utility plant, generation plant and others are as follows:

		2024									
	Note	**Land**	**Power Plant Machinery and Equipment**	**Sub-transmission and Distribution**	**Communication Towers, Buildings and Improvements**	**Data Transmission Cables and Communi-cation Equipment**	**Office Furniture, Fixtures and Other Equipment**	**Transportation Equipment**	**Others**	**Construction in Progress**	**Total**
						(Amounts in millions)					
Cost:											
Balance at beginning of year		**₱31,242**	**₱52,482**	**₱232,407**	**₱16,485**	**₱7,429**	**₱5,978**	**₱5,200**	**₱11,724**	**₱43,778**	**₱406,725**
Additions		**391**	**1,928**	**555**	**1,416**	**6**	**207**	**402**	**2,520**	**33,773**	**41,198**
Transfers from construction in progress		**–**	**–**	**25,183**	**634**	**531**	**144**	**–**	**233**	**(26,725)**	**–**
Disposals/retirements		**(32)**	**(321)**	**(3,452)**	**(48)**	**(325)**	**(250)**	**(122)**	**(26)**	**–**	**(4,576)**
Effect of deconsolidation of *MIDC*	*3*	**–**	**–**	**–**	**(4,565)**	**(1)**	**(6)**	**(4)**	**(4,381)**	**(470)**	**(9,427)**
Reclassifications and others	*10*	**–**	**(4,110)**	**(26)**	**(477)**	**26**	**64**	**–**	**3,456**	**(357)**	**(1,424)**
Balance at end of year		**31,601**	**49,979**	**254,667**	**13,445**	**7,666**	**6,137**	**5,476**	**13,526**	**49,999**	**432,496**
Less accumulated depreciation and amortization:											
Balance at beginning of year		**–**	**7,753**	**99,041**	**4,944**	**3,288**	**4,073**	**3,246**	**5,231**	**–**	**127,576**
Depreciation and amortization		**–**	**3,148**	**9,059**	**675**	**737**	**602**	**401**	**920**	**–**	**15,542**
Disposals/retirements		**–**	**(320)**	**(3,446)**	**(35)**	**(192)**	**(250)**	**(115)**	**(24)**	**–**	**(4,382)**
Effect of deconsolidation of *MIDC*	*3*	**–**	**–**	**–**	**(462)**	**–**	**–**	**(3)**	**(886)**	**–**	**(1,351)**
Reclassifications and others		**–**	**(1,721)**	**(4)**	**2**	**58**	**(1)**	**(6)**	**1,691**	**–**	**19**
Balance at end of year		**–**	**8,860**	**104,650**	**5,124**	**3,891**	**4,424**	**3,523**	**6,932**	**–**	**137,404**
Less allowance for impairment losses:											
Balance at beginning of year		**–**	**292**	**–**	**–**	**–**	**–**	**–**	**–**	**6,416**	**6,708**
Reversal for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(117)**	**(117)**
Balance at end of year		**–**	**292**	**–**	**–**	**–**	**–**	**–**	**–**	**6,299**	**6,591**
Net book value		**₱31,601**	**₱40,827**	**₱150,017**	**₱8,321**	**₱3,775**	**₱1,713**	**₱1,953**	**₱6,594**	**₱43,700**	**₱288,501**

		2023 (As restated - Note 3)									
	Note	Land	Power Plant Machinery and Equipment	Sub-transmission and Distribution	Communication Towers, Buildings and Improvements	Data Transmission Cables and Communi-cation Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
						(Amounts in millions)					
Cost:											
Balance at beginning of year		₱18,807	₱41,335	₱222,878	₱15,707	₱5,007	₱5,378	₱4,919	₱9,464	₱36,558	₱360,053
Additions		41	–	1,256	688	310	323	409	1,566	21,556	26,149
Effect of consolidation of *SPNEC*	*3*	12,391	8,542	–	3	–	3	1	535	2,728	24,203
Transfers from construction in progress		3	2,553	11,048	207	1,944	322	10	267	(16,354)	–
Disposals/retirements		–	–	(2,684)	(8)	–	–	(110)	(22)	–	(2,824)
Reclassifications	*10*	–	52	(91)	(112)	168	(48)	(29)	(86)	(710)	(856)
Balance at end of year		31,242	52,482	232,407	16,485	7,429	5,978	5,200	11,724	43,778	406,725
Less accumulated depreciation and amortization:											
Balance at beginning of year		–	3,534	92,909	4,083	2,631	3,546	2,995	4,089	–	113,787
Depreciation and amortization		–	2,602	8,852	876	686	556	385	813	–	14,770
Effect of consolidation of *SPNEC*	*3*	–	1,503	–	–	–	1	1	81	–	1,586
Disposals/retirements		–	–	(2,684)	(4)	–	–	(110)	(19)	–	(2,817)
Reclassifications		–	114	(36)	(11)	(29)	(30)	(25)	267	–	250
Balance at end of year		–	7,753	99,041	4,944	3,288	4,073	3,246	5,231	–	127,576
Less allowance for impairment losses:											
Balance at beginning of year		–	292	–	–	–	–	–	–	2,651	2,943
Effect of consolidation of *SPNEC*	*3*	–	–	–	–	–	–	–	–	14	14
Charge for the year		–	–	–	–	–	–	–	–	3,751	3,751
Balance at end of year		–	292	–	–	–	–	–	–	6,416	6,708
Net book value		₱31,242	₱44,437	₱133,366	₱11,541	₱4,141	₱1,905	₱1,954	₱6,493	₱37,362	₱272,441

As at December 31, 2024 and 2023, the net book values of customer-funded assets included in "Utility plant, generation plant and others" account amounted to ₱6,503 million and ₱6,021 million, respectively. The corresponding liabilities to customers in the same amounts as at December 31, 2024 and 2023 are included in "Other noncurrent liabilities" account in the consolidated statements of financial position.

The power plant complex of *PHRI* and the generation plant and equipment of *First Bulacan*, with aggregate carrying value of ₱5,698 million as at December 31, 2024, are pledged as securities for long-term debt contracted.

The solar power plants of *Solar Philippines Calatagan* and *Solar Philippines Tarlac* were used as collateral to secure their respective long-term debts.

See *Note 17 – Interest-bearing Long-term Financial Liabilities.*

As at December 31, 2024 and 2023, the capitalized site preparation expenses for the development of a power generation plant of *A1E* amounted to ₱12,716 million and ₱12,695 million, respectively. Allowance for impairment loss amounted to ₱6,571 million as at December 31, 2024 and 2023.

Construction in progress pertains to both electric capital projects ("*ECP*s") and non-*ECP*s. *ECP*s are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities. Non-*ECP*s mainly represent construction of *MGen*'s power plant projects and *Radius*' network expansion projects. Total interest capitalized amounted to ₱675 million, ₱563 million and ₱457 million based on average capitalization rate of 7%, 6% and 5% for the years ended December 31, 2024, 2023 and 2022, respectively.

8. Investments in Associates and Interests in Joint Ventures

This account consists of the following:

	Place of Incorporation	Principal Activity	**2024**	2023
			Percentage of Ownership	
Associates				
FPM Power Holdings Limited ("*FPM Power*")/*PacificLight Power*	British Virgin Islands/ Singapore	Investment and holding company/ Power generation	**58**	58
PLP Renewables	British Virgin Islands	Investment and holding company	**58**	58
ATEC	Philippines	Power generation	**50**	50
Barracuda Energy	Philippines	Renewable energy	**50**	–
Redondo Peninsula Energy Inc. ("*RP Energy*")	Philippines	Power generation	**47**	47
Aclara Meters Philippines, Inc. ("*Aclara Meters*")	Philippines	Sale of metering products and services	**35**	35
Power Distribution Services Ghana Limited ("*PDS Ghana*")	Ghana	Distribution of power	**30**	30
Kayana	Philippines	Electronic payment and reward system	**27.50**	–
Terra Renewables Holdings, Inc.	Philippines	Holding company	**26.85**	–
Pylon	Philippines	Holding company	**26.56**	–
Indra Philippines, Inc. ("*Indra Philippines*")	Philippines	Management and *IT* consultancy	**25**	25
AF Payments	Philippines	Electronic payment clearing and settlement system operator	**10**	10

	Place of Incorporation	Principal Activity	**2024** Percentage of Ownership	2023
Joint Ventures				
SBPL	Philippines	Power generation	**51**	51
Kalilayan Power, Inc.	Philippines	Holding company	**51**	51
MRail-DESCO Joint Venture ("*MDJV*")	Philippines	Maintenance of mass transit system	**51**	51
Pure Meridian Hydropower Corporation ("*Pure Meridian*")	Philippines	Renewable energy	**50**	50
NSEC	Philippines	Power generation	**50**	50
First Balfour-MRail Joint Venture ("*FBMJV*")	Philippines	Maintenance of mass transit system	**49**	49
MPioneer Insurance Inc. ("*MPioneer*")	Philippines	Insurance	**35**	35
Rockwell Business Center Joint Venture ("*RBC JV*")	Philippines	Real estate	**30**	30
Chromite Gas Holdings, Inc. ("*CGHI*")	Philippines	Holding company	**60**	–

The movements in investments in associates and interests in joint ventures are as follows:

	2024	2023
	(Amounts in millions)	
Acquisition cost:		
Balance at beginning of year	**₱33,458**	₱33,464
Additions (return of capital)	**8,324**	(6)
Reclassification	**596**	–
Balance at end of year	**42,378**	33,458
Accumulated equity in net earnings:		
Balance at beginning of year	**5,283**	3,890
Equity in net earnings for the year	**10,267**	11,479
Dividends received	**(10,253)**	(10,106)
Reclassification	**(1,329)**	20
Balance at end of year	**3,968**	5,283
Share in remeasurement adjustments on retirement liabilities:		
Balance at beginning of year	**(29)**	(16)
Share in actuarial gains (losses)	**1**	(13)
Balance at end of year	**(28)**	(29)
Share in cumulative translation adjustments:		
Balance at beginning of year	**(22)**	(30)
Cumulative translation adjustments	**333**	8
Reclassification	**1,555**	–
Balance at end of year	**1,866**	(22)
Share in other comprehensive income:		
Balance at beginning of year	**329**	–
Cumulative translation adjustments	**185**	329
Reclassification	**(805)**	–
Balance at end of year	**(291)**	329
Allowance for impairment loss:		
Balance at beginning of year	**(631)**	(5,420)
Reversals – net of provisions	**99**	4,941
Reclassification	**152**	(152)
Balance at end of year	**(380)**	(631)
	₱47,513	₱38,388

The carrying values of investments in associates and interests in joint ventures follow:

	2024	2023
	(Amounts in millions)	
Associates:		
FPM Power/PacificLight Power	**₱17,581**	₱16,184
ATEC	**9,769**	9,910
Pylon	**6,594**	–
Barracuda Energy	**1,048**	–
Indra Philippines	**416**	420
Kayana	**362**	–
RP Energy	**119**	119
PLP Renewables	**112**	45
Aclara Meters	**98**	97
Joint ventures:		
SBPL	**9,574**	9,909
RBC JV	**723**	643
NSEC	**604**	619
MPioneer	**455**	384
MDJV	**58**	58
	₱47,513	₱38,388

FPM Power/PacificLight Power

FPM Power is 40%-owned by *MERALCO* through *MPG Asia* (a wholly-owned subsidiary of *MGen)* and 60%-owned by First Pacific Company Limited ("*First Pacific*"). *FPM Power* has a 70% equity interest in *PacificLight Power*, which owns and operates a 2 x 400 *MW LNG*-fired power plant and is in the final stage of construction of a 100 *MW* fast-start *LNG* facility in Jurong Island, Singapore. *PacificLight Power*'s wholly owned subsidiary, PacificLight Energy Pte. Ltd., is engaged in energy trading.

With the improvement in energy market condition in Singapore, *PacificLight Power*'s operating results turned positive, and generated positive cash flows since July 2022. Based on estimated cash flows projections and assessment of recoverable amount of investment, *MGen* reversed the remaining allowance for impairment loss of ₱4,941 million in 2023.

ATEC

ATEC has the following equity interests: (i) 75% of *Sarangani Energy* which operates a 2 x 118.5 *MW* (gross capacity) baseload coal-fired plant in Maasim, Sarangani Province; (ii) 100% of San Ramon Power, Inc. which is developing a 120 *MW* baseload coal-fired plant in Zamboanga City; and (iii) 100% of ACES Technical Services Corporation, which provides operations and maintenance services to *ATEC's* power plants.

Pylon

On July 11, 2024, the *PCC* approved the joint venture among *MIESCOR*, *Connect* and *PHPL*. The shareholders of *TowerCos* executed a Multi-party Share Swap Agreement with both shareholders of *MIDC* and *PhilTower* transferring their respective ownerships in *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* (from 51% in *MIDC*) with *Pylon* owning 100% each of *MIDC* and *PhilTower*. The transaction is aimed at improving coverage for the *TowerCos*' mobile network clients and driving investment in digital infrastructure in the Philippines. The *SEC* approved the share swap transaction on August 20, 2024 and the completion of other closing conditions and issuance of shares were completed on September 13, 2024.

The fair values of the identifiable assets and liabilities of *Pylon* as at September 30, 2024, which were based on a provisional assessment, are as follows:

	Amounts in millions
Property and equipment	₱17,675
Intangible assets	28,259
Other noncurrent assets	68
Cash and cash equivalents	2,368
Trade and other receivables	1,027
Inventories	1,406
Input *VAT*	5,233
Other current assets	1,380
Interest-bearing long-term financial liabilities	(23,952)
Trade and other payables	(10,231)
Net identifiable assets	23,233
Equity interest acquired	25.56%
Net assets acquired	5,938
Goodwill	901
Net assets acquired	₱6,839

Barracuda Energy

MGreen entered into an investment agreement with *Vena Energy* for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through *Barracuda Energy*. The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

Indra Philippines

Indra Philippines is an *IT* service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s *IT* requirements in the area of system development, outsourcing of Information Systems ("*IS*") and *IT* operations and management consulting.

Kayana

Kayana is an electronic payment and reward system company that aims to create a platform that integrates services into one primary channel. *Kayana* is owned by *PLDT, MERALCO* and *Metro Pacific* with equity interests of 45%, 27.5% and 27.5%, respectively.

RP Energy

RP Energy is a joint venture among *MGen,* Therma Power, Inc. ("*TPI*") and Taiwan Cogeneration International Corporation – Philippine Branch ("*TCIC*") for the construction and operation of a power plant in the Subic Bay Freeport Zone.

PLP Renewables

PLP Renewables is 58%-owned by *MERALCO* through *MGreen International* (a wholly-owned subsidiary of *MGreen). PLP Renewables* has a 37% equity interest in *PacificMedco Solar Energy Pte Ltd*, a Singapore-based entity, in the process of developing a large-scale solar *PV* plant in Bulan Island, Indonesia, the energy of which shall be transmitted via subsea cable to Singapore. This project aims to increase the share of renewal energy in Singapore.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65% owned by Aclara Technology LLC. *Aclara Meters* is primarily engaged in the manufacture and assembly of kilowatt-hour meters and meter accessories and import, export, distribute and otherwise deal in or with all kinds of related and other similar products.

AF Payments

MERALCO, through *Finserve*, has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software. The concession granted by the Department of Transportation ("*DOTr*") expires on December 16, 2025. *AF Payments* is in the process of finalizing a proposed two (2) year extension of the concession agreement with *DOTr*.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior years on the carrying amount of its investment in *AF Payments*.

SBPL

SBPL, which is a joint venture between *MGen* (51%) and New Growth B.V. (49%), a 100% subsidiary of Electricity Generating Public Company Limited of Thailand ("*EGCO*"), owns and operates a new 455 *MW* (net) supercritical coal-fired power plant in Mauban, Quezon.

SBPL delivers all its plant output to *MERALCO* under a 20-year *PSA* approved by the *ERC*.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation ("*Rockwell Land*") and *MERALCO* for a pre-agreed cooperation period, whereby *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO's* 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

NSEC

NSEC, a joint venture between *MGreen* and *Vena Energy*, owns and operates a 68 *MWac* solar power plant in Currimao, Ilocos Norte. *NSEC* has a 20- year *PSA* with *MPower*.

MPioneer

MPioneer is 35% owned by *MERALCO* and 65% owned by Pioneer Insurance and Surety Company. It is engaged in non-life insurance business.

MDJV

On June 2, 2014, *MRail* and Desco, Inc. entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways. The project including its warranty period was completed on April 19, 2019. As at December 31, 2024, *MDJV* is still in the process of liquidation.

Pure Meridian

On January 7, 2016, *MERALCO* and Repower Energy Development Corporation ("*REDC*") entered into a joint venture through, *Pure Meridian*, for the development of mini-hydroelectric power projects. The development of the mini-hydroelectric power projects is suspended. With the suspension of the development of its projects, *MERALCO* recognized impairment on the carrying amount of its investment in *Pure Meridian*.

The condensed statements of financial position of material associates follow:

	2024		
	ATEC	***FPM Power / PacificLight Power***	***Pylon***
		(Amounts in millions)	
Current assets	**₱3,210**	**₱15,847**	**₱12,495**
Noncurrent assets	**32,451**	**34,340**	**43,959**
Current liabilities	**(4,688)**	**(14,420)**	**(9,480)**
Noncurrent liabilities	**(7,453)**	**(13,281)**	**(24,703)**
Non-controlling interests	**(3,982)**	**–**	**–**
Net assets	**₱19,538**	**₱22,486**	**₱22,271**

	2023		
	ATEC	*FPM Power / PacificLight Power*	*Indra Philippines*
		(Amounts in millions)	
Current assets	₱3,227	₱15,061	₱2,554
Noncurrent assets	33,995	31,523	295
Current liabilities	(4,105)	(15,442)	(865)
Noncurrent liabilities	(9,457)	(12,175)	(301)
Non-controlling interests	(3,840)	–	–
Net assets	₱19,820	₱18,967	₱1,683

The condensed statements of comprehensive income of material associates are as follows:

	2024			2023			2022		
	ATEC	***FPM Power / PacificLight Power***	***Pylon***	*ATEC*	*FPM Power / PacificLight Power*	*Indra Philippines*	*ATEC*	*FPM Power / PacificLight Power*	*Indra Philippines*
					(Amounts in millions)				
Revenues	₱10,539	₱85,577	₱1,080	₱10,790	₱114,383	₱2,891	₱10,077	₱99,168	₱2,513
Costs and expenses	(7,567)	(72,702)	(2,039)	(8,473)	(97,947)	(2,596)	(8,270)	(86,598)	(2,244)
Net income	2,972	12,875	(959)	2,317	16,436	295	1,807	12,570	269
Non-controlling interests	(635)	–	–	(548)	–	–	(429)	–	–
Net income attributable to equity holders of the parent company	2,337	12,875	(959)	1,769	16,436	295	1,378	12,570	269
Other comprehensive income (loss)	–	508	–	–	–	(64)	–	–	35
Total comprehensive income	₱2,337	₱13,383	(₱959)	₱1,769	₱16,436	₱231	₱1,378	₱12,570	₱304
Dividends received	₱912	₱7,015	₱–	₱800	₱8,164	₱20	₱412	₱2,988	₱100

The reconciliation of the net assets of the foregoing material associates to the carrying amounts of investments and advances in these associates recognized in the consolidated statements of financial position is as follows:

	2024		
	ATEC	***FPM Power / PacificLight Power***	***Pylon***
	(Amounts in millions, except % of ownership)		
Net assets of associates	**₱19,538**	**₱22,486**	**₱22,271**
Proportionate ownership in associates (%)	**50**	**58**	**25.56**
	9,769	**13,042**	**5,692**
Fair value and other adjustments	**–**	**4,539**	**902**
	₱9,769	**₱17,581**	**₱6,594**

	2023		
	ATEC	*FPM Power / PacificLight Power*	*Indra Philippines*
	(Amounts in millions, except % of ownership)		
Net assets of associates	₱19,820	₱18,967	₱1,683
Proportionate ownership in associates (%)	50	58	25
	9,910	11,001	420
Fair value and other adjustments	–	5,183	–
	₱9,910	₱16,184	₱420

The following is the aggregate information of associates that are considered as not individually material:

	2024	2023	2022
		(Amounts in millions)	
Share in net income (loss)	**(₱218)**	₱55	(₱216)
Share in other comprehensive income	**1**	2	–
Share in total comprehensive income (loss)	**(₱217)**	₱57	(₱216)
Dividends received	**₱110**	₱28	₱–

Joint Ventures

The condensed statements of financial position of material joint ventures follow:

	2024	
	RBC JV	***SBPL***
	(Amounts in millions)	
Cash and cash equivalents	**₱640**	**₱3,940**
Current assets, excluding cash and cash equivalents	**316**	**6,686**
Noncurrent assets	**1,937**	**40,875**
Trade payables	**(23)**	**(782)**
Current liabilities, excluding trade payables	**(456)**	**(4,362)**
Noncurrent liabilities	**(4)**	**(27,585)**
Net assets	**₱2,410**	**₱18,772**

	2023	
	RBC JV	*SBPL*
	(Amounts in millions)	
Cash and cash equivalents	₱630	₱4,314
Current assets, excluding cash and cash equivalents	349	6,042
Noncurrent assets	1,671	43,473
Trade payables	(130)	(40)
Current liabilities, excluding trade payables	(356)	(4,316)
Noncurrent liabilities	(21)	(30,044)
Net assets	₱2,143	₱19,429

The condensed statements of comprehensive income of material joint ventures are as follows:

	2024		2023		2022	
	RBC JV	***SBPL***	*RBC JV*	*SBPL*	*RBC JV*	*SBPL*
			(Amounts in millions)			
Revenues	**₱873**	**₱20,198**	₱847	₱24,449	₱835	₱27,113
Costs and expenses, excluding depreciation	**38**	**(12,677)**	(182)	(17,443)	28	(22,612)
Depreciation	**(215)**	**(1,544)**	(212)	(1,499)	(208)	(1,478)
Other income (expense) – net	**33**	**(2,624)**	25	(2,973)	122	433
Benefit from (provision for) income tax - net	**(106)**	**(28)**	(93)	15	(93)	15
Net income	**₱623**	**₱3,325**	₱385	₱2,549	₱684	₱3,471
Dividends received	**₱168**	**₱2,031**	₱181	₱913	₱155	₱385

The reconciliation of the net assets of the foregoing material joint ventures to the carrying amounts of investments in these joint ventures recognized in the consolidated statements of financial position is as follows:

	2024	
	RBC JV	***SBPL***
	(Amounts in millions, except % of ownership)	
Net assets of joint ventures	**₱2,410**	**₱18,772**
Proportionate ownership in joint ventures (%)	**30**	**51**
	₱723	**₱9,574**

	2023	
	RBC JV	*SBPL*
	(Amounts in millions, except % of ownership)	
Net assets of joint ventures	₱2,143	₱19,429
Proportionate ownership in joint ventures (%)	30	51
	₱643	₱9,909

The following is the condensed financial information of joint ventures which are considered immaterial:

	2024	2023	2022
		(Amounts in millions)	
Share in net income	**₱42**	₱25	₱37
Share in other comprehensive income	**(1)**	1	–
Share in total comprehensive income	**₱41**	₱26	₱37
Dividends received	**₱16**	₱–	₱–

9. Investment Properties

The movements in investment properties are as follows:

	2024		
	Land	**Buildings and Improvements**	**Total**
		(Amounts in millions)	
Cost:			
Balance at beginning of year	**₱1,428**	**₱211**	**₱1,639**
Others	**–**	**(2)**	**(2)**
Balance at end of year	**1,428**	**209**	**1,637**
Less accumulated depreciation:			
Balance at beginning of year	**–**	**146**	**146**
Depreciation	**–**	**4**	**4**
Balance at end of year	**–**	**150**	**150**
	₱1,428	**₱59**	**₱1,487**

	2023		
	Land	Buildings and Improvements	Total
		(Amounts in millions)	
Cost:			
Balance at beginning of year	₱1,428	₱209	₱1,637
Additions	–	2	2
Balance at end of year	1,428	211	1,639
Less accumulated depreciation:			
Balance at beginning of year	–	142	142
Depreciation	–	4	4
Balance at end of year	–	146	146
	₱1,428	₱65	₱1,493

Investment properties consist of former substation sites, real properties held for capital appreciation, and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(Amounts in millons)	
Land	**₱5,087**	₱5,087
Buildings and improvements	**136**	138

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. As of December 31, 2024, there is no significant change in the fair value of the investment properties.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱100 to ₱170,000. There have been no changes in the valuation techniques used.

In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

   Under this approach, the value of the property is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the following: location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

   This method of valuation considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

10. Intangible Assets

The movements of intangible assets are as follows:

	Note	Software	Franchise	Land and Leasehold Rights	Customer Contracts	Acquired Network Location	Build-to-suit Contracts	Total
		2024						
		(Amounts in millions)						
Cost:								
Balance at beginning of year		**₱8,047**	**₱63**	**₱551**	**₱43,505**	**₱8,398**	**₱2,949**	**₱63,513**
Additions		**514**	**–**	**225**	**–**	**3,310**	**1,160**	**5,209**
Effect of deconsolidation of *MIDC*	*3*	**(15)**	**–**	**–**	**–**	**(11,707)**	**(4,110)**	**(15,832)**
Reclassification	*3*	**(86)**	**–**	**–**	**–**	**(1)**	**1**	**(86)**
Balance at end of year		**8,460**	**63**	**776**	**43,505**	**–**	**–**	**52,804**
Less accumulated amortization:								
Balance at beginning of year		**5,740**	**–**	**441**	**3,327**	**275**	**96**	**9,879**
Amortization		**472**	**–**	**108**	**1,050**	**261**	**92**	**1,983**
Effect of deconsolidation of *MIDC*	*3*	**(3)**	**–**	**–**	**–**	**(550)**	**(175)**	**(728)**
Reclassification	*3*	**(96)**	**–**	**(86)**	**(2)**	**14**	**(13)**	**(183)**
Balance at end of year		**6,113**	**–**	**463**	**4,375**	**–**	**–**	**10,951**
Less allowance for impairment loss:								
Balance at beginning of year		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortization		**294**	**–**	**–**	**–**	**–**	**–**	**294**
Balance at end of year		**294**	**–**	**–**	**–**	**–**	**–**	**294**
		₱2,053	**₱63**	**₱313**	**₱39,130**	**₱–**	**₱–**	**₱41,559**

	Note	Software	Franchise	Land and Leasehold Rights	Customer Contracts	Acquired Network Location	Build-to-suit Contracts	Total
		2023 (As restated - Note 3)						
		(Amounts in millions)						
Cost:								
Balance at beginning of year		₱7,511	₱63	₱558	₱13,875	₱5,661	₱2,058	₱29,726
Additions		490	–	19	–	2,737	891	4,137
Effect of consolidation of *SPNEC*	*3*	–	–	–	29,630	–	–	29,630
Reclassification		46	–	(26)	–	–	–	20
Balance at end of year		8,047	63	551	43,505	8,398	2,949	63,513
Less accumulated amortization:								
Balance at beginning of year		5,308	–	401	2,276	36	14	8,035
Amortization		424	–	39	1,051	247	90	1,851
Reclassification		8	–	1	–	(8)	(8)	(7)
Balance at end of year		5,740	–	441	3,327	275	96	9,879
		₱2,307	₱63	₱110	₱40,178	₱8,123	₱2,853	₱53,634

The identified intangible asset from the acquisition of controlling interest in *SPNEC* pertains to the existing customer contract of *Terra Solar* at acquisition date which was recognized at fair value.

Acquired network location intangibles represent the value to *MIDC* of the benefits from leasing the excess capacity on acquired towers to other mobile network operators. The build-to-suit contract intangibles pertain to the contractual commitment of Globe Telecom, Inc ("*Globe*") to engage *MIDC* to build a committed number of additional towers with *Globe* as tenant.

MIDC recognized *ROU* assets and corresponding lease liabilities covering the lease agreements transferred from *Globe* and for the agreements entered by *MIDC* for build-to-suit sites. As at December 31, 2023, lease liabilities amounted to ₱2,497 million.

In September 2024, as a result of the Multi-Party Share Swap Agreement, the balances of the acquired network location and build-to-suit contracts of *MIDC* were deconsolidated.

See *Note 3 – Statement of Compliance and Basis of Consolidation*.

11. Financial and Other Noncurrent Assets

This account consists of:

	Note	**2024**	2023 (As restated - Note 3)
		(Amounts in millions)	
Financial assets:			
Financial assets at *FVOCI*	*27*	**₱4,407**	₱4,375
Debt securities at amortized cost	*15 and 27*	**1,091**	9,858
Advance payments to a supplier	*27 and 30*	**–**	228
Nonfinancial assets:			
Under-recoveries of pass-through charges – net	*2 and 24*	**17,666**	10,434
Rental deposits		**6,688**	3,888
Finance lease		**875**	894
Deferred input *VAT*		**82**	3,487
Construction bonds		**165**	158
Receivable from the *BIR*		**181**	181
Others		**1,745**	1,725
		₱32,900	₱35,228

Financial Assets at *FVOCI*

The details of financial assets at *FVOCI* are as follows:

	2024	2023
	(Amounts in millions)	
Investments in debt securities - corporate bonds and others	**₱2,023**	₱2,255
Investments in shares of stock and club shares	**2,384**	2,120
	₱4,407	₱4,375

Interest income from debt and equity securities amounted to ₱577 million, ₱831 million and ₱1,150 million for the years ended December 31, 2024, 2023 and 2022, respectively.

The rollforward of unrealized fair value gains on quoted *FVOCI* financial assets, net of tax, included in the consolidated statements of financial position follow:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱490**	₱311
Unrealized fair value gains on fair value changes on:		
Debt securities	**194**	88
Equity securities	**117**	91
Balance at end of year	**₱801**	₱490

Debt Securities at Amortized Cost

The details of debt securities at amortized cost are as follows:

	2024			2023		
	Current Portion (see *Note 15*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 15*)	Noncurrent Portion	Total
			(Amounts in millions)			
Government securities	**₱8,601**	**₱1,056**	**₱9,657**	₱2,162	₱9,389	₱11,551
Private debt securities	**213**	**35**	**248**	5,371	469	5,840
	₱8,814	**₱1,091**	**₱9,905**	₱7,533	₱9,858	₱17,391

Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO* and *Clark Electric* as *DU*s, determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes net under-recoveries of generation, transmission and other pass-through charges of current and prior years, which are the subject of various applications for recovery and approval by the *ERC*.

Allowance for *ECL* for net under -recoveries of pass-through charges amounted to ₱6,639 million and ₱2,645 million as at December 31, 2024 and 2023.

See *Note 13 – Trade and Other Receivables*.

Deferred Input VAT

The amount represents the balance of input *VAT* incurred up to December 31, 2021, and paid in connection with purchase of capital assets in excess of ₱1 million per month. Such input tax from purchase of capital assets was deferred and offset againt output tax evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter.

Finance Lease

Spectrum entered into several bilateral *PSA*s to lease out solar power generation systems to its customers under a finance lease arrangement for periods ranging from 10 to 28 years.

Spectrum recognized finance lease receivables equivalent to its net investments under the lease. Net investment in the lease is the fair value of the asset and the present value of the minimum lease payments, whichever is lower. The average implicit interest rate of the lease arrangements ranges from 7.07% to 12.52% per annum at the inception of the lease.

Minimum lease payment pertains to the price of estimated energy output that the asset can produce and deliver to the lessee. The difference of actual and minimum lease payments from finance lease arrangements is recognized under "Other income (expense)" account in the consolidated statement of income.

The lease payments made by the lessees consist of interest and principal determined using the *EIR* method. The lease receivable is reduced by the principal portion of the lease payment made by the lessee.

12. Cash and Cash Equivalents

This account consists of:

	2024	2023
	(Amounts in millions)	
Cash on hand and in banks	**₱30,165**	₱30,104
Cash equivalents	**54,315**	52,685
	₱84,480	₱82,789

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods up of to three (3) months depending on *MERALCO Group*'s immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱3,161 million, ₱2,339 million and ₱765 million for the years ended December 31, 2024, 2023 and 2022, respectively.

As at December 31, 2024 and 2023, cash and cash equivalents include bank accounts totaling ₱4,669 million and ₱5,531 million, respectively, equivalent to unpaid *SC* refund, meter deposits, *RES* bill deposits and over-recoveries of pass-through charges which *MERALCO* set aside in compliance with regulatory requirements.

13. **Trade and Other Receivables**

This account consists of:

	Note	**2024**	2023 (As restated - see Note 3)
		(Amounts in millions)	
Trade:			
Electricity sold	*23 and 27*	**₱43,682**	₱38,688
Service contracts		**10,533**	1,448
Energy generated	*27*	**6,613**	6,604
Unbilled receivables	*24*	**3,387**	3,028
Nontrade	*23 and 27*	**9,336**	6,705
		73,551	56,473
Less allowance for expected credit losses		**8,854**	8,203
		₱64,697	₱48,270

Movements in allowance for expected credit losses for trade and other receivables are as follows:

	2024			
	Balance at Beginning of Year	**Provisions (Reversals)**	**Write-offs**	**Balance at End of Year**
		(Amounts in millions)		
Trade:				
Electricity sold	**₱5,557**	**₱792**	**₱–**	**₱6,349**
Energy generated	**1,276**	**54**	**(51)**	**1,279**
Other trade receivables	**916**	**40**	**(169)**	**787**
Nontrade receivables	**454**	**(15)**	**–**	**439**
	₱8,203	**₱871**	**(₱220)**	**₱8,854**

	2023				
	Balance at Beginning of Year	Provisions	Write-offs	Effect of Consolidation of *SPNEC*	Balance at End of Year
		(Amounts in millions)			
Trade:					
Electricity sold	₱4,769	₱788	₱–	₱–	₱5,557
Energy generated	1,108	99	–	69	1,276
Other trade receivables	786	147	(17)	–	916
Nontrade receivables	452	2	–	–	454
	₱7,115	₱1,036	(₱17)	₱69	₱8,203

	2024					2023				
	Trade					Trade				
	Electricity Sold	Energy Generated	Other Receivables	Nontrade Receivables	Total	Electricity Sold	Energy Generated	Other Receivables	Nontrade Receivables	Total
	(Amounts in millions)									
Individually impaired	**₱4,680**	**₱–**	**₱787**	**₱439**	**₱5,906**	₱3,733	₱–	₱916	₱454	₱5,103
Collectively impaired	**1,669**	**1,279**	**–**	**–**	**2,948**	1,824	1,276	–	–	3,100
	₱6,349	**₱1,279**	**₱787**	**₱439**	**₱8,854**	₱5,557	₱1,276	₱916	₱454	₱8,203

Trade Receivables – Electricity Sold

Trade receivables of *MERALCO* and *Clark Electric* include charges for pass-through costs. Pass-through costs of *MERALCO* as a *DU* consist of generation, transmission and *SL* charges, which represent 63%, 7% and 5%, respectively, of the total billed amount in 2024 and 66%, 6% and 5%, respectively, of the total billed amount in 2023. Billed receivables are due 10 days after bill date. *MERALCO*'s, *Clark Electric*'s and *Shin Clark*'s trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-off dates, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See *Note 27 – Financial Assets and Financial Liabilities.*

Trade Receivables – Energy Generated

Trade receivables – energy generated represent non-interest-bearing outstanding billings for energy generated and sold and pass-through fuel costs arising from the delivery of electricity to customers and energy sales to the *WESM* by power generation subsidiaries. Credit term is 15 to 30 days from the date of receipt of billing.

Trade Receivables – Service Contracts

Service contracts receivable arise from contracts entered into by the *MIESCOR Group*, *eMVI Group*, *CIS Group*, *Mrail*, *Mserv*, *Finserve*, *Comstech, eSakay* and *Spectrum* for construction, engineering, consulting and related manpower, light rail maintenance, telecommunications and data transport, e-transactions and bills collection, tellering and e-business development, energy systems management and harnessing renewable energy to third parties.

Receivables from service contracts and others are noninterest-bearing and are generally on 30 to 90-day terms.

See *Note 11 – Financial and Other Noncurrent Assets*.

14. **Inventories**

	2024	2023 (As restated - see Note 3)
	(Amounts in millions)	
Materials and supplies:		
At cost	**₱12,427**	₱12,143
At net realizable value ("*NRV*")	**11,422**	11,130
Materials and supplies at lower of cost and *NRV*	**₱11,422**	₱11,130

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱1,005 million and ₱1,013 million as at December 31, 2024 and 2023, respectively. No item of inventory has been written off for the years ended December 31, 2024, 2023 and 2022.

Movements in allowance for inventory obsolescence are as follows:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱1,013**	₱962
Provision for (reversal of) allowance for inventory obsolescence	**(8)**	51
Balance at end of year	**₱1,005**	₱1,013

See *Note 25 – Expenses and Income.*

15. **Financial and Other Current Assets**

	Note	**2024**	2023 (As restated - see Note 3)
		(Amounts in millions)	
Financial assets:			
Debt securities at amortized cost	*11*	**₱8,814**	₱7,533
Short-term investments		**12**	11
Current portion of advance payments to a supplier		**206**	197
Nonfinancial assets:			
Input *VAT*		**2,734**	5,155
Prepayments		**2,241**	2,211
Advance payments to suppliers		**2,229**	2,175
Creditable withholding taxes		**1,286**	1,062
Prepaid tax		**953**	967
Others		**542**	1,122
		₱19,017	₱20,433

16. **Equity**

Common Stock

	2024	2023
	(In millions, except par value)	
Authorized number of shares - ₱10 par value per share	**1,250**	1,250
Issued and outstanding – number of shares	**1,127**	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 40,476 and 40,960 common shareholders as at December 31, 2024 and 2023, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include accumulated earnings of subsidiaries, associates and joint ventures, the balance of *MERALCO*'s revaluation increment in utility plant, generation plant and others, and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱92,861 million and ₱75,067 million as at December 31, 2024 and 2023, respectively. These amounts are restricted for dividend declaration purposes as of the close of the respective reporting year.

The following are the cash dividends declared on common shares for the years ended December 31, 2024, 2023 and 2022:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 29, 2024	August 28, 2024	September 23, 2024	₱10.30	₱11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430
July 25, 2022	August 23, 2022	September 14, 2022	5.81	6,544
February 28, 2022	March 30, 2022	April 26, 2022	10.23	11,526

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year; and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Hedging Reserve

In 2024, *MERALCO* entered into various foreign exchange forwards to "lock-in" investment cost payable in foreign currency. The foreign exchange forwards were accounted for as cashflow hedge. The changes in the fair value of the foreign exchange forwards are recorded as Hedging Reserve in the consolidated statement of changes in equity and will be accounted for in the investment balance as of closing date.

Treasury Shares

Treasury shares represent 172,412 subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the Employee Stock Purchase Plan ("*ESPP*") were approved by the *SEC* for conversion to treasury shares. Consequently, the total number of treasury shares is 178,608 as at December 31, 2024. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

17. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	2024	2023
	(Amounts in millions)	
Long-term portion of interest-bearing financial liabilities – long-term debt	**₱54,797**	₱62,272
Current portion of interest-bearing financial liabilities:		
Long-term debt	**4,231**	8,126
Redeemable preferred stock	**1,461**	1,465
	5,692	9,591
	₱60,489	₱71,863

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million as at December 31, 2024 and 2023. Interest is no longer accrued from the time such preferred shares were called for redemption.

The details of interest-bearing long-term financial liabilities are as follows:

	2024	2023
	(Amounts in millions)	
MERALCO		
₱10.0 Billion Term Loan	**₱9,900**	₱9,900
12-year Puttable Bonds	**2,868**	2,868
₱7.2 Billion Note	**–**	3,960
MGen Group		
₱18.0 Billion Term Loan	**16,020**	16,740
₱11.6 Billion Term Loan	**9,168**	10,132
₱5.8 Billion Term Loan	**3,770**	4,350
₱4.5 Billion Term Loan	**3,188**	3,535
₱3.0 Billion Term Loan	**2,690**	2,804
₱2.7 Billion Term Loan	**2,650**	2,350
₱3.5 Billion Term Loan	**2,045**	2,692
₱2.0 Billion Term Loan	**2,034**	–
₱2.2 Billion Term Loan	**1,780**	1,936
₱3.4 Billion Term Loan	**980**	1,199
₱791 Million Term Loan	**791**	–
₱1.5 Billion Term Loan	**152**	307
Radius		
₱700 Million Term Loan	**665**	700
₱42.4 Million Term Loan	**4**	9
$2.9 Million Medium-Term Loan	**–**	38

	2024	2023
	(Amounts in millions)	
MServ		
₱600 Million Term Loan	**₱330**	₱420
MIESCOR		
₱375 Million Term Loan	**187**	241
₱10.4 Billion Term Loan	**–**	6,749
Total long-term debt	**59,222**	70,930
Less unamortized debt issue costs	**403**	808
	58,819	70,122
Redeemable preferred stock	**1,461**	1,465
Fair value adjustment in relation to the purchase of *GBPC*	**209**	276
	60,489	71,863
Less current portion	**5,692**	9,591
Long-term portion of interest-bearing financial liabilities	**₱54,797**	₱62,272

The scheduled maturities of the outstanding long-term debt at nominal values as at December 31, 2024 are as follows:

	Amount in millions
Less than one (1) year	₱7,357
One (1) year up to two (2) years	4,759
More than two (2) years up to three (3) years	5,034
More than three (3) years up to four (4) years	4,361
More than four (4) years up to five (5) years	5,223
More than five (5) years	32,488
	₱59,222

MERALCO

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

12-year Puttable Bonds

The 12-year Puttable Bond is the balance of the total ₱18,000 million Puttable Bonds issued in December 2013, puttable on the 10th year. On December 13, 2023, *MERALCO* redeemed ₱4,132 million Puttable Bonds.

₱7.2 Billion Note

In April 2024, the remaining outstanding amount of *MERALCO*'s ₱7,200 million, 10-year Fixed Rate Note Facility was fully paid.

MGen Group

₱18 Billion Term Loan

GBPC has a ₱18,000 million, 15-year term loan due in May 2036. Interest rate is subject to repricing on May 2026. The principal is payable semi- annually until maturity.

₱11.6 Billion Term Loan

On April 28, 2022, *PEDC* obtained a ₱11,580 million, 12-year term loan due in April 2034. The principal and related interest are payable quarterly.

₱5.8 Billion Term Loan

CEDC's ₱5.8 Billion Term Loan represents a restructured loan from the original project financing obligation. This restructured loan is payable over 10 years until June 2031.

₱4.5 Billion Term Loan

This bilateral term loan with a consortium of banks was used to finance the acquisition of a 50% less one share in *ATEC*. The loan is a fixed rate 12-year facility with quarterly principal repayment commencing on November 2020.

₱3.0 Billion Term Loan

First Bulacan has a ₱3,039 million, 15-year term loan with interest repricing on November 2029 and the principal amount payable until November 2034.

₱2.7 Billion Term Loan

PHRI has a ₱2,650 million term loan due in September 2037. The principal and related interest are payable semi-annually.

₱3.5 Billion Term Loan

TPC has a ₱3,500 million, 5-year term loan due in July 2027. The principal and related interest are payable quarterly.

₱2.0 Billion Term Loan

On May 17, 2024, *Greenergy* secured a 15-year term project financing facility to fund the ongoing construction of its 49 *Mwac* solar project in Cordon, Isabela. The principal and related interest are payable semi-annually until May 2039.

₱2.2 Billion Term Loan

Solar Philippines Tarlac has a ₱2,225 million, 12-year term loan due in July 2031. The principal and related interest are payable semi-annually.

₱3.4 Billion Term Loan

Solar Philippines Calatagan has a ₱3,400 million, 12-year term loan due in April 2029. The principal and related interest are payable semi-annually.

₱791 Million Term Loan

On May 17, 2024, *GSEI* secured a 15-year term project financing facility to develop its 18.75 *Mwac* solar plant in Bongabon, Nueva Ecija. The principal and related interest are payable semi-annually until May 2039.

₱1.5 Billion Term Loan

The ₱1,500 million loan of *CEDC* was used for general financing and other corporate requirements. The principal and related interest are payable semi-annually until December 2025.

Radius

₱700 Million Term Loan

The balance of the 7-year Term Loan of *Radius* is ₱665 million as at December 31, 2024. The principal and interest are payable quarterly until August 2029.

$2.9 Million Medium-Term Loan

Radius has a $2.9 million, medium-term loan payable quarterly. In July 2024, the loan was paid in full.

₱42.4 Million Term Loan

Radius' ₱42.4 million loan is payable quarterly until July 2025.

MServ

₱600 Million Term Loan

The balance of *MServ's* 10-year fixed rate term loan is ₱330 million as at December 31, 2024. The principal is payable based on pre-agreed amortization until 2027 while interest is payable semi-annually.

MIESCOR

₱375 Million Term Loan

MIESCOR has a ₱375 million, fixed rate term loan, payable semi-annually until June 2028.

The annual interest rates of the interest-bearing financial liabilities range from 4.70% to 8.70% and 4.50% to 7.96% as at December 31, 2024 and 2023, respectively.

Debt Covenants

The terms of the *MERALCO* loans include compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

MERALCO's subsidiaries loan agreements require compliance with certain financial ratios at all times until full payment of the obligations. The restrictions also cover payment of dividends, distributions or other returns to its stockholders, additional liens on its assets, disposal of assets, incurrence of additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entities.

As at December 31, 2024 and 2023, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Interest expense on the foregoing long-term financial liabilities amounted to ₱3,043 million, ₱3,050 million and ₱2,760 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Unamortized Debt Issue Costs

The following presents the changes to the unamortized debt issue costs:

	Note	**2024**	2023
		(Amounts in millions)	
Balance at beginning of year		**₱808**	₱964
Additions		**34**	–
Amortization charged to interest and other financial charges	*24*	**(86)**	(195)
Effect of deconsolidation of *MIDC*	*3*	**(353)**	–
Effect of consolidation of *SPNEC*	*3*	**–**	39
Balance at end of year		**₱403**	₱808

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	2024	2023
Balance at beginning of year	**146,510,496**	146,662,341
Redemptions	**(401,585)**	(151,845)
Balance at end of year	**146,108,911**	146,510,496

The original "Terms and Conditions" of *MERALCO*'s Special Stock Subscription Agreement, which required every service applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR,* effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.

18. Customers' Deposits

This account consists of:

	2024			2023		
	Current Portion (see *Note 22*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 22*)	Noncurrent Portion	Total
			(Amounts in millions)			
Bill deposits	**₱2,493**	**₱33,274**	**₱35,767**	₱2,463	₱34,128	₱36,591
Meter deposits	**317**	**–**	**317**	317	–	317
	₱2,810	**₱33,274**	**₱36,084**	₱2,780	₱34,128	₱36,908

Bill Deposits

Bill deposits serve to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR,* interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines ("*Land Bank*") or other government banks, on the first working day of the year, subject to the confirmation by the *ERC.*

As provided for under *ERC* Resolution No. 1, Series of 2011, *A Resolution Adopting the Revised Rules for the Issuance of Licenses to Retail Electricity Suppliers*, a local *RES* may require security deposits from its contestable customers, which shall earn interest equivalent to the actual interest earnings of the total amount of deposits received from the customers.

On January 24, 2025, *MERALCO* received an *SC* Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the Magna Carta, as illegal and void and that *MERALCO* and other *DU*s be permanently prohibited from imposing and collecting bill deposit from captive customers

The following are the movements of the bill deposits account:

	Note	**2024**	2023
		(Amounts in millions)	
Balance at beginning of year		**₱36,591**	₱34,515
Additions		**8,311**	3,428
Refunds		**(9,135)**	(1,352)
Balance at end of year		**35,767**	36,591
Less portion maturing within one year	*22*	**2,493**	2,463
Noncurrent portion of bill deposits and related interests		**₱33,274**	₱34,128

Interest expense on bill deposits amounted to ₱22 million, ₱22 million and ₱21 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

Following the effectivity of the *Magna Carta* (for residential customers) and *DSOAR* (for non-residential customers), all customers are exempt from payment of meter deposits.

MERALCO deposited the amount equivalent to the unclaimed meter deposits in a single savings account in compliance with the *ERC* order in 2016.

19. Provisions

Provisions consist of amounts related to certain proceedings and claims against *MERALCO Group*, among others. The movements follow:

	Note	**2024**	2023
		(Amounts in millions)	
Balance at beginning of year		**₱71,669**	₱63,321
Provisions for the year – net		**8,470**	7,573
Settlements		**(309)**	(10,299)
Reclassifications	*22*	**(14,337)**	11,074
Balance at end of year		**65,493**	71,669
Less current portion	*22*	**55,638**	60,319
Noncurrent portion of provisions		**₱9,855**	₱11,350

The balance of provisions represents estimated amount of losses, over-recoveries and claims related to a commercial contract which remains unresolved and local taxes being contested as discussed in *Note 29 – Contingencies and Legal Proceedings*, consistent with the limited disclosure as allowed in *PFRS* Accounting Standards.

20. Customers' Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. Even while the refund period ended, *MERALCO* continues to process refunds as the eligible customers present their required supporting documents. The refund shall continue until the *ERC* orders otherwise.

See *Note 2 – Rate Regulations*.

21. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks and which are due within one (1) year. Annual interest rates were up to 6.94% and 4.00% as at December 31, 2024 and 2023, respectively.

Interest expense on notes payable amounted to ₱1,409 million, ₱1,282 million and ₱1,187 million for the years ended December 31, 2024, 2023 and 2022, respectively.

22. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	**2024**	2023 (As restated - Note 3)
		(Amounts in millions)	
Trade accounts payable	*23 and 24*	**₱69,177**	₱63,977
Accrued expenses:			
Services		**4,331**	3,750
Employee benefits		**3,627**	3,190
Interest	*17*	**903**	729
Others		**2,096**	1,807
Current portions of:			
Provisions	*2, 19 and 29*	**55,638**	60,319
Bill deposits and related interests	*18*	**2,493**	2,463
Deferred income		**632**	976
Meter deposits and related interests	*18*	**317**	317
Refundable service extension costs		**1,457**	1,777
Dividends payable on:			
Common stock	*16*	**3,662**	3,219
Redeemable preferred stock	*17*	**248**	248
Taxes		**13,047**	20,602
Payable to customers		**10,636**	5,363
Liabilities related to put Option Agreement	*3*	**9,506**	12,006
Universal charges payable	*32*	**3,048**	2,801
Derivative liability	*16 and 27*	**961**	–
FiT-All payable	*32*	**683**	197
Payroll related remittances		**669**	652
Regulatory fees payable		**394**	340
Lease liability		**102**	2,679
Other current liabilities		**7,845**	4,742
		₱191,472	₱192,154

Trade Accounts Payable

Trade accounts payable mainly represent obligations to power generating companies, *NGCP* and *IEMOP* for cost of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, coal, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.

See *Note 23 – Related Party Transactions, Note 24 – Revenue and Purchased Power* and *Note 30 – Significant Contracts and Commitments.*

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, "Right to Extension of Lines and Facilities", requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.

As at December 31, 2024 and 2023, the noncurrent portion of refundable service extension costs of ₱3,753 million and ₱4,051 million, respectively, is presented as "Refundable service extension costs - net of current portion" account in the consolidated statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *PSALM* through the *DU*s. These are charges imposed to recover stranded debts, stranded contract costs of National Power Corporation ("*NPC*"), stranded contract costs of eligible contracts of *DU*s, missionary electrification and environment charges. *DU*s remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payable to Customers

Payable to customers account includes amounts credited to customers's bills or payments made by customers in advance, which are being applied to their current consumption.

23. Related Party Transactions

The *MERALCO Group* has approval process and limits with respect to the amounts and extent of related party transactions.

The following summarizes the total amount of transactions, which have been provided and/or contracted by the *MERALCO Group* to/with related parties for the relevant year. The outstanding balances are unsecured, non-interest-bearing and settled in cash.

Pole Attachment Contract with PLDT

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third parties/ telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable positions exclusively for its telecommunication cable network facilities.

Sale of Electricity under Various Service Contracts

MERALCO sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries and affiliates. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to all captive customers within the franchise area. The rates charged by *RES* to related parties as contestable customers are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and Subsidiaries

The *MERALCO Group*'s telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. for its fixed and wireless services. Such services are covered by standard service contracts between the telecommunications carriers and each legal entity within the *MERALCO Group*.

Lease Agreement with Robinsons Land Corporation ("RLC")

MERALCO has various lease agreements with *RLC* for its temporary office premises until January 2024.

Purchase of Goods and Services

In the ordinary course of business, the *MERALCO Group* purchases goods and services from its affiliates and sells power and renders services to such affiliates.

PSAs

As discussed in Note 30, *MERALCO* has long-term *PSAs* with *SBPL, NSEC* and *Solar Philippines Tarlac*.

Following is a summary of related party transactions in 2024, 2023 and 2022 and the outstanding balances as at December 31, 2024 and 2023:

	Amount of Transactions			Outstanding Receivable (Liability)			
Category	**2024**	2023	2022	**2024**	2023	Terms	Conditions
	(Amounts in millions)						
Sale of electricity:							
JG Summit Group	**₱4,004**	₱4,372	₱3,919	**₱951**	₱856	10-days; noninterest-bearing	Unsecured, no impairment
PLDT Group	**1,073**	1,405	1,224	**49**	69	10-days; noninterest-bearing	Unsecured, no impairment
Metro Pacific Group	**573**	566	391	**45**	45	10-days; noninterest-bearing	Unsecured, no impairment
Purchases of IT services - *Indra Philippines*	**1,081**	1,012	940	**(282)**	(293)	30-days; noninterest-bearing	Unsecured
Purchases of meters and devices – *Aclara Meters*	**169**	246	147	**(2)**	(7)	30-days; noninterest-bearing	Unsecured
Purchases of medical services - *Colinas Verdes Hospital Managers*	**252**	204	192	**(1)**	(9)	30-days; noninterest-bearing	Unsecured
Revenue from pole attachment - *PLDT*	**687**	688	689	**14**	6	Advance payment	Unsecured, no impairment
Lease of office premises – *RLC*	**12**	107	48	**–**	–	30-days; noninterest-bearing	Unsecured
Purchases of wireline and wireless services - *PLDT Group*	**122**	96	103	**(15)**	(2)	30-days; noninterest-bearing	Unsecured
Purchases of insurance premium - *MPioneer*	**490**	470	451	**(14)**	(4)	30-days; noninterest-bearing	Unsecured
Donations to One Meralco Foundation	**65**	94	99	**–**	–	None	None
Purchases of power:							
SBPL	**19,916**	24,837	26,795	**(1,223)**	(158)	30-days; noninterest-bearing	Unsecured
Solar Philippines Tarlac	**465**	–	–	**(69)**	–	30-days; noninterest-bearing	Unsecured
NSEC	**451**	263	–	**(35)**	(39)	30-days; noninterest-bearing	Unsecured

Transaction with MERALCO Retirement Benefits Fund ("*Retirement Fund*")

MERALCO's Retirement *Fund* holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy.* The fair value of *RP Energy*'s common shares cannot be reliably measured as these are not traded in the financial market. As at December 31, 2024 and 2023, the fair value of the total assets being managed by the *Fund* amounted to ₱30.3 billion and ₱30.9 billion, respectively.

See *Note 26 – Long-Term Employee Benefits.*

Compensation of Key Management Personnel

The compensation of key management personnel of the *MERALCO Group* by benefit type is as follows:

	2024	2023	2022
		(Amounts in millions)	
Short-term employee benefits	**₱861**	₱755	₱643
Long-term employee incentives and retirement benefits	**368**	374	280
Total compensation to key management personnel	**₱1,229**	₱1,129	₱923

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding year.

Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted or the equivalent cash value.

As at December 31, 2024, there are no agreements between the *MERALCO Group* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

24. Revenues and Purchased Power

Revenues

The *MERALCO Group* disaggregates its revenue information in the same manner as it reports its segment information.

See *Note 6 – Segment Information.*

Contract Assets and Contract Liabilities

The *MERALCO Group*'s contract balances are as follows:

	Note	**2024**	2023
		(Amounts in millions)	
Contract assets:			
Unbilled receivables	*13*	**₱3,387**	₱3,028
Under-recoveries of pass-through charges - net	*11*	**17,666**	10,434
Contract liabilities:			
Non-refundable liability related to asset funded by customers		**949**	898
Over-recoveries from transmission, lifeline subsidy and *SL* charges - net		**375**	931

Income recognized from the non-refundable liability related to assets funded by customers amounted to ₱155 million, ₱147 million and ₱203 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Purchased Power

The details of purchased power are as follows:

	2024	2023	2022
		(Amounts in millions)	
Generation costs	**₱301,369**	₱292,968	₱279,328
Transmission costs	**45,165**	35,280	43,317
	₱346,534	₱328,248	₱322,645

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO, Clark Electric* and *Shin Clark Power,* as *DU*s.

Generation costs include any line rentals, market fees and must-run unit charges billed by *IEMOP.*

The details of purchased power follow:

	2024	2023	2022
		(Amounts in millions)	
IEMOP	**₱65,294**	₱57,420	₱40,655
South Premiere Power Corporation ("*SPPC*")	**56,649**	36,807	25,679
First Gas Power Corporation ("*FGPC*")	**50,114**	46,789	51,409
NGCP	**45,212**	35,319	43,356
FGP Corp. ("*FGP*")	**25,162**	23,490	24,736
QPPL	**21,550**	24,126	28,793
SBPL	**19,916**	24,837	26,795
Sual Power Inc. ("*SPI*")	**14,801**	14,603	21,625
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**14,327**	10,991	18,712
AC Energy Philippines, Inc. ("*AC Energy*")	**9,016**	10,586	10,562
Limay Power Inc. ("*LPI*")	**7,070**	–	–
Therma Luzon, Inc. ("*TLI*")	**5,067**	15,850	4,161
Southwest Luzon Power Generation Corporation	**3,289**	3,385	2,672
First NatGas Power Corp. ("*FNPC*")	**2,459**	15,218	14,971
Energy Development Corporation ("*EDC*")	**2,242**	2,398	1,015
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**620**	633	644
Solar Philippines Tarlac	**465**	418	370
NSEC	**451**	263	–
Others	**2,830**	5,115	6,490
	₱346,534	₱328,248	₱322,645

Generation and transmission costs are net of company use amounting to ₱526 million, ₱503 million and ₱480 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2024 and 2023, the total transmission costs and *SL* charge over-recoveries included in "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to ₱216 million and ₱769 million, respectively.

25. **Expenses and Income**

Salaries, Wages and Employee Benefits

	Note	**2024**	2023	2022
			(Amounts in millions)	
Salaries, wages and related employee benefits		**₱16,306**	₱15,341	₱14,150
Retirement benefits	*26*	**1,552**	1,075	1,531
Other post-employment benefits	26	**116**	105	155
		₱17,974	₱16,521	₱15,836

Depreciation and Amortization

	Note	**2024**	2023	2022
			(Amounts in millions)	
Utility plant, generation plant and others	*7*	**₱15,542**	₱14,770	₱14,117
Intangible assets	*10*	**1,983**	1,851	1,910
Investment properties	*9*	**4**	4	4
		₱17,529	₱16,625	₱16,031

Other Expenses

	Note	**2024**	2023	2022
			(Amounts in millions)	
Materials used	*14*	**₱2,965**	₱3,086	₱4,104
Rent and utilities		**1,773**	1,661	1,314
Transportation and travel		**699**	620	597
Insurance		**552**	565	483
Advertising		**418**	337	278
Donations		**224**	375	234
Communication	*23*	**209**	204	190
Others		**2,573**	778	1,252
		₱9,413	₱7,626	₱8,452

26. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	2024	2023
	(Amounts in millions)	
Retirement benefits liability	**₱11,134**	₱7,177
Long-term incentives	**2,874**	1,440
Other post-employment benefits	**2,255**	1,646
	₱16,263	₱10,263

Defined Benefit Retirement Plans

The features of the *MERALCO Group*'s defined benefit plans are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements.*

Actuarial valuations are prepared annually by the respective independent actuaries engaged by *MERALCO* and its subsidiaries.

Expense recognized for defined benefit plans (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2024	2023	2022
		(Amounts in millions)	
Current service costs	**₱1,039**	₱911	₱1,197
Net interest costs	**437**	95	273
Net retirement benefits expense	**₱1,476**	₱1,006	₱1,470

Retirement Benefits Liability

	2024	2023
	(Amounts in millions)	
Defined benefit obligation	**₱41,420**	₱38,029
Fair value of plan assets	**(30,286)**	(30,852)
Net retirement benefits liability	**₱11,134**	₱7,177

Changes in the net retirement benefits liability are as follows:

	2024	2023
	(Amounts in millions)	
Retirement benefits liability at beginning of year	**₱7,177**	₱1,571
Net retirement benefits expense	**1,476**	1,006
Amounts recognized in *OCI*	**2,707**	4,835
Contributions by employer	**(226)**	(235)
Net retirement benefits liability at end of year	**₱11,134**	₱7,177

Changes in the present value of the defined benefits obligation are as follows:

	2024	2023
	(Amounts in millions)	
Defined benefit obligation at beginning of year	**₱38,029**	₱33,143
Interest costs	**2,112**	2,126
Current service costs	**1,039**	911
Benefits paid	**(2,827)**	(2,669)
Actuarial losses (gains) due to:		
Changes in financial assumptions	**(145)**	3,961
Experience adjustments	**3,212**	557
Defined benefit obligation at end of year	**₱41,420**	₱38,029

Changes in the fair value of plan assets are as follows:

	2024	2023
	(Amounts in millions)	
Fair value of plan assets at beginning of year	**₱30,852**	₱31,572
Interest income	**1,675**	2,031
Contributions by employer	**226**	235
Return on plan assets, excluding amount included in net interest on the net defined benefit obligation and interest income	**360**	(317)
Benefits paid	**(2,827)**	(2,669)
Fair value of plan assets at end of year	**₱30,286**	₱30,852

The Board of Trustees ("*BoT*") of the *Retirement Fund* is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, none of whom are beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach of investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan assets. The *BoT* reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	2024	2023
	(Amount in millions)	
Investments quoted in active markets:		
Government securities	**₱10,478**	₱10,404
Bonds and commercial notes	**8,066**	8,892
Marketable equity securities	**7,626**	7,256
Real property	**1,927**	1,927
Receivables	**1,744**	1,503
Cash and cash equivalents	**445**	869
Others	**–**	1
Fair value of plan assets	**₱30,286**	₱30,852

Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits (included as part of "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2024	2023	2022
		(Amounts in millions)	
Interest costs	**₱100**	₱94	₱104
Current service costs	**16**	11	51
	₱116	₱105	₱155

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱1,646**	₱1,316
Interest costs	**100**	94
Current service costs	**16**	11
Benefits paid	**(101)**	(92)
Actuarial losses due to change in assumptions	**594**	317
Balance at end of year	**₱2,255**	₱1,646

Actuarial Assumptions

The principal assumptions used in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	2024	2023
Annual discount rate	**6.09%-6.11%**	6.05%-6.13%
Future range of annual salary increases	**4.00%-11.00%**	4.00%-10.00%

Sensitivity Analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions, keeping all other assumptions constant. There have been no changes in the method and assumptions used in the sensitivity analysis from prior year.

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

		Effect on Present Value of Defined Benefit Obligation	
	% Change	**2024**	2023
		(Amounts in millions)	
Annual discount rate	+1.0%	**(₱3,734)**	(₱3,808)
	-1.0%	**4,394**	4,514
Future range of annual salary increases	+1.0%	**1,363**	1,413
	-1.0%	**(1,207)**	(1,250)

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	₱5,323
One (1) year up to five (5) years	17,695
More than five (5) years up to 10 years	16,078
More than 10 years up to 15 years	17,100
More than 15 years up to 20 years	17,304
More than 20 years	39,874

Risk

The *Retirement Fund* is exposed to the following risks:

Credit Risk
The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amounts of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund.*

Share Price Risk
The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and are traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.

By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk

Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund.* The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱76 million, ₱69 million and ₱61 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Consolidated Retirement Benefits Cost (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2024	2023	2022
		(Amounts in millions)	
Expense recognized for defined benefit plans	**₱1,476**	₱1,006	₱1,470
Expense recognized for defined contribution plan	**76**	69	61
Retirement benefits expense	**₱1,552**	₱1,075	₱1,531

Long-term Incentive Plan ("*LTIP*")

MERALCO's *LTIP* covers qualified employees and is based on *MERALCO Group*'s achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

27. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2024				
Noncurrent				
Financial and other noncurrent assets	**₱1,091**	**₱4,407**	**₱–**	**₱5,498**
Current				
Cash and cash equivalents	**84,480**	**–**	**–**	**84,480**
Trade and other receivables	**61,335**	**–**	**–**	**61,335**
Financial and other current assets	**9,032**	**–**	**–**	**9,032**
Total Financial Assets	**₱155,938**	**₱4,407**	**₱–**	**₱160,345**
Liabilities as at December 31, 2024				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	**₱–**	**₱–**	**₱54,797**	**₱54,797**
Customers' deposits - net of current portion	**–**	**–**	**33,274**	**33,274**
Refundable service extension costs - net of current portion	**–**	**–**	**3,753**	**3,753**
Current				
Notes payable	**–**	**–**	**34,287**	**34,287**
Trade payables and other current liabilities	**–**	**–**	**97,477**	**97,477**
Customers' refund	**–**	**–**	**2,853**	**2,853**
Current portion of interest-bearing long-term financial liabilities	**–**	**–**	**5,692**	**5,692**
Total Financial Liabilities	**₱–**	**₱–**	**₱232,133**	**₱232,133**

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2023 (As restated - Note 3)				
Noncurrent				
Financial and other noncurrent assets	₱10,086	₱4,375	₱–	₱14,461
Current				
Cash and cash equivalents	82,789	–	–	82,789
Trade and other receivables	45,265	–	–	45,265
Financial and other current assets	7,741	–	–	7,741
Total Financial Assets	₱145,881	₱4,375	₱–	₱150,256
Liabilities as at December 31, 2023				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱62,272	₱62,272
Customers' deposits - net of current portion	–	–	34,128	34,128
Refundable service extension costs - net of current portion	–	–	4,051	4,051
Current				
Notes payable	–	–	27,583	27,583
Trade payables and other current liabilities	–	–	101,516	101,516
Customers' refund	–	–	2,846	2,846
Current portion of interest-bearing long-term financial liabilities	–	–	9,591	9,591
Total Financial Liabilities	₱–	₱–	₱241,987	₱241,987

Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of the *MERALCO Group*'s financial instruments:

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(Amounts in millions)			
Financial assets				
Debt securities at amortized cost	**₱9,905**	**₱9,520**	₱17,391	₱17,007
Financial assets at *FVOCI*	**4,407**	**4,407**	4,375	4,375
Financial assets at amortized cost - Advance payments to a supplier	**206**	**206**	425	395
	₱14,518	**₱14,133**	₱22,191	₱21,777
Financial liabilities				
Financial liabilities carried at amortized cost - Interest-bearing-long-term financial liabilities	**₱59,028**	**₱60,348**	₱70,398	₱72,157

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Advance Payments to a Supplier

The fair values of advance payments to a supplier were computed by discounting the instruments' expected future cash flows using the rates of 6.39% as at December 31, 2023.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amounts of bill deposits approximate their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 5.80% to 6.03% and 5.43% to 5.88% as at December 31, 2024 and 2023, respectively.

Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by the shareholder of their certification. This is included under "Interest-bearing long-term financial liabilities" account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.

Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
				(Amounts in millions)				
Financial assets								
Advance payments to a supplier	**₱–**	**₱206**	**₱–**	**₱206**	₱–	₱395	₱–	₱395
Financial assets at *FVOCI*	**4,407**	**–**	**–**	**4,407**	4,375	–	–	4,375
Debt securities at amortized cost	**9,520**	**–**	**–**	**9,520**	17,007	–	–	17,007
	₱13,927	**₱206**	**₱–**	**₱14,133**	₱21,382	₱395	₱–	₱21,777
Financial liabilities								
Interest-bearing long-term financial liabilities	**₱–**	**₱60,348**	**₱–**	**₱60,348**	₱–	₱72,157	₱–	₱72,157

For the years ended December 31, 2024, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

The *MERALCO Group*'s exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

MERALCO's policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *MERALCO* and its subsidiaries to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *MERALCO* and its subsidiaries' loans which bear fixed interest rates are subject to repricing after a minimum of quarterly for *PEDC*, one (1) year for *MERALCO* and *Radius*, three (3) years for *PHRI*, *GSEI* and *Greenergy*, five (5) years for *GBPC, Solar Philippines Tarlac and Solar Philippines Calatagan* and seven (7) years for *CEDC*.

The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

	Within 1 Year	Over 1–2 Years	Over 2–3 Years	Over 3–4 Years	Over 4–5 Years	More than 5 Years	Total
			(Amounts in millions)				
2024	**₱1,205**	**₱1,205**	**₱1,205**	**₱1,205**	**₱1,170**	**₱13,743**	**₱19,733**
2023	1,084	1,086	1,237	1,344	1,368	20,662	26,781

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of the *MERALCO Group* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the *MERALCO Group*'s income before income tax for the years ended December 31, 2024 and 2023 through the impact on floating rate borrowings. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statement of income.

	2024		2023	
	Increase (Decrease) in Basis Points	**Effect on Income before Income Tax**	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
		(Amounts in millions)		
Floating rate loans from various banks	**+75**	**(₱148)**	+75	(₱201)
	(75)	**148**	(75)	201

Interest expense of floating rate loans for the year is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting year. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of the *MERALCO Group*'s revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of the *MERALCO Group*'s expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of the *MERALCO Group*'s foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.

The following table shows the consolidated foreign currency-denominated financial assets and financial liabilities as at December 31, 2024 and 2023, translated to Philippine peso at ₱57.85 and ₱55.37 to US$1, respectively.

	2024		2023	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
	(Amounts in millions)			
Financial assets:				
Cash and cash equivalents	**$144**	**₱8,345**	$110	₱6,118
Financial assets at *FVOCI*	**26**	**1,506**	32	1,754
Advance payments to a supplier	**4**	**206**	7	395
Short-term investments	**25**	**1,451**	46	2,531
Debt securities at amortized cost	**–**	**–**	4	221
	199	**11,508**	199	11,019
Financial liabilities:				
Trade payables and other liabilities	**(11)**	**(655)**	(12)	(684)
Interest-bearing long-term financial liabilities	**–**	**–**	(1)	(38)
	(11)	**(655)**	(13)	(722)
	$188	**₱10,853**	$186	₱10,297

All of the *MERALCO Group*'s long-term financial liabilities are denominated in Philippine peso. However, an insignificant portion of its trade payables are denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of the *MERALCO Group*'s income before income tax due to changes in the fair value of financial assets and financial liabilities. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statements of income.

	2024		2023	
	Appreciation (Depreciation) of U.S. Dollar	**Effect on Income before Income Tax**	Appreciation (Depreciation) of U.S. Dollar	Effect on Income before Income Tax
	(In %)	*(In millions)*	*(In %)*	*(In millions)*
U.S. dollar-denominated financial assets and financial liabilities	**+5**	**₱543**	+5	₱515
	–5	**(543)**	–5	(515)

Foreign exchange gain or loss for the year is computed based on management's best estimate of a +/– 5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances as at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Derivative Financial Instruments and Hedging Activities

MERALCO uses derivative financial instruments to manage exposure to foreign currency risk arising from forecasted investment denominated and payable in *U.S.* dollar. The objective of the hedge is to reduce volatility in cash flows associated with foreign exchange fluctuations.

To achieve this objective, *MERALCO* has designated forward foreign exchange contracts as cash flow hedges for its forecasted foreign currency denominated investments over the next 12 months. The hedging relationships are expected to be highly effective in offsetting changes in cash flows attributable to currency fluctuations.

As at December 31, 2024, *MERALCO* has entered into forward contracts to hedge 100% of its forecasted *U.S.* dollar investment payable upon closing of such forecasted transaction. The total notional value of these hedging instruments amounts to $1.03 billion, with maturities dated January 21 to 24, 2025.

The forecasted investment payable in *U.S.* dollar is highly probable and is expected to occur over the next 12 months. The foreign exchange risk arising from these transactions has been designated as the hedged risk.

Hedge effectiveness is assessed using the dollar-offset method. The hedge has been highly effective, with no significant hedge ineffectiveness recognized.

When the forecasted transactions occur, the related hedge reserve amounts will be reclassified from *OCI* to investment.

For the year ended December 31, 2024, the investment is expected to close in early 2025 and no portion of *OCI* was reclassified to profit or loss.

As at December 31, 2024, ₱1,277 million remains in the cash flow hedge reserve and is expected to be reclassified to investment in the next financial year when the hedged transactions occur.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* and *Clark Electric* to price risk is minimal. The cost of fuel is part of *MERALCO*'s and *Clark Electric*'s generation costs that are recoverable through the generation charge in the billings to captive customers. On the other hand, *RES* business segment faces risk due to fuel price fluctuations.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The *MERALCO Group* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO Group*'s procedures and controls relating to customer credit risk management. The *MERALCO Group* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are grouped according to contract status (e.g. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the *MERALCO Group* customer segment's historical observed default rates. Each business segment of the *MERALCO Group* calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates, and forecast of economic conditions to *MERALCO Group* customers and *ECL*s involved significant estimation. The amount of *ECL*s is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

The subsidiaries of *MERALCO* trade only with recognized, creditworthy third parties. It is the *MERALCO Group*'s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis to reduce exposure to bad debt.

GBPC and its subsidiaries applied the simplified approach under *PFRS 9*, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. *GBPC* and its subsidiaries have identified the gross domestic product ("*GDP*") and consumer price index ("*CPI*") to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

No impairment losses resulted from performing collective impairment test, due to the past experience of *GBPC* and its subsidiaries of realizing receivables within the credit period which help reduce the credit risk exposure in case of default by the customers.

Set out below is the information about the credit risk exposure of the *MERALCO Group*'s trade and other receivables and contract assets using a provision matrix:

	2024							
	Trade – electectricity distributed							
	Contract Status							
	Active	**Active - Disconnected**	**Active – Pending to Terminate**	**Terminated**	**Energy Generated**	**Other trade receivables**	**Nontrade receivables**	**Total**
				(Amounts in millions, except ECL rate)				
ECL Rate	**0.28%**	**0.70%**	**0.65%**	**73.48%**	**19.34%**	**5.20%**	**4.69%**	
Estimated total gross carrying amount at default	**₱31,484**	**₱1,569**	**₱2,143**	**₱8,487**	**₱6,613**	**₱13,921**	**₱9,334**	**₱73,551**
Expected credit loss	**88**	**11**	**14**	**6,236**	**1,279**	**787**	**439**	**8,854**

	2023							
	Trade – electectricity distributed							
	Contract Status							
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated	Energy Generated	Other trade receivables	Nontrade receivables	Total
				(Amounts in millions, except ECL rate)				
ECL Rate	0.24%	0.70%	1.09%	74.99%	18.96%	20.46%	6.77%	
Estimated total gross carrying amount at default	₱28,698	₱2,592	₱105	₱7,293	₱6,729	₱4,476	₱6,705	₱56,598
Expected credit loss	69	18	1	5,469	1,276	916	454	8,203

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to the *MERALCO Group*'s accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. The *MERALCO Group* transacts derivatives only with similarly accredited financial institutions. In addition, the *MERALCO Group'*s deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱500,000 per bank account.

The *MERALCO Group* invests only in quoted debt securities with very low credit risk. The *MERALCO Group*'s debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. The *MERALCO Group*'s credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, Clark Electric and *Shin Clark,* as *DU*s, requires their captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	2024	2023 (As restated - Note 3)
	(Amounts in millions)	
Cash and cash equivalents:		
Cash in banks	**₱29,838**	₱29,892
Cash equivalents	**54,315**	52,685
Trade and other receivables:		
Electricity sold	**37,333**	33,131
Energy generated	**5,334**	5,328
Service contracts	**9,771**	555
Nontrade receivables	**8,897**	6,251
Other current financial assets:		
Debt securities at amortized cost	**8,814**	7,533
Current portion of advance payments to a supplier	**206**	197
Short-term investments	**12**	11
Other noncurrent financial assets:		
Financial assets at *FVOCI*	**4,407**	4,375
Debt securities at amortized cost	**1,091**	9,858
Advance payments to a supplier	–	228
	₱160,018	₱150,044

The credit quality of financial assets is managed by *MERALCO* using "High Grade", "Standard Grade" and "Sub-standard Grade" for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	2024					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	**₱84,153**	**₱–**	**₱–**	**₱–**	**₱–**	**₱84,153**
Trade and other receivables:						
Electricity sold	**8,226**	**3,548**	**15,638**	**9,921**	**6,349**	**43,682**
Energy generated	**5,333**	**–**	**–**	**1**	**1,279**	**6,613**
Service contracts	**6,678**	**–**	**–**	**3,093**	**762**	**10,533**
Nontrade receivables	**7,833**	**–**	**–**	**1,064**	**439**	**9,336**
Financial and other current assets:						
Debt securities at amortized cost	**8,814**	**–**	**–**	**–**	**–**	**8,814**
Current portion of advance payments to a supplier	**206**	**–**	**–**	**–**	**–**	**206**
Short-term investments	**12**	**–**	**–**	**–**	**–**	**12**
Financial and other noncurrent assets:						
Debt securities at amortized cost	**1,091**	**–**	**–**	**–**	**–**	**1,091**
Financial assets at *FVOCI*	**4,407**	**–**	**–**	**–**	**–**	**4,407**
	₱126,753	**₱3,548**	**₱15,638**	**₱14,079**	**₱8,829**	**₱168,847**

	2023 (As restated - Note 3)					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱82,577	₱–	₱–	₱–	₱–	₱82,577
Trade and other receivables:						
Electricity sold	7,342	3,065	12,958	9,766	5,557	38,688
Energy generated	5,327	–	–	1	1,276	6,604
Service contracts	332	–	–	223	893	1,448
Nontrade receivables	5,203	–	–	1,048	454	6,705
Financial and other current assets:						
Debt securities at amortized cost	7,533	–	–	–	–	7,533
Current portion of advance payments to a supplier	197	–	–	–	–	197
Short-term investments	11	–	–	–	–	11
Financial and other noncurrent assets:						
Debt securities at amortized cost	9,858	–	–	–	–	9,858
Financial assets at *FVOCI*	4,375	–	–	–	–	4,375
Advance payments to a supplier	228	–	–	–	–	228
	₱122,983	₱3,065	₱12,958	₱11,038	₱8,180	₱158,224

Credit ratings are determined as follows:

- High Grade

  High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost investments, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently, credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade

receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

- Standard Grade

  Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

- Sub-standard Grade

  Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that the *MERALCO Group* will be unable to meet its payment obligations when these fall due. The *MERALCO Group* manages this risk through monitoring of cash flows in consideration of future payment of obligations and the collection of its trade receivables. The *MERALCO Group* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

The *MERALCO Group* maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections. The *MERALCO Group* also maintains accounts with several relationship banks to avoid significant concentration of funds with one (1) institution.

The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

	2024				
	Less than 3 Months	**Over 3–12 Months**	**Over 1–5 Years**	**More than 5 Years**	**Total**
	(Amounts in millions)				
Notes payable	**₱7,721**	**₱28,111**	**₱–**	**₱–**	**₱35,832**
Trade payables and other current liabilities	**93,210**	**–**	**–**	**–**	**93,210**
Customers' refund	**2,853**	**–**	**–**	**–**	**2,853**
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	**947**	**10,485**	**15,757**	**18,570**	**45,759**
Floating rate borrowings	**159**	**1,408**	**7,304**	**15,412**	**24,283**
Redeemable preferred stock	**1,461**	**–**	**–**	**–**	**1,461**
Customers' deposits	**379**	**2,431**	**7,263**	**26,011**	**36,084**
Refundable service extension costs	**345**	**1,112**	**3,304**	**449**	**5,210**
Non-refundable liability related to asset funded by customers	**127**	**127**	**127**	**568**	**949**
Total undiscounted financial liabilities	**₱107,202**	**₱43,674**	**₱33,755**	**₱61,010**	**₱245,641**

	2023				
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
	(Amounts in millions)				
Notes payable	₱265	₱27,685	₱–	₱–	₱27,950
Trade payables and other current liabilities	96,959	–	–	–	96,959
Customers' refund	2,846	–	–	–	2,846
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	4,594	3,151	19,482	8,193	35,420
Floating rate borrowings	526	1,738	12,846	37,009	52,119
Redeemable preferred stock	1,465	–	–	–	1,465
Customers' deposits	970	1,810	7,342	26,786	36,908
Refundable service extension costs	345	1,432	3,303	748	5,828
Non-refundable liability related to asset funded by customers	127	127	127	517	898
Total undiscounted financial liabilities	₱108,097	₱35,943	₱43,100	₱73,253	₱260,393

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,517 million will be refunded within a year. This is shown as part of "Trade payables and other current liabilities" account in the consolidated statement of financial position as at December 31, 2024.

Capital Management

The primary objective of the *MERALCO Group*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on capital expenditure are consistent with the levels approved by its regulators for its core distribution business.

The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.

The *MERALCO Group* monitors capital using, among other measures, debt to equity ratio, which is gross debt divided by equity attributable to equity holders of the parent company. The *MERALCO Group* considers long-term debt, redeemable preferred stock and notes payable as debt.

	2024	2023
	(Amounts in millions, except debt to equity ratio)	
Long-term debt	**₱59,028**	₱70,398
Notes payable	**34,287**	27,583
Redeemable preferred stock	**1,461**	1,465
Debt (a)	**₱94,776**	₱99,446
Equity attributable to equity holders of the parent company (b)	**₱144,599**	₱122,295
Debt to equity ratio(a)/(b)	**0.66**	0.81

28. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	**2024**	2023 (As restated - Note 3)
		(Amounts in millions)	
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	*19 and 22*	**₱27,078**	₱26,097
Unfunded retirement benefits cost and unamortized past service cost	*26*	**2,948**	2,639
Allowance for expected credit losses	*13*	**1,582**	1,385
Accrued employee benefits	*26*	**1,207**	819
Decommissioning liability		**93**	99
Others		**1,316**	1,394
		34,224	32,433
Deferred income tax liabilities:			
Fair value of net assets from acquisitions	*3*	**6,628**	8,453
Revaluation increment in utility plant and others	*7,9 and 16*	**8,092**	5,408
Actuarial gains	*26*	**193**	995
Capitalized interest		**938**	858
Capitalized duties and taxes deducted in advance		**331**	364
Others		**429**	1,572
		16,611	17,650
		₱17,613	₱14,783

The deferred income tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2024	2023 (As restated - Note 3)
	(Amounts in millions)	
Deferred income tax assets – net	**₱26,382**	₱24,628
Deferred income tax liabilities – net	**(8,769)**	(9,845)
	₱17,613	₱14,783

Provision for (benefit from) income tax consists of:

	2024	2023	2022
		(Amounts in millions)	
Current	**₱12,232**	₱9,153	₱4,122
Deferred	**(2,018)**	(1,042)	2,526
	₱10,214	₱8,111	₱6,648

Deferred income tax charged directly to *OCI* amounted to ₱812 million (benefit), ₱1,278 million (benefit) and ₱1,544 million (expense) for the years ended December 31, 2024, 2023 and 2022, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rates of 25%, for the years ended December 31, 2024, 2023 and 2022, and provision for income tax as shown in the consolidated statements of income is as follows:

	2024	2023	2022
		(Amounts in millions)	
Income tax computed at statutory tax rate	**₱14,171**	₱11,697	₱8,809
Income tax effects of:			
Equity in net earnings of associates and joint ventures	**(2,567)**	(2,870)	(3,009)
Interest income subjected to lower final tax rate	**(932)**	(804)	(486)
Nontaxable income	**(391)**	(439)	(75)
Nondeductible interest expense	**232**	201	121
Nondeductible expense	**326**	151	25
Difference in calculation of tax deductible costs and expenses	**(1,568)**	(218)	–
Movement of unrecognized deferred tax assets	**1,224**	127	860
Others	**(281)**	266	403
	₱10,214	₱8,111	₱6,648

MERALCO adopted the optional standard deductions ("*OSD*") in 2024 and 2023 in lieu of itemized deductions and itemized deductions in 2022 beginning with its first quarter income tax return.

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable years, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing taxable income.

MERALCO's net deferred tax assets which were not recognized as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(Amounts in millions)	
Deferred tax assets:		
Allowance for impairment losses	**₱4,004**	₱3,051
Net operating loss carryover ("*NOLCO*")	**1,913**	2,149
Provisions for various claims	**1,035**	546
Unfunded retirement benefits cost and unamortized past service cost	**147**	91
Decommisioning liability	**103**	107
Others	**78**	111
	₱7,280	₱6,055

The temporary differences for which deferred tax assets have not been recognized pertain to the tax effect of *NOLCO* of *MGen* amounting to ₱7,657 million and ₱9,704 million as at December 31, 2024 and 2023, respectively. These are not recognized because *MGen* does not expect to utilize such deferred tax assets against sufficient taxable profit in the future.

NOLCO totaling to ₱7,657 million may be claimed as deduction against taxable income as follows:

Date Incurred	Expiry Date	Amount
		(In millions)
December 31, 2020	December 31, 2025	₱854
December 31, 2021	December 31, 2026	1,824
December 31, 2022	December 31, 2025	2,403
December 31, 2023	December 31, 2026	1,642
December 31, 2024	December 31, 2027	934
		₱7,657

NOLCO amounting to ₱623 million expired in 2022.

On September 30, 2020, the *BIR* issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the *NOLCO* incurred for taxable years 2020 and 2021 may be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer's bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations ("*IRR*") issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of generation, transmission, distribution services and related *SL* charges in the customers' bill.

In *ERC* Resolution No. 2, Series of 2021, or the Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DU*s, the *ERC* amended and modified the rules with respect to the recovery of any *LFT*, including the filing of applications for recovery.

29. **Contingencies and Legal Proceedings**

Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, but corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 24, 2025, the Omnibus Motion is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code ("*LGC*"), only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 24, 2025, the Petition is pending with the *ERC*. In the meantime, *MERALCO* proposed to include the recovery of the *RPT* for the period prior to the Resolution as part of its new 5th *RP* application.

See Note 19 – Provisions.

Mediation with NPC

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the Department of Energy ("*DOE*") to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE,* rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the first seven (7) years, *MERALCO*'s total purchases from NPC exceeded the contract level. After which, in 1997, the Asian crisis resulted in the curtailment of energy demand.

A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003. A series of oppositions, motions for reconsideration, *TRO* and petitions followed with the Office of the Solicitor General acting for and on behalf of *NPC*.

Finally, the *CA* rendered a decision on April 15, 2014 denying the appeal of the *OSG* and affirmed the decision of *RTC* – Pasig declaring the Settlement Agreement valid and binding. The *NPC* filed a Petition for Review with the *SC*. In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 24, 2025, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC-Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 24, 2025, *MERALCO* is awaiting further action from the *SC* on the matter.

Petition for Dispute Resolution against Philippine Electricity Market Corporation ("*PEMC*"), *TransCo*, *NPC* and *PSALM*

On September 9, 2008, *MERALCO* filed with the *ERC* a Petition for Dispute Resolution, against *PEMC*, *TransCo*, *NPC* and *PSALM,* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition seeks to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the new price determined through the price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

In a Decision dated March 10, 2010, the *ERC* granted *MERALCO*'s petition and ruled that there is double charging of the transmission line costs billed to *MERALCO* by *NPC* for the Transition Supply Contract ("*TSC*") quantities to the extent of 2.98% loss factor, since the effectivity of the *TSC* in November 2006. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. In the meantime, the *ERC* issued an Order on May 4, 2011 allowing *PEMC* to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the *WESM. PEMC* has filed its compliance submitting its alternative methodology.

On September 8, 2011, *MERALCO* received a copy of *PEMC*'s compliance to the *ERC*'s directive and on November 11, 2011, *MERALCO* filed a counter-proposal which effectively simplifies *PEMC*'s proposal.

In an Order of the *ERC* dated June 21, 2012, *MERALCO* was directed to submit its computation of the amount of the double charging of line loss on a per month basis from June 26, 2006 up to June 2012. On July 4, 2012, *MERALCO* filed its Compliance to the said Order. Thereafter, the *ERC* issued an Order directing the parties to comment on *MERALCO*'s submissions. Hearings were conducted on October 2, 2012 and October 16, 2012 to discuss the parties' proposal and comments.

In an Order dated March 4, 2013, the *ERC* approved the methodology proposed by *MERALCO* and *PEMC* in computing the double charged amount on line losses by deducting 2.98% from the *NPC-TOU* amount. Accordingly, the *ERC* determined that the computed double charge amount to be collected from *NPC* is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the *NPC-TOU* rates imposed on *MERALCO*. In this regard, *NPC* was directed by the *ERC* to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.9 million per month until the over-recoveries are fully refunded. In the said Order, the *ERC* likewise determined that the amount to be collected from the successor generating companies ("*SGC*s") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following *SGC*s: *MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*"), *TLI*, *SPI* and *Sem-Calaca*, within 30 days from receipt thereof, to recover the line loss collected by them. On April 19, 2013, *MERALCO* filed a Motion for Clarification with the *ERC* regarding the directives contained in the March 4, 2013 Order. On April 30, 2013 and May 8, 2013, *PSALM* and *NPC*, respectively, filed motions seeking reconsideration of the March 4, 2013 Order. *MERALCO* filed a motion seeking for an additional 15 days from its receipt of the *ERC*'s Order resolving its Motion for Clarification, within which to file its Petition against the *SGC*s.

In an Order dated July 1, 2013, the *ERC* issued the following clarifications/resolutions: (i) *SPPC* should be included as one of the *SGC*s against whom a petition for dispute resolution should be filed by *MERALCO*; (ii) amount to be refunded by *NPC* is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iii) petition to be filed by *MERALCO* against the *SGC*s should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iv) "SCPC Ilijan" pertains to *SPPC* instead. Thus, the refundable amount of ₱706 million pertaining to "SCPC Ilijan" should be added to *SPPC*'s refundable amount of ₱1.1 billion; (v) grant the Motion for Extension filed by *MERALCO* within which to file a petition against the following *SGC*s: *MPPCL*, *APRI*, *TLI*, *SPI*, *Sem-Calaca* and *SPPC*; and (vi) deny the respective *MR*s filed by *NPC* and *PSALM*.

On September 12, 2013, *MERALCO* filed a Manifestation with Motion with the *ERC* seeking approval of its proposal to offset the amount of ₱73.9 million per month against its monthly remittances to *PSALM*. *PSALM* and *NPC* filed their comments *Ad Cautelam* and Comment and Opposition *Ad Cautelam*, respectively, on *MERALCO*'s Manifestation with Motion. On November 4, 2013, *MERALCO* filed its reply. As at February 24, 2025, *MERALCO*'s Manifestation with Motion is pending resolution by the *ERC*.

On October 24, 2013, *MERALCO* received *PSALM*'s Petition for Review on Certiorari with the *CA* (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) questioning the March 4, 2013 and July 1, 2013 Orders of the *ERC*.

On February 3, 2014, *MERALCO* filed a Comment with Opposition to the Application for *TRO* or Writ of Preliminary Injunction dated January 30, 2014. *PEMC* filed a Comment and Opposition Re: Petition for Certiorari with Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction dated January 6, 2014. On June 4, 2014, the *CA* issued a Resolution declaring that *PSALM* is deemed to have waived the filing of a Reply to the comment and opposition of *MERALCO* and *PEMC* and directing the parties to submit their simultaneous memoranda within 15 days from notice. On December 1, 2014, the *CA* issued a decision dismissing the Petition for Certiorari filed by *PSALM* against the *ERC*, *MERALCO* and *PEMC* and affirming the *ERC*'s ruling on the refund of the ₱5.2 billion of transmission line losses double charged by *PSALM* and *NPC*. On January 30, 2015, *PSALM* filed its *MR* on the December 1, 2014 Decision of the *CA*.

MERALCO has filed its Opposition to the *MR*. In a Resolution dated August 11, 2015, the *CA* denied *PSALM's MR*. On October 27, 2015, *MERALCO* received *PSALM's* Petition for Review with the *SC*. The Petition has been given due course and the parties have filed their respective memoranda. As at February 24, 2025, *MERALCO* is still awaiting further action of the *SC* on the Petition.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC's* Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 24, 2025, the Joint Motion to Dismiss is pending resolution by the *ERC*.

Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO. MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 24, 2025, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

On December 9, 2013, the *ERC* gave clearance to the request of *MERALCO* to implement a staggered collection over three (3) months covering the December 2013 billing month for the increase in generation charge and other bill components such as *VAT*, *LFT*, transmission charge, and *SL* charge. The generation costs for the November 2013 supply month increased significantly because of the aberrant spike in the *WESM* charges on account of the non-compliance with *WESM* Rules by certain plants resulting in significant power generation capacities not being offered and dispatched, and the scheduled and extended shutdowns, and the forced outages, of several base load power plants, and the use of the more expensive liquid fuel or bio-diesel by the natural gas-fired power plants that were affected by the Malampaya Gas Field shutdown from November 11 to December 10, 2013.

On December 19, 2013, several party-list representatives of the House of Representatives filed a Petition against *MERALCO*, *ERC* and *DOE* before the *SC*, questioning the *ERC* clearance granted to *MERALCO* to charge the resulting price increase, alleging the lack of hearing and due process. It also sought for the declaration of the unconstitutionality of the Electricity Power Industry Reform Act ("*EPIRA*"), which essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar petition was filed by a consumer group and several private homeowners' associations also challenging the legality of the *AGRA* that the *ERC* had promulgated. Both petitions prayed for the issuance of *TRO*, and a Writ of Preliminary Injunction.

On December 23, 2013, the *SC* consolidated the two (2) Petitions and granted the application for *TRO* effective immediately and for a period of 60 days, which effectively enjoined the *ERC* and *MERALCO* from implementing the price increase. The *SC* also ordered *MERALCO*, *ERC* and *DOE* to file their respective comments to the Petitions. Oral Arguments were conducted on January 21, 2014, February 4, 2014 and February 11, 2014. Thereafter, the *SC* ordered all the Parties to the consolidated Petitions to file their respective Memorandum on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the *SC*. *MERALCO* complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the *SC* extended for another 60 days or until April 22, 2014, the *TRO* that it originally issued against *MERALCO* and *ERC* on December 23, 2013. The *TRO* was also similarly applied to the generating companies, specifically *MPPCL*, *SPI*, *SPPC*, *FGPC*, and the *NGCP*, and the *PEMC* (the administrator of *WESM* and market operator at that time) who were all enjoined from collecting from *MERALCO* the deferred amounts representing the ₱4.15 per *kWh* price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, *MERALCO* filed an Omnibus Motion with Manifestation with the *ERC* for the latter to direct *PEMC* to conduct a re-run or re-calculation of the *WESM* prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, *MERALCO* filed with the *ERC* an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six (6)-month period.

On March 3, 2014, the *ERC* issued an Order voiding the Luzon *WESM* prices during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit ("*IU*") that these are not reasonable, rational and competitive, and imposing the use of regulated rates for the said period. *PEMC* was given seven (7) days upon receipt of the Order to calculate these regulated prices and implement the same in the revised *WESM* bills of the concerned *DU*s in Luzon. *PEMC*'s recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December 2013 supply month bill of the *WESM* by ₱9.3 billion. Due to the pendency of the *TRO*, no adjustment was made to the *WESM* bill of *MERALCO* for the November 2013 supply month. The timing of amounts to be credited to *MERALCO* is dependent on the reimbursement of *PEMC* from associated generator companies. However, several generating companies, including *MPPCL*, SN Aboitiz Power, Inc., Team (Philippines) Energy Corporation, PanAsia Energy, Inc. ("*PanAsia*"), and *SPI*, have filed *MR*s questioning the Order dated March 3, 2014. *MERALCO* has filed a consolidated comment to these *MR*s. In an Order dated October 15, 2014, the *ERC* denied the *MR*s. The generating companies have appealed the Orders with the *CA*. *MERALCO* has filed a motion to intervene and a comment in intervention. The *CA* consolidated the cases filed by the generation companies. In a Decision dated November 7, 2017, the *CA* set aside *ERC* Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 and declared the orders null and void. The Decision then reinstated and declared valid *WESM* prices for the November and December 2013 supply months. *MERALCO* and the *ERC* have filed their respective motions for reconsideration. Several consumers also intervened in the case and filed their respective motions for

reconsideration. In a Resolution dated March 29, 2019, the *CA* denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

MERALCO and several consumers have elevated the *CA* Decision and Order to the *SC* where the case is pending. In a Resolution dated November 4, 2020, the *SC* consolidated *ERC*'s and *MERALCO*'s petitions and transferred *MERALCO*'s petition to the member-in-charge of *ERC*'s petition which was the lower-numbered case. The petitions filed by the consumers were denied by the *SC*.

In view of the pendency of the various submissions before the *ERC* and mindful of the complexities in the implementation of the *ERC*'s Order dated March 3, 2014, the *ERC* directed *PEMC* to provide the market participants additional 45 days to comply with the settlement of their respective adjusted *WESM* bills. In an Order dated May 9, 2014, the parties were then given an additional non-extendible period of 30 days from receipt of the Order within which to settle their *WESM* bills. However, in an Order dated June 6, 2014 and acting on an intervention filed by Angeles Electric Corporation, the *ERC* deemed it appropriate to hold in abeyance the settlement of *PEMC*'s adjusted *WESM* bills by the market participants.

On April 22, 2014, the *SC* extended indefinitely the *TRO* issued on December 23, 2013 and February 18, 2014 and directed generating companies, *NGCP* and *PEMC* not to collect from *MERALCO*. In a Decision promulgated on August 3, 2022, the *SC* affirmed the December 9, 2013 *ERC* letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the *ERC* March 3, 2014 Order which voided the Luzon *WESM* prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The *ERC* and the petitioners filed motions for reconsideration which were denied with finality in the *SC* Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the *ERC* on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. On January 4, 2024, *MERALCO, IEMOP* and the *ERC* met to discuss *MERALCO*'s proposed implementation of the Decision. As directed by the *ERC*, *MERALCO* and *IEMOP* have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 24, 2025, the same is pending with the *ERC*.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the *IU* filed a Complaint dated May 9, 2015 against *MERALCO* and Therma Mobile, Inc. ("*TMO*") for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the *EPIRA* and Rule 11, Section 1 and 8(e) of the *EPIRA IRR*. In an Order dated June 15, 2015, the *ERC* directed *MERALCO* to file its comment on the Complaint. *MERALCO* and *TMO* have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the *ERC* directed the investigating officer to file his reply to *MERALCO*. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the *ERC* promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the *ERC* set the pre-trial conference on August 18, 2016 and required *MERALCO* and *TMO* to submit their respective pre-trial briefs. However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs.

In the meantime, *MERALCO* likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by *TMO* in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the *PCC* which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the *ERC* denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the *ERC* denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its *MR* to the Order on February 23, 2017. In an Order dated June 20, 2017, the *ERC* denied the *MR*. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the *CA*. In a Resolution dated October 2, 2017, the *CA* required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. *MERALCO* was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the *ERC* stated that it is a nominal party in the case as the quasi-judicial tribune that issued the assailed ordinances. The *IU* filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the *OSG* informed the *CA* that it will no longer represent the *IU* and will instead participate as "tribune of the people". In the meantime, *TMO* also filed a separate Petition for Review on Certiorari with the *CA*. In a Resolution dated January 10, 2018, the *CA* ordered the consolidation of the petitions of *TMO* and *MERALCO*. In a Decision dated May 23, 2018, the *CA* denied the consolidated Petitions filed by *MERALCO*, *TMO*, and *APRI*, and ruled that the jurisdiction to resolve the *IU* cases remains with the *ERC* because the Philippine Competition Act ("*PCA*") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an *MR* with the *CA*. The *ERC* likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the *PCC* over cases involving alleged anti-competitive conduct supposedly because the *PCA* did not repeal Section 45 of the *EPIRA*.

In Resolution dated January 28, 2019, the *CA* denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the *PCC* now holds original, exclusive, and primary jurisdiction over all competition-related cases, the *CA* reiterated its view that the *PCA* has no retroactive effect.

The *ERC* has elevated the matter to the *SC*. *MERALCO, TMO* and *APRI* have all filed their respective manifestations before the *SC*. In a Resolution dated September 29, 2021, the *SC* affirmed the *CA* in that the *ERC* had jurisdiction over these cases as they were filed before the enactment of the *PCA*. However, the *SC* did not rule on whether the *PCC* and the *ERC* now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the *ERC* called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the *SC*. The *ERC* then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (a) Resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (b) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the *ERC* stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the *ERC* will first resolve *MERALCO*'s motions. The *ERC* also issued an open court order denying the motion of the *ERC IU* that the case be resolved through the submission of the position papers and other supporting documents. The *ERC IU* filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at February 24, 2025, *MERALCO* is awaiting further action by the *ERC* on the matter.

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC, MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC, MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DU*s, like *MERALCO*, at the *WESM*. On June 10, 2024, *MERALCO* filed its Comment on the Petition. As at February 24, 2025, *MERALCO* awaits further action of the *SC* on the case.

Ombudsman Cases Against MERALCO Directors

On January 30, 2018, *MERALCO* received an Order dated January 22, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the alleged misappropriation of the bill deposits received from *MERALCO* consumers. On February 9, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. In a Resolution dated May 18, 2018, the criminal complaint for syndicated estafa was dismissed for insufficiency of evidence. The case was referred to the *COA* for the conduct of audit on the bill deposits collected by *MERALCO* from the public consumers and to inform the Ombudsman of the compliance therewith. The consumer group filed a Motion for Partial Reconsideration dated June 16, 2018 to which *MERALCO* filed its Comment. The consumer group's Motion for Partial Reconsideration was denied through an Order dated July 30, 2018. *NASECORE* filed an *Urgent Motion for Immediate Execution* dated September 21, 2018 praying that the Ombudsman issue a writ of execution to implement the Resolution dated May 18, 2018. As at February 24, 2025, the Ombudsman has not acted on this matter.

On January 5, 2024, *MERALCO* received an Order dated January 2, 2024 from the Office of the Ombudsman directing *MERALCO*'s Chairman and *CEO* to file a counter-affidavit, together with the affidavit/s of supporting witnesses and other supporting documents, on the case filed by a certain consumer group against *ERC* and *MERALCO* seeking (a) indictment of *MERALCO*'s Chairman and *CEO* which alleged that there is a violation of certain provisions of *R.A. 3019* and *PD 269*, and (b) a finding that the *ERC* Chairperson is guilty of, among other things, gross misconduct and grave abuse of authority. In said case, the consumer group alleged that there is no basis for *MERALCO* to participate in, and purchase energy at, the *WESM*, given that, among other things, the *WESM* was created to cater to the contestable market. On February 6, 2024, *MERALCO* has filed the relevant counter-affidavit and supporting affidavit to the Office of the Ombudsman. On March 18, 2024, *MERALCO* received the reply-affidavit filed by the consumer group. On July 15, 2024, *MERALCO* filed its Rejoinder-Affidavit. As at February 24, 2025, *MERALCO* is awaiting further action by the Ombusdman on the matter.

Others

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

30. Significant Contracts and Commitments

MERALCO

Independent Power Producers ("IPPs")

FGPC and *FGP*

MERALCO entered into separate 25-year *PPA*s with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* with *FGPC* terminates on August 17, 2025, while that of *FGP* ends on October 1, 2027. On January 7, 2004, *MERALCO*, *FGP* and *FGPC* signed an Amendment to their respective *PPA*s. The amended terms under the respective *PPA*s of *FGP* and *FGPC* were approved by the *ERC* on May 31, 2006.

Following information from *FGPC* and *FGP* on use of *LNG* as an alternative reliable fuel upon expiration of the Gas Sale and Purchase Agreements ("*GSPAs*") and to ensure safe, adequate, and reliable supply of fuel throughout the terms of the *PPA*s, *MERALCO* sought confirmation from the *ERC* that the use and recovery from customers of attendant costs of *LNG* are allowed. On March 26, 2024, *MERALCO* received an order from the *ERC* (a) allowing use of *LNG* only in case of fuel supply event of force majeure, subject to payment of and recovery from customers, based only landed fuel cost, and (b) directing filing of separate application for approval (i) of costs other than the landed fuel cost, and (ii) if *LNG* will be used as primary fuel. The *ERC* likewise stated in its Order that pending the filing and the necessary approval by the *ERC*, the charges provided in the new *GSPA*, cannot be charged to the consumers and, as such, the rates under the Old *GSPA* shall be applied. In response, *FGPC* and *FGP* filed a Motion for Clarification.

Following several pleadings and clarificatory hearings by parties with *ERC,* on December 26, 2024, *MERALCO* received the Order dated August 13, 2024 of the *ERC* authorizing *MERALCO* to (a) reflect in the billing to its customers the adjusted rates in the new *GSPA* from the October customer billing period, and (b) collect from its customers, the difference between the previously approved pass-through costs, as contained in the *ERC*'s Order dated March 14, 2024, and the costs resulting from its Order dated August 13, 2024 over a period of twelve (12) months commencing from the October 2024 customer billing period of *MERALCO*.

QPPL

MERALCO entered into a *PPA* with *QPPL* on August 12, 1994, which was subsequently amended on December 1, 1996. The *PPA* is for a period of 25 years from the start of commercial operations up to May 31, 2025.

In a Letter Agreement signed on February 21, 2008, the amount billable by *QPPL* included a transmission line charge reduction in lieu of a previous rebate program. The Letter Agreement also provides that *MERALCO* shall advance to *QPPL* US$2.85 million per annum for 10 years beginning 2008 to assist *QPPL* in consideration of the difference between the transmission line charge specified in the Transmission Line Agreement ("*TLA*") and the *ERC*-approved transmission line charge in March 2003. *QPPL* shall repay *MERALCO* the same amount at the end of the 10-year period in equal annual payments without adjustment. However, if *MERALCO* is able to dispatch *QPPL* at a plant capacity factor of no less than 86% in any particular year, *MERALCO* shall not be required to pay US$2.85 million on that year. In January 2018, *QPPL* began repayment of the amount advanced by *MERALCO*. As at December 31, 2024, the remaining amount for repayment by *QPPL* is US$3.563 million. This arrangement did not have any impact on the rates charged to consumers and hence, did not require any amendment in the *PPA*, as approved by the *ERC*.

See *Note 11 – Financial and other Noncurrent Assets.*

Committed Energy Volume to be Purchased

The following are forecasted purchases/payments to *FGPC*, *FGP* and *QPPL* corresponding to the Minimum Energy Quantity ("*MEQ*") provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	(In million kwh)	*(In Millions)*
2025	10,708	₱20,991
2026	4,001	6,940
2027	3,332	5,754

PSAs with Privatized Plants and *IPPAs*

On December 6, 2019, *MERALCO* and *TLI* executed a new short-term *PSA* for the purchase of 250 *MW* capacity and energy from *TLI*'s power plant for the period of December 26, 2019 to December 25, 2020. On December 19, 2019, the *DOE* issued a Certificate of Exemption from *CSP* in favor of *MERALCO* for the new short-term *PSA*. On December 23, 2019, *MERALCO* filed an application with the *ERC* for the approval of said *PSA* with *TLI*. As at February 24, 2025, the contract term has expired but the application for its approval is still pending with the *ERC*. *MERALCO* had a *PSA* with *MPPCL* which was approved by the *ERC* on December 17, 2012, for a period from December 26, 2012 to December 25, 2019. On December 19, 2019, *MERALCO* and *MPPCL* entered into an agreement to extend the *PSA* for an additional period of one (1) year reckoned from the date of *ERC* approval thereof. On April 14, 2021, due to exigent and emergency reasons (e.g., unforecasted supply deficiency and to account for outages of power plants with bilateral contracts with *MERALCO*), *MERALCO* and *MPPCL* further agreed to amend the December 19, 2019, agreement, to instead extend the *PSA* for an additional period of one (1) year from May 26, 2021. On even date, (a) *MERALCO* and *MPPCL* filed a motion to seek *ERC* approval of the said Amendment Agreement; and (b) *MERALCO* sought confirmation from the *DOE* that the extension of the *ERC*-approved 2011 *PSA,* as embodied in the Amendment Agreement, is exempted from the conduct of a *CSP.* In its letter dated July 30, 2021, the *DOE* denied *MERALCO*'s request for certificate of exemption from *CSP*. As at February 24, 2025, the *ERC* has yet to act on the parties' motion.

SBPL

MERALCO and *SBPL* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

To address the *SC* Decision in *Alyansa Para sa Bagong Pilipinas, Inc. vs. ERC, et al*. (G.R. No. 227670, 3 May 2019) that effectively required all *PSA* applications for *ERC* approval filed on or after June 30, 2015 to undergo *CSP*, which includes the 2016 20-year *PSA* between *MERALCO* and *PEDC*, a *CSP* was conducted in 2021 to cover the 70 *MW* required contract capacity of *MERALCO* for contract period ending January 25, 2037. The same capacity was won by *PEDC* under the new 15-year *PSA* with *MERALCO* ("*2021 PEDC PSA*"). Through a "Notice of Resolution" dated February 23, 2022, the *ERC* granted provisional authority to implement the *2021 PEDC PSA*, and on April 1, 2022, the *2021 PEDC PSA* was implemented by *MERALCO* and *PEDC*.

On March 18, 2022, *PEDC* issued to *MERALCO* a Notice of Change in Circumstance pursuant to the *2021 PEDC PSA.* Consequently, on April 13, 2022, *PEDC* (joined by *MERALCO*) filed an *Urgent Motion for Contract Price Adjustment* with the *ERC*. On December 4, 2022, *PEDC* sent *MERALCO* a Notice of End of Supply, which formally informed *MERALCO* of *PEDC*'s decision to cease supply of energy beginning midnight of December 5, 2022, because without the *ERC*'s action on the Urgent Motion for Contract Price Adjustment, *PEDC* was already in severe financial stress and in danger of breaching its financial covenants. On August 29, 2023, *MERALCO* received the *ERC*'s Decision dated March 8, 2023 granting the Urgent Motion for Contract Price Adjustment.

Relative to the foregoing, on October 3, 2023, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* in its application for confirmation of over/under of pass-through charges. The Supplemental Application prayed that *MERALCO* be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*.

On January 16, 2024, *PEDC* filed a Motion for Clarification asking the *ERC* to issue an order declaring that the dispositive portion of the Decision dated March 8, 2023 includes a reference to losses from April 2, 2022 to December 4, 2022 in the amount of ₱1.2 billion. On June 19, 2024, *PEDC* filed a Supplemental Motion for the Recovery of Additional Fuel Losses due to *CIC* (covering the period 26 September 2022 to 04 December 2022, as Acknowledged by the [*ERC*] in its Decision dated March 8, 2023). The Supplemental Motion asks the *ERC* to issue an Order allowing *PEDC* to recover actual fuel costs in the amount of ₱380 million, representing the unrecovered losses from September 26, 2022 to December 4, 2022.

As at February 24, 2025, the *ERC* has yet to act on *MERALCO's* Supplemental Application and *PEDC*'s separate motions.

First Bulacan

MERALCO and *First Bulacan* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations until 2031.

Solar Tanauan Corporation ("*Solar Tanauan*")

MERALCO has an *ERC*-approved 20-year *PSA* with *Solar Tanauan* for the purchase of 50 *MW* of electric output from its solar plant in Tanauan, Batangas.

Solar Philippines Tarlac Phase 1

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac until July 2038. In an Order promulgated on June 8, 2018, the *ERC* granted Interim Relief to provisionally implement the *PSA*. On July 3, 2018, *Solar Philippines Tarlac* filed a Motion for Partial Reconsideration of the said Order. *MERALCO* and *Solar Philippines Tarlac* agreed on a way forward, subject to resolution of the Motion for Partial Reconsideration, and began implementation of the *PSA* on August 20, 2018. In its Order dated January 23, 2019, the *ERC* partially granted the Motion for Partial Reconsideration filed by *Solar Philippines Tarlac* and allowed the 2% annual escalation under the *PSA*. On June 25, 2019, the *ERC* promulgated its Order leaving the adjustment of the timelines set under the *PSA* to the discretion of *MERALCO* and *Solar Philippines Tarlac.* Meanwhile, the 20-year term of the *PSA* began on August 20, 2018. As at February 24, 2025, the parties are awaiting *ERC's* final decision on the Joint Application.

Solar Philippines Tarlac Phase 2

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac. The application for approval of the *PSA* with *Solar Philippines Tarlac* was filed on March 18, 2019 and the hearings were concluded last September 2019. Unfortunately, after five (5) years lapsed without the *ERC* resolving the application for approval of the said *PSA*, *Solar Philippines Tarlac* cited the expiration of the *PSA*'s Longstop Date provision as basis for its Notice of Termination (dated October 16, 2024) of the *PSA* effective upon receipt (or on November 15, 2024). On November 21, 2024, *MERALCO* filed an Urgent Manifestation with the *ERC* to inform it of the power supplier's decision to exercise its right under the *PSA* to terminate the *PSA*. On December 3, 2024, *Solar Philippines Tarlac* filed a Motion to Withdraw Application praying that the *ERC* immediately grant the withdrawal of the application for approval of the *PSA*. As at February 24, 2025, the Motion to Withdraw Application is pending decision by the *ERC*.

SPI, AC Energy and SPPC – Baseload PSAs

MERALCO signed three (3) *PSA*s for baseload capacity with *AC Energy* for 200 *MW*, *SPI* for 330 *MW*, and *SPPC* for 670 *MW*. In its letters to *MERALCO,* all dated December 23, 2019, the *ERC* granted provisional authority to implement these three (3) *PSA*s for baseload capacity. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.*

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of *CIC.* Following filing of Joint Motions for Price Adjustment with the *ERC* and public hearings, on September 29, 2022, the *ERC* issued its Orders denying the Joint Motions for Price Adjustment. On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the said *ERC* Orders. The *CA* issued a *TRO*, then subsequently a *WPI*, for the *SPPC* case. On June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case.

On June 27, 2023, the *CA*'s (13th Division) issued a Joint Decision which, among other things, (a) annulled/set aside the *ERC* Orders that denied the Joint Motions for Price Adjustment and instead granted such motions (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (b) made permanent the Preliminary Injunction issued in favor of *SPPC*. On the basis of the *CA* orders and decision, starting on December 7, 2022 and July 24, 2023, respectively, *SPPC* and *SPI* ceased supplying energy under their baseload *PSA*s with *MERALCO.* On February 28, 2024, the *ERC* elevated the matter to the *SC* by filing a Petition for Review on Certiorari. On April 3, 2024, the *SC* issued a Resolution denying the *ERC's* Petition for Certiorari for failure to show that the *CA* committed any reversible error. On July 10, 2024, the *SC* issued a Resolution for both matters (*CA*'s *WPI* issuance and the *CA*'s Joint Decision), denying the *ERC's* Motions for Reconsideration considering there was no substantial argument to warrant any modification. Hence, the *SC* Resolutions have attained finality.

SPI and *SPPC* issued to *MERALCO* Notices of *CIC* dated August 23, 2023, claiming additional CIC claim ("*CIC 2*") covering the periods of January 2022 up to July 2023 in the amount of ₱14.6 billion (for *SMEC*) and January to December 2022 in the amount of ₱15.9 billion (for *SPPC*). In *MERALCO*'s letters to *SPI* and *SPPC*, both dated January 30, 2024, *MERALCO* advised *SPI* and *SPPC* to avail itself of legal remedies available to it under the law as it found no basis to join *SPI* and *SPPC* in an *ERC* filing since the *PSA*s had already been terminated. After an exchange of *SPPC*'s and *SMEC*'s request for validation of the *CIC 2* amounts, on August 30, 2024, *MERALCO* wrote to *SPPC* and *SMEC*, *MERALCO* has validated the computation of *SPPC* and *SMEC* but resulting to a lower amount of ₱13.3 billion (for *SMEC*) and ₱15.8 billion (for *SPPC*). On November 20, 2024, *SMEC* and *SPPC* filed Motions for Price Adjustment with the *ERC* covering the periods of June 2022 up to July 2023 in the amount of ₱13.3 billion (for *SMEC*) and June to December 2022 in the amount of ₱15.8 billion (for *SPPC*). As at February 24, 2025, the *ERC* has yet to act on the motions.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC* for the year 2022. Consequently, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving ₱618 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving an additional ₱910 million. On September 2, 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed Manifestations and Urgent Motions to Resolve to the *ERC* on September 4, 2024.

On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities ("*BCQ*") under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQ*s to *MERALCO* under the subject *PSA*s. As at February 24, 2025, the *ERC* has yet to act on the motion and for *MERALCO*'s part, it requested for proposals from various power suppliers for an emergency *PSA* ("*EPSA*") to replace it. An offer from *SPI* was found the most reasonable and lowest among the offers received, thus, on January 27, 2024 an *EPSA* was executed between *MERALCO* and *SPI* for 200 *MW* baseload supply for one (1) year. The said *EPSA* was implemented by the parties on January 28, 2025 pursuant to the prevailing *DOE CSP* Policy and *ERC CSP* Guidelines.

First Gen Hydro Power Corporation ("FGHPC"), AC Energy and SPPC – Mid-merit PSAs

MERALCO signed three (3) *PSA*s for mid-merit capacity with *FGHPC* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On January 30, 2020 and March 16, 2020, *MERALCO* received *ERC* orders granting provisional authority to implement *MERALCO*'s *PSA*s for mid-merit capacity with *AC Energy,* and *FGHPC* and *SPPC*, respectively. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.* As at February 24, 2025, the three (3) *PSA* applications are pending final decision by the *ERC*.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC* for the year 2022. Consequently, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment amounting to ₱87 million with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment for an additional ₱132 million with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*. On September 2, 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed Manifestations and Urgent Motions to Resolve to the *ERC* on September 4, 2024. On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its *BCQ* under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQ*s to *MERALCO* under the subject *PSA*s. As at February 24, 2025, the *ERC* has yet to act on the motions.

Terra Solar

MERALCO has a *PSA* with *Terra Solar* for 850 *MW* Renewable Energy mid-merit capacity with commercial operations dates in February 2026 for 600 *MW* and February 2027 for 250 *MW.* On December 12, 2023, *MERALCO* received a copy of *ERC*'s formal Decision dated August 8, 2023. In its letter dated December 22, 2023, *Terra Solar* notified *MERALCO* of its acceptance of the formal Decision.

Excellent Energy Resources, Inc. ("EERI"), GNPower Dinginin Ltd. Co. ("GNPD") and Mariveles Power Generation Corporation ("MPGC") – 2024 Baseload PSAs

MERALCO has three (3) *PSA*s with *EERI* with commercial operations date in December 2024 for 1,200 *MW*, with *GNPD* with commercial operations date in May 2025 for 300 *MW,* and with *MPGC* with commercial operations date in May 2025 for 300 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *EERI, GNPD* and *MPGC* were filed with the *ERC* on March 1, 2024, February 22, 2024, and February 29, 2024, respectively. On July 26, 2024, *MERALCO* and the power suppliers filed with the *ERC* a Joint Motion to Resolve the applications for approval of the *PSA*s. The *ERC*, in a Notice of Resolution dated December 10, 2024 (for the *PSA* with *EERI*) and Notice of Commission Action dated November 26, 2024 (for *PSA*s with *GNPD* and *MPGC*) has approved the *PSA*s with *EERI*, *GNPD* and *MPGC.*

SPPC – 2024 Baseload PSA

On February 5, 2022, *MERALCO* signed a *PSA* for baseload capacity with *SPPC* for 1,200 *MW*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement the *PSA* under several conditions, which includes implementation covering only 910 *MW* capacity, pending *ERC* resolution of the Joint Manifestation dated February 23, 2024 in *ERC* Case No. 2019-080RC on assignment of the 290 *MW* capacity thereat from *SPPC* to *SPI*. *MERALCO* and *SPPC* proceeded to implement the 2024 1,200 *MW PSA* following the *ERC's PA* Order. On June 26, 2024, *MERALCO* and *SPPC* filed a Joint Motion for Partial Reconsideration which questioned the *ERC*'s provisional authority Order. As at February 24, 2025, the Joint Motion for Partial Reconsideration of *MERALCO* and *SPPC* is pending decision by the *ERC*.

San Roque Hydropower Inc. ("SRHI"), Gigasol3, Inc. ("Gigasol3") and Santa Cruz Solar Energy Inc. ("SCSEI") – Renewable Energy (RE) Mid-merit PSAs

Following conduct of *CSP*, *MERALCO* has three (3) renewable energy mid-merit supply *PSA*s with *SRHI* with operations effective date in March 2025 for 340 *MW*, with *Gigasol3* with operations effective date in March 2025 for 139 *MW,* and with *SCSEI* with commercial operations date in March 2026 for 21 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *SRHI, Gigasol3* and *SCSEI* were filed with the *ERC* on September 23, 2024, September 23, 2024, and September 27, 2024, respectively. The *ERC*, in a Notice of Commission Action dated December 3, 2024 (for *PSA*s with *SRHI* and *Gigasol3*) has approved the *PSA*s but the applicable rate was fixed at a lower rate than what was offered by the power suppliers during the *CSP*. On December 13, 2024 and January 30, 2025, *SRHI* and *Gigasol3*, respectively, filed a Ex-Parte Manifestation and Motion (for *SRHI*) and Motion for Urgent Re-Evaluation of the Provisionally Approved Rate (for *Gigasol3*) praying that the *ERC* immediately released the formal order granting provisional authority to implement that *PSAs* so that the parties can study the reasons given by the *ERC* in reducing the rate of the *PSA*. As at February 24, 2025, the *ERC* has yet to release the formal order granting provisional authority to implement the *PSA*s or act on the motions.

GNPD and Masinloc Power Co. Ltd. ("MPCL") – Baseload PSAs

Following conduct of *CSP*, *MERALCO* has two (2) baseload supply *PSA*s with *MPCL* for 500 *MW* and with *GNPD* for 100 *MW*, both with operations effective date in September 2025. The joint applications for approval of *MERALCO*'s *PSA*s with *GNPD and MPCL* were filed with the *ERC* on October 2, 2024. The *ERC*, in a Notice of Commission Action dated December 12, 2024 (for *PSA* with *MPCL* only) has denied the parties' prayer for issuance of provisional authority or interim relief considering the *PSA*'s operations effective date is still on August 26, 2026. As at February 24, 2025, the parties are awaiting *ERC's* final decision on the applications.

GNPD – Mid-merit PSA

Following conduct of *CSP*, *MERALCO* has executed a mid-merit supply *PSA* with *GNPD* for 400 *MW* with operations effective date in September 2025. The joint application for approval of *MERALCO*'s *PSA* with *GNPD* was filed with the *ERC* on December 6, 2024. As at February 24, 2025, the application is set for hearing by the *ERC* on March 14, 2025 and March 21, 2025.

Interim Power Supply Agreements ("IPSAs")

On January 24, 2017, in view of the Malampaya shutdown that was to coincide with the scheduled outage of other plants, *MERALCO* signed an *IPSA* with Strategic Power Development Corporation ("*SPDC*") for the supply of 100 *MW* per hour of electric power from 0901H to 1000H and from 2001H to 2100H, and 150 *MW* per hour of electric power from 1001H to 2000H, from January 28, 2017 until February 16, 2017. The said *IPSA* was effective immediately, on the condition that disallowances and penalties that the *ERC* may impose as a result thereof shall be for the account of *SPDC*. *MERALCO* and *SPDC*, in a letter agreement dated February 15, 2017, agreed to extend the term of the *IPSA* until March 25, 2017 under the same terms and conditions of the *IPSA*. On February 16, 2017, *MERALCO* and *SPDC* filed a Joint Manifestation with Motion with the *ERC* for the extended term and praying that the same be duly considered and approved accordingly. As at February 24, 2025, the contract term has expired and *MERALCO* awaits the *ERC*'s final decision on the *IPSA*.

On April 15, 2019, in consideration of the *NGCP* forecast of voltage situations and Luzon peak demand, *MERALCO* signed two (2) separate *IPSA*s with: (i) Millenium Energy Inc. ("*MEI*") for the purchase of 70 *MW* of electric power, subject to a net dependable capacity test, from April 26, 2019 to June 25, 2019, from *MEI's* Gas Turbine Power Plant in Navotas Fishport Complex, Navotas City; and (ii) *TMO* for the purchase of up to 200,000 *kW* contract capacity and associated energy, subject to restatement based on the results of capacity test, from April 26, 2019 to April 25, 2020, from *TMO*'s 242 *MW*-installed capacity, barge-mounted, bunker-fired diesel power generating and interconnection facilities in Navotas City. For the said *IPSA*s, *MERALCO* also received the *DOE's* grant of exemption from the requirement for *CSP*. The applications for approval of said *IPSA*s were filed before the *ERC* on April 17, 2019. In accordance with the said *IPSA*s, with the filing of the joint applications and *DOE's* exemption, the mutual obligations to sell and purchase power under said agreements were implemented beginning April 26, 2019. On July 1, 2019, *MERALCO* filed its Compliance with *FOE* on the *TMO IPSA* Joint Application. In addition, in light of the declarations of yellow and red alerts in the *Luzon* Grid by *NGCP, MERALCO* and *MEI* agreed to extend their *IPSA* until April 25, 2020. *MERALCO* also received the *DOE's* grant of exemption from the requirement for *CSP*. The *PSA*s with *MEI* and *TMO* expired on April 25, 2020. As at February 24, 2025, the cases remain pending with the *ERC*.

On September 28, 2021, in view of the Malampaya shutdown set for October 2021 that was to coincide with the scheduled outage of other plants, *MERALCO* signed a Contract for Supply of Electric Energy ("*CSEE*") with *PSALM* for the supply of 90 *MW* for the period of ten (10) months from September 26, 2021 to July 25, 2022. On even date, the *DOE* issued a Certificate of Exemption from *CSP* in favor of *MERALCO* for the *CSEE*. With the *DOE*'s grant of exemption from the requirement for *CSP*, the parties began implementation of the *CSEE* on September 29, 2021. The application for approval of the *CSEE* with *PSALM* was filed on December 29, 2021. As at February 24, 2025, the contract term has expired and the case is pending decision by the *ERC*.

On February 4, 2022, *MERALCO* signed a 5-month *PSA* with *SPPC* for 170 *MW* contract capacity. The *PSA* was not implemented pending *ERC* approval and the contract term expired on July 25, 2022. As at February 24, 2025, the *ERC* has not issued its final decision on this *PSA*.

On December 14, 2022, in connection with the sudden and unforeseen suspension of *MERALCO*'s baseload *PSA* with *SPPC* for 670 *MW* and after receiving from the *DOE* a Certificate of Exemption from the conduct of a competitive selection process ("*COE-CSP*") pursuant to the *DOE* Circular No. DC2021-09-0030 ("*2021 Revised CSP Circular*"), *MERALCO* signed a one (1)-month *PSA* with *GNPD*. The *GNPD* emergency power supply agreement ("*EPSA*") ("*1st GNPD EPSA*") was implemented on December 15, 2022 and filed with the *ERC* on April 5, 2023. Following *MERALCO*'s request for extension of the *1st GNPD EPSA*, given continued unavailability of contract capacity and non-delivery of associated energy under the *SPPC PSA* (since the *CA* granted a writ of preliminary injunction to replace the *TRO*), the parties executed another *EPSA* with *GNPD* dated February 3, 2023 ("*2nd GNPD EPSA*"), with term until February 25, 2023. The *2nd GNPD EPSA* was implemented on February 3, 2023 and filed with the *ERC* on April 13, 2023. As at February 24, 2025, the contract terms of the *1st and 2nd GNPD EPSA*s have expired and the cases remain pending with the *ERC*.

On April 29, 2023, *MERALCO* received via electronic mail, a copy of the *ERC* Order dated April 11, 2023 (the "*Show Cause Order*") alleging *MERALCO*'s purported violation of Sec. 2.2.1.2 of the *2021 Revised CSP Circular*. The purported violation is predicated on *ERC*'s unilateral finding that the generation rate under the *1st GNPD EPSA* and *2nd GNPD EPSA* is not equivalent to or lower than the latest *ERC*-approved generation tariff for the same or similar technology in comparable areas considering that *GNPD*'s *EPSA* rate is higher than the latest *ERC*-approved generation tariff for similar technology (coal) in *MERALCO*'s area. The *ERC* compared the said rate with the provisionally approved rate of the *2021 PEDC PSA* with *MERALCO* in *ERC* Case No. 2022-001RC. On May 15, 2023, *MERALCO* filed its Verified Explanation ("*Verified Explanation*") in compliance with the *ERC*'s Show Cause Order. *MERALCO* explained that: (i) The *COE-CSP* issued by the *DOE* not only exempted *MERALCO* from conducting a *CSP* for the *EPSA*s, but essentially certifies that the *DU* was able to meet the requisites for its issuance, thus, authorizing the *EPSA*s' immediate implementation; (ii) the immediate implementation of the *1st GNPD EPSA* and *2nd GNPD EPSA* is consistent with Section 2.2.1.2 of the *2021 Revised CSP Rules* considering that: (a) both the *EPSA*s' cooperation periods are within the one (1) year period limitation; (b) the *EPSA*s were contracted to address an emergency situation; and (c) the *EPSA*s are equivalent to or lower than the latest *ERC*-approved generation tariff for same plant offered for the *EPSA*, which is actually the practice being observed by the *ERC* in approving *PSA*s as shown in previous Orders issued for other *PSA*s; (iii) the *ERC*'s use of the *2021 PEDC PSA* rate, which was released on the *ERC*'s online Database of Generation Rates after the Show Cause Order was issued and after the expiration of the terms of the *EPSA*s, is not comparable to the *EPSA* rates given the stark differences in circumstances.

On March 24, 2023 and April 11, 2023, in light of the injunction issued by the *CA* which suspended implementation of *MERALCO*'s *PSA* with *SPPC* for 670 *MW* contract capacity, and after receiving from the *DOE* a *COE-CSP* pursuant to the *2021 Revised CSP Circular, MERALCO* signed an *EPSA* with *SPPC* for 480 *MW* capacity and *TLI* for 370 *MW* capacity, respectively. The applications for approval of the *EPSA*s with *SPPC* and *TLI* were both filed on July 27, 2023. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*.

In light of the *CA*'s Joint Decision, and the cessation of the *SPI PSA* on July 24, 2023, *MERALCO*'s bilateral power supply contracts portfolio was reduced by 330 *MW* starting July 24, 2023. Prior to this, starting on July 17, 2023, *MERALCO* sent out requests for proposals to various power suppliers in order to address the 330 *MW* bilateral contract capacity deficit. On July 20, 2023, the only offer received was from *SPPC*. On August 7, 2023, *MERALCO* and *SPPC* executed an *EPSA.* The application for approval of the *EPSA* with *SPPC* was filed on September 25, 2023. As at February 24, 2025, hearings have been concluded and the case is pending decision by the *ERC*.

On March 20, 2024, *MERALCO* signed an interim one (1)-year *PSA* with *LPI* for 400 *MW* contract capacity and up to February 25, 2025. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*. On February 26, 2025, this interim *PSA* with *LPI* is expected to expire.

On May 24, 2024, pursuant to *MERALCO*'s Distribution Development Plan ("*DDP*") and Power Supply Procurement Plan ("*PSPP*"), *MERALCO* signed a Contract for Supply of Electric Energy ("*CSEE*") with *PSALM* for the supply of 90 *MW* for the period of six (6) months from May 26, 2024 to November 25, 2024. Pursuant to the *DOE*'s *2023 CSP Circular*'s and the *ERC*'s *CSP Guidelines'* exemption from the requirement for *CSP* for supply of electricity from *PSALM*, the parties began implementation of the *CSEE* on May 27, 2024. The application for approval of the *CSEE* with *PSALM* was filed on July 16, 2024. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*.

In light of the *ERC*'s non-issuance of a provisional authority or interim relief to implement *SPPC*'s 2024 baseload *PSA* with *MERALCO* before March 25, 2024 - which is the expiration date of *MERALCO*'s *EPSA*s with *SPPC* for 480 *MW* capacity, *TLI* for 370 *MW and SPPC for 330 MW,* on March 25, 2024, *MERALCO* was constrained to procure supply through a negotiated *EPSA* with *SPPC* for 1,200 *MW*. The *EPSA* includes a pre-termination clause, such that its term is for one (1) year, from March 26, 2024 until March 25, 2025, and shall be subject to pre-termination upon implementation of *SPPC*'s 2024 baseload *PSA* with *MERALCO*. On April 25, 2024, the joint application for approval of the *EPSA* was filed before the *ERC*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement *SPPC*'s 2024 baseload *PSA* with *MERALCO* (albeit only for a partial contract capacity if 910 *MW*), thus, on June 19, 2024, the *EPSA* was deemed terminated by the parties following its pre-termination clause. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*.

On January 27, 2025, in connection with the sudden and unforeseen cessation by *AC Energy* of declaring *BQC* for its baseload PSA with *MERALCO*'s for 200 *MW,* pursuant to prevailing *DOE CSP* Policy and *ERC CSP* Guidelines, *MERALCO* signed a one (1)-year *EPSA* with *SPI*. The *SPI EPSA* was implemented on January 28, 2025 and, filed with the *ERC* on February 24, 2025. As at February 24, 2025, the *EPSA* is awaiting to be set for hearing by the *ERC*.

MERALCO has the following *PSA*s with expired contract terms, and has applications for approval or modifications of these terms pending with the *ERC*:

Power Supplier	Contract expiry date
Philippine Power and Development Company	May 15, 2020
Bacavalley Energy Inc.	March 16, 2015
Pangea Green Energy Philippines Inc.	October 10, 2015
TMO	June 26, 2018
FNPC	February 23, 2018

Clark Electric

Sem-Calaca

Clark Electric has a *PSA* with *Sem-Calaca*, the power generation company which owns, operates and maintains the 600 *MW* Batangas Coal-Fired Thermal Power Plant located in Calaca, Batangas for the supply of 20 *MW* of baseload power supply for a contract term of ten (10) years commencing on December 26, 2020.

On March 1, 2021, the *ERC* granted the provisional authority to implement the *PSA* between *Clark Electric* and *Sem-Calaca*.

On February 23, 2022, the *ERC* granted an Interim Relief upon the expiration of the provisional authority.

SPDC

Clark Electric has a *PSA* with *SPDC* for the supply of 25 *MW* contract capacity and associated energy beginning December 26, 2020. The provisional authority to implement the *PSA* was granted by the *ERC* through its Order which was promulgated on June 11, 2021.

On February 23, 2022, the *ERC* granted an Interim Relief upon the expiration of the provisional authority.

TransCo/NGCP

Clark Electric has a Transmission Service Agreement with *NGCP* for the provision of necessary transmission services in accordance with the *OATS* rules for five (5) years until December 25, 2023. This was renewed for another five years until December 25, 2028.

Shin Clark

Temporary Power Supply Agreement ("TPSA") and Sale for Resale Agreement ("SRA")

On October 8, 2021, *BCDA* signed a 2-year *TPSA* with Tarlac II Electric Cooperative, Inc. ("*TARELCO II*") for the purchase of power supply for the whole *NCC* development area, which was extended for a period of six (6) months until April 8, 2024. Since the *ERC* has granted the *CPCN* of *Shin Clark Power* on July 5, 2023, *Shin Clark Power* operates and maintains the Electric Power Distribution System in *NCC.* Also, *TARELCO II* started billing *Shin Clark Power* for the power supplied to its customers in *NCC* beginning October 2023. The *TPSA* expired in May 2024.

On March 22, 2024, *Shin Clark Power* and *Clark Electric* entered into a *SRA* in order to serve the power supply requirements of its customers in *NCC*. On May 7, 2024, *Clark Electric* and *Shin Clark Power* filed their Application seeking the *ERC*'s approval of their *SRA* with prayer for issuance of provisional authority. In a Notice of Resolution dated September 30, 2024, the *ERC* granted interim relief to the parties to implement the *SRA* but excluded the recovery of the Overhead Line Recovery Charge and Administrative Charge. *Shin Clark Power* filed a Motion for Partial Reconsideration which is pending before the *ERC*. As at February 24, 2025, the motion is pending before the *ERC*.

Supply and Equipment Loan Agreement with Shell

Panay Power Corporation ("*PPC*") has a Supply and Equipment Loan Agreement with Shell, whereby Shell will supply *PPC*'s total requirements of petroleum products at prices based on the formula indicated in the agreement. As *PPC* has not utilized the contracted quantity, agreement was renewed until the contracted quantity is fully utilized. Under the new agreement, pricing is subject to semi-annual review. As at February 24, 2025, the termination of the contract is ongoing discussion.

Long-term Coal Supply Agreements ("CSA")

In order to ensure that there is an adequate supply of coal to operate the power plants, the following operating plants entered into several long-term contracts with local and foreign coal suppliers:

PEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Sakti Nusantara Bakti	Indonesia	2022 - 2026	ICI4	275,000 MT
PT Bayan Resources, TBK	Indonesia	2023-2024	GNewC and ICI4	220,000 MT
PT Kideco Jaya Agung	Indonesia	2021 - 2025	GNewC	110,000 MT
Samsung C&T Corporation	Indonesia	2020 - 2024	GNewC Index	110,000 MT
Trafigura Asia Trading PTE, Ltd	Indonesia	2023 - 2024	ICI4	55,000 MT 2023;165,000 MT 2024
Bulk Trading	Indonesia	2023-2024	Fixed price	220,000 MT
Semirara Mining and Power Corporation	Local	Annual Contract	Fixed Price	200,000 MT

CEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2021 - 2025	GNewC	385,000 MT
PT Antang Gunung Meratus	Indonesia	2020 - 2025	GNEWC	275,000 MT
PT Adaro Indonesia	Indonesia	2020 - 2024	GNewC Index with cap @USD 50	165,000 MT
PT Kideco Jaya Agung	Indonesia	2021 - 2025	GNewC	110,000 MT
RWood Resources DMCC	Indonesia	2021 - 2025	GNewC	55,000 MT
Semirara Mining and Power Corporation	Local	Annual Contract	Fixed Price	200,000 MT

TPC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Kideco Jaya Agung	Indonesia	2021 - 2025	GNewC	110,000 MT
RWood Resources DMCC	Indonesia	2021 - 2025	GNewC	110,000 MT
PT Antang Gunung Meratus	Indonesia	2021 - 2025	GNewC	55,000 MT
Semirara Mining and Power Corporation	Local	Annual Contract	Fixed Price	200,000 MT

GESC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Bayan Resources, TBK	Indonesia	2023-2024	GNewC and ICI4	110,000 MT
Bulk Bayan Resources, TBK	Indonesia	2023-2024	Fixed Price	220,000 MT

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project ("*Cagbalete Microgrid Project*")

On July 23, 2019, *MERALCO* inaugurated the pilot of its power microgrid in Cagbalete Island, Quezon Province as part of its continuing initiative of rural energization using sustainable energy. The microgrid is a hybrid generating plant that features a 60 *kW PV* system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

On May 31, 2019, *MERALCO* filed an application dated May 29, 2019 to implement the proposed *Cagbalete Microgrid Expansion Project* to allow *MERALCO* to serve the rest of the residents in Cagbalete Island. The *Cagbalete Microgrid Expansion Project* will utilize a scaled-up hybrid generation system by similarly using solar photovoltaic ("*PV*") panels, diesel generators and lithium-ion battery storage as main components. Hearings have been completed and *MERALCO* filed its *FOE* on August 15, 2019. On September 22, 2022, *MERALCO* filed a motion to withdraw application. As at February 24, 2025, *MERALCO* is awaiting further action by the *ERC*.

Lease Agreement with CDC

Clark Electric has a lease agreement with *CDC* covering land and structures until 2032.

On March 7, 2022, *Clark Electric* and *CDC* signed two (2) supplemental lease agreements for an allocated space in *CDC*-owned Dolores Substation 2 and Clark-Mabalacat-Angeles Road Substation.

In accordance with the lease agreement, *CDC* charges guarantee fees equivalent to ₱0.12 per *kWh* sold by *Clark Electric*.

Estimated future minimum guarantee fees to be remitted to *CDC* are as follows:

	2024	2023
	In millions	
Within one (1) year	**₱87**	₱86
After one (1) year but not more than five years	**513**	497
	₱600	₱583

IMC with PELCO II

Comstech has an *IMC* with *PELCO II* for a period of 20 years until 2034. *PELCO II* is an electric cooperative with franchise to distribute electric power in certain municipalities of Pampanga.

Pursuant to the *IMC*, *Comstech* shall render technical and management services for the operation, maintenance and management and improvement of *PELCO II*'s electric distribution. As consideration for its technical, consultancy and management services, *Comstech* is entitled to a performance-based remuneration and management fee based on a certain percentage of the operating revenues of *PELCO II*.

Agreement and Registration with PEZA

MERALCO has a concession agreement with *PEZA* for 25 years until May 2039, whereby *MERALCO* has been contracted to operate the distribution system of *CEZ*.

On December 29, 2014, *MERALCO* secured its Certificate of Registration No.10-01-U from *PEZA*, which confirms *MERALCO* as an Ecozone Utilities Enterprise at the *CEZ*.

On September 7, 2023, *PEZA* issued a Board Resolution No. 23-227 that implements the policy guidelines for all *PEZA*'s distribution utilities /concessionaire /service provider ("*DU/C/SP*") and power suppliers in the procurement of power supply in the economic zones through a competitive selection process ("*PEZA CSP Policy*"). The *PEZA CSP* Policy mandates the *DU/C/SP* to submit annually to *PEZA* its *PEZA* Distribution Development Plan and Power Supply Procurement Plan, as well as the establishment of a *CSP* Bids and Awards Committee, wherein two (2) out of the five (5) members shall come from the nominees of the *DU/C/SP*. The *PEZA CSP Policy* also provides for an exemption from *CSP* and a transition power supply agreement.

MERALCO executed a tripartite agreement with *PEZA* and *TLI* for the billing and settlement of the supply of power from *TLI* to *CEZ* and its locators. On December 19, 2023, *MERALCO* issued a Notice of Award to *TLI* for the 24 *MW* baseload supply of *CEZ* for a period of one (1) year from December 26, 2023 to December 25, 2024 ("Additional Term"). The terms of the award will be documented through a Transition Power Supply Agreement. The tripartite agreement is likewise extended until December 25, 2024. On November 22, 2024, *PEZA* and *TLI* extended the Transition Power Supply Agreement for another six (6) months, or until June 25, 2025. The tripartite agreement is likewise extended until June 25, 2025.

Joint Venture Agreement with NCC

On April 3, 2019, *Shin Clark* signed a Joint Venture Agreement with the *BCDA* for the construction, operation and maintenance of the electric distribution system in *NCC*.

Shin Clark completed the construction of Phase 1A of the Interim Electrical Distribution facilities, which consists of (i) a 33 *MVA*, 69 *kV*-13.8 *kV* interim substation; (ii) 2.2 kilometers of 13.8 *kV* overhead lines; and (iii) 1.5 kilometers of 13.8 *kV* underground line.

On September 15, 2021, *BCDA* secured the endorsement from the Governance Commission for Government Owned and Controlled Corporation for the incorporation of *Shin Clark Power*, the joint venture company, which was approved by the *SEC* on May 10, 2022. On March 22, 2023, *Shin Clark Power* was granted a *CPCN* by the *ERC* to operate as a *DU* until September 2044.

31. Earnings Per Share Attributable to Equity Holders of the Parent Company

Basic and diluted earnings per share are calculated as follows:

	2024	2023	2022
	(In millions except per share amounts)		
Net income attributable to equity holders of the parent company (a)	**₱45,859**	₱38,023	₱28,431
Weighted average common shares outstanding (b)	**1,127**	1,127	1,127
Per Share Amounts:			
Basic and diluted earnings per share (a/b)	**₱40.69**	₱33.74	₱25.23

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to common shareholders of the parent company by the weighted average number of common shares outstanding during the year. There are no potential dilutive common shares in 2024 and 2023.

There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

32. Other Matters

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On May 12, 2016, the *ERC* issued Resolutions No. 10 and 11, Series of 2016, which:

1. Provided for mandatory contestability. Failure of a contestable customer to switch to *RES* upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) *MW* and June 26, 2017 for at least 750 *MW*) shall result in the physical disconnection from the *DU* system unless it is served by the supplier of last resort ("*SoLR*"), or, if applicable, procures power from the *WESM*;

2. Prohibits *DU*s from engaging in the supply of electricity to the contestable market except in its capacity as a *SoLR*;

3. Mandates Local *RES*s to wind down their supply businesses within a period of three (3) years;

4. Imposes upon all *RES*s, including *DU*-affiliate *RES*s, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

5. Prohibits *RES*s from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On November 29, 2017, the *DOE* issued two (2) *DOE* Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of *RCOA* for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of *RCOA* for *RES* in the Philippine Electric Power Industry. The *DOE* Circulars became effective on December 24, 2017.

Under the *DOE* Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under *RCOA*-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 *kW to* 749 *kW* for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 *kW* for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014.

Retail Aggregation

On June 16, 2022, the *ERC* issued Resolution No. 04, Series of 2022 entitled "*A Resolution Adopting the Rules for the Electric Retail Aggregation Program."* Under said Resolution, the aggregation of the electricity requirements of end-users, whose total monthly average peak demand is at least 500 *kW*, is allowed to accommodate a wider consumer base availing of the benefits of *RCOA* to further promote competition in the Competitive Retail Electricity Marktet. Implementation of such aggregation shall become effective by December 26, 2022. Meanwhile, industry stakeholders are clarifying certain provisions in the Resolution to allow for the smooth implementation of Retail Aggregation.

Pre-Emptive Mitigating Measure in the WESM

In December 2014, in its Resolution No. 20, Series of 2014, the *ERC* adopted and established a permanent pre-emptive mitigation measure in the *WESM*. The *ERC* set a cumulative price threshold ("*CPT*") amounting to an average spot price of ₱9,000 per *MWh* over a rolling 7-day period or 168-hour trading interval. Once this *CPT* for said period is breached, it triggers the imposition of a price cap amounting to ₱6,245 per *MWh*. The price cap shall be imposed until after a determination that succeeding *GWAP* rolling average is already below the *CPT*. The pre-emptive measure has taken effect beginning January 9, 2015.

The imposition of the mitigating measure was questioned by the Philippine Independent Power Producers Association ("*PIPPA*") in the *RTC*-Pasig through a Petition for Declaratory Relief with Application for *TRO* and/or Writ of Preliminary Injunction. The Petition prayed for, among others, that the *ERC* Resolutions pertaining to the secondary cap mechanism be declared void *ab initio*. The original petition was subsequently amended to reflect the promulgation of the subsequent *ERC* resolutions extending the effectivity of the *WESM* price cap. On July 21, 2014, *MERALCO* filed its Motion for Leave to Intervene and to Admit Attached Comment in Intervention. The *RTC-Pasig* admitted *MERALCO's* intervention and comment in its Order dated October 28, 2014.

However, in a Motion for Leave to Admit Supplement Petition, *PIPPA* moved for leave to file a supplemental petition to include *ERC* Resolution No. 20, Series of 2014 which provides for a permanent mitigating measure in the *WESM*. In an Order dated May 5, 2015, the *RTC*-Pasig denied the Motion for Leave to File and Admit Supplemental Petition. *PIPPA* filed a Motion for Partial Reconsideration which was denied by the *RTC*-Pasig in its Resolution dated September 10, 2015. *PIPPA* filed a Petition for Certiorari with the *CA*. The *CA* denied the Petition for Certiorari in its Decision dated June 9, 2017. *PIPPA* filed a *MR* dated July 19, 2017. In a Resolution dated August 16, 2017, the parties were directed to file their comments to the *PIPPA*'s *MR*. *MERALCO* has filed its comment on the *MR*. On April 4, 2018, the *CA* rendered a resolution denying the *MR* filed by *PIPPA*.

On September 29, 2015, the *WESM* Tripartite Committee issued a Joint Resolution further extending the interim offer price cap of ₱32,000 per *MWh* until December 31, 2015. In its Joint Resolution No. 3, Series of 2015, the *WESM* Tripartite Committee resolved to set the *WESM* offer price cap at ₱32,000 per *MWh* and the *WESM* offer price floor of negative ₱10,000 per *MWh* effective January 2016, provided that an annual review shall be undertaken considering the relevant costs assumptions at the time of review.

On December 7, 2015, the *RTC*-Pasig rendered a Decision dismissing the Petition for Declaratory Relief. The *MR* filed by *PIPPA* was denied in a Resolution dated June 16, 2016. *PIPPA* appealed the *RTC*-Pasig Decision with the *SC*. *MERALCO* has filed its comment thereto. *PIPPA* filed a Consolidated Reply on July 17, 2017. As at February 24, 2025, the case is pending before the *SC*.

On May 9, 2017, the *ERC* issued Resolution No. 4, Series of 2017, entitled, "A Resolution Adopting Amendments to the Pre-emptive Mitigating Measure in the *WESM*". They adopted a recalculated cumulative price threshold level of ₱1,080,000 and a shorter five (5)-day (120-hour) rolling average period. This is equivalent to ₱9,000 per *MWh* over said period.

The *ERC* has expressed its intent to further amend the pre-emptive mitigating measure in the *WESM* to increase consumer safety nets against price spikes. The highlight of the amendments would be the lowering of the rolling average period from five (5) days to three (3) days, and the regional/island imposition of the Secondary Price Cap mechanism when the grid interconnection is on outage. In its Resolution No. 7, Series of 2021, promulgated on July 28, 2021, the *ERC* shortened the rolling average period to seventy-two (72) hours and approved the regional/island imposition of the Secondary Price Cap mechanism.

On October 17, 2023, the *PIPPA* filed a Petition, dated October 16, 2023, to initiate a rule-making petition for the suspension of *ERC* Resolution No. 7, Series of 2021 and the adoption of *PIPPA*'s proposed rules on the imposition of secondary price cap. As at February 24, 2025, *ERC* has yet to promulgate the amended rules.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued "Guidelines in the Registration of Electric Power Generation Facilities/Utilities/Entities Operating Inside the Ecozones" and "Guidelines for the Supply of Electric Power in Ecozones" ("*Guidelines*"). Under these Guidelines, *PEZA* effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DU*s which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The *Guidelines* are the subject of an injunction case filed by the *DU*s in *RTC*-Pasig.

MERALCO, PEZA and *PEPOA* submitted their Tripartite Agreement for approval of the *RTC*-Pasig. In a Decision dated July 3, 2015, the *RTC*-Pasig approved the Compromise Agreement between *PEZA*, *PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC*-Pasig dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC*-Pasig.

Purchase of Subtransmission Assets ("*STAs*")

On April 17, 2012, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 4 contract to sell with the *ERC*. On April 22, 2013, the *ERC* issued a Decision on *MERALCO*'s joint application for the acquisition of the Batch 4 contract to sell. On June 21, 2013 and July 3, 2013, *MERALCO* and *TransCo* filed a Motion for Partial Reconsideration and *MR*, respectively, regarding the exclusion of certain facilities for acquisition.

On May 22, 2014, *MERALCO* and *TransCo* received an *ERC* Order dated May 5, 2014 denying *MERALCO* and *TransCo*'s Motions. On June 5, 2014, *MERALCO* filed a clarificatory motion and a *MR* of the May 5, 2014 *ERC* Order, which was denied by the *ERC* through an Order dated June 16, 2014. On October 10, 2014, *MERALCO* filed a Motion to Reopen Proceedings for the reception of new evidence to support *MERALCO*'s position on the acquisition of excluded *STA*s. The Motion was heard by the *ERC* on October 17, 2014. After the parties have submitted their respective comments and pleadings, the *ERC* conducted another hearing on February 23, 2015.

In an Order dated March 4, 2015, the *ERC* considered but denied the new and substantive allegations in *MERALCO*'s Motion to Reopen Proceedings. *MERALCO* then filed a Petition for Review with the *CA* to question the Orders of the *ERC*. In a Decision dated August 12, 2016, the *CA* dismissed the Petition. On September 17, 2016, *MERALCO* filed a *MR*. In an Amended Decision dated September 15, 2017, the *CA* granted *MERALCO*'s *MR* and approved the sale of the Dasmarinas-Abubot-Rosario 115 *kV* line and Rosario substation equipment in favor of *MERALCO*. *NGCP* filed a *MR* (of the Amended Decision) dated October 4, 2017. In a Resolution dated May 31, 2018, the *CA* denied the *MR*. *NGCP* filed a Petition for Review with the *SC*.

On March 20, 2015, *MERALCO* filed a case for "Interpleader with Consignation and Specific Performance" against *TransCo* and the Municipality of Labrador, Pangasinan ("*Labrador*") with the *RTC*-Pasig, praying for the *RTC*-Pasig to (i) accept and approved the consignation of the amount of ₱194.1 million; (ii) declare *MERALCO* to have paid in full the purchase price of the sale of *TransCo*'s assets; (iii) direct *TransCo* to execute the corresponding Deeds of Absolute Sale; and (iv) direct *Labrador* and *TransCo* to interplead their respective claims. On April 14 and 20, 2015, *Labrador* and *TransCo* filed their respective Motions to Dismiss on the ground of impropriety of the filing of the Interpleader and on the ground of *litis pendentia. MERALCO* received an Order from *RTC*-Pasig granting the Motions to Dismiss of both *TransCo* and *Labrador*. *MERALCO* filed a *MR* which was denied by the *RTC*-Pasig. *MERALCO* appealed the Decision with the *CA*, which granted the appeal, and remanded the interpleader case to the trial court for proper disposition. The *CA* decision already attained finality as of May 25, 2018.

TransCo and *MERALCO* executed the Deeds of Absolute Sale ("*DOAS*") on December 10, 2020, covering the Batch 2 and Batch 4 *STA*s. Hence, *MERALCO* has acquired and is in full possession of these assets. In a letter dated Octobre 26, 2021, *NGCP* likewise confirmed that, with the turn-over of these assets, the corresponding Connection Charges and Residual Sub-Transmission Charges ("*CC/RSTC*") of *MERALCO* starting the December 2021 billing month will be correspondingly adjusted.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next scheduled hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 ("*RE* Act"), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

On February 5, 2014, the *ERC* released the *FiT-All* disbursement and Collection Guidelines ("*FiT Guidelines*") to supplement the *FiT* Rules. This set of guidelines will govern how the *FiT-All* will be calculated using the formulae provided. It will also outline the process of billing and collecting the *FiT-All* from the electricity consumers, the remittance to a specified fund, the disbursement from the *FiT-All* fund and the payment to eligible *RE* developers.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per *kWh*	Approved Rate per *kWh*	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	₱0.2278	₱0.0983	November 23, 2020
2021	₱0.1881	₱0.0983	August 17, 2022
2022	₱0.3320 or ₱0.3165 (alternative rate in consideration of *Covid-19*)	₱0.0364	August 30, 2022
2023	₱0.2382	₱0.0838	March 20, 2024
2024	₱0.0867	₱0.1189	February 19, 2025
2025	₱0.1006	-	Pending final decision

On December 23, 2014, *MERALCO* received a copy of a Petition for Prohibition and Certiorari filed with the *SC* against the *ERC*, *DOE, TransCo*, *NREB* and *MERALCO*. The Petition seeks (i) the issuance of a *TRO* and/or *WPI*, and after giving due course to the Petition, a Writ of Prohibition to enjoin the respondents from implementing the *FiT-All*, the *FiT* Rules and *FiT* Guidelines; and (ii) the annulment of the *FiT* Rules and *FiT* Guidelines. With the parties' submission of their respective memoranda, the case is now pending decision. In a Decision dated August 13, 2024, the *SC* denied the Petition.

In a Decision dated October 6, 2015, the *ERC* set the Wind *FiT* at ₱7.40 per *kWh. MERALCO* filed a *MR* on the Decision. As at February 24, 2025, the *MR* is pending further action of the *ERC*.

On September 29, 2016, Alternergy Wind One Corporation, Petrowind Energy, Inc. and Trans-Asia Renewable Energy Corporation filed a Petition to Initiate Rule-Making to adjust the Wind *FiT* rate of ₱7.40 per *kWh* to ₱7.93 per *kWh*. *MERALCO* filed an intervention in the case. As at February 24, 2025, the said petition is ongoing and remains pending with the *ERC.*

On May 26, 2020, through Resolution No. 6, Series of 2020, the *ERC* issued the *FiT* adjustments for the years 2016, 2017, 2018, 2019 and 2020 using 2014 as the base year for the *CPI* and foreign exchange adjustments, pursuant to Section 2.10 of the *FiT* Rules. The said *FiT* adjustments are to be recovered for a period of five (5) years.

In its Decision dated November 28, 2020, the *ERC* set the modified *FiT2* rate to be applicable from January 1, 2018 to December 31, 2019. The modified Run of River ("*ROR*") Hydro *FiT2* rate is ₱5.8705 per *kWh* while for Biomass *FiT2*, the rate is ₱6.19 *kWh*.

On November 16, 2022, the *ERC* issued Resolution No. 12, Series of 2022, "*A Resolution Adopting the Suspension of the Collection of Feed-in-Tariff Allowance (FiT-All)*", approving the temporary suspension in the collection of the *FiT-All* for a period of three (3) months, starting the December 2022 until the February 2023 billing months. According to the *ERC*, the *FiT-All* balance as of November 7, 2022, inclusive of the Cost Recovery Revenue ("*CRR*") collections in November 2022, shows a healthy fund balance that can sufficiently cover the *FiT-All* payment requirements for three (3) months, assuming the same average *CRR* collection. On February 22, 2023, *ERC* issued Resolution No. 02, Series of 2023, extending the temporary suspension in the collection of the *FiT-All* for six (6) months, starting the March 2023 to August 2023 billing months. On August 4, 2023, *ERC* further extended the suspension in the collection of *FiT-All*, through Resolution No. 11, Series of 2023, starting September 2023 until otherwise lifted by the *ERC* in the event that the *FiT-All* fund shall be deemed insufficient to cover the monthly fund requirements. Finally, on January 16, 2024, *ERC* issued Resolution No. 1, Series of 2024, "*A Resolution Adopting the Lifting of Suspension of the Collection of FiT-All*", resolving to lift the suspension on the collection of the *FiT-All*, and to resume the collection of *FiT-All* starting the billing month of February 2024.

Renewable Portfolio Standards (RPS)

In accordance with the *RE* Act, the *DOE* issued Department Circular No. DC2017-12-0015 "Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the *RPS* Rules on December 22, 2017. In compliance with the *RPS* Rules, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*'s computation of its requirements, as well as plans to comply with the requirements.

On March 10, 2021, *MERALCO*'s registration in the Renewable Energy Market ("*REM*") as a Mandated Participant was approved by *PEMC*. On June 30, 2022, the *DOE* issued Department Circular No. 22-06-0019 "Declaring the Interim Commercial Operations of the Renewable Energy Market ("*REM*").

On May 23, 2022, the *DOE* issued Department Circular No. 2023-05-0015 "Prescribing the Amendments to Department Circular No. 2017-12-0015 or the Renewable Portfolio Standards (*RPS*)", increasing the minimum annual *RE* increment (*Km*) from one percent (1%) to 2.52% starting 2023 compliance year to meet the aspirational targets of increasing the *RE* share in the power generation mix. *MERALCO* fully complies with its *RPS* obligations while minimizing the rate impact to its customers.

Green Energy Option Program (GEOP)

Pursuant to the *RE* Act, the *DOE* issued Department Circular No. DC2018-07-0019 "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program Pursuant to the Renewable Energy Act of 2008" or the *GEOP* Rules on July 18, 2018. On April 22, 2020, the *DOE* also issued Department Circular No. DC2020-04-0009, "Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers under the GEOP" as a supplement to the *GEOP* Rules.

On August 19, 2021, the *ERC* issued Resolution No. 08, Series of 2021 "A Resolution Adopting the Rules for the Green Energy Option Program (*GEOP*)". The rules became effective on September 3, 2021. As at February 24, 2025, *MERALCO* has already processed the switching of 410 customers to *GEOP*.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*'s petition for the recovery of *NPC*'s stranded contract costs portion of the universal charge ("*UC-SCC*"). Accordingly, *PSALM* is hereby authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.

In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another refund to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the colletion of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the *ERC* dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DU*s to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid". By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DU*s.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DU*s' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability
, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DU*s' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on
July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at December 31, 2024, *MERALCO* has already installed 14,332 meters and energized 13,635 net metering customers.

Interruptible Load Program ("*ILP*")

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*'s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 "A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program", *DOE* Circular No. DC2015-06-0003 "Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program" and *ERC* Resolution No. 3, Series of 2019 "A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules".

As at December 31, 2024, there are 104 companies with a total committed de-loading capacity of 538.69 *MW* that have signed up with *MERALCO*, *MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* has filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*'s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at February 24, 2025, the *ERC* has yet to resolve *MERALCO*'s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* has filed a Motion to Withdraw the Application to align with the changes brought about by the amended Public Service Act. As at February 24, 2025, *MERALCO* is awaiting the resolution of the *ERC* of its motion.

CSP Requirement for PSAs

On July 19, 2023, the *DOE*'s new *CSP* policy under Department Circular No. DC2023-06-0021 ("*2023 CSP Circular*") took effect. The *2023 CSP Circular* requires issuance by *DOE* of a Certificate of Conformity prior to commencement of a CSP. It is also provided that *CSP*s shall be consistent with the latest and duly accepted *DDP* and posted *PSPP*.

On October 23, 2023, the *ERC* promulgated its *Resolution No. 16, Series of 2023 ("ERC CSP Guidelines").* The *ERC CSP Guidelines* provided for a maximum term of *PSA*s of ten (10) years for financial *PSA*s*,* fifteen (15) years for physical *PSA*s and twenty (20 years) for physical *PSA*s where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSA*s were also provided in the *ERC CSP Guidelines. DU*s may include additional contractual terms and conditions in their *PSA*s consistent with their terms of reference and the *ERC CSP Guidelines.* Under the *ERC CSP Guidelines*, the entire process of the *CSP,* including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.

Under the *ERC CSP Guidelines,* direct negotiation is allowed after at least two (2) failed *CSP*s.

Termination of the *PSA,* other than due to expiration of the term, requires approval by the *ERC* under the *ERC CSP Guidelines.*

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided certain conditions are present.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the "*Bayan Muna Petition*"). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSP*s of *MERALCO* and some electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*. As at February 24, 2025, the Petition remains pending before the *SC*.

True-up Adjustments of Fuel and Purchased Power Costs ("TAFPPC") and Foreign Exchange-Related Costs ("TAFxA")

On June 20, 2017, the *ERC* issued a consolidated Decision in *ERC* Case Nos 2011-115 RC, 2012-067 RC, 2013-092 RC, 2014-098 RC and 2015-124 RC, a copy of which was received by *MERALCO* on December 29, 2017, authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration praying for the suspension of the Order and requesting that *MERALCO* be allowed to charge the recovery to all types of customers, regardless of whether they were covered or not during the relevant test periods. In February 2023, the amount was fully refunded. As at February 24, 2025, the *ERC* has yet to act on the Motion.

Clean Air Act

The Clean Air Act and the related *IRR* contain provisions that have an impact on the industry as a whole and to *TPC*, *PPC*, *GRPI*, *PEDC* and *CEDC* ("the Operating Subsidiaries of *GBPC*") in particular, that need to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Operating Subsidiaries of *GBPC*'s existing facilities, the Operating Subsidiaries of *GBPC* believe that they have complied with the provisions of the Clean Air Act and the related *IRR*.

Energy Regulation (ER) 1-94

Based on *ER 1-94* and the *IRR* of the *EPIRA*, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per *kWh* of energy generated and sold. The operating subsidiaries of *GBPC* accrue the required benefits to their host community (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position) prospectively from the date of effectivity of *ER 1-94*. Such amount accrued shall be remitted to the trust account of the host *LGU*s and *DU*s, subject to audit by the *DOE*.

33. Notes to Consolidated Statements of Cash Flows

	2024			2023		
	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable
	(Amounts in millions)					
Balance at beginning of year	**₱71,863**	**₱27,583**	**₱3,219**	₱74,342	₱29,491	₱2,878
Payments	**(8,129)**	**(1,038)**	**(23,823)**	(8,498)	(3,239)	(21,691)
Availments	**6,523**	**7,742**	**–**	2,803	1,331	–
Dividend declarations	**–**	**–**	**24,266**	–	–	22,032
Preferred stock redemption	**(4)**	**–**	**–**	(2)	–	–
Additions to debt issue cost	**(34)**	**–**	**–**	–	–	–
Amortization of debt issue cost	**86**	**–**	**–**	195	–	–
Effect of deconsolidation of *MIDC (Note 3)*	**(9,749)**	**–**	**–**	–	–	–
Effect of consolidation of *SPNEC (Note 3)*	**–**	**–**	**–**	3,096	–	–
Amortization of fair value adjustment on interest-bearing long-term financial liabilities on the acquisition of *GBPC*	**(67)**	**–**	**–**	(73)	–	–
Balance at end of year	**₱60,489**	**₱34,287**	**₱3,662**	₱71,863	₱27,583	₱3,219

34. Event After the Financial Reporting Date

On February 24, 2025, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱13.736 a share to all shareholders of record as at March 12, 2025, payable on April 4, 2025.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, included in this Form 17-A, and have issued our report thereon dated February 24, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
Tax Identification No. 102-099-147
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-111-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465393, January 2, 2025, Makati City

February 24, 2025

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule A: Financial Assets
As at December 31, 2024
(Amounts in Millions Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Cash and cash equivalents:				
Cash in banks	not applicable	29,838	29,838	241
Cash equivalents	not applicable	54,315	54,315	2,920
Trade and other receivables:				
Electricity sold	not applicable	37,333	37,333	-
Energy generated	not applicable	5,334	5,334	-
Service contracts	not applicable	9,771	9,771	-
Nontrade receivables	not applicable	8,897	8,897	-
Debt securities at amortized cost:				
Government securities	various	9,657	9,657	383
Private debt securities	various	248	248	24
Financial assets at FVOCI:				
Corporate bonds	various	2,023	2,023	170
Ordinary and club shares	various	2,384	2,384	-
Other financial assets:				
Advance payments to a supplier	not applicable	206	213	-
Short-term investments	not applicable	12	12	-
		160,018	**160,025**	**3,738**

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule C: Accounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2024
(Amounts in Millions Pesos)

Name of Related Party	January 1, 2024	Additions	Collections	Others	Amount written off	Current	Noncurrent	December 31, 2024
Vantage Energy Solutions and Management, Inc.	1	529	(5)	-	-	525	-	525
Meralco Industrial Engineering Services Corporation	231	50	(18)	-	-	263	-	263
Meralco Energy Inc.	77	31	(7)	-	-	101	-	101
Meralco Financial Services Corporation	60	40	-	-	-	100	-	100
Comstech Integration Alliance, Inc.	104	-	(32)	-	-	72	-	72
MSpectrum, Inc.	40	14	(2)	-	-	52	-	52
Radius Telecoms, Inc.	93	108	(161)	-	-	40	-	40
Miescor Builders, Inc.	16	11	-	-	-	27	-	27
Miescor Logistics, Inc.	27	6	(7)	-	-	26	-	26
MRAIL, Inc.	4	13	-	-	-	17	-	17
Meralco Powergen Corporation	-	10	-	-	-	10	-	10
Corporate Information Solutions, Inc.	1,862	157,727	(159,582)	-	-	7	-	7
eSakay, Inc.	1	-	(1)	-	-	-	-	-
	2,516	**158,539**	**(159,815)**	**-**	**-**	**1,240**	**-**	**1,240**

MANILA ELECTRIC COMPANY AND SUBSIDIARIES

Schedule D: Interest Bearing Long-term Financial Liabilities

As at December 31, 2024

(Amounts In Million Pesos)

Title of issue and type of obligation	Interest Rate	Amount authorized by indenture	Amount shown under "Current portion of interest-bearing long-term financial liabilities" in the Consolidated Statement of Financial Position	Amount shown under "Interest-bearing long-term financial liabilities - net of current portion" in the Consolidated Statement of Financial Position
Fixed Rate Loans	4.70%-8.70%		3,041	36,657
Floating Rate Loans	*6.46-7.78%*		1,205	18,528
Redeemable Preferred Stock	*10.00%*		1,461	-
Total			5,707	55,185
Less Unamortized debt issue cost			15	388
Balance at the end of the year			**5,692**	**54,797**

Note: The number of periodic payments of the fixed rate loans are disclosed in Note 17 - Interest-bearing Long-term Financial Liabilities in the Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule G. Capital Stock
As at December 31, 2024
(Amounts in millions)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	1,250	1,127	-	832	1	294

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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

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

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 24, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
Tax Identification No. 102-099-147
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
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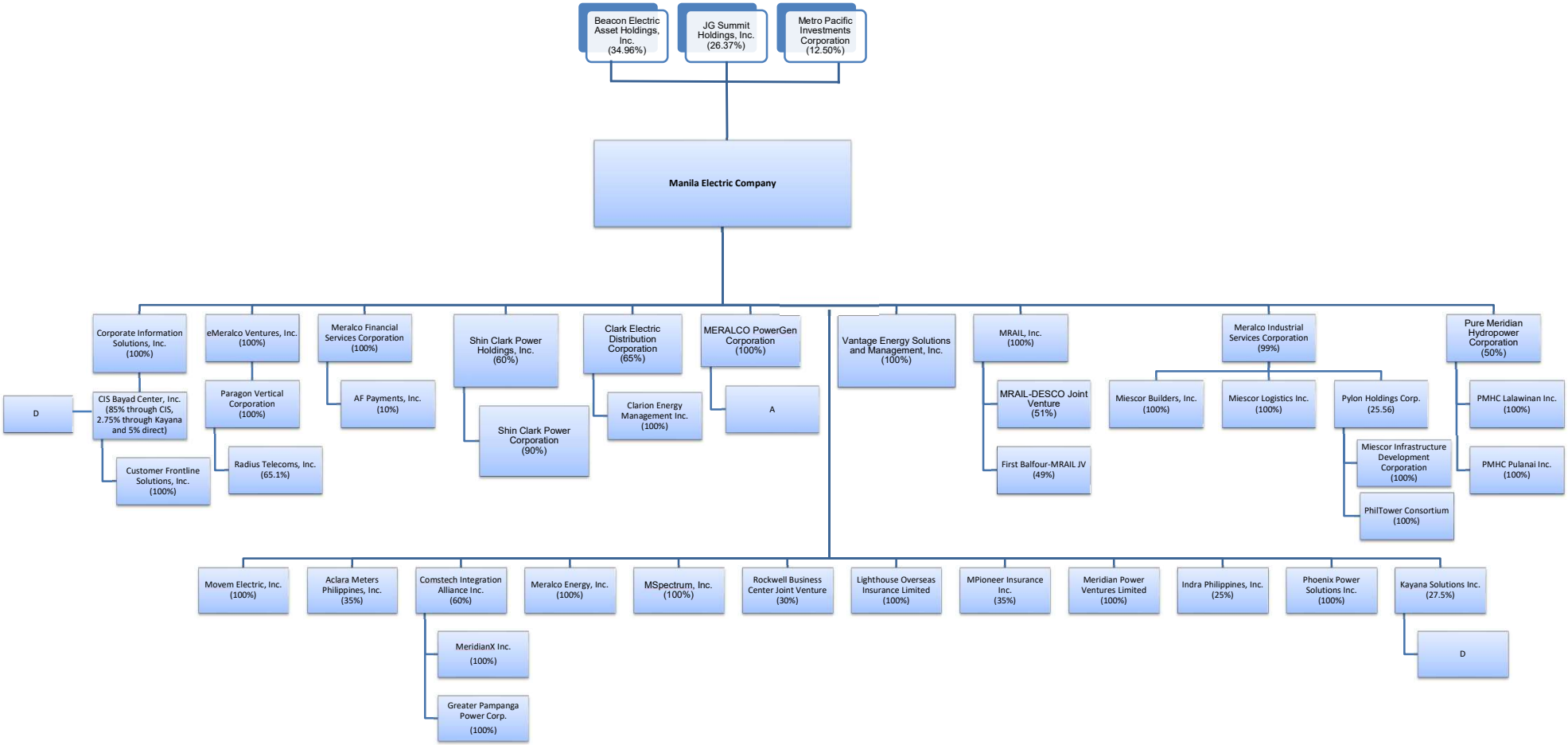
PTR No. 10465393, January 2, 2025, Makati City

February 24, 2025

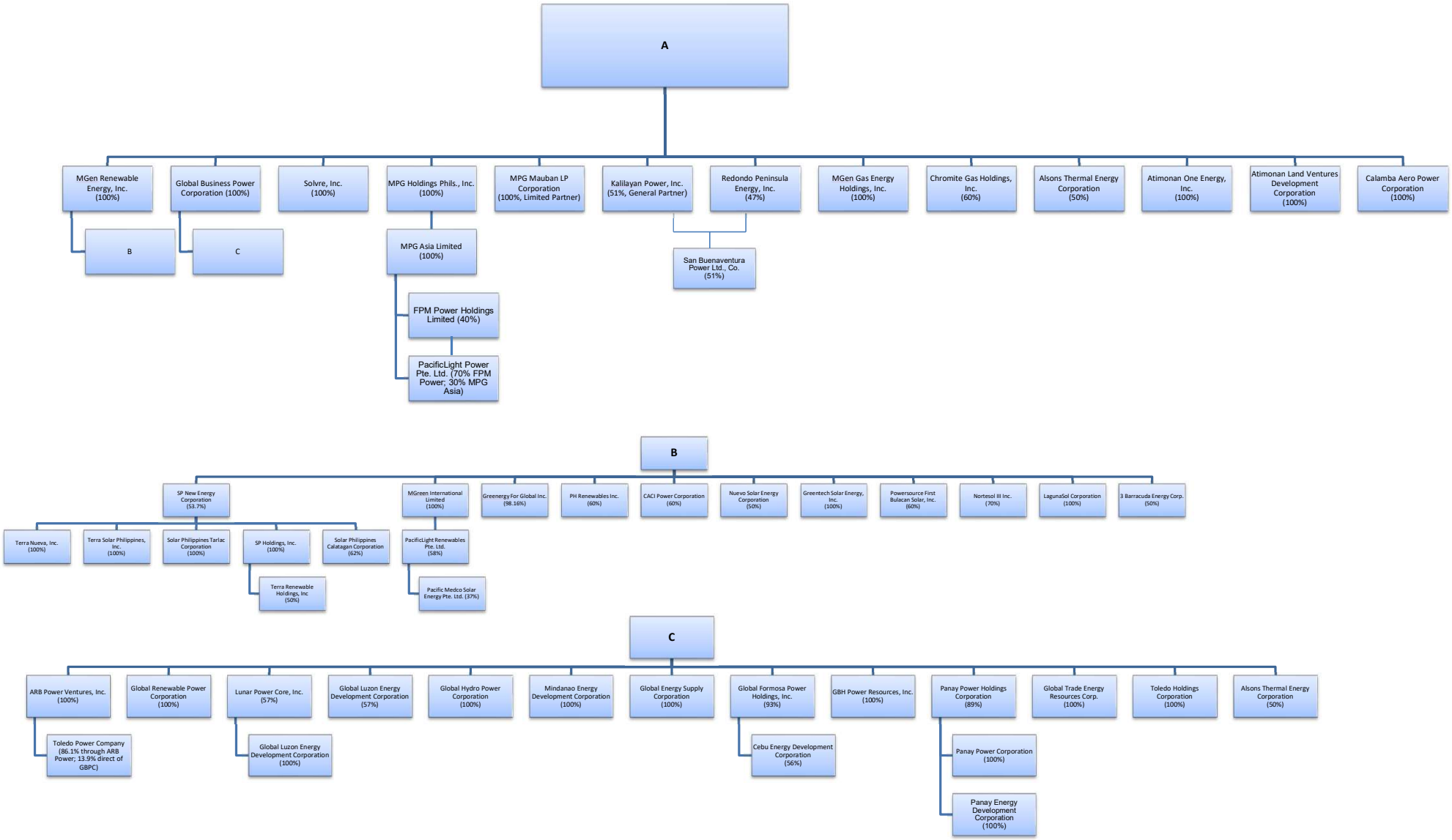
MANILA ELECTRIC COMPANY
Schedule H: Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2024
(Amounts in millions)

Unappropriated retained earnings, as adjusted to available for dividends declaration as at January 1, 2024		₱ 26,679
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting year		24,266
Unappropriated retained earnings, as adjusted		2,413
Add: Net income during the year		33,545
Less: Unrealized income recognized in the profit or loss during the reporting year (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		350
Add: Unrealized income recognized in the profit or loss in prior reporting year but realized in the current year (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents		394
Adjusted net income		36,002
Add: Non-actual losses recognized in profit or loss during the reporting year (net of tax)		
Depreciation of revaluation increment on utility plant and others		215
Less: Others items that should be excluded from the determination of the amount of available for dividend distribution		
Impact of discounting on certain liabilities	3,768	
Net movement of deferred tax assets	1,971	5,739
Unapproriated retained earnings available for dividend declaration as at December 31, 2024		₱ 30,478

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2024



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2024



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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 24, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
Tax Identification No. 102-099-147
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-111-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465393, January 2, 2025, Makati City

February 24, 2025

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule of Financial Soundness Indicators
As at December 31, 2024, 2023 and 2022

	2024	2023 - as restated	2022
Current Ratio[(1)]	0.76 : 1.00	0.70 : 1.00	0.75 : 1.00
Acid ratio [(2)]	0.69 : 1.00	0.62 : 1.00	0.66 : 1.00
Solvency Ratio[(3)]	0.16 : 1.00	0.15 : 1.00	0.13 : 1.00
Debt to Equity Ratio[(4)]	0.66 : 1.00	0.81 : 1.00	0.95 : 1.00
Asset to Equity Ratio[(5)]	4.27x	4.81x	4.74x
Interest Coverage Ratio[(6)]	10.96x	9.47x	9.84x
Profit margin Ratio[(7)]	0.10x	0.09x	0.07x
Return on Equity [(8)]	0.32x	0.31x	0.26x
Return on Assets[(9)]	0.07x	0.06x	0.05x
EBITDA Margin[(10)]	16.06%	14.73%	12.20%

(1) Current ratio is measured as current assets divided by current liabilities.

(2) Acid ratio is measured as current assets minus inventory and prepayments divided by current liabilities.

(3) Solvency ratio is measured as net income plus non-cash expenses divided to total liabilities.

(4) Debt to equity ratio is measured as total debts divided to total equity attributable to equity holders of the parent.

(5) Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of the parent.

(6) Interest coverage ratio is measured as earnings before interest and taxes, divided by total interest and other financial charges.

(7) Profit margin ratio is computed by dividing net income attributable to equity holders of the parent with total revenues.

(8) Return on equity is measured as net income attributable to equity holders of the parent with total equity attributable to equity holders of the p

(9) Return on assets is measured as net income attributable to equity holders of the parent with total assets.

(10) EBITDA margin is measured as EBITDA divided by total revenues.
EBITDA is measured as net income excluding depreciation and amortization, impairment of noncurrent assets, interest and other financial charges, interest and other financial income, equity in net earnings or losses of associates and joint ventures, foreign exchange gains or losses, mark-to-market gains or losses, provision for income tax and other non-recurring gains or losses, if any.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Supplementary Schedule of External Auditor Fee - Related Information
As at December 31, 2024 and 2023
Amounts in Millions Pesos

	2024	2023
Total Audit Fees	**24.8**	**22.9**
Non-audit services fees:		
Other assurance services *	1.8	1.8
Tax services	-	-
All other services	0.2	0.4
Total Non-audit Fees	**2.0**	**2.2**
Total Audit and Non-audit Fees	**26.8**	**25.1**

*includes Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM and quarterly reviews for SPNEC.

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MERALCO

STATEMENT OF MANANGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Manila Electric Company (the " Parent Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at December 31, 2024 and 2023, and for each of the three years ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion upon completion of such audit.

Signed this 24th day of March 2025.

MANUEL V. PANGILINAN
Chairman of the Board and Chief Executive Officer

BETTY C. SIY-YAP
Chief Finance Officer

SUBSCRIBED AND SWORN to before this ___ day of MAR 2 4 2025 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers as follows:

MANUEL V. PANGILINAN	914-481-801
BETTY C. SIY-YAP	102-100-627

Doc. No. 135;
Page No. 28;
Book XI;
No.
Series of 2025.

DST NO: 20744744 - 3/24/25

ATTY. CRISTOPHER B. ARPON
Notary Public
For and in Pasig and Pateros
Appointment No. 33 (2025-2026) December 16, 2024
At Pasig City Until December 31, 2026
Roll No. 41620//IBP No. 492764, 1/2/2025, RSM Chapter
PTR No. 2831094, 1/2/2025, Pasig City
MCLE No. VIII-0003630 - 04/14/2028
8th Floor, Lopez Bldg. Ortigas Avenue, Pasig City

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Manila Electric Company (the Company), which comprise the parent company statements of financial position as at December 31, 2024 and 2023, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Manila Electric Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
Tax Identification No. 102-099-147
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-111-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465393, January 2, 2025, Makati City

February 24, 2025

MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023
		(Amounts in millions)	
ASSETS			
Noncurrent Assets			
Utility plant and others	*6*	**₱197,630**	₱184,154
Investments in subsidiaries and associates and interests in joint ventures	*7 and 21*	**73,890**	67,231
Investment properties	*8*	**1,446**	1,450
Deferred tax assets - net	*26*	**26,040**	23,237
Financial and other noncurrent assets	*2, 9, 11, 13, 24, 25 and 28*	**24,011**	26,720
Total Noncurrent Assets		**323,017**	302,792
Current Assets			
Cash and cash equivalents	*10 and 25*	**51,602**	53,918
Trade and other receivables	*9, 11, 21 and 25*	**38,694**	36,185
Inventories	*12 and 23*	**7,877**	6,728
Financial and other current assets	*9, 13, 21 and 25*	**12,175**	11,193
Total Current Assets		**110,348**	108,024
Total Assets		**₱433,365**	₱410,816
EQUITY AND LIABILITIES			
Equity			
Common stock	*14*	**₱11,273**	₱11,273
Additional paid-in capital		**4,111**	4,111
Employee stock purchase plan	*14*	**1,049**	1,049
Hedging reserve	*14*	**1,277**	–
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("*FVOCI*")	*9*	**479**	281
Remeasurement adjustments on retirement and other post-employment liabilities	*24*	**580**	2,984
Treasury shares	*14*	**(13)**	(11)
Retained earnings	*14*	**88,112**	78,833
Total Equity		**106,868**	98,520
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	*15 and 25*	**12,615**	12,600
Customers' deposits - net of current portion	*16, 20 and 25*	**32,514**	33,482
Refundable service extension costs - net of current portion	*20 and 25*	**3,753**	4,051
Long-term employee benefits	*24*	**15,405**	9,511
Provisions	*17, 20 and 27*	**9,741**	11,293
Other noncurrent liabilities	*2, 5, 6, 22 and 27*	**64,802**	50,679
Total Noncurrent Liabilities		**138,830**	121,616
Current Liabilities			
Notes payable	*19 and 25*	**26,952**	27,404
Trade payables and other current liabilities	*2,14, 15, 16, 17, 20, 21, 22, 25 and 27*	**154,620**	153,524
Customers' refund	*2, 18 and 25*	**2,853**	2,846
Income tax payable		**1,696**	1,396
Current portion of interest-bearing long-term financial liabilities	*15, 23 and 25*	**1,546**	5,510
Total Current Liabilities		**187,667**	190,680
Total Liabilities		**326,497**	312,296
		₱433,365	₱410,816

See accompanying Notes to Parent Company Financial Statements.

MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF INCOME

		Years Ended December 31	
	Note	**2024**	2023
		(Amounts in millions, except per share data)	
REVENUES			
Sale of electricity	*21, 22, 28 and 30*	**₱418,326**	₱391,928
Lease income	*8 and 21*	**2,083**	1,897
		420,409	393,825
COSTS AND EXPENSES			
Purchased power	*21, 22 and 28*	**339,478**	320,344
Salaries, wages and employee benefits	*23 and 24*	**12,356**	11,091
Depreciation and amortization	*6, 8 and 9*	**10,697**	10,507
Contracted services		**9,316**	8,825
Provisions for probable losses and expenses from claims	*9, 17, 20, 22 and 27*	**6,028**	6,402
Provision for expected credit losses ("*ECL*")	*11*	**755**	790
Taxes, fees and permits		**728**	683
Other expenses	*21 and 23*	**3,334**	3,246
		382,692	361,888
OTHER INCOME (EXPENSES)			
Interest and other financial income	*2*	**4,342**	5,036
Interest and other financial charges	*6, 15, 16 and 19*	**(1,810)**	(1,899)
Foreign exchange gains (losses) - net		**118**	(3)
Others	*2, 21, 22 and 28*	**1,494**	495
		4,144	3,629
INCOME BEFORE INCOME TAX		**41,861**	35,566
PROVISION FOR (BENEFIT FROM) INCOME TAX	*26*		
Current		**10,329**	9,162
Deferred		**(2,013)**	(1,922)
		8,316	7,240
NET INCOME		**₱33,545**	₱28,326
Earnings Per Share - Basic and Diluted	*29*	**₱29.76**	₱25.13

See accompanying Notes to Parent Company Financial Statements.

MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2024**	2023
		(Amounts in millions)	
NET INCOME		**₱33,545**	₱28,326
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss in subsequent years:			
Unrealized fair value gains on financial assets at *FVOCI*	*9*	**81**	13
		81	13
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement adjustments on retirement and other post-employment liabilities	*24*	**(3,206)**	(5,336)
Income tax effect		**802**	1,334
		(2,404)	(4,002)
Change in fair value of cash flow hedges	*14 and 25*	**1,277**	–
Unrealized fair value gains on equity securities at *FVOCI*		**130**	101
Income tax effect		**(13)**	(10)
		117	91
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX		**(929)**	(3,898)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		**₱32,616**	₱24,428

See accompanying Notes to Parent Company Financial Statements.

MANILA ELECTRIC COMPANY

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024								
	Common Stock (Note 14)	**Additional Paid-in Capital**	**Employee Stock Purchase Plan** (Note 14)	**Hedging Reserve** (Note 14)	**Unrealized Fair Value Gains on Financial Assets at *FVOCI*** (Note 9)	**Remeasurement Adjustments on Retirement and Other Post-Employment Liabilities** (Note 24)	**Treasury Shares** (Note 14)	**Retained Earnings** (Note 14)	**Total Equity**
	(Amounts in millions)								
At January 1, 2024	**₱11,273**	**₱4,111**	**₱1,049**	**₱–**	**₱281**	**₱2,984**	**(₱11)**	**₱78,833**	**₱98,520**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,545**	**33,545**
Other comprehensive income (loss)	**–**	**–**	**–**	**1,277**	**198**	**(2,404)**	**–**	**–**	**(929)**
Total comprehensive income (loss)	**–**	**–**	**–**	**1,277**	**198**	**(2,404)**	**–**	**33,545**	**32,616**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,266)**	**(24,266)**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
At December 31, 2024	**₱11,273**	**₱4,111**	**₱1,049**	**₱1,277**	**₱479**	**₱580**	**(₱13)**	**₱88,112**	**₱106,868**

	2023							
	Common Stock (Note 14)	Additional Paid-in Capital	Employee Stock Purchase Plan (Note 14)	Unrealized Fair Value Gains on Financial Assets at *FVOCI* (Note 9)	Remeasurement Adjustments on Retirement and Other Post-Employment Liabilities (Note 24)	Treasury Shares (Note 14)	Retained Earnings (Note 14)	Total Equity
	(Amounts in millions)							
At January 1, 2023	₱11,273	₱4,111	₱1,049	₱177	₱6,986	(₱11)	₱72,539	₱96,124
Net income	–	–	–	–	–	–	28,326	28,326
Other comprehensive income (loss)	–	–	–	104	(4,002)	–	–	(3,898)
Total comprehensive income (loss)	–	–	–	104	(4,002)	–	28,326	24,428
Dividends	–	–	–	–	–	–	(22,032)	(22,032)
At December 31, 2023	₱11,273	₱4,111	₱1,049	₱281	₱2,984	(₱11)	₱78,833	₱98,520

See accompanying Notes to Parent Company Financial Statements.

MANILA ELECTRIC COMPANY
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2024	2023
		(Amounts in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱41,861**	₱35,566
Adjustments for:			
Provisions for probable losses and expenses from claims - net	*17, 20, 22 and 27*	**10,580**	14,618
Depreciation and amortization	*6, 8 and 9*	**10,697**	10,507
Interest and other financial income	*23*	**(4,342)**	(5,036)
Interest and other financial charges	*6, 15, 16 and 23*	**1,810**	1,899
Provision for *ECL*		**755**	790
Gain on disposal of utility plant and others		**(354)**	(322)
Others		**133**	(89)
Operating income before working capital changes		**61,140**	57,933
Decrease (increase) in:			
Trade and other receivables		**(14,737)**	(11,103)
Inventories		**(1,149)**	(989)
Financial and other current assets		**331**	1,304
Increase (decrease) in:			
Trade payables and other current liabilities		**924**	(2,034)
Customers' deposits		**(564)**	2,203
Long-term employee benefits		**2,688**	2,081
Customers' refund		**(10)**	(45)
Cash generated from operations		**48,623**	49,350
Income tax paid		**(6,742)**	(1,498)
Net cash provided by operating activities		**41,881**	47,852
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at *FVOCI*	*9 and 25*	**(22,750)**	(42,989)
Utility plant and others	*6*	**(23,205)**	(22,767)
Investments in subsidiaries and associates and interests in joint ventures	*7*	**(6,582)**	(8,690)
Short-term investments		**(1,062)**	(2,482)
Debt securities at amortized cost	*9 and 25*	**–**	(1,058)
Intangible assets	*9*	**(621)**	(382)
Interest and other financial income received		**2,804**	2,672
Return of capital received	*7*	**–**	173
Dividends received		**3,128**	–
Proceeds from disposal of:			
Financial assets at *FVOCI*	*9 and 25*	**23,144**	43,026
Debt securities at amortized cost	*9 and 25*	**7,710**	20,925
Short-term investments		**1,059**	2,676
Utility plant and others		**369**	327
Net proceeds from settlement of cash flow hedges	*14*	**2,238**	–
Decrease in financial and other noncurrent assets		**1**	4,479
Net cash used in investing activities		**(13,767)**	(4,090)

(Forward)

		Years Ended December 31	
	Notes	**2024**	2023
		(Amounts in millions)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Dividends	*14*	**(₱23,969)**	(₱21,755)
Interest-bearing long-term financial liabilities	*15 and 31*	**(3,960)**	(4,594)
Interest and other financial charges		**(2,030)**	(2,363)
Notes payable	*19 and 31*	**(452)**	(125)
Net cash used in financing activities		**(30,411)**	(28,837)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,297)**	14,925
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**53,918**	38,973
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		**(19)**	20
CASH AND CASH EQUIVALENTS AT END OF YEAR	*10*	**₱51,602**	₱53,918

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Manila Electric Company ("*MERALCO*") holds a 25-year congressional franchise under Republic Act ("*RA*") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon.

The regulated and unregulated segments of the energy supply chain of the *MERALCO* include electricity distribution and retail electricity supply ("*RES*").

The Energy Regulatory Commission ("*ERC*") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("*CPCN*") for the operation of electric service within its franchise area, which shall be valid within the franchise period. On February 4, 2025, the Senate approved on third and final reading House Bill 10926 renewing *MERALCO*'s franchise for another 25 years starting 2028. This followed the same approval granted by the House of Representatives in November 2024 on the proposed measure. As at February 24, 2025, the consolidated bill is set to be enacted into law once endorsed to the Office of the President.

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation ("*Metro Pacific*") and JG Summit Holdings, Inc. ("*JG Summit*"). As at December 31, 2024, *Metro Pacific* has combined direct equity interest in *MERALCO* and indirect ownership through its wholly-owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*'s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO.* The remaining 26.17% common shares are held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange ("*PSE*") with ticker symbol, *MER*.

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

The parent company financial statements were approved and authorized for issue by the Board of Directors ("*BOD*") on February 24, 2025.

2. Rate Regulations

As a distribution utility ("*DU*"), *MERALCO* is subject to the rate-making regulations and regulatory policies of the *ERC.* Billings of *MERALCO* to customers are itemized or "unbundled" into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is governed by mechanisms promulgated and enforced by the *ERC*, mainly: [i] the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities, as amended", which govern the recovery of pass-through costs, including over- or under-recoveries of the bill components, namely, (a) generation charge, (b) transmission charge, (c) system loss ("*SL*") charge, (d) lifeline and inter-class rate subsidies, and (e) local franchise tax ("*LFT*") and business tax as modified by Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and

Business Taxes) of Distribution Utilities; and [ii] the "Rules for the Setting of Distribution Wheeling Rates" ("*RDWR*"), as modified, which govern the determination of *MERALCO*'s distribution, supply, and metering charges.

The following is a discussion of matters related to rate-setting of *MERALCO*:

Performance-Based Regulations ("*PBR*")

MERALCO is among the Group A entrants to the *PBR*, together with two (2) other private *DU*s.

Rate-setting under *PBR* is governed by the *RDWR*. Under *PBR*, tariffs are set once every Regulatory Period ("*RP*") based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base ("*RAB*") of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC. PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RYs*"). A *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Interim Average Rate beginning RY 2016

On July 10, 2015, the *ERC* provisionally approved an interim average rate ("*IAR*") of ₱1.3810 per *kWh* (excluding efficiency adjustment) and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

On July 13, 2022, *MERALCO* received the Decision of the *ERC* dated June 16, 2022 which approved a revised and final *IAR* of ₱1.3522 per *kWh* as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The *ERC* likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the *ERC*-approved *IAR* of ₱1.3522 per *kWh* until otherwise directed. *MERALCO* implemented the Decision beginning its August 2022 billing.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the parent company statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards ("*PFRS*") Accounting Standards as it may prejudice the position of *MERALCO*.

Regulatory Reset Costs

While *MERALCO* was implementing and billing its customers using the *ERC*-approved *IAR* of ₱1.3522, the *ERC* further ordered the refund of all regulatory reset costs approved, authorized and included in the *IAR*. The total amount of ₱263.9 million covering the *2RP* and *3RP*, or an equivalent of ₱0.0731 per *kWh,* has been fully refunded in July 2019.

On December 17, 2024 the *ERC* also ordered *MERALCO* to refund the collected regulatory reset costs, including interest, amounting to ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers, and *MERALCO* will no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset

experts costs. In a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at February 24, 2025, the *ERC* has yet to reply to *MERALCO*'s letter.

See Note 18 – Customers' Refund.

Distribution Rate True-Up ("DRTU") Applications

The *ERC* has issued Orders for the *DRTU* refunds totalling to ₱48,247 million which were implemented starting 2021 and were fully refunded to the customers in May 2023 billing. This resulted in an excess refund of ₱862 million, which was reported to the ERC in June 2023, with proposed recovery mechanism. As at February 24, 2025, the *ERC* has not responded to *MERALCO*'s letter.

Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the decision approving certain *DRTU* refund application. As at February 24, 2025, the petitions are pending before the *CA* and *SC*.

Capital Expenditure ("CAPEX")

Absent the final rules governing the 4th *RP* and 5th *RP* rate-setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 24, 2025, *MERALCO* is awaiting the final resolution and approval of the *ERC.*

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

After a series of resolutions, Omnibus Motions and Motions for Reconsideration by parties of interest, the *ERC* issued Resolution No. 17, Series of 2024, effective beginning January 3, 2025, modifying the 2021 *RDWR*, which clarified the coverage of the Lapsed Period of *MERALCO* to be from July 1, 2015 to June 30, 2025, and directed *MERALCO* to submit a reset application for the new 5*RP* (July 1, 2025 to June 30, 2029), not later than 30 days from effectivity of rules. *MERALCO* filed its reset application for the new 5*RP* on February 7, 2025. Hearings at the *ERC* have been scheduled starting March 3, 2025.

In the meantime, in compliance with an Order of the *ERC* dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. A separate or supplemental application for the period January 1, 2025 to June 30, 2025 shall be filed once the actual weighted average rates are determined for the said period. Hearings at the *ERC* have been scheduled starting February 28, 2025.

SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* issued an Order approving *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. The Order was elevated by certain consumer and civil society groups before the *CA* which set aside the *ERC*'s ruling on *MERALCO*'s rate unbundling and remanded the case to the *ERC.* Further, the *CA* opined that the *ERC* should have asked the Commission on Audit ("*COA*") to audit the books of *MERALCO.*

In an En Banc decision promulgated on December 6, 2006, the *SC* set aside and reversed the *CA* ruling saying that a *COA* audit was not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA*'s assistance to undertake a complete audit of the books, records and accounts of *MERALCO*. The *COA* audit, which began in September 2008, was completed with the submission of the *ERC* of its report on November 12, 2009.

On June 21, 2011, the *ERC* maintained and affirmed its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 30, 2003. The *ERC* stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. In a Decision dated February 29, 2016, the *CA* dismissed the Petition for Review and affirmed the Orders dated June 21, 2011 and February 4, 2013 of the *ERC*. The motion for reconsideration ("*MR*") filed by the intervenors was denied by the *CA* through a Resolution dated August 8, 2016.

On October 11, 2016, *MERALCO* received a Petition for Review on Certiorari filed by the intervenors before the *SC* appealing the dismissal of its Petition. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by National Association of Electric Consumers for Reforms Inc. ("*NASECORE*"), which among other things, (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (1) the valuation of the *RAB* of *MERALCO*; and (2) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers.

MERALCO, the other *DU*s and the *ERC* filed their respective motions for reconsideration which are pending before the *SC*. Two (2) additional *DU*s filed their respective Motions for Leave to intervene and to file their motions for reconsideration. As at February 24, 2025, the case is pending before the *SC*.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, local franchise and business taxes, including the timelines for *DU*s to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications for net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at February 24, 2025, hearings are still ongoing.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at February 24, 2025, the *ERC* has not acted on such application.

On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax ("*RPT*") under-recoveries of ₱229 million and net *LFT* over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were conducted.

In the Decision dated March 8, 2023, received by *MERALCO* on August 29, 2023, which approved the termination of the Power Supply Agreement ("*PSA*") between *MERALCO* and Panay Energy Development Corporation ("*PEDC*"), it was directed that the recovery of *PEDC*'s actual fuel losses due to Change in Circumstances ("*CIC*") from April 2 to September 25, 2022, amounting to ₱884 million, be included in the *ERC*'s evaluation of *MERALCO*'s true-up confirmation.

In compliance therewith, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* on October 3, 2023. The Supplemental Application prayed that *MERALCO* be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*. As at February 24, 2025, the *ERC* has yet to act on *MERALCO*'s motion.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*'s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at February 24, 2025, *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market ("*WESM*") billing adjustments based on regulated Luzon *WESM* prices. The *ERC* suspended the proceedings, pending resolution of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period.

In a Decision dated August 3, 2021, the *SC* voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory and entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As directed by the *ERC*, *MERALCO* and the Independent Electricity Market Operator ("*IEMOP*") have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 24, 2025, the same is pending with the *ERC*.

Deferred Purchase Price Adjustment ("PPA")

On October 12, 2009, the *ERC* released its findings on *MERALCO*'s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007. The *ERC* directed *MERALCO* to refund to its customers ₱268 million of deferred *PPA* transmission line costs related to Quezon Power (Philippines) Limited Company ("*QPPL*") and deferred accounting

adjustments incurred along with ₱184 million in carrying charges, or an equivalent ₱0.0169 per *kWh*. *MERALCO* implemented the refund beginning November 2009 until September 2010. However, the *ERC* has yet to rule on *MERALCO*'s deferred *PPA* under-recoveries of ₱106 million, which is not a transmission line fee. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at February 24, 2025, the *MR* is still pending resolution by the *ERC.*

Applications for Recovery of LFT

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Biñan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

The *ERC* Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approved the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded the same among the financial building blocks in the annual revenue requirement of the *PBR*. In compliance therewith, recovery of *LFT* after 2021 is on a pass-through basis.

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers, the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion and authorized *MERALCO* to continue with the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme on how the unclaimed refund will be utilized for purposes of reducing the distribution rates of customers. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* that on July 1, 2019, *MERALCO* deposited all the unclaimed amounts of the *SC* Refund as of June 30, 2019 in an interest-bearing bank account. *MERALCO* further manifested in said Compliance that it shall continue with the processing of the refund claims of eligible customers and should the refund claims of these customers be evaluated to be valid, *MERALCO* shall, for the benefit of the customers, withdraw the refund amount from the bank account, release the same to the concerned customers and accordingly inform the *ERC* of the refunds paid. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 24, 2025, there has been no further action from the *ERC*.

See Note 18 – Customers' Refund.

3. Statement of Compliance

The parent company financial statements have been prepared in compliance with *PFRS* Accounting Standards. *MERALCO* also prepares and issues consolidated financial statements in compliance with *PFRS* Accounting Standards. These are available publicly and may be downloaded from www.meralco.com.ph.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. *MERALCO* has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements of *MERALCO*.

- Amendments to *PAS 1, Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to *PFRS 16, Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to *PAS 7 and PFRS 7, Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments have no material impact on the parent company financial statements.

Pronouncements issued but not yet effective are listed below. *MERALCO* intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the parent company financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2025

- *PFRS 17, Insurance Contracts*
- Amendments to *PAS 21, Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to *PFRS 9* and *PFRS 7*, *Classification and Measurement of Financial Instruments*
- Annual Improvements to *PFRS* Accounting Standards - Volume 11
  - Amendments to *PFRS 1*, *Hedge Accounting by a First-time Adopter*
  - Amendments to *PFRS 7*, *Gain or Loss on Derecognition*
  - Amendments to *PFRS 9*, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to *PFRS 10*, *Determination of a 'De Facto Agent'*
  - Amendments to *PAS 7*, *Cost Method*

Effective beginning on or after January 1, 2027

- *PFRS 18*, *Presentation and Disclosure in Financial Statements*
- *PFRS 19*, *Subsidiaries without Public Accountability*

Deferred effectivity

Amendments to *PAS 28*, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policies

The principal accounting policies adopted in the preparation of the parent company financial statements are as follows:

Utility Plant and Others

Utility plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Cost includes the cost of replacing part of such utility plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are charged to operating expenses as incurred in the parent company statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

MERALCO's utility plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 14 – Equity* for the related discussion.

Depreciation and amortization of utility plant and others are computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Buildings and improvements	15-40 years
Communication equipment	5-10 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others	5-20 years

An item of utility plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting year to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant and others.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Subsidiaries and Associates and Interest in Joint Ventures

Investments in subsidiaries (entities over which *MERALCO* has control) and associates (entities over which *MERALCO* has significant influence) and interests in joint ventures (entities over which *MERALCO* has joint control) are accounted for under the cost method of accounting in the parent company financial statements. Investments in subsidiaries and associates and interests in joint ventures are carried in the parent company statement of financial position at cost less any impairment in value. *MERALCO* recognizes income from the investments only to the extent that *MERALCO*

receives distributions from accumulated profits of the subsidiaries, associates and joint venture arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

Control is achieved when *MERALCO* is exposed, or has the right, to variable returns from its involvement with the investee. Specifically, *MERALCO* controls an investee if and only if *MERALCO* has (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When *MERALCO* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) *MERALCO*'s voting rights and potential voting rights.

MERALCO re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control.

Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

MERALCO's investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 14 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the parent company statement of income in the year these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, *MERALCO* accounts for such property in accordance with the policy stated under utility plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 10 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the parent company statement of income.

Intangible assets with indefinite useful lives are not amortized but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the parent company statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the year these are incurred.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to *MERALCO.*

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

MERALCO uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, *MERALCO* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, *MERALCO* has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Impairment of Nonfinancial Assets

At each reporting date, an assessment is done to determine whether there is an indication that a nonfinancial asset [utility plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures and receivable from the Bureau of Internal Revenue ("*BIR*")], may be impaired. If any such indication exists, an estimate of the asset's recoverable amount is made. An asset's recoverable amount is the higher of an individual asset's or a cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm's-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the parent company statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, *MERALCO* estimates the individual asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior year. Such reversal is recognized in the parent company statement of income. After such reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level, as appropriate. The amount of

impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the parent company statement of income. Impairment losses relating to intangible assets may be reversed in future years.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss ("*FVPL*").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, *MERALCO* initially measures a financial asset at its fair value, and in the case of a financial asset not at *FVPL*, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest ("*SPPI*") on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The business model for managing financial assets refers to how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized at the trade date, i.e., the date that a commitment to purchase or sell the asset is made.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to *MERALCO*. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("*EIR*") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. *MERALCO*'s financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

MERALCO measures debt instruments at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the parent company statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in *OCI*. Upon derecognition, the cumulative fair value change recognized in *OCI* is recycled to profit or loss. *MERALCO's* debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, *MERALCO* can elect to classify irrevocably its equity investments as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32*, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the parent company statement of profit or loss when the right to receive payment has been established, except when *MERALCO* benefits from such proceeds as a partial recovery of the cost of the financial asset, in which case, such gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

MERALCO elected to classify irrevocably its non-listed equity investments and investment in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- *MERALCO* has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) *MERALCO* has transferred substantially all the risks and rewards of the asset, or (b) *MERALCO* has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered, an evaluation of the extent that such risks and rewards of ownership is retained shall be made.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the transferred asset to the extent of *MERALCO's* continuing involvement and an associated liability are recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Modification of Financial Assets

MERALCO derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

Both qualitative and quantitative factors are considered in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the following factors, among others, are used:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered *SPPI*

A quantitative assessment similar to that being performed for modification of financial liabilities is also done. In performing the quantitative assessment, the new terms of a financial asset are considered to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR* is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, *MERALCO* recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the parent company statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCI*").

Impairment of Financial Assets

An allowance for *ECL* is assessed for all debt instruments not held at *FVPL*. *ECL*s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original *EIR*. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*ECL*s are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECLs* are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECL*s are recognized and interest revenue is calculated by applying the credit-adjusted *EIR* to the amortized cost of the financial assets.

For trade receivables and contract assets, a simplified approach is applied in calculating *ECL*s. Changes in credit risk are not tracked, instead a loss allowance based on lifetime *ECL*s of each customer segment (e.g., residential, commercial, industrial, etc.) is recognized at each reporting date. A provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established and used. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forward-looking factors as well as the economic environment, was considered.

For debt instruments, the low credit risk simplification is applied. At every reporting date, an assessment is made on whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the internal credit rating of the debt instrument is reassessed. There is significant increase in credit risk when contractual payments are more than 30 days past due.

MERALCO's debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. As a policy, *ECL*s are measured on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.

Credit losses are recognized based on 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, *MERALCO* assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. *MERALCO* considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria from the time of origination.

An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent year, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-month *ECL*.

A financial asset is considered in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, a financial asset is also considered to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

MERALCO's financial liabilities include interest-bearing long-term financial liabilities, customer deposits and refunds, refundable service extension costs, notes payable and trade payables and other current liabilities.

Subsequent Measurement

Financial Liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by *MERALCO* that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the parent company statement of profit or loss. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. *MERALCO* has not designated any financial liability as at *FVPL*.

Loans and Borrowings

This is the category most relevant to *MERALCO*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the *EIR* amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as interest and other financial charges in the parent company statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Exchange or Modification of Financial Liabilities

Both qualitative and quantitative factors are used in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR*, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in the parent company statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the gross carrying amount of the financial liability is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and a modification gain or loss is recognized in the parent company statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

MERALCO has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Financial and other current assets" account.

Provisions

Provisions are recognized when *MERALCO* has a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where *MERALCO* expects a provision, or a portion, to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

Retirement Benefits

MERALCO has a distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits in addition to a lump sum payment to employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 were amended to provide for a defined lump sum payment only upon retirement of qualified employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the year in which they arise. Remeasurements are not reclassified to profit or loss in subsequent year.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of *MERALCO*, nor can they be paid directly to *MERALCO*. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected year until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

MERALCO's right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

The retirement costs under the defined contribution plan are recorded based on *MERALCO*'s contribution to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for its severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefits, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting year is recognized for services rendered by employees up to the end of the reporting year.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the *BOD*-approved long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which *MERALCO* expects to be entitled in exchange for those goods or services. *MERALCO* assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. *MERALCO* has concluded that it is acting as principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

Revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of discounts and/or rebates. The Uniform Filing Requirements ("*UFR*") on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment ("*CERA*") I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance ("*FiT-All*") are also separately presented in the customer's billing statement. Taxes billed and collected on behalf of the national governments and

collected on behalf of the local government units, universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation ("*PSALM*") and National Transmission Corporation ("*TransCo*"), respectively do not form part of revenues. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

As *RES*, revenues are recognized upon supply of power to the customers, based on the actual energy delivered.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

Lease Income

Income arising from lease of investment properties and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is included under "Lease income" account in the parent company statement of income.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If *MERALCO* performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

MERALCO's contract assets include under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which *MERALCO* has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before *MERALCO* transfers good or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when *MERALCO* performs services under the contract.

The following are considered as contract liabilities:

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("*DSOAR*"), the costs of non-standard connection facilities to connect the customers to a distribution utility's distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. The distribution utility assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with *PAS 16*. If the definition of an asset is met, such asset is recognized at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the parent company statement of financial position, and is recognized as income over the average duration of relationship with the customer. Assets funded by customers do not form part of the distribution utility's regulatory asset base until amounts are refunded to the customers.

Net Over-recoveries of Pass-through Charges

SL over-recoveries which resulted from the difference in the power suppliers' billings and recovery of such pass-through costs from consumers are included in "Other noncurrent liabilities" account in the parent company statement of financial position.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting date in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred.

Lease Liabilities

At the commencement date of the lease, the *MERALCO* recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the *MERALCO* and payments of penalties for terminating a lease, if the lease term reflects the *MERALCO* exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the *MERALCO* uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

At contract inception, an assessment is made whether such contract contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.

Company as Lessor

Leases where the risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Foreign Currency-Denominated Transactions and Translations

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the end of the reporting date. All differences are recognized in the parent company statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transaction either in profit or loss or directly in equity.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post reporting date events that provide additional information as at the reporting date (adjusting events) are reflected in *MERALCO's* financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to parent company financial statements, when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the *MERALCO*'s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments

In the process of applying *MERALCO*'s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements.

Determination of Functional Currency

The functional currency of *MERALCO* is the currency of the primary economic environment in which *MERALCO* operates. It is the currency that mainly influences the revenue and cost of rendering services.

Based on the economic substance of the underlying circumstances, the functional and presentation currency of *MERALCO* is the Philippine peso.

Uncertain Tax Position

The *MERALCO* assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. Significant judgement is applied in identifying uncertainties over the income tax treatments. Based on review and assessment of the income tax computations and filings, in consultation with external tax expert, it is determined that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. Any effect of each uncertain tax treatment is quantified using the most likely amount which the *MERALCO* expects to better predict the resolution of the uncertainty.

Operating Lease Commitments

As Lessor

There are several lease arrangements where *MERALCO* act as a lessor. Based on the terms and conditions of the arrangements, it has evaluated that the significant risks and rewards of ownership of such properties are retained by *MERALCO*. The lease agreements do not transfer ownership of the assets to the lessees at the end of the lease term and do not give the lessees a bargain purchase option over the assets. Consequently, the lease agreements are accounted for as operating leases.

As Lessee

There are also various operating lease agreements used in operations.

For lease accounted under *PFRS 16*, *ROU* assets are recognized and lease liabilities are measured at the present value of lease payments to be made over the lease term using the *MERALCO's* incremental borrowing rate.

MERALCO availed the exemption of *PFRS 16* for its short-term lease with the term of 12 months or less and low value assets. Accordingly, lease payments on these leases are recognized as expense on a straight-line basis over the lease term.

Arrangement that Contains a Lease

As assessed, the *PPA*s and *PSA*s do not qualify as leases and are accounted for as ordinary service contracts, since the distribution utilities do not have the right to direct the use, operate and were not involved in the design of the identified assets.

Principal versus Agent

Revenue recognition requires certain judgments on its arrangements with power generation companies such as *PPA*s and *PSA*s to be made. *MERALCO* has concluded that it is acting as a principal in substantially all of its revenue arrangements.

Revenue from sale of electricity requires *MERALCO* to bill customers based various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The difference between the amounts initially billed to customers and the settlement of the actual billings with power generation companies is adjusted to revenue at month end based on *ERC* Resolution No. 16, *A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities, as amended.*

Moreover, revenues from electricity, re-connection and other non-standard connection services arise from a single performance obligation which is satisfied over the period when the services are expected to be provided.

Contingencies

There are possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

See *Note 27 – Contingencies and Legal Proceedings*.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Estimating Useful Lives of Utility Plant and Others, Intangible Assets with Finite Lives and Investment Properties

The useful lives of utility plant and others, intangible assets with finite lives, and investment properties are estimated based on the periods over which such assets are expected to be available for use. The estimate of the useful lives of the utility plant and others, intangible assets with finite lives, and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant and others, intangible assets with finite lives, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant and others amounted to ₱10,348 million and ₱10,087 million for the years ended December 31, 2024 and 2023, respectively. Total carrying values of utility plant and others, net of accumulated depreciation and amortization, amounted to ₱197,630 million and ₱184,154 million as at December 31, 2024 and 2023, respectively.

Total depreciation of investment properties amounted to ₱4 million for the years ended December 31, 2024 and 2023. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,446 million and ₱1,450 million as at December 31, 2024 and 2023, respectively.

Total amortization of intangible assets with finite lives amounted to ₱345 million and ₱416 million for the years ended December 31, 2024 and 2023, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization and accumulated impairment loss, amounted to ₱2,104 million and ₱2,190 million as at December 31, 2024 and 2023, respectively.

See *Note 6 – Utility Plant and Others, Note 8 – Investment Properties* and *Note 9 – Other Noncurrent Assets*.

Impairment of Nonfinancial Assets

PFRS Accounting Standards requires that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. Such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant and others, intangible assets with finite life, investment properties, investments in subsidiaries and associates and interest in joint ventures, and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the parent company financial statements. Future events may cause management to conclude that utility plant and others, intangible assets with finite life, investment properties, investments in subsidiaries and interest in joint ventures, and other noncurrent assets are impaired. Any resulting impairment loss or reversal of previously recognized impairment loss could have a material adverse impact on *MERALCO*'s financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under *PFRS* Accounting Standards.

The carrying values of nonfinancial assets as at December 31, 2024 and 2023 subject to impairment review are as follows:

Account	**2024**	2023
	(Amounts in millions)	
Utility plant and others	**₱197,630**	₱184,154
Investments in subsidiaries and associates and interests in joint ventures	**73,890**	67,231
Intangible assets	**2,104**	2,190
Investment properties	**1,446**	1,450
Receivable from the *BIR*	**181**	181

Allowance for impairment loss on investments in subsidiaries, associates and joint ventures amounted to ₱10,791 million and ₱10,943 million as at December 31, 2024 and 2023, respectively (see Note 7).

See *Note 6 – Utility Plant and Others, Note 7 – Investments in Subsidiaries, Associates and Interest in Joint Ventures, Note 8 – Investment Properties and Note 9 – Other Noncurrent Assets.*

Realizability of Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting year and these may be reduced to the extent that such deferred tax assets are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting year. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised.

Based on the foregoing assessment, following are the relevant information with respect to deferred income tax assets:

	2024	2023
	(Amounts in millions)	
Recognized deferred income tax assets	**₱33,024**	₱31,038
Unrecognized deferred income tax assets	**739**	311

See *Note 26 – Income Taxes and Local Franchise Taxes*.

Provision for ECL of Receivables and Contract Assets

MERALCO applies the *PFRS 9* simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

ECL is provided for certain identified trade receivables which have been the subject of disputes from customers. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current year, adjusted for forwarding looking factors, and taking into account the economic environment is considered. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. *MERALCO* has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Forward-looking information is incorporated in the assessments for any significant increase in credit risk since the initial recognition and measurement of *ECL*. A range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of *ECL*s are considered.

*ECL*s for trade and other receivables amounted to ₱881 million and ₱790 million for the years ended December 31, 2024 and 2023, respectively. Trade and other receivables, net of allowance for expected credit losses, amounted to ₱38,770 million and ₱36,185 million as at December 31, 2024 and 2023, respectively.

See *Note 11 – Trade and Other Receivables.*

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the power distribution and services segments and are valued at the lower of cost and net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and unusable are written off and charged as expense in the parent company statement of income.

The carrying values of inventories amounted to ₱7,877 million and ₱6,728 million as at December 31, 2024 and 2023, respectively.

See *Note 12 – Inventories*.

Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other long-term post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱1,431 million and ₱932 million for the years ended December 31, 2024 and 2023, respectively. Retirement liability as at December 31, 2024 and 2023 amounted to ₱10,276 million and ₱6,425 million, respectively. Other long-term post-employment benefits liability as at December 31, 2024 and 2023 amounted to ₱2,255 million and ₱1,646 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines.

See *Note 23 – Expenses and Income* and *Note 24 – Long-term Employee Benefits*.

Provisions

Note 2 – Rate Regulations and Note 27 – Contingencies and Legal Proceedings discusses various claims, assessments and cases of *MERALCO*. An estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel and/or internal counsels handling the defense for these claims, assessments and cases and is based upon thorough analysis of potential outcome.

In consultation with its external and internal legal counsels, management does not believe that these claims and legal proceedings will have a material adverse effect on the parent company financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

MERALCO recognized net provisions on various claims and assessments amounting to ₱6,028 million and ₱6,402 million for the years ended December 31, 2024 and 2023, respectively.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at December 31, 2024 and 2023, provisions and other noncurrent liabilities are presented net of the effect of the time value of money amounting to ₱8,265 million and ₱4,497 million, respectively.

See *Note 17 – Provisions* and *Note 20 – Trade Payables and Other Current Liabilities*.

Revenue Recognition

The overall revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

Revenues from sale of electricity are billed based on customer-specific billing cycle cut-off date for each customer, while recording of related purchased power cost in the accounts is based on calendar month as provided in the terms of the *PPA*s and *PSAs*. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional invoices and the settlement of the actual billings by the generators is taken up in the subsequent year. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC.*

Revenues from sale of electricity also account for variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations is included as part of "Trade payables and other liabilities" and "Other noncurrent liabities" accounts in the consolidated statement of financial position. As at December 31, 2024 and 2023, the balance of refund liability amounted to ₱18,822 million and ₱9,591 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future years.

6. Utility Plant and Others

The movements in utility plant and others are as follows:

	Note	Land	Subtransmission and Distribution	Buildings and Improvements	Communication Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
					2024					
					(Amounts in millions)					
Cost:										
Balance at beginning of year		**₱15,217**	**₱241,500**	**₱7,427**	**₱2,067**	**₱5,786**	**₱4,141**	**₱5,168**	**₱14,707**	**₱296,013**
Additions		**–**	**468**	**–**	**6**	**187**	**266**	**200**	**22,643**	**23,770**
Transfers from construction in progress		**–**	**13,664**	**633**	**222**	**144**	**–**	**233**	**(14,896)**	**–**
Disposals/retirements		**–**	**(3,452)**	**(4)**	**(44)**	**(249)**	**(83)**	**(3)**	**–**	**(3,835)**
Reclassifications	*9*	**–**	**(26)**	**–**	**26**	**68**	**–**	**–**	**–**	**68**
Balance at end of year		**15,217**	**252,154**	**8,056**	**2,277**	**5,936**	**4,324**	**5,598**	**22,454**	**316,016**
Less accumulated depreciation and amortization:										
Balance at beginning of year		**–**	**98,299**	**3,461**	**1,080**	**3,917**	**2,586**	**2,516**	**–**	**111,859**
Depreciation and amortization		**–**	**8,974**	**192**	**111**	**584**	**272**	**215**	**–**	**10,348**
Disposals/retirements		**–**	**(3,447)**	**(1)**	**(44)**	**(249)**	**(79)**	**(1)**	**–**	**(3,821)**
Reclassification		**–**	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**
Balance at end of year		**–**	**103,826**	**3,652**	**1,147**	**4,252**	**2,780**	**2,729**	**–**	**118,386**
		₱15,217	**₱148,328**	**₱4,404**	**₱1,130**	**₱1,683**	**₱1,544**	**₱2,869**	**₱22,454**	**₱197,630**

	Note	Land	Subtransmission and Distribution	Buildings and Improvements	Communication Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
					2023					
					(Amounts in millions)					
Cost:										
Balance at beginning of year		₱15,217	₱220,449	₱7,299	₱1,819	₱5,192	₱3,965	₱4,836	₱17,461	₱276,238
Additions		–	1,010	–	–	309	272	62	20,935	22,588
Transfers from construction in progress		–	22,566	136	115	321	–	272	(23,410)	–
Disposals/retirements		–	(2,684)	(8)	–	–	(96)	(2)	–	(2,790)
Reclassifications	*9*	–	159	–	133	(36)	–	–	(279)	(23)
Balance at end of year		15,217	241,500	7,427	2,067	5,786	4,141	5,168	14,707	296,013
Less accumulated depreciation and amortization:										
Balance at beginning of year		–	92,225	3,284	919	3,402	2,415	2,313	–	104,558
Depreciation and amortization		–	8,791	181	106	537	267	205	–	10,087
Disposals/retirements		–	(2,684)	(4)	–	–	(96)	(2)	–	(2,786)
Reclassification		–	(33)	–	55	(22)	–	–	–	–
Balance at end of year		–	98,299	3,461	1,080	3,917	2,586	2,516	–	111,859
		₱15,217	₱143,201	₱3,966	₱987	₱1,869	₱1,555	₱2,652	₱14,707	₱184,154

As at December 31, 2024 and 2023, the net book values of customer-funded assets included in "Utility plant and others" account amounted to ₱6,503 million and ₱6,021 million, respectively. The corresponding liabilities to customers in the same amounts as at December 31, 2024 and 2023 are included in "Other noncurrent liabilities" account in the parent company statements of financial position.

See *Note 22 – Revenues and Purchased Power.*

Construction in progress mainly pertains to on-going electric capital projects ("*ECP*s") and non-*ECP*s. *ECP*s are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities.

Total interest capitalized amounted to ₱566 million and ₱398 million based on average capitalization rate of 7% and 6% for the years ended December 31, 2024 and 2023, respectively.

7. Investments in Subsidiaries and Associates and Interests in Joint Ventures

This account consists of the following as at December 31, 2024 and 2023:

	Place of Incorporation	Principal Business Activities	**2024** Percentage of Ownership		2023 Percentage of Ownership	
			Direct	Indirect	Direct	Indirect
Subsidiaries						
Corporate Information Solutions, Inc. ("*CIS*")	Philippines	e-Transactions	**100**	**–**	100	–
Bayad [1]	Philippines	Bills payment collection	**5**	**87.75**	–	95
Customer Frontline Solutions, Inc. ("*CFSI*") [1]	Philippines	Tellering services	**–**	**100**	–	95
Meralco Energy, Inc. ("*MServ*")	Philippines	Energy systems management	**100**	**–**	100	–
eMeralco Ventures, Inc. ("*e-MVI*")	Philippines	e-Business development	**100**	**–**	100	–
Paragon Vertical Corporation ("*Paragon*")	Philippines	Information technology *("IT")* and multi-media services	**–**	**100**	–	100
Radius Telecoms, Inc. ("*Radius*")[2]	Philippines	Telecommunication services	**–**	**65.1**	–	100
MGen	Philippines	Development of power generation plants	**100**	**–**	100	–
Calamba Aero Power Corporation [3]	Philippines	Power generation	**–**	**100**	–	100
Atimonan Land Ventures Development Corporation	Philippines	Real estate	**–**	**100**	–	100
Atimonan One Energy, Inc. ("*A1E*") [3]	Philippines	Power generation	**–**	**100**	–	100
MPG Mauban LP Corporation	Philippines	Holding company	**–**	**100**	–	–
MPG Holdings Phils., Inc.	Philippines	Holding company	**–**	**100**	–	100
MPG Asia Limited ("*MPG Asia*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Solvre, Inc. [3]	Philippines	Retail electricity supplier	**–**	**100**	–	100
MGreen	Philippines	Renewable energy	**–**	**100**	–	100
LagunaSol Corporation ("*LagunaSol*") [3]	Philippines	Renewable energy	**–**	**100**	–	100
Greentech Solar Energy, Inc. *("GSEI")*	Philippines	Renewable energy	**–**	**100**	–	100
MGreen International Limited ("*MGreen International*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Nortesol III Inc. ("*NorteSol*") [3]	Philippines	Renewable energy	**–**	**70**	–	70
Powersource First Bulacan Solar, Inc. ("*First Bulacan*")	Philippines	Renewable energy	**–**	**60**	–	60

	Place of Incorporation	Principal Business Activities	**2024** Percentage of Ownership Direct	**2024** Percentage of Ownership Indirect	2023 Percentage of Ownership Direct	2023 Percentage of Ownership Indirect
CACI Power Corporation	Philippines	Power generation	–	**60**	–	60
PH Renewables Inc. (“*PHRI*”)	Philippines	Power generation	–	**60**	–	60
Greenergy For Global Inc. (“*Greenergy*”) [8]	Philippines	Renewable energy	–	**98.16**	–	57
SPNEC [5]	Philippines	Development of power generation plants	–	**53.7**	–	50.5
Terra Nueva, Inc. (“*TNI*”)	Philippines	Real estate	–	**53.7**	–	50.5
Solar Philippines Tarlac Corporation (“*Solar Philippines Tarlac*”)	Philippines	Renewable energy	–	**53.7**	–	50.5
Terra Solar Philippines, Inc. (“*Terra Solar*”)	Philippines	Renewable energy	–	**53.7**	–	50.5
Solar Philippines Calatagan Corporation (“*Solar Philippines Calatagan*”)	Philippines	Renewable energy	–	**33.3**	–	34.3
SP Holdings, Inc.	Philippines	Holding company	–	**53.7**	–	50.5
GBPC	Philippines	Holding company	–	**100**	–	100
ARB Power Ventures, Inc.	Philippines	Holding company	–	**100**	–	100
Toledo Power Company (“*TPC*”)	Philippines	Power generation	–	**100**	–	100
Toledo Holdings Corporation	Philippines	Real estate	–	**100**	–	100
Global Trade Energy Resources Corp.	Philippines	Trading of coal	–	**100**	–	100
GBH Power Resources, Inc.	Philippines	Power generation	–	**100**	–	100
GESC	Philippines	Retail electricity supplier	–	**100**	–	100
Mindanao Energy Development Corporation	Philippines	Power generation	–	**100**	–	100
Global Hydro Power Corporation	Philippines	Power generation	–	**100**	–	100
Global Renewable Power Corporation	Philippines	Renewable energy	–	**100**	–	100
Panay Power Holdings Corporation	Philippines	Holding company	–	**89**	–	89
PEDC	Philippines	Power generation	–	**89**	–	89
Panay Power Corporation	Philippines	Power generation	–	**89**	–	89
Global Formosa Power Holdings, Inc.	Philippines	Holding company	–	**93**	–	93
Cebu Energy Development Corporation (“*CEDC*”)	Philippines	Power generation	–	**52**	–	52
Global Luzon Energy Development Corporation (“*GLEDC*”)	Philippines	Power generation	–	**57**	–	57
Lunar Power Core, Inc.	Philippines	Holding company	–	**57**	–	57
MGen Gas Energy Holdings, Inc. (“*MGas*”)[7]	Philippines	Holding company	–	**100**	–	–
MSpectrum, Inc. (“*Spectrum*”)	Philippines	Renewable energy	**100**	–	100	–
Vantage Energy Solutions and Management, Inc. (“*Vantage*”)	Philippines	Retail electricity supplier	**100**	–	100	–
Meralco Financial Services Corporation (“*Finserve*”)	Philippines	Property management and leasing	**100**	–	100	–
Lighthouse Overseas Insurance Limited (“*LOIL*”)	Bermuda	Insurance	**100**	–	100	–
MRAIL, Inc. (“*MRail*”)	Philippines	Engineering, construction and maintenance of mass transit system	**100**	–	100	–
Phoenix Power Solutions, Inc. (“*Phoenix Power*”) [3]	Philippines	Retail electricity supplier	**100**	–	100	–
Movem Electric, Inc. (“*Movem*”)	Philippines	Maintenance and operation of transport service networks	**100**	–	100	–
Meralco Industrial Engineering Services Corporation (“*MIESCOR*”) [4]	Philippines	Engineering, construction and consulting services	**100**	–	100	–
Miescor Builders Inc. (“*MBI*”)	Philippines	Electric transmission and distribution operation and maintenance services	–	**100**	–	100
Miescor Logistics Inc. (“*MLI*”)	Philippines	General services, manpower/maintenance	–	**100**	–	100

	Place of Incorporation	Principal Business Activities	**2024** Percentage of Ownership Direct	**2024** Percentage of Ownership Indirect	2023 Percentage of Ownership Direct	2023 Percentage of Ownership Indirect
Miescor Infrastructure Development Corporation ("*MIDC*")[6]	Philippines	Construction and leasing of communication towers and other infrastructure	**–**	**–**	–	51
Clark Electric Distribution Corporation ("*Clark Electric*")	Philippines	Power distribution	**65**	**–**	65	–
Clarion Energy Management Inc. ("*Clarion*") [3]	Philippines	Retail electricity supplier	**–**	**65**	–	65
Comstech Integration Alliance, Inc. ("*Comstech*")	Philippines	Management of power distribution	**60**	**–**	60	–
MeridianX Inc.	Philippines	Retail electricity supplier	**–**	**60**	–	60
Greater Pampanga Power Corp.[3]	Philippines	Power distribution	**–**	**60**	–	60
Meridian Power Ventures Limited ("*MPV Limited*") [3]	Hongkong	Investment holdings	**100**	**–**	100	–
Shin Clark Power Holdings, Inc. ("*Shin Clark*")	Philippines	Holding company	**60**	**–**	60	–
Shin Clark Power Corporation ("*Shin Clark Power*")	Philippines	Power distribution	**–**	**54**	–	54
Associates						
Aclara Meters Philippines, Inc. ("*Aclara Meters*")	Philippines	Sale of metering products and services	**35**	**–**	35	–
Indra Philippines, Inc. ("*Indra Philippines*")	Philippines	Management and *IT* consultancy	**25**	**–**	25	–
Kayana Solutions, Inc. ("*Kayana*")	Philippines	Electronic payment and reward system	**27.50**	–	–	–
Joint Ventures						
Pure Meridian Hydropower Corporation ("*Pure Meridian*")	Philippines	Renewable energy	**50**	**–**	50	–
MPioneer Insurance, Inc, ("*MPioneer"*)	Philippines	Insurance	**35**	**–**	35	–
Rockwell Business Center Joint Venture ("*RBC JV*")	Philippines	Real estate	**30**	**–**	30	–

[1] *On July 31, 2024, CIS has agreed to sell 10% of its equity interest in Bayad to Kayana. On December 2, 2024, MERALCO acquired 5% equity interest of Densan System Co., Ltd ("Densan") in Bayad and CFSI.*

[2] *On April 30, 2024, PLDT, Inc. ("PLDT") subscribed to 2,491,516 common shares of Radius, representing 34.9% equity interest.*

[3] *Has not started commercial operations.*

[4] *MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.*

[5] *The Option Agreement between MGen, SPNEC and Solar Philippines Power Project Holdings, Inc. ("SP Holdings") gives SPNEC an option to transfer some or all of the subsidiaries to SP Holdings but in any case, excluding SPNEC, SPTC, SPCC, TNI and Terra Solar. In January 2024, MGreen acquired additional 2.17 billion shares of SPNEC, resulting in 53.7% equity interest, consisting of 17.9 million common shares and 19.4 million redeemable voting preferred shares,*

[6] *In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 25.56%.*

[7] *Incorporated on February 5, 2024.*

[8] *On March 26, 2024, MGreen infused additional ₱96.9 million in CACI which was used to return the capital of Mit-Renewables Philippines Corporation for its 40% proportionate share in Greenergy. As a result, MGreen's effective ownership increased to 98.16%.*

The movements of investments in subsidiaries and associates and interests in joint ventures are as follows:

	2024	2023
		(Amounts in millions)
Cost:		
Balance at beginning of year	**₱78,174**	₱69,676
Additions	**6,582**	8,690
Disposal	**–**	(91)
Return of capital	**(75)**	(101)
Balance at end of year	**84,681**	78,174
Allowance for impairment:		
Balance at beginning of year	**(10,943)**	(10,806)
Provision for impairment for the year	**–**	15
Reclassification	**152**	(152)
Balance at end of year	**(10,791)**	(10,943)
Net book value	**₱73,890**	₱67,231

CIS

CIS was incorporated in 1974 to provide information technology services and integrated business solutions to enterprise clients. In 1997, *CIS* engaged in the business of bills payment collection, which was spun off as *Bayad. Bayad* offers a network of bills payment collection services in the Philippines operating nationwide with brand name "*Bayad*", and has now evolved into a full-service fintech company offering a whole suite of financial products and services, available in its extensive physical and digital payment touch points. *Bayad* also provides outsourced tellering and other administrative services through *CFSI.*

MServ

MServ was established as a wholly owned subsidiary of *MERALCO* in June 2000 to provide demand-side energy services to *MERALCO*'s key accounts. It offers integrated energy efficiency solutions including marketing, engineering design capability, turnkey installation management, monitoring and performance assurance of energy management projects.

e-MVI

e-MVI was established on June 22, 2000. Its wholly owned subsidiary, *Paragon,* wholly owns *Radius*, which, in turn, holds a 25-year congressional telecommunications franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, the business of providing basic and enhanced telecommunications services in the Philippines, and between the Philippines and other countries and territories.

MGen

MGen is *MERALCO*'s power generation investment vehicle.

MGen has a combined group generating capacity of 2,436 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore. In addition, it is currently developing a total of 3,552.8 *MW* (gross) of solar capacities.

MGen has a 51% interest in *SBPL* which operates a 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon.

GBPC owns 838 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. The portfolio also includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a 50% less one share interest in *ATEC*, which holds a 75% interest interest in *Sarangani Energy*.

MGreen is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan*, which owns and operates a 80 *MWdc*/50 *MWac* utility scale solar facility located in San Miguel, Bulacan, and has an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.

Following *MGreen*'s acquisition of a majority stake in *SPNEC* in December 2023, *MGreen* further raised its voting interest in the listed renewable energy company to 53.7% from 50.5% with the acquisition of additional 2.17 billion *SPNEC* shares in January 2024. *Terra Solar*, a wholly owned subsidiary of *SPNEC*, is developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in the first quarter of 2026.

MGen and Therma NatGas, Inc. ("*TNGP*") have jointly entered into an Investment Agreement with the parties owning 60% and 40% interests in *CGHI,* respectively.

In January 2025, *CGHI* completed the financial close of a partnership to invest in two gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*SMGP*"), the 1,200 *MW* Ilijan power plant, and a new 1,275 *MW* combined cycle power facility. Together with *SMGP*, *CGHI* acquired the *LNG* import and regasification terminal owned by Linseed Field Corporation. The transaction was approved by the Philippine Competition Commission ("*PCC*") on December 23, 2024.

PHRI, a joint venture with Mitsui's local unit Mit-Renewables Philippine Corporation, owns and operates a 67.5 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Phase 2 of the *Baras Solar Plant* consisting of 12.6 *MWac* was completed last August 30, 2024.

Also, in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*") and *MGreen*, Nuevo Solar Energy Corporation ("*NSEC*") owns and operates a 68 *MWac* solar plant project in Ilocos Norte.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power,* which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. A 100 *MW* fast-start *LNG* plant is under construction and is expected to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("*EMA*").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility in Jurong Island by the *EMA* of Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

Spectrum

Spectrum's primary purpose is to harness renewable energy ("*RE*") such as but not limited to, solar, wind, biomass, geothermal and/or hydropower.

Vantage

Vantage is a wholly owned subsidiary of *MERALCO* with the primary purpose of providing retail energy services which involve energy sourcing and trading, wholesale contracting, and aggregating of electricity.

Finserve

Finserve has embarked on investing and managing commercial center operations with *The Strip* along Ortigas Avenue as its flagship project.

Finserve has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software. The concession granted by the Department of Transportation ("*DOTr*") expires on December 16, 2025. *AF Payments* is in the process of finalizing a proposed two (2) year extension of the concession agreement with *DOTr*.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior years on the carrying amount of its investment in *AF Payments*.

LOIL

LOIL, a captive reinsurer, is registered as a Class 1 insurer under The Bermuda Insurance Act 1978 and Related Regulations. *LOIL* was incorporated in Bermuda in 2007 and received its license to operate in the territory in 2008.

MRail

MRail, incorporated in 2009, is engaged in the business of engineering, construction and maintenance of mass transit system.

On June 2, 2014, *MRail* and *DESCO* entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways ("*PNR*"). The project including its warranty period was completed on April 19, 2019. As at December 31, 2024, the *MDJV* is in the process of liquidation.

Phoenix Power

Phoenix Power is a wholly owned subsidiary of *MERALCO* with the primary purpose of providing retail energy services which involve energy sourcing and trading, wholesale contracting, and aggregating of electricity.

Movem

Movem, the green mobility arm of *MERALCO*, is a wholly owned subsidiary of *MERALCO* with the primary purpose of providing tailor-fit, end-to-end electric mobility solutions for commercial and industrial customers. Its focus is to integrate key elements of an electric vehicle ("*EV*") ecosystem designed for specific usages to ensure a seamless and effective transition toward sustainable transportation.

MIESCOR

MIESCOR is a contractor - specialist engaged in engineering, construction and maintenance activities related to power generation, transmission and distribution, as well as industrial plants, water resources and telecommunications.

MIESCOR's services are complemented by its two wholly owned subsidiaries – *MBI* and *MLI*. *MBI* serves as the general construction business unit. It also offers testing, commissioning and distribution utility operation and maintenance services, while *MLI* handles architectural and fit-out construction works including building and facilities logistics management services like warehouse management, fleet management and manpower service management.

On July 11, 2024, the *PCC* approved the joint venture among *MIESCOR*, *Connect* and *PHPL.* The shareholders of *TowerCos* executed a Multi-party Share Swap Agreement with both shareholders of *MIDC* and *PhilTower* transferring their respective ownerships in *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* (from 51% in *MIDC*) with *Pylon* owning 100% each of *MIDC* and *PhilTower*. The transaction is aimed at improving coverage for the *TowerCos*' mobile network clients and driving investment in digital infrastructure in the Philippines. The *SE*C approved the share swap transaction on August 20, 2024 and the completion of other closing conditions and issuance of shares were completed on September 13, 2024.

Clark Electric

Clark Electric is a registered private distribution utility granted by Clark Development Corporation ("*CDC*") a franchise to own, operate and maintain a power distribution system and to distribute power exclusively within its franchise area, which includes the Clark Freeport Zone and the sub-zones as determined pursuant to Presidential Decree No. 66 and the Joint Venture Agreement executed between *CDC* and *MIESCOR*, dated February 19, 1997.

Clark Electric Distribution Corporation ("*Clark Electric*"), a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("*CDC*") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Clark Electric's wholly owned subsidiary, *Clarion*, was incorporated with the primary purpose of providing retail energy sourcing and trading, wholesale contracting and aggregating of electricity. It submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. As at February 24, 2025, the approval of its *RES* licensing is pending with the *ERC*.

Comstech

MERALCO has a 60% equity interest in *Comstech*. *MERALCO* manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

MeridianX, a wholly owned subsidiary of *Comstech*, is a retail electricity supplier.

Greater Pampanga Power Corporation, a wholly owned subsidiary of *Comstech* was incorporated and intended to operate as a distribution company. It has not started operations.

Shin Clark

Through a 60%-owned subsidiary, Shin Clark Power Holdings, Inc. ("*Shin Clark*"), *MERALCO* together with a consortium, composed of 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. ("*Kansai*")], and Chubu Electric Power Co., Inc. ("*Chubu*"), hold a 90% interest in Shin Clark Power Corporation ("*Shin Clark Power")*. *Shin Clark Power* is a company formed with Bases Conversion and Development Authority ("*BCDA*") through a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("*NCC*"). *NCC* consists of a 9,450 hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65% owned by Aclara Technology LLC. *Aclara Meters* is primarily engaged in the manufacture and assembly of kilowatt-hour meters and meter accessories and import, export, distribute and otherwise deal in or with all kinds of related and other similar products.

Indra Philippines

Indra Philippines is an *IT* service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s *IT* requirements in the area of system development, outsourcing of Information Systems ("*IS*") and *IT* operations and management consulting.

Kayana

Kayana is an electronic payment and reward system company that aims to create a platform that integrates services into one primary channel. *Kayana* is owned by *PLDT, MERALCO* and *Metro Pacific* with equity interests of 45%, 27.5% and 27.5%, respectively.

Pure Meridian

On January 7, 2016, *MERALCO* and Repower Energy Development Corporation ("*REDC*") entered into a joint venture through, *Pure Meridian*, for the development of mini-hydroelectric power projects. The development of the mini-hydroelectric power projects is suspended. With the suspension of the development of its projects, *MERALCO* recognized impairment on the carrying amount of its investment in *Pure Meridian*.

MPioneer

MPioneer is 35% owned by *MERALCO*, with Pioneer Insurance and Surety Company holding 65%. It is engaged in the non-life insurance business.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation ("*Rockwell Land*") and *MERALCO* for a pre-agreed cooperation period, pursuant to which *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO*'s 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

8. Investment Properties

The movements in investment properties are as follows:

	2024		
	Land	**Buildings and Improvements**	**Total**
	(Amounts in millions)		
Cost	**₱1,427**	**₱155**	**₱1,582**
Less accumulated depreciation:			
Balance at beginning of year	**–**	**132**	**132**
Depreciation	**–**	**4**	**4**
Balance at end of year	**–**	**136**	**136**
	₱1,427	**₱19**	**₱1,446**

	2023		
	Land	Buildings and Improvements	Total
	(Amounts in millions)		
Cost	₱1,427	₱155	₱1,582
Less accumulated depreciation:			
Balance at beginning of year	–	128	128
Depreciation	–	4	4
Balance at end of year	–	132	132
	₱1,427	₱23	₱1,450

Investment properties consist of former substation sites, real properties held for capital appreciation, and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties as at December 31, 2024 and 2023 are as follows:

	(in millions)
Land	₱5,589
Buildings and improvements	94

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. As of December 31, 2024, there is no significant change in the fair value of the investment properties.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱150 to ₱170,000. There have been no changes in the valuation techniques used.

In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

   Under this approach, the value of the property (i.e., land) is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the factors of location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

   This method of valuation considers the cost to reproduce or replace in new condition the assets (i.e., building and related improvements) appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

9. Financial and Other Noncurrent Assets

This account consists of:

	Note	**2024**	2023
		(Amounts in millions)	
Financial assets:			
Debt securities at amortized cost	*13 and 25*	**₱1,091**	₱9,858
Financial assets at *FVOCI*	*25*	**2,772**	2,835
Advance payments to a supplier	*25*	**–**	192
Nonfinancial assets:			
Under recoveries of pass-through charges - net	*2 and 11*	**17,666**	10,414
Intangible assets		**2,104**	2,190
Receivable from the *BIR*	*27*	**181**	181
Deferred input *VAT*		**–**	870
Others		**197**	180
		₱24,011	₱26,720

Debt Securities at Amortized Cost

The details of debt securities at amortised cost are as follows:

	2024			2023		
	Current Portion (see *Note 13*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 13*)	Noncurrent Portion	Total
			(Amounts in millions)			
Government securities	**₱8,355**	**₱1,056**	**₱9,411**	₱2,162	₱9,389	₱11,551
Private debt securities	**213**	**35**	**248**	5,371	469	5,840
	₱8,568	**₱1,091**	**₱9,659**	₱7,533	₱9,858	₱17,391

Financial Assets at FVOCI

The details of financial assets at *FVOCI* are as follows:

	2024	2023
	(Amounts in millions)	
Investments in debt securities -		
Corporate bonds and other investments	**₱2,023**	₱2,255
Investments in shares of stock and club shares	**749**	580
	₱2,772	₱2,835

Interest income from debt and equity securities amounted to ₱577 million and ₱831 million for the years ended December 31, 2024 and 2023, respectively.

The rollforward of unrealized gains on quoted *FVOCI* financial assets, net of tax, included in the parent company statements of financial position follows:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱281**	₱177
Unrealized gains on change in fair value	**198**	104
Balance at end of year	**₱479**	₱281

Intangible Assets

The movements of intangible assets are as follows:

		2024			
	Note	**Software**	**Franchise**	**Land and Leasehold Rights**	**Total**
			(Amounts in millions)		
Cost:					
Balance at beginning of year		**₱7,234**	**₱49**	**₱466**	**₱7,749**
Additions		**485**	**–**	**136**	**621**
Reclassification	*6*	**(68)**	**–**	**–**	**(68)**
Balance at end of year		**7,651**	**49**	**602**	**8,302**
Less accumulated amortization:					
Balance at beginning of year		**5,156**	**26**	**377**	**5,559**
Amortization		**326**	**3**	**16**	**345**
Reclassification		**–**	**3**	**(3)**	**–**
Balance at end of year		**5,482**	**32**	**390**	**5,904**
Less accumulated impairment					
Balance at beginning of year		**–**	**–**	**–**	**–**
Charge for the year		**294**	**–**	**–**	**294**
Balance at end of year		**294**	**–**	**–**	**294**
		₱1,875	**₱17**	**₱212**	**₱2,104**

		2023			
	Note	Software	Franchise	Land and Leasehold Rights	Total
			(Amounts in millions)		
Cost:					
Balance at beginning of year		₱6,848	₱49	₱447	₱7,344
Additions		363	–	19	382
Reclassification	*6*	23	–	–	23
Balance at end of year		7,234	49	466	7,749
Less accumulated amortization:					
Balance at beginning of year		4,759	26	358	5,143
Amortization		397	–	19	416
Balance at end of year		5,156	26	377	5,559
		₱2,078	₱23	₱89	₱2,190

Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO* as *DU* determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes other net under-recoveries of generation, transmission and other pass-through charges of current and prior years, which are the subject of various applications for recovery and approval by the *ERC*.

Allowance for *ECL* on net under-recoveries of pass-through charges amounted to ₱6,639 million and ₱2,645 million as at December 31, 2024 and 2023, respectively**.**

See Note 11 – Trade and Other Recievables.

Deferred Input VAT

The amount represents the balance of input *VAT* incurred up to December 31, 2021, and paid in connection with purchase of capital assets in excess of ₱1 million per month. Such input tax from purchase of capital assets was deferred and offset againt output tax evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter.

10. Cash and Cash Equivalents

This account consists of:

	2024	2023
	(Amounts in millions)	
Cash on hand and in banks	**₱19,330**	₱13,372
Cash equivalents	**32,272**	40,546
	₱51,602	₱53,918

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods of up to three (3) months depending on *MERALCO*'s immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱2,181 million and ₱1,806 million for the years ended December 31, 2024 and 2023, respectively.

As at December 31, 2024 and 2023, cash and cash equivalents include amounts deposited in bank accounts amounting to ₱4,669 million and ₱5,531 million, respectively. These amounts represent unpaid *SC* refund, meter deposits, *RES* bill deposits and over-recoveries of pass-through charges which *MERALCO* set aside in compliance with regulatory requirements.

11. Trade and Other Receivables

This account consists of:

	Note	**2024**	2023
		(Amounts in millions)	
Trade receivables	*21 and 25*	**₱42,692**	₱37,889
Nontrade receivables		**2,343**	3,852
		45,035	41,741
Less allowance for *ECL*		**6,341**	5,556
		₱38,694	₱36,185

Movements in allowance for *ECL* for trade and other receivables are as follows:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱5,556**	₱4,766
Provision for *ECL* for the year	**881**	790
Write-offs and reversals	**(96)**	–
Balance at end of year	**₱6,341**	₱5,556

Trade Receivables

Trade receivables include charges for pass-through costs. Pass-through costs consist of generation, transmission and *SL* charges, which represent 63%, 7% and 5%, respectively, of the total billed amount in 2024 and 66%, 6% and 5%, respectively, of the total billed amount in 2023. Billed receivables are due 10 days after bill date. Trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-offs, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See *Note 16 – Customers' Deposits* and *Note 25 – Financial Assets and Financial Liabilities.*

12. Inventories

	2024	2023
	(Amounts in millions)	
Materials and supplies		
At cost	**₱8,356**	₱7,206
At net realizable value ("*NRV*")	**7,877**	6,728
Materials and supplies at lower of cost and *NRV*	**₱7,877**	₱6,728

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱478 million as at December 31, 2024 and 2023. No item of inventory has been written off for the years ended December 31, 2024 and 2023.

13. Financial and Other Current Assets

This account consists of:

	Note	**2024**	2023
		(Amounts in millions)	
Financial assets:			
Debt securities at amortized cost	*9 and 25*	**₱8,568**	₱7,533
Current portion of advance payments to a supplier		**206**	197
Short-term investments	*25*	**12**	11
Nonfinancial assets:			
Prepaid expenses		**947**	765
Prepaid tax		**687**	670
Others		**1,755**	2,017
		₱12,175	₱11,193

Short-term investments are temporary cash placements for varying periods beyond three (3) months but not exceeding 12 months and earn interest at the prevailing short-term investment rates.

Prepaid taxes pertain to advanced payment of withholding tax.

14. Equity

Common Stock

	2024	2023
	(In millions, except par value)	
Authorized number of shares - ₱10 par value a share	**1,250**	1,250
Issued and outstanding - number of shares	**1,127**	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 40,476 and 40,960 common shareholders of *MERALCO* as at December 31, 2024 and 2023, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include the balance of revaluation increment in utility plant and others and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱57,634 million and ₱52,154 million as at December 31, 2024 and 2023, respectively. These amounts are restricted for dividend declaration purposes as of the close of the respective reporting year.

The following are cash dividends declared on common shares in 2024 and 2023:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 29, 2024	August 28, 2024	September 23, 2024	₱10.30	₱11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of consolidated core net income ("*CCNI*") for the year, and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Hedging Reserve

In 2024, *MERALCO* entered into various foreign exchange forwards to "lock-in" investment cost payable in foreign currency. The foreign exchange forwards were accounted for as cashflow hedge. The changes in the fair value of the foreign exchange forwards are recorded as Hedging Reserve in

the parent company statement of changes in equity and will be accounted for in the investment balance as of closing date.

Treasury Shares

Treasury shares represent 172,412 subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the *ESPP* were approved by the *SEC* for conversion to treasury shares. Consequently, the total number of treasury shares is 178,608 as at December 31, 2024. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

15. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	2024	2023
	(Amounts in millions)	
Long-term portion of interest-bearing long-term financial liabilities - Long-term debt	**₱12,615**	₱12,600
Current portion of interest-bearing long-term financial liabilities:		
Long-term debt	**85**	4,045
Redeemable preferred stock	**1,461**	1,465
	1,546	5,510
	₱14,161	₱18,110

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million as at December 31, 2024 and 2023. Interest is no longer accrued from the time such preferred shares were called for redemption.

The details of interest-bearing long-term financial liabilities are as follows:

Description	**2024**	2023
	(Amounts in millions)	
Floating Rate Loan		
₱10.0 Billion Term Loan	**₱9,900**	₱9,900
Fixed Rate Loans		
12-year Puttable Bonds	**2,868**	2,868
₱7.2 Billion Note	**–**	3,960
Total long-term debt	**12,768**	16,728
Less unamortized debt issuance costs	**68**	83
	12,700	16,645
Redeemable Preferred Stock	**1,461**	1,465
	14,161	18,110
Less current portion	**1,546**	5,510
Long-term portion of interest-bearing financial liabilities	**₱12,615**	₱12,600

All of the interest-bearing long-term financial liabilities as at December 31, 2024 and 2023 are denominated in Philippine peso. The scheduled maturities of the outstanding long-term debt at nominal values as at December 31, 2024 are as follows:

	Amount
	(In millions)
Less than one (1) year	₱2,968
One (1) year up to two (2) years	100
More than two (2) years up to three (3) years	100
More than three (3) years up to four (4) years	100
More than four (4) years up to five (5) years	9,500
	₱12,768

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. Interest is payable quarterlyand principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

12-year Puttable Bonds

The ₱7,000 million 12-year Puttable Bond is the balance of the total ₱18,000 million Puttable Bonds issued in December 2013, puttable on the 10th year. On December 13, 2023, *MERALCO* redeemed ₱4,132 million Puttable Bonds.

₱7.2 Billion Note

In April 2024, the remaining outstanding amount of *MERALCO*'s ₱7,200 million, 10-year Fixed Rate Note Facility was fully paid.

Debt Covenants

The terms of the *MERALCO* loans include compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

As at December 31, 2024 and 2023, *MERALCO* is in compliance with all of the covenants of the loan agreements.

Interest expense on interest-bearing long-term financial liabilities, net of capitalized interest, amounted to ₱383 million and ₱678 million for the years ended December 31, 2024 and 2023, respectively.

Unamortized Debt Issuance Costs

The following presents the changes to the unamortized debt issuance costs:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱83**	₱102
Amortization charged to interest and other financial charges	**(15)**	(19)
Balance at the end of year	**₱68**	₱83

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	2024	2023
Balance at beginning of year	**146,510,496**	146,662,341
Redemptions	**(401,585)**	(151,845)
Balance at end of year	**146,108,911**	146,510,496

The original "Terms and Conditions" of *MERALCO*'s Special Stock Subscription Agreement, which required every service applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR* effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.

16. Customers' Deposits

This account consists of:

	2024			2023		
	Current Portion *(see Note 20)*	**Noncurrent Portion**	**Total**	Current Portion *(see Note 20)*	Noncurrent Portion	Total
			(Amounts in millions)			
Bill deposits	**₱2,434**	**₱32,514**	**₱34,948**	₱2,346	₱33,482	₱35,828
Meter deposits	**316**	**–**	**316**	315	–	315
	₱2,750	**₱32,514**	**₱35,264**	₱2,661	₱33,482	₱36,143

Bill Deposits

Bill deposits serve to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise

bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR,* interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines ("*Land Bank*") or other government banks, on the first working day of the year, subject to the confirmation by the *ERC.*

As provided for under *ERC* Resolution No. 1 Series of 2011, *A Resolution Adopting the Revised Rules for the Issuance of Licenses to Retail Electricity Suppliers*, a local *RES* may require security deposits from its contestable customers, which shall earn interest equivalent to the actual interest earnings of the total amount of deposits received from the customers.

On January 24, 2025, *MERALCO* received an *SC* Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the Magna Carta, as illegal and void and that *MERALCO* and other *DU*s be permanently prohibited from imposing and collecting bill deposit from captive customers.

The following are the movements of the bill deposits account:

	Note	**2024**	2023
		(Amounts in millions)	
Balance at beginning of year		**₱35,828**	₱33,666
Additions		**8,067**	3,360
Refunds		**(8,947)**	(1,198)
Balance at end of year		**34,948**	35,828
Less portion maturing within one year	*20*	**2,434**	2,346
Noncurrent portion of bill deposits and related interests		**₱32,514**	₱33,482

Interest expense on bill deposits amounted to ₱22 million for the years ended December 31, 2024 and 2023.

Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

Following the effectivity of the *Magna Carta* (for residential customers) and *DSOAR* (for non-residential customers), all customers are exempt from payment of meter deposits.

MERALCO deposited the amount equivalent to the unclaimed meter deposits in a single savings account in compliance with the *ERC* order in 2016.

17. Provisions

Provisions consist of amounts recognized related to certain proceedings and claims against *MERALCO*, among others. The movements follow:

	Note	**2024**	2023
		(Amounts in millions)	
Balance at beginning of year		**₱68,998**	₱59,452
Provisions for the year - net		**8,386**	7,424
Settlements		**(309)**	(10,299)
Reclassifications		**(11,837)**	12,421
Balance at end of year		**65,238**	68,998
Less current portion	*20*	**55,497**	57,705
Noncurrent portion		**₱9,741**	₱11,293

The balance of provisions represents the amounts of losses, over-recoveries and claims related to a commercial contract which remains unresolved and local taxes being contested as discussed in *Note 27 – Contingencies and Legal Proceedings*, consistent with the limited disclosure as allowed in *PFRS* Accounting Standards.

18. Customers' Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. Even while the refund period ended, *MERALCO* continues to process refunds as the eligible customers present their required supporting documents. The refund shall continue until the *ERC* orders otherwise.

See *Note 2 – Rate Regulations*.

19. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks and which are due within one (1) year. Annual interest rates were up to 6.6% and 4.0% for the years ended December 31, 2024 and 2023, resepectively.

Interest expense on notes payable amounted to ₱1,368 million and ₱1,211 million for the years ended December 31, 2024 and 2023, respectively.

20. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	**2024**	2023
		(Amounts in millions)	
Trade accounts payable	*21 and 22*	**₱59,574**	₱54,877
Provisions	*17, 20 and 27*	**55,497**	57,705
Taxes		**8,505**	14,202
Accrued expenses:			
Employee benefits	*24*	**2,207**	1,998
Accrued taxes		**1,027**	1,045
Contracted services		**927**	1,385
Interest	*15*	**452**	207
Others		**175**	255
Current portions of:			
Bill deposits and related interests	*16*	**2,434**	2,346
Refundable service extension costs		**1,457**	1,777
Meter deposits and related interests	*16*	**316**	315
Deferred income		**478**	913
Dividends payable on:			
Common stock	*14*	**2,502**	2,205
Redeemable preferred stock	*15*	**248**	248
Payable to customers		**10,151**	7,565
Universal charges payable		**3,015**	2,761
Derivative liability	*15 and 25*	**961**	–
Payroll related remittances		**581**	631
Fit-All payable		**671**	197
Regulatory fees payable		**220**	220
Other current liabilities		**3,222**	2,672
		₱154,620	₱153,524

Trade Accounts Payable

Trade accounts payable mainly represent obligations to power generating companies, *NGCP* and *IEMOP* for cost of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, coal, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.

See *Note 21 –Related Party Transactions, Note 22 –Revenue and Purchased Power* and *Note 28 – Significant Contracts and Commitments.*

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, "Right to Extension of Lines and Facilities", requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.

As at December 31, 2024 and 2023, the noncurrent portion of refundable service extension costs of ₱3,753 million and ₱4,051 million, respectively, is presented as "Refundable service extension costs - net of current portion" account in the parent company statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *PSALM* through the *DU*s. These are charges imposed to recover the stranded debts, stranded contract costs of National Power Corporation ("*NPC*"), stranded contract costs of eligible contracts of *DU*s, missionary electrification and environmental charges. *DU*s remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payable to Customers

Payable to customers represents amounts credited to customers' bills or paid by customers in advance, which are being applied to their current consumption.

21. Related Party Transactions

MERALCO has approval process and limits on the amount and extent of related party transactions.

The following summarizes the total amount of transactions, which have been provided and/or contracted by *MERALCO* to/with related parties for the relevant year. The outstanding balances are unsecured, non-interest bearing and are to be settled in cash.

Pole Attachment Contract with PLDT, Inc. ("*PLDT*")

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third party telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable position exclusively for its telecommunication cable network facilities.

Sale of Electricity under Various Service Contracts

MERALCO sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries, and affiliates for their facilities. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to customers within the franchise area. The rates charged by *RES* to related parties as contestable customer are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and its Subsidiaries

MERALCO's telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. and Digitel Mobile Philippines, Inc., for its wireless services. Such services are covered by standard service contracts between the telecommunications carriers and *MERALCO.*

Lease Agreement with Robinsons Land Corporation ("RLC")

MERALCO has various lease agreements with *RLC* for its temporary office premises until January 2024.

Purchase of Goods and Services

In the ordinary course of business, *MERALCO* purchases goods and services from its affiliates and sells power, leases its spaces and equipment, and renders services to such affiliates.

PSAs

As discussed in Note 28, *MERALCO* has a long-term *PSA* with *SBPL*, *NSEC, PHRI and PFBS, GESC,* Solar Philippines Tarlac Corporation (*"Solar Philippines Tarlac"*).

Following is a summary of related party transactions, for the years ended December 31, 2024 and 2023, and the outstanding balances as at December 31, 2024 and 2023:

	Amount of Transactions		Outstanding Receivable (Liability)			
Category	**2024**	2023	**2024**	2023	Terms	Conditions
	(Amounts in millions)					
Sale of electricity:						
JG Summit Group	**₱4,004**	₱4,372	**₱1,328**	₱856	10-day; noninterest-bearing	Unsecured, no impairment
PLDT Group	**1,073**	1,405	**49**	69	10-day; noninterest-bearing	Unsecured, no impairment
Metro Pacific Group	**573**	566	**45**	45	10-day; noninterest-bearing	Unsecured, no impairment
Subsidiaries, affiliates and joint venture	**50**	46	**5**	5	10-day; noninterest-bearing	Unsecured, no impairment
Lease of office premises - *RLC*	**12**	107	**–**	–	10-day; noninterest-bearing	Unsecured, no impairment
Purchases of IT services - *Indra Philippines*	**1,081**	1,012	**(282)**	(293)	30-day; noninterest-bearing	Unsecured
Purchases of meters and devices – *Aclara Meters*	**169**	246	**(2)**	(7)	30-day; noninterest-bearing	Unsecured
Revenue from pole attachment - *PLDT*	**687**	688	**14**	6	Advance payment	Unsecured, no impairment
Purchases of wireline and wireless services - *PLDT Group*	**122**	96	**(15)**	(2)	30-day; noninterest-bearing	Unsecured
Donations to One Meralco Foundation	**65**	94	**–**	–	None	None
Purchases of services:						
MIESCOR and subsidiaries	**3,542**	3,312	**(266)**	(266)	30-day; noninterest-bearing	Unsecured
CIS and subsidiaries	**919**	783	**(87)**	(121)	30-day; noninterest-bearing	Unsecured
MPioneer	**490**	470	**(14)**	(4)	30-day; noninterest-bearing	Unsecured
MServ	**51**	101	**(24)**	(28)	30-day; noninterest-bearing	Unsecured
Colinas Verdes Hospital Managers	**252**	204	**(1)**	(9)	30-day; noninterest-bearing	Unsecured
Radius Telecoms	**7**	15	**(6)**	(18)	30-day; noninterest-bearing	Unsecured
Others	**34**	19	**(1)**	(11)	30-day; noninterest-bearing	Unsecured

(Forward)

Category	Amount of Transactions 2024	Amount of Transactions 2023	Outstanding Receivable (Liability) 2024	Outstanding Receivable (Liability) 2023	Terms	Conditions
Purchases of power:						
SBPL	**₱19,196**	₱24,837	**(₱1,223)**	(₱158)	30-day; noninterest-bearing	Unsecured
NSEC	**451**	263	**(35)**	(39)	30-day; noninterest-bearing	Unsecured
PHRI	**467**	398	**(64)**	–	30-day; noninterest-bearing	Unsecured
Solar Philippines Tarlac	**465**	418	**(69)**	(71)	30-day; noninterest-bearing	Unsecured
PFBS	**527**	535	**(141)**	(90)	30-day; noninterest-bearing	Unsecured
GESC	**982**	393	**(28)**	–	30-day; noninterest-bearing	Unsecured
Income from *TSA*						
Comstech	**37**	38	**–**	–	30-day; noninterest-bearing	Unsecured

Transaction with MERALCO Retirement Benefits Fund ("*Retirement Fund*")

MERALCO's Retirement Fund holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy.* The fair value of *RP Energy*'s common shares cannot be reliably measured as these are not traded in the financial market. As at December 31, 2024 and 2023, the fair value of the total assets being managed by the *Retirement Fund* amounted to ₱28.1 billion and ₱28.9 billion, respectively.

See *Note 24 – Long-Term Employee Benefits.*

Compensation of Key Management Personnel

The compensation of key management personnel of *MERALCO* by benefit type is as follows:

	2024	2023
	(Amounts in millions)	
Short-term employee benefits	**₱861**	₱755
Long-term employee incentives and retirement benefits	**368**	374
Total compensation to key management personnel	**₱1,229**	₱1,129

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding year.

Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted of the equivalent cash value.

As at December 31, 2024, there are no agreements between *MERALCO* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

22. Revenues and Purchased Power

Revenues

The revenues from sale of electricity are from the distribution and supply of electricity to customers within *MERALCO* franchise area.

Contract Assets and Contract Liabilities

MERALCO's contract balances are as follows:

	2024	2023
	(Amounts in millions)	
Contract assets – under-recoveries of pass-through charges – net	**₱17,666**	₱10,414
Contract liabilities:		
Nonrefundable liability related to asset funded by customers	**949**	898
Over-recoveries from transmission, lifeline subsidy and *SL* charges	**375**	931

Income recognized from the nonrefundable liability related to assets funded by customers amounted to ₱155 million and ₱147 million for the years ended December 31, 2024 and 2023, respectively.

Purchased Power

The details of purchased power are as follows:

	2024	2023
	(Amounts in millions)	
Generation costs	**₱294,840**	₱285,485
Transmission costs	**44,638**	34,859
	₱339,478	₱320,344

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO* as a *DU*.

Generation costs include line rentals, market fees and must-run unit charges billed by *IEMOP*.

The details of purchased power are as follows:

	2024	2023
	(Amounts in millions)	
First Gas Power Corporation ("*FGPC*") and FGP Corp. ("*FGP*")	**₱75,276**	₱70,279
IEMOP	**62,922**	55,570
South Premiere Power Corporation ("*SPPC*")	**56,649**	36,807
NGCP	**44,638**	34,859
SBPL	**19,916**	24,837
QPPL	**21,550**	24,126
Sual Power, Inc. ("*SPI*")	**14,497**	14,459
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**13,610**	8,660
AC Energy Philippines, Inc. ("*AC Energy*")	**9,016**	10,586
LPI	**7,070**	–
Therma Luzon, Inc. ("*TLI*")	**5,067**	15,850
Southwest Luzon Power Generation Corporation	**2,945**	3,078
First Nat Gas Power Corporation ("*FNPC*")	**2,459**	15,218
Energy Development Corporation ("*EDC*")	**2,242**	2,398
PSALM	**678**	85
Solar Philippines Tarlac	**465**	418
GNPower Dinginin Ltd. Co. ("*GNPD*")	**–**	2,459
Others	**478**	655
	₱339,478	₱320,344

Generation and transmission costs are net of company use amounting to ₱523 million and ₱500 million for the years ended December 31, 2024 and 2023, respectively.

Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2024 and 2023, the total transmission costs and *SL* charge over-recoveries included in "Other noncurrent liabilities" account in the parent company statements of financial position amounted to ₱375 million and ₱769 million, respectively.

23. Expenses and Income

Salaries, Wages and Employee Benefits

	Note	**2024**	2023
		(Amounts in millions)	
Salaries, wages and related employee benefits		**₱10,925**	₱10,159
Retirement benefits	*24*	**1,315**	827
Other long-term post-employment benefits	*24*	**116**	105
		₱12,356	₱11,091

Depreciation and Amortization

	Note	**2024**	2023
		(Amounts in millions)	
Utility plant and others	*6*	**₱10,348**	₱10,087
Intangible assets	*9*	**345**	416
Investment properties	*8*	**4**	4
		₱10,697	₱10,507

Other Expenses

	Note	**2024**	2023
		(Amounts in millions)	
Rent and utilities		**₱774**	₱813
Materials used	*12*	**537**	501
Insurance		**454**	437
Advertising		**367**	306
Transportation and travel		**245**	228
Communication	*21*	**128**	122
Others		**829**	839
		₱3,334	₱3,246

24. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	2024	2023
	(Amounts in millions)	
Retirement benefits liability	**₱10,276**	₱6,425
Long-term incentives	**2,874**	1,440
Other long-term post-employment benefits	**2,255**	1,646
	₱15,405	₱9,511

Defined Benefit Retirement Plan

The features of *MERALCO's* defined benefit plan are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements.*

Actuarial valuation is prepared annually by an independent actuary engaged by *MERALCO*.

Expense recognized for defined benefit plan (included in "Salaries, wages and employee benefits" account in the parent company statements of income)

	2024	2023
	(Amounts in millions)	
Current service costs	**₱848**	₱712
Net interest costs	**391**	46
Retirement benefits expense	**₱1,239**	₱758

Retirement Benefits Liability

	2024	2023
	(Amounts in millions)	
Defined benefit obligation	**₱38,378**	₱35,319
Fair value of plan assets	**(28,102)**	(28,894)
Retirement benefits liability	**₱10,276**	₱6,425

Changes in the net retirement benefits liability are as follows:

	2024	2023
	(Amounts in millions)	
Retirement benefits liability at beginning of year	**₱6,425**	₱648
Net retirement benefits expense	**1,239**	758
Total amounts recognized in *OCI*	**2,612**	5,019
Retirement benefits liability at end of year	**₱10,276**	₱6,425

Changes in the present value of the defined benefit obligation are as follows:

	2024	2023
	(Amounts in millions)	
Defined benefit obligation at beginning of year	**₱35,319**	₱30,497
Interest costs	**2,066**	2,077
Benefits paid	**(2,827)**	(2,669)
Current service costs	**848**	712
Actuarial losses (gains) due to:		
Changes in financial assumptions	**(240)**	4,145
Experience adjustments	**3,212**	557
Defined benefit obligation at end of year	**₱38,378**	₱35,319

Changes in the fair value of plan assets are as follows:

	2024	2023
	(Amounts in millions)	
Fair value of plan assets at beginning of year	**₱28,894**	₱29,849
Interest income	**1,675**	2,031
Return on plan assets, excluding amount included in net interest on the net defined obligation	**360**	(317)
Benefits paid	**(2,827)**	(2,669)
Fair value of plan assets at end of year	**₱28,102**	₱28,894

The Board of Trustees ("*BoT*") which manages the *Retirement Fund*, is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, all of whom are not beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach by investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan

assets. The *BoT*, periodically reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	2024	2023
	(Amount in millions)	
Investments quoted in active markets:		
Government Securities	**₱9,886**	₱9,847
Bonds and commercial notes	**8,040**	8,862
Marketable equity securities	**7,463**	7,130
Cash and cash equivalents	**445**	867
Property	**1,926**	1,926
Receivables	**342**	261
Others	**–**	1
Fair value of plan assets	**₱28,102**	₱28,894

Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits Expense (included in "Salaries, wages and employee benefits" account in the parent company statements of income)

	2024	2023
	(Amounts in millions)	
Interest costs	**₱100**	₱94
Current service costs	**16**	11
	₱116	₱105

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	2024	2023
	(Amounts in millions)	
Balance at beginning of year	**₱1,646**	₱1,316
Interest costs	**100**	94
Current service costs	**16**	11
Benefits paid	**(101)**	(92)
Actuarial losses due to change in assumptions	**594**	317
Balance at end of year	**₱2,255**	₱1,646

Actuarial Assumptions

The principal assumptions used as at December 31, 2024 and 2023 in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	2024	2023
Annual discount rate	**6.10%**	6.09%
Future range of annual salary increases	**4.00%-11.00%**	4.00%-10.00%

Sensitivity Analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions, keeping all other assumptions constant. There have been no changes in the method and assumptions used in the sensitivity analysis from prior year.

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

		Effect on Present Value of Defined Benefit Obligation	
	% Change	**2024**	2023
		(Amounts in millions)	
Annual discount rate	+1.0%	**(₱3,633)**	(₱3,717)
	-1.0%	**4,277**	4,408
Future range of annual salary increases	+1.0%	**1,239**	1,302
	-1.0%	**(1,098)**	(1,152)

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	₱5,076
One (1) year up to five (5) years	17,354
More than five (5) years up to 10 years	15,425
More than 10 years up to 15 years	15,769
More than 15 years up to 20 years	15,525
More than 20 years	37,756

Risk

The *Retirement* Fund is exposed to the following risks:

Credit Risk
The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amount of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund.*

Share Price Risk
The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and being traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.

By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk
Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund.* The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a Supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱76 million and ₱69 million for the years ended December 31, 2024 and 2023, respectively.

Retirement Benefits Cost (included in "Salaries, Wages and Employee Benefits" account in the parent company statements of income)

	2024	2023
	(Amounts in millions)	
Expense recognized for defined benefit plan	**₱1,239**	₱758
Expense recognized for defined contribution plan	**76**	69
Retirement benefits expense	**₱1,315**	₱827

Long-term Incentive Plan ("*LTIP*")

MERALCO's *LTIP* covers qualified employees and is based on *MERALCO*'*s* achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

25. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	***FVOCI* Financial Assets**	**Liabilities Carried at Amortized Cost**	**Total Financial Assets and Liabilities**
		(Amounts in millions)		
Assets as at December 31, 2024				
Noncurrent				
Other noncurrent assets	**₱1,091**	**₱2,772**	**₱–**	**₱3,863**
Current				
Cash and cash equivalents	**51,602**	**–**	**–**	**51,602**
Trade and other receivables	**38,694**	**–**	**–**	**38,694**
Financial and other current assets	**8,786**	**–**	**–**	**8,786**
Total assets	**₱100,173**	**₱2,772**	**₱–**	**₱102,945**
Liabilities as at December 31, 2024				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	**₱–**	**₱–**	**₱12,615**	**₱12,615**
Customers' deposits - net of current portion	**–**	**–**	**32,514**	**32,514**
Refundable service extension costs - net of current portion	**–**	**–**	**3,753**	**3,753**
Current				
Notes payable	**–**	**–**	**26,952**	**26,952**
Trade payables and other current liabilities	**–**	**–**	**82,973**	**82,973**
Customers' refund	**–**	**–**	**2,853**	**2,853**
Current portion of interest-bearing long-term financial liabilities	**–**	**–**	**1,546**	**1,546**
Total liabilities	**₱–**	**₱–**	**₱163,206**	**₱163,206**

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2023				
Noncurrent				
Other noncurrent assets	₱10,050	₱2,835	₱–	₱12,885
Current				
Cash and cash equivalents	53,918	–	–	53,918
Trade and other receivables	36,185	–	–	36,185
Financial and other current assets	7,741	–	–	7,741
Total assets	₱107,894	₱2,835	₱–	₱110,729

(Forward)

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Liabilities as at December 31, 2023				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱12,600	₱12,600
Customers' deposits - net of current portion	–	–	33,482	33,482
Refundable service extension costs - net of current portion	–	–	4,051	4,051
Current				
Notes payable	–	–	27,404	27,404
Trade payables and other current liabilities	–	–	79,787	79,787
Customers' refund	–	–	2,846	2,846
Current portion of interest-bearing long-term financial liabilities	–	–	5,510	5,510
Total liabilities	₱–	₱–	₱165,680	₱165,680

Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of financial instruments:

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(Amounts in millions)		
Financial assets				
Debt securities at amortized cost	**₱9,659**	**₱9,520**	₱17,391	₱17,007
Financial assets at *FVOCI*	**2,772**	**2,772**	2,835	2,835
Financial assets at amortized cost -				
Advance payments to a supplier	**206**	**206**	389	395
Short-term investments	**12**	**12**	11	11
	₱12,649	**₱12,510**	₱20,626	₱20,248
Financial liabilities				
Financial liabilities carried at amortized cost -				
Interest-bearing long-term financial liabilities	**₱12,700**	**₱13,687**	₱16,645	₱17,679

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Advance Payments to a Supplier

The fair values of advance payments to a supplier were computed by discounting the instruments' expected future cash flows using the rate of 6.39% as at December 31, 2023.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amount of bill deposits approximates their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 5.81% to 6.03% and 5.43% to 5.88% as at December 31, 2024 and 2023, respectively.

Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by such shareholder of their certification. This is included under "Interest-bearing long-term financial liabilities" account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.

Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
				(Amounts in millions)				
Financial assets								
Debt securities at amortized cost	**₱9,520**	**₱–**	**₱–**	**₱9,520**	₱17,007	₱–	₱–	₱17,007
Advance payments to a supplier	**–**	**206**	**–**	**206**	–	395	–	395
Financial assets at *FVOCI*	**2,772**	**–**	**–**	**2,772**	2,835	–	–	2,835
	₱12,292	**₱206**	**₱–**	**₱12,498**	₱19,842	₱395	₱–	₱20,237
Financial liabilities								
Interest-bearing long-term financial liabilities	**₱–**	**₱13,687**	**₱–**	**₱13,687**	₱–	₱17,679	₱–	₱17,679

For the years ended December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

*MERALCO'*s exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

*MERALCO'*s policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *MERALCO* to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *MERALCO*' loans which bear fixed interest rates are subject to repricing after a minimum of one (1) year.

The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs) as at December 31, 2024 and 2023:

Within 1 Year	Over 1-2 Years	Over 2-3 Years	Over 3-4 Years	Over 4-5 Years	More than 5 Years	Total
			(Amount in millions)			
₱100	₱100	₱100	₱100	₱100	₱9,400	₱9,900

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of *MERALCO* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of *MERALCO*'s income before income tax for the years ended December 31, 2024 and 2023 through the impact on floating rate borrowings. There is no other impact on *MERALCO'*s equity other than those already affecting the parent company statement of income.

	2024		2023	
	Increase (decrease) in Basis Points	**Effect on Income before Income Tax**	Increase (decrease) in Basis Points	Effect on Income before Income Tax
		(Amounts in millions)		
	+75	**(₱75)**	+75	(₱75)
Floating rate loans from various banks	**(75)**	**75**	(75)	75

Interest expense of floating rate loans for the year is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting year. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of *MERALCO*'s revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of *MERALCO*'s expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of *MERALCO*'s foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.

The following table shows the parent company foreign currency-denominated financial assets and financial liabilities as at December 31, 2024 and 2023, translated to Philippine peso at ₱57.85 and ₱55.37 to US$1, respectively.

	2024		2023	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
		(Amounts in millions)		
Financial assets:				
Cash and cash equivalents	**$124**	**₱7,184**	$109	₱6,041
Financial assets at *FVOCI*	**26**	**1,506**	10	553
Advance payments to a supplier	**4**	**206**	7	395
Debt securities at amortized cost	**–**	**–**	32	1,754
	154	**8,896**	158	8,743
Financial liabilities -				
Trade payables and other liabilities	**(11)**	**(655)**	(12)	(684)
	$143	**₱8,241**	$146	₱8,059

All of *MERALCO*'s long-term financial liabilities are denominated in Philippine peso. However, an insignificant portion of its trade payables is denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of *MERALCO's* income before income tax due to changes in the fair value of financial assets and financial liabilities. There is no other impact on *MERALCO*'s equity other than those already affecting the parent company statements of income.

	2024		2023	
	Appreciation (Depreciation) of *U.S.* Dollar	**Effect on Income before Income Tax**	Appreciation (Depreciation) of *U.S.* Dollar	Effect on Income before Income Tax
	(In %)	*(In millions)*	*(In %)*	*(In millions)*
U.S. dollar-denominated financial assets and financial liabilities	+5	**₱414**	+5	₱404
	–5	**(414)**	–5	(404)

Foreign exchange gain or loss for the year is computed based on management's best estimate of a +/–5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Derivative Financial Instruments and Hedging Activities

MERALCO uses derivative financial instruments to manage exposure to foreign currency risk arising from forecasted investment denominated and payable in *U.S.* dollar. The objective of the hedge is to reduce volatility in cash flows associated with foreign exchange fluctuations.

To achieve this objective, *MERALCO* has designated forward foreign exchange contracts as cash flow hedges for its forecasted foreign currency denominated investments over the next 12 months. The hedging relationships are expected to be highly effective in offsetting changes in cash flows attributable to currency fluctuations.

As at December 31, 2024, *MERALCO* has entered into forward contracts to hedge 100% of its forecasted *U.S.* dollar investment payable upon closing of such forecasted transaction. The total notional value of these hedging instruments amounts to $1.03 billion, with maturities dated January 21 to 24, 2025.

The forecasted investment payable in *U.S.* dollar is highly probable and is expected to occur over the next 12 months. The foreign exchange risk arising from these transactions has been designated as the hedged risk.

Hedge effectiveness is assessed using the dollar-offset method. The hedge has been highly effective, with no significant hedge ineffectiveness recognized.

When the forecasted transactions occur, the related hedge reserve amounts will be reclassified from *OCI* to investment.

For the year ended December 31, 2024, the investment is expected to close in early 2025 and no portion of *OCI* was reclassified to profit or loss.

As at December 31, 2024, ₱1,277 million remains in the cash flow hedge reserve and is expected to be reclassified to investment in the next financial year when the hedged transactions occur.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* to price risk is minimal. The cost of fuel is part of *MERALCO*'s generation costs that are recoverable through the generation charge in the billings to customers. On the other hand, *RES* business segment faces risk due to fuel price fluctuations.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. *MERALCO* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO*'s procedures and controls relating to customer credit risk management. *MERALCO* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are grouped according to contract status (i.e. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on *MERALCO* customer segment's historical observed default rates. Each customer segment of *MERALCO* calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates and forecast of economic conditions to *MERALCO* customers and *ECL*s involved significant estimation. The amount of *ECL*s is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

Set out below is the information about the credit risk exposure of *MERALCO*'s trade and other receivables and contract assets using a provision matrix:

	2024					
	Billed trade electric receivables				**Other receivables**	**Total**
	Contract Status					
	Active	**Active - Disconnected**	**Active – Pending to Terminate**	**Terminated**		
	(Amounts in millions, except ECL rate)					
ECL Rate	**0.29%**	**0.70%**	**0.65%**	**73%**	**0.60%**	
Estimated total gross carrying amount	**₱30,494**	**₱1,569**	**₱2,143**	**₱8,487**	**₱2,342**	**₱45,035**
Expected credit loss	**88**	**11**	**14**	**6,214**	**14**	**6,341**

	2023					
	Billed trade electric receivables				Other receivables	Total
	Contract Status					
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated		
	(Amounts in millions, except ECL rate)					
ECL Rate	0.23%	0.70%	0.96%	75%	0.76%	
Estimated total gross carrying amount	₱29,986	₱2,564	₱104	₱7,235	₱1,852	₱41,741
Expected credit loss	69	18	1	5,454	14	5,556

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to *MERALCO*'s accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. *MERALCO* transacts derivatives only with similarly accredited financial institutions. In addition, *MERALCO'*s deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱500,000 per bank account.

MERALCO invests only in quoted debt securities with very low credit risk. *MERALCO*'s debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. *MERALCO*'s credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, as *DU*, requires its captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.

The table below shows the maximum exposure to credit risk for the components of the parent company statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	2024	2023
	(Amounts in millions)	
Cash in banks and cash equivalents	**₱51,275**	₱53,706
Trade and other receivables:		
Electricity	**36,366**	32,347
Nontrade receivables	**2,328**	3,838
Financial current assets:		
Debt securities at amortized cost	**8,568**	7,533
Current portion of advance payments to a supplier	**206**	197
Short-term investments	**12**	11
Financial noncurrent assets:		
Debt securities at amortized cost	**1,091**	9,858
Financial assets at *FVOCI*	**2,772**	2,835
Advance payments to a supplier	**–**	192
	₱102,618	₱110,517

The credit quality of financial assets is managed by *MERALCO* using "High Grade", "Standard Grade" and "Sub-standard Grade" for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	2024					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Sub-standard Grade**	**Past Due but not Impaired**	**Impaired Financial Assets**	**Total**
	(Amounts in millions)					
Cash in banks and cash equivalents	**₱51,275**	**₱–**	**₱–**	**₱–**	**₱–**	**₱51,275**
Trade and other receivables:						
Electricity	**7,299**	**3,518**	**15,635**	**9,914**	**6,327**	**42,693**
Nontrade receivables	**1,290**	**–**	**–**	**1,038**	**14**	**2,342**
Financial current assets:						
Debt securities at amortized cost	**8,568**	**–**	**–**	**–**	**–**	**8,568**
Advance payments to a supplier	**206**	**–**	**–**	**–**	**–**	**206**
Short-term investments	**12**	**–**	**–**	**–**	**–**	**12**
Financial noncurrent assets:						
Debt securities at amortized cost	**1,091**	**–**	**–**	**–**	**–**	**1,091**
Financial assets at *FVOCI*	**2,772**	**–**	**–**	**–**	**–**	**2,772**
	₱72,513	**₱3,518**	**₱15,635**	**₱10,952**	**₱6,341**	**₱108,959**

	2023					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱53,706	₱–	₱–	₱–	₱–	₱53,706
Trade and other receivables:						
Electricity	6,599	3,035	12,955	9,758	5,542	37,889
Nontrade receivables	2,803	–	–	1,035	14	3,852
Financial current assets:						
Debt securities at amortized cost	7,533	–	–	–	–	7,533
Advance payments to a supplier	197	–	–	–	–	197
Short-term investments	11	–	–	–	–	11
Financial noncurrent assets:						
Debt securities at amortized cost	9,858	–	–	–	–	9,858
Financial assets at *FVOCI*	2,835	–	–	–	–	2,835
Advance payments to a supplier	192	–	–	–	–	192
	₱83,734	₱3,035	₱12,955	₱10,793	₱5,556	₱116,073

Credit ratings are determined as follows:

- High Grade

  High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently, credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

- Standard Grade

  Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

- Sub-standard Grade

  Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that *MERALCO* will be unable to meet its payment obligations when these fall due. *MERALCO* manages this risk through monitoring of cash flows in consideration of future payment of obligation and collection of its trade receivables. *MERALCO* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

MERALCO maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections. *MERALCO* also maintains accounts with several relationship banks to avoid significant concentration of cash with one (1) institution.

The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

	2024				
	Less than 3 Months	**Over 3–12 Months**	**Over 1–5 Years**	**More than 5 Years**	**Total**
	(Amounts in millions)				
Note payable	**₱386**	**₱28,111**	**₱–**	**₱–**	**₱28,497**
Trade payables and other current liabilities	**78,766**	**–**	**–**	**–**	**78,766**
Customers' refund	**2,853**	**–**	**–**	**–**	**2,853**
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	**85**	**7,249**	**–**	**–**	**7,334**
Floating rate borrowings	**159**	**579**	**2,919**	**11,069**	**14,726**
Redeemable preferred stock	**1,461**	**–**	**–**	**–**	**1,461**
Customers' deposits	**319**	**2,431**	**6,503**	**26,011**	**35,264**
Refundable service extension costs	**345**	**1,112**	**3,304**	**449**	**5,210**
Nonrefundable liability related to asset funded by customers	**127**	**127**	**127**	**568**	**949**
Over-recoveries from transmission, lifeline subsidy and *SL* charges	**–**	**–**	**375**	**–**	**375**
Total undiscounted financial liabilities	**₱84,501**	**₱39,609**	**₱13,228**	**₱38,097**	**₱175,435**

	2023				
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
	(Amounts in millions)				
Note payable	₱86	₱27,685	₱–	₱–	₱27,771
Trade payables and other current liabilities	75,349	–	–	–	75,349
Customers' refund	2,846	–	–	–	2,846
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	4,090	163	7,334	–	11,587
Floating rate borrowings	163	321	3,208	11,780	15,472
Redeemable preferred stock	1,465	–	–	–	1,465
Customers' deposits	851	1,810	6,696	26,786	36,143
Refundable service extension costs	345	1,432	3,304	748	5,829
Nonrefundable liability related to asset funded by customers	127	127	127	517	898
Over-recoveries from transmission, lifeline subsidy and *SL* charges	–	–	931	–	931
Total undiscounted financial liabilities	₱85,322	₱31,538	₱21,600	₱39,831	₱178,291

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,434 million will be refunded within a year. This is shown as part of "Trade payables and other current liabilities" account in the parent company statement of financial position as at December 31, 2024.

Capital Management

The primary objective of *MERALCO*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on capital expenditure are consistent with the levels approved by its regulators for its core distribution business.

The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.

MERALCO monitors capital using, among other measures, consolidated debt to equity ratio, which is gross consolidated debt divided by consolidated equity attributable to the holders of the parent. *MERALCO* considers long-term debt, redeemable preferred stock and notes payable as debt.

	2024	2023
	(Amounts in millions, except debt to equity ratio)	
Consolidated long-term debt	**₱59,028**	₱70,398
Consolidated notes payable	**34,287**	27,583
Redeemable preferred stock	**1,461**	1,465
Consolidated debt (a)	**₱94,776**	₱99,446
Consolidated equity attributable to the holders of the parent (b)	**₱144,599**	₱122,295
Consolidated debt to equity ratio (a)/(b)	**0.66**	0.81

26. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	**2024**	2023
		(Amounts in millions)	
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	*17 and 20*	**₱26,806**	₱25,802
Unfunded retirement benefits cost and unamortized past service cost	*24*	**2,862**	2,552
Allowance for expected credit losses	*11*	**1,581**	1,385
Accrued employee benefits	*24*	**852**	819
Others		**909**	480
		33,010	31,038
Deferred income tax liabilities:			
Revaluation increment in utility plant and others	*14*	**5,336**	5,408
Actuarial gains	*24*	**193**	995
Capitalized interest		**906**	824
Capitalized duties and taxes deducted in advance		**331**	364
Others		**204**	210
		6,970	7,801
		₱26,040	₱23,237

Provision for (benefit from) income tax consists of:

	2024	2023
	(Amounts in millions)	
Current	**₱10,329**	₱9,162
Deferred	**(2,013)**	(1,922)
	₱8,316	₱7,240

The deferred tax assets charged directly to *OCI* amounted to ₱789 million and ₱1,324 million for the years ended December 31, 2024 and 2023, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rate of 25% for the years ended December 31, 2024 and 2023, and provision for income tax as shown in the parent company statements of income is as follows:

	2024	2023
	(Amounts in millions)	
Income tax computed at statutory tax rate	**₱10,465**	₱8,892
Income tax effects of:		
Difference in calculation of tax deductible costs and expenses	**(1,568)**	(218)
Interest income subjected to lower final tax rate	**(687)**	(659)
Nontaxable income	**(391)**	(588)
Nondeductible interest expense	**172**	165
Unrecognized deferred tax assets	**–**	(353)
Nondeductible expenses and others	**325**	1
	₱8,316	₱7,240

MERALCO adopted the optional standard deductions ("*OSD*") in 2024 and 2023 in lieu of itemized deductions beginning with its first quarter income tax return.

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable years, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing the taxable income.

MERALCO's unrecognized net deferred tax assets as at December 31, 2024 and 2023 mainly pertaining to provisions amounted to ₱739 million and ₱311 million, respectively.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer's bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations ("*IRR*") issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of the generation, transmission, distribution services and related *SL* charges in the customers' bill.

In *ERC* Resolution No. 2, Series of 2021, or the Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DU*s, the *ERC* amended and modified the rules with respect to the recovery of any local franchise tax, including the filing of applications for recovery.

27. Contingencies and Legal Proceedings

Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, but corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 24, 2025, the Omnibus Motion is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code ("*LGC*"), only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 24, 2025, the Petition is pending with the *ERC*. In the meantime, *MERALCO* proposed to include the recovery of the *RPT* for the period prior to the Resolution as part of its new 5th *RP* application.

See Note 17 – Provisions.

Mediation with NPC

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the Department of Energy ("*DOE*") to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE,* rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the first seven (7) years, *MERALCO*'s total purchases from NPC exceeded the contract level. After which, in 1997, the Asian crisis resulted in the curtailment of energy demand.

A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003. A series of oppositions, motions for reconsideration, *TRO* and petitions followed with the Office of the Solicitor General acting for and on behalf of *NPC*.

Finally, the *CA* rendered a decision on April 15, 2014 denying the appeal of the *OSG* and affirmed the decision of *RTC* – Pasig declaring the Settlement Agreement valid and binding. The *NPC* filed a Petition for Review with the *SC*. In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed an *MR*. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 24, 2025, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC-Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 24, 2025, *MERALCO* is awaiting further action from the *SC* on the matter.

Petition for Dispute Resolution against *PEMC*, *TransCo*, *NPC* and *PSALM*

On September 9, 2008, *MERALCO* filed a Petition for Dispute Resolution, against *PEMC*, *TransCo*, *NPC* and *PSALM* with the *ERC* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition seeks to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the new price determined through the price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

In a Decision dated March 10, 2010, the *ERC* granted *MERALCO*'s petition and ruled that there is double charging of the transmission line costs billed to *MERALCO* by *NPC* for the Transition Supply Contract ("*TSC*") quantities to the extent of 2.98% loss factor, since the effectivity of the *TSC* in November 2006. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. In the meantime, the *ERC* issued an Order on May 4, 2011 allowing *PEMC* to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the *WESM. PEMC* has filed its compliance submitting its alternative methodology.

On September 8, 2011, *MERALCO* received a copy of *PEMC*'s compliance to the *ERC*'s directive and on November 11, 2011, *MERALCO* filed a counter-proposal which effectively simplifies *PEMC*'s proposal.

In an Order of the *ERC* dated June 21, 2012, *MERALCO* was directed to submit its computation of the amount of the double charging of line loss on a per month basis from June 26, 2006 up to June 2012. On July 4, 2012, *MERALCO* filed its Compliance to the said Order. Thereafter, the *ERC* issued an Order directing the parties to comment on *MERALCO*'s submissions. Hearings were conducted on October 2, 2012 and October 16, 2012 to discuss the parties' proposal and comments.

In an Order dated March 4, 2013, the *ERC* approved the methodology proposed by *MERALCO* and *PEMC* in computing the double charged amount on line losses by deducting 2.98% from the *NPC-TOU* amount. Accordingly, the *ERC* determined that the computed double charge amount to be collected from *NPC* is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the *NPC-TOU* rates imposed on *MERALCO*. In this regard, *NPC* was directed by the *ERC* to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.9 million per month until the over-recoveries are fully

refunded. In the said Order, the *ERC* likewise determined that the amount to be collected from the successor generating companies ("*SGC*s") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following *SGC*s: *MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*"), *TLI*, *SPI* and *Sem-Calaca*, within 30 days from receipt thereof, to recover the line loss collected by them. On April 19, 2013, *MERALCO* filed a Motion for Clarification with the *ERC* regarding the directives contained in the March 4, 2013 Order. On April 30, 2013 and May 8, 2013, *PSALM* and *NPC*, respectively, filed motions seeking reconsideration of the March 4, 2013 Order. *MERALCO* filed a motion seeking for an additional 15 days from its receipt of the *ERC*'s Order resolving its Motion for Clarification, within which to file its Petition against the *SGC*s.

In an Order dated July 1, 2013, the *ERC* issued the following clarifications/resolutions: (i) *SPPC* should be included as one of the *SGC*s against whom a petition for dispute resolution should be filed by *MERALCO*; (ii) amount to be refunded by *NPC* is not only ₱5.2 billion but also the subsequent payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iii) petition to be filed by *MERALCO* against the *SGC*s should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its *TOU* rates; (iv) "SCPC Ilijan" pertains to *SPPC* instead. Thus, the refundable amount of ₱706 million pertaining to "SCPC Ilijan" should be added to *SPPC*'s refundable amount of ₱1.1 billion; (v) grant the Motion for Extension filed by *MERALCO* within which to file a petition against the following *SGC*s: *MPPCL*, *APRI*, *TLI*, *SPI*, *Sem-Calaca* and *SPPC*; and (vi) deny the respective *MR*s filed by *NPC* and *PSALM*.

On September 12, 2013, *MERALCO* filed a Manifestation with Motion with the *ERC* seeking approval of its proposal to offset the amount of ₱73.9 million per month against its monthly remittances to *PSALM*. *PSALM* and *NPC* filed their comments *Ad Cautelam* and Comment and Opposition *Ad Cautelam*, respectively, on *MERALCO*'s Manifestation with Motion. On November 4, 2013, *MERALCO* filed its reply. As at February 24, 2025, *MERALCO*'s Manifestation with Motion is pending resolution by the *ERC*.

On October 24, 2013, *MERALCO* received *PSALM*'s Petition for Review on Certiorari with the *CA* (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) questioning the March 4, 2013 and July 1, 2013 Orders of the *ERC*.

On February 3, 2014, *MERALCO* filed a Comment with Opposition to the Application for *TRO* or Writ of Preliminary Injunction dated January 30, 2014. *PEMC* filed a Comment and Opposition Re: Petition for Certiorari with Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction dated January 6, 2014. On June 4, 2014, the *CA* issued a Resolution declaring that *PSALM* is deemed to have waived the filing of a Reply to the comment and opposition of *MERALCO* and *PEMC* and directing the parties to submit their simultaneous memoranda within 15 days from notice. On December 1, 2014, the *CA* issued a decision dismissing the Petition for Certiorari filed by *PSALM* against the *ERC*, *MERALCO* and *PEMC* and affirming the *ERC*'s ruling on the refund of the ₱5.2 billion of transmission line losses double charged by *PSALM* and *NPC*. On January 30, 2015, *PSALM* filed its *MR* on the December 1, 2014 Decision of the *CA*.

MERALCO has filed its Opposition to the *MR*. In a Resolution dated August 11, 2015, the *CA* denied *PSALM'*s *MR*. On October 27, 2015, *MERALCO* received *PSALM'*s Petition for Review with the *SC*. The Petition has been given due course and the parties have filed their respective memoranda. As at February 24, 2025, *MERALCO* is still awaiting further action of the *SC* on the Petition.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC'*s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 24, 2025, the Joint Motion to Dismiss is pending resolution by the *ERC*.

Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO. MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 24, 2025, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

On December 9, 2013, the *ERC* gave clearance to the request of *MERALCO* to implement a staggered collection over three (3) months covering the December 2013 billing month for the increase in generation charge and other bill components such as *VAT*, *LFT*, transmission charge, and *SL* charge. The generation costs for the November 2013 supply month increased significantly because of the aberrant spike in the *WESM* charges on account of the non-compliance with *WESM* Rules by certain plants resulting in significant power generation capacities not being offered and dispatched, and the scheduled and extended shutdowns, and the forced outages, of several base load power plants, and the use of the more expensive liquid fuel or bio-diesel by the natural gas-fired power plants that were affected by the Malampaya Gas Field shutdown from November 11 to December 10, 2013.

On December 19, 2013, several party-list representatives of the House of Representatives filed a Petition against *MERALCO*, *ERC* and *DOE* before the *SC*, questioning the *ERC* clearance granted to *MERALCO* to charge the resulting price increase, alleging the lack of hearing and due process. It also sought for the declaration of the unconstitutionality of the Electricity Power Industry Reform Act ("*EPIRA*"), which essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar petition was filed by a consumer group and several private homeowners' associations challenging also the legality of the *AGRA* that the *ERC* had promulgated. Both petitions prayed for the issuance of *TRO*, and a Writ of Preliminary Injunction.

On December 23, 2013, the *SC* consolidated the two (2) Petitions and granted the application for *TRO* effective immediately and for a period of 60 days, which effectively enjoined the *ERC* and *MERALCO* from implementing the price increase. The *SC* also ordered *MERALCO*, *ERC* and *DOE* to file their respective comments to the Petitions. Oral Arguments were conducted on January 21, 2014, February 4, 2014 and February 11, 2014. Thereafter, the *SC* ordered all the Parties to the consolidated Petitions to file their respective Memorandum on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the *SC*. *MERALCO* complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the *SC* extended for another 60 days or until April 22, 2014, the *TRO* that it originally issued against *MERALCO* and *ERC* on December 23, 2013. The *TRO* was also similarly applied to the generating companies, specifically *MPPCL*, *SPI*, *SPPC*, *FGPC*, and the *NGCP*, and the *PEMC* (the administrator of *WESM* and market operator at that time) who were all enjoined from collecting from *MERALCO* the deferred amounts representing the ₱4.15 per *kWh* price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, *MERALCO* filed an Omnibus Motion with Manifestation with the *ERC* for the latter to direct *PEMC* to conduct a re-run or re-calculation of the *WESM* prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, *MERALCO* filed with the *ERC* an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six (6)-month period.

On March 3, 2014, the *ERC* issued an Order voiding the Luzon *WESM* prices during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit ("*IU*") that these are not reasonable, rational and competitive, and imposing the use of regulated rates for the said period. *PEMC* was given seven (7) days upon receipt of the Order to calculate these regulated prices and implement the same in the revised *WESM* bills of the concerned *DU*s in Luzon. *PEMC*'s recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December 2013 supply month bill of the *WESM* by ₱9.3 billion. Due to the pendency of the *TRO*, no adjustment was made to the *WESM* bill of *MERALCO* for the November 2013 supply month. The timing of amounts to be credited to *MERALCO* is dependent on the reimbursement of *PEMC* from associated generator companies. However, several generating companies, including *MPPCL*, SN Aboitiz Power, Inc., Team (Philippines) Energy Corporation, PanAsia Energy, Inc. ("*PanAsia*"), and *SPI*, have filed *MR*s questioning the Order dated March 3, 2014. *MERALCO* has filed a consolidated comment to these *MR*s. In an Order dated October 15, 2014, the *ERC* denied the *MR*s. The generating companies have appealed the Orders with the *CA*. *MERALCO* has filed a motion to intervene and a comment in intervention. The *CA* consolidated the cases filed by the generation companies. In a Decision dated November 7, 2017, the *CA* set aside *ERC* Orders dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 and declared the orders null and void. The Decision then reinstated and declared valid *WESM* prices for the November and December 2013 supply months. *MERALCO* and the *ERC* have filed their respective motions for reconsideration. Several consumers also intervened in the case and filed their respective motions for reconsideration. In a Resolution dated March 29, 2019, the *CA* denied the motions for reconsideration and upheld its Decision dated November 7, 2017.

MERALCO and several consumers have elevated the *CA* Decision and Order to the *SC* where the case is pending. In a Resolution dated November 4, 2020, the *SC* consolidated *ERC*'s and *MERALCO*'s petitions and transferred *MERALCO*'s petition to the member-in-charge of *ERC*'s petition which was the lower-numbered case. The petitions filed by the consumers were denied by the *SC*.

In view of the pendency of the various submissions before the *ERC* and mindful of the complexities in the implementation of the *ERC*'s Order dated March 3, 2014, the *ERC* directed *PEMC* to provide the market participants additional 45 days to comply with the settlement of their respective adjusted *WESM* bills. In an Order dated May 9, 2014, the parties were then given an additional non-extendible period of 30 days from receipt of the Order within which to settle their *WESM* bills. However, in an Order dated June 6, 2014 and acting on an intervention filed by Angeles Electric Corporation, the *ERC* deemed it appropriate to hold in abeyance the settlement of *PEMC*'s adjusted *WESM* bills by the market participants.

On April 22, 2014, the *SC* extended indefinitely the *TRO* issued on December 23, 2013 and February 18, 2014 and directed generating companies, *NGCP* and *PEMC* not to collect from *MERALCO*. In a Decision promulgated on August 3, 2022, the *SC* affirmed the December 9, 2013 *ERC* letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the *ERC* March 3, 2014 Order which voided the Luzon *WESM* prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The *ERC* and the petitioners filed motions for reconsideration which were denied with finality in the *SC* Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the *ERC* on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. On January 4, 2024, *MERALCO, IEMOP* and the *ERC* met to discuss *MERALCO*'s proposed implementation of the Decision. As directed by the *ERC*, *MERALCO* and *IEMOP* have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 24, 2025, the same is pending with the *ERC*.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the *IU* filed a Complaint dated May 9, 2015 against *MERALCO* and Therma Mobile, Inc. ("*TMO*") for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the *EPIRA* and Rule 11, Section 1 and 8(e) of the *EPIRA IRR*. In an Order dated June 15, 2015, the *ERC* directed *MERALCO* to file its comment on the Complaint. *MERALCO* and *TMO* have filed their respective answers to the Complaint.

In an Order dated September 1, 2015, the *ERC* directed the investigating officer to file his reply to *MERALCO*. In a Manifestation and Motion to Set the Case for Hearing dated November 9, 2015, the investigating officer manifested that he would no longer file a reply and that the case be set for hearing.

On May 24, 2016, the *ERC* promulgated Resolution No. 14, Series of 2016, which resolved to divide the Commission into two (2) core groups for the conduct of hearings and to designate the commissioners to act as presiding officers in anti-competition cases. The raffle pursuant to said Resolution was conducted on June 15, 2016.

In a Notice of Pre-Trial Conference dated June 16, 2016, the *ERC* set the pre-trial conference on August 18, 2016 and required *MERALCO* and *TMO* to submit their respective pre-trial briefs. However, on July 27, 2016, the complainant filed two (2) omnibus motions for the consolidation and

deferment of the pre-trial conferences. Hence, in an Order dated August 1, 2016, the respondents were given 10 days to submit their comments on the Motion for Consolidation, with the complainant given five (5) days to file his reply. As such, the pre-trial conferences as scheduled were deferred until further notice and all parties were granted 20 days to submit their respective pre-trial briefs.

In the meantime, *MERALCO* likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by *TMO* in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the *PCC* which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the *ERC* denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the *ERC* denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its *MR* to the Order on February 23, 2017. In an Order dated June 20, 2017, the *ERC* denied the *MR*. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the *CA*. In a Resolution dated October 2, 2017, the *CA* required respondents to file their Comment on the Petition within 10 days and held in abeyance its resolution on the prayer for injunctive relief until the comments have been filed. *MERALCO* was likewise given five (5) days to file its reply. In a Manifestation dated October 23, 2017, the *ERC* stated that it is a nominal party in the case as the quasi-judicial tribune that issued the assailed ordinances. The *IU* filed its own Comment dated December 19, 2017. In a Manifestation and Motion dated December 22, 2017, the *OSG* informed the *CA* that it will no longer represent the *IU* and will instead participate as "tribune of the people". In the meantime, *TMO* also filed a separate Petition for Review on Certiorari with the *CA*. In a Resolution dated January 10, 2018, the *CA* ordered the consolidation of the petitions of *TMO* and *MERALCO*. In a Decision dated May 23, 2018, the *CA* denied the consolidated Petitions filed by *MERALCO*, *TMO*, and *APRI*, and ruled that the jurisdiction to resolve the *IU* cases remains with the *ERC* because the Philippine Competition Act ("*PCA*") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an *MR* with the *CA*. The *ERC* likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the *PCC* over cases involving alleged anti-competitive conduct supposedly because the *PCA* did not repeal Section 45 of the *EPIRA*.

In Resolution dated January 28, 2019, the *CA* denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the *PCC* now holds original, exclusive, and primary jurisdiction over all competition-related cases, the *CA* reiterated its view that the *PCA* has no retroactive effect.

The *ERC* has elevated the matter to the *SC*. *MERALCO, TMO* and *APRI* have all filed their respective manifestations before the *SC*. In a Resolution dated September 29, 2021, the *SC* affirmed the *CA* in that the *ERC* had jurisdiction over these cases as they were filed before the enactment of the *PCA*. However, the *SC* did not rule on whether the *PCC* and the *ERC* now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the *ERC* called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the *SC*. The *ERC* then

issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (A) Resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (B) Cancel the August 27, 2021 Pre-Trial Conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the *ERC* stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the *ERC* will first resolve *MERALCO*'s motions. The *ERC* also issued an open court order denying the motion of the *ERC IU* that the case be resolved through the submission of the position papers and other supporting documents. The *ERC IU* filed an *MR* to which *MERALCO* filed an opposition. As at February 24, 2025, *MERALCO* is awaiting further action by the *ERC* on the matter.

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC, MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC, MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DU*s, like *MERALCO*, at the *WESM*. On June 10, 2024, *MERALCO* filed its Comment on the Petition. As at February 24, 2025, *MERALCO* awaits further action of the *SC* on the case.

Ombudsman Cases Against MERALCO Directors

On January 30, 2018, *MERALCO* received an Order dated January 22, 2018 from the Office of the Ombudsman directing *MERALCO*'s directors to comment on a complaint-affidavit for syndicated estafa filed by certain consumer group which charged that there was conspiracy between *MERALCO* directors and the *ERC* regarding the alleged misappropriation of the bill deposits received from *MERALCO* consumers. On February 9, 2018, *MERALCO*'s directors filed their Counter-Affidavits where they refuted the arguments of the consumer group. In a Resolution dated May 18, 2018, the criminal complaint for syndicated estafa was dismissed for insufficiency of evidence. The case was referred to the *COA* for the conduct of audit on the bill deposits collected by *MERALCO* from the public consumers and to inform the Ombudsman of the compliance therewith. The consumer group filed a Motion for Partial Reconsideration dated June 16, 2018 to which *MERALCO* filed its Comment. The consumer group's Motion for Partial Reconsideration was denied through an Order dated July 30, 2018. *NASECORE* filed an *Urgent Motion for Immediate Execution* dated September 21, 2018 praying that the Ombudsman issue a writ of execution to implement the *Resolution* dated May 18, 2018. As at February 24, 2025, the Ombudsman has not acted on this matter.

On January 5, 2024, *MERALCO* received an Order dated January 2, 2024 from the Office of the Ombudsman directing *MERALCO*'s Chairman and *CEO* to file a counter-affidavit, together with the affidavit/s of supporting witnesses and other supporting documents, on the case filed by a certain consumer group against *ERC* and *MERALCO* seeking (a) indictment of *MERALCO*'s Chairman and *CEO* which alleged that there is a violation of certain provisions of *R.A. 3019* and *PD 269*, and (b) a finding that the *ERC* Chairperson is guilty of, among other things, gross misconduct and grave abuse of authority. In said case, the consumer group alleged that there is no basis for *MERALCO* to participate in, and purchase energy at, the *WESM*, given that, among other things, the *WESM* was created to cater to the contestable market. On February 6, 2024, *MERALCO* has filed the relevant counter-affidavit and supporting affidavit to the Office of the Ombudsman. On March 18, 2024, *MERALCO* received the reply-affidavit filed by the consumer group. On July 15, 2024, *MERALCO* filed its Rejoinder-Affidavit. As at February 24, 2025, *MERALCO* is awaiting further action by the Ombusdman on the matter.

Others

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

28. Significant Contracts and Commitments

Independent Power Producers ("IPPs")

FGPC and *FGP*

MERALCO entered into separate 25-year *PPA*s with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* with *FGPC* terminates on August 17, 2025, while that of *FGP* ends on October 1, 2027. On January 7, 2004, *MERALCO*, *FGP* and *FGPC* signed an Amendment to their respective *PPA*s. The amended terms under the respective *PPA*s of *FGP* and *FGPC* were approved by the *ERC* on May 31, 2006.

Following information from *FGPC* and *FGP* on use of *LNG* as an alternative reliable fuel upon expiration of the Gas Sale and Purchase Agreements ("*GSPAs*") and to ensure safe, adequate, and reliable supply of fuel throughout the terms of the *PPA*s, *MERALCO* sought confirmation from the *ERC* that the use and recovery from customers of attendant costs of *LNG* are allowed. On March 26, 2024, *MERALCO* received an order from the *ERC* (a) allowing use of *LNG* only in case of fuel supply event of force majeure, subject to payment of and recovery from customers, based only landed fuel cost, and (b) directing filing of separate application for approval (i) of costs other than the landed fuel cost, and (ii) if *LNG* will be used as primary fuel. The *ERC* likewise stated in its Order that pending the filing and the necessary approval by the *ERC*, the charges provided in the new *GSPA*, cannot be charged to the consumers and, as such, the rates under the Old *GSPA* shall be applied. In response, *FGPC* and *FGP* filed a Motion for Clarification.

Following several pleadings and clarificatory hearings by parties with *ERC,* on December 26, 2024, *MERALCO* received the Order dated August 13, 2024 of the *ERC* authorizing *MERALCO* to (a) reflect in the billing to its customers the adjusted rates in the new *GSPA* from the October customer billing period, and (b) collect from its customers, the difference between the previously approved pass-through costs, as contained in the *ERC*'s Order dated March 14, 2024, and the costs resulting from its Order dated August 13, 2024 over a period of twelve (12) months commencing from the October 2024 customer billing period of *MERALCO*.

QPPL

MERALCO entered into a *PPA* with *QPPL* on August 12, 1994, which was subsequently amended on December 1, 1996. The *PPA* is for a period of 25 years from the start of commercial operations up to May 31, 2025.

In a Letter Agreement signed on February 21, 2008, the amount billable by *QPPL* included a transmission line charge reduction in lieu of a previous rebate program. The Letter Agreement also provides that *MERALCO* shall advance to *QPPL* US$2.85 million per annum for 10 years beginning 2008 to assist *QPPL* in consideration of the difference between the transmission line charge specified in the Transmission Line Agreement ("*TLA*") and the *ERC*-approved transmission line charge in March 2003. *QPPL* shall repay *MERALCO* the same amount at the end of the 10-year period in equal annual payments without adjustment. However, if *MERALCO* is able to dispatch *QPPL* at a plant

capacity factor of no less than 86% in any particular year, *MERALCO* shall not be required to pay US$2.85 million on that year. In January 2018, *QPPL* began repayment of the amount advanced by *MERALCO*. As at December 31, 2024, the remaining amount for repayment by *QPPL* is US$3.563 million. This arrangement did not have any impact on the rates to be charged to consumers and hence, did not require any amendment in the *PPA*, as approved by the *ERC*.

See *Note 9 – Financial and other Noncurrent Assets.*

Committed Energy Volume to be Purchased

The following are forecasted purchases/payments to *FGPC*, *FGP* and *QPPL* corresponding to the Minimum Energy Quantity ("*MEQ*") provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	(In million kwh)	*(In Millions)*
2025	10,708	₱20,991
2026	4,001	6,940
2027	3,332	5,754

PSAs with Privatized Plants and *IPPAs*

On December 6, 2019, *MERALCO* and *TLI* executed a new short-term *PSA* for the purchase of 250 *MW* capacity and energy from *TLI*'s power plant for the period of December 26, 2019 to December 25, 2020. On December 19, 2019, the *DOE* issued a Certificate of Exemption from *CSP* in favor of *MERALCO* for the new short-term *PSA*. On December 23, 2019, *MERALCO* filed an application with the *ERC* for the approval of said *PSA* with *TLI*. As at February 24, 2025, the contract term has expired but the application for its approval is still pending with the *ERC*. *MERALCO* had a *PSA* with *MPPCL* which was approved by the *ERC* on December 17, 2012, for a period from December 26, 2012 to December 25, 2019. On December 19, 2019, *MERALCO* and *MPPCL* entered into an agreement to extend the *PSA* for an additional period of one (1) year reckoned from the date of *ERC* approval thereof. On April 14, 2021, due to exigent and emergency reasons (e.g., unforecasted supply deficiency and to account for outages of power plants with bilateral contracts with *MERALCO*), *MERALCO* and *MPPCL* further agreed to amend the December 19, 2019, agreement, to instead extend the *PSA* for an additional period of one (1) year from May 26, 2021. On even date, (a) *MERALCO* and *MPPCL* filed a motion to seek *ERC* approval of the said Amendment Agreement; and (b) *MERALCO* sought confirmation from the *DOE* that the extension of the *ERC*-approved 2011 *PSA,* as embodied in the Amendment Agreement, is exempted from the conduct of a *CSP.* In its letter dated July 30, 2021, the *DOE* denied *MERALCO*'s request for certificate of exemption from *CSP*. As at February 24, 2025, the *ERC* has yet to act on the parties' motion.

SBPL

MERALCO and *SBPL* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

To address the *SC* Decision in *Alyansa Para sa Bagong Pilipinas, Inc. vs. ERC, et al.* (G.R. No. 227670, 3 May 2019) that effectively required all *PSA* applications for *ERC* approval filed on or after June 30, 2015 to undergo *CSP*, which includes the 2016 20-year *PSA* between *MERALCO* and *PEDC*, a *CSP* was conducted in 2021 to cover the 70 *MW* required contract capacity of *MERALCO*

for contract period ending January 25, 2037. The same capacity was won by *PEDC* under the new 15-year *PSA* with *MERALCO* ("*2021 PEDC PSA*"). Through a "Notice of Resolution" dated February 23, 2022, the *ERC* granted provisional authority to implement the *2021 PEDC PSA*, and on April 1, 2022, the *2021 PEDC PSA* was implemented by *MERALCO* and *PEDC*.

On March 18, 2022, *PEDC* issued to *MERALCO* a Notice of Change in Circumstance pursuant to the *2021 PEDC PSA*. Consequently, on April 13, 2022, *PEDC* (joined by *MERALCO*) filed an *Urgent Motion for Contract Price Adjustment* with the *ERC*. On December 4, 2022, *PEDC* sent *MERALCO* a Notice of End of Supply, which formally informed *MERALCO* of *PEDC*'s decision to cease supply of energy beginning midnight of December 5, 2022, because without the *ERC*'s action on the Urgent Motion for Contract Price Adjustment, *PEDC* was already in severe financial stress and in danger of breaching its financial covenants. On August 29, 2023, *MERALCO* received the *ERC*'s Decision dated March 8, 2023 granting the Urgent Motion for Contract Price Adjustment.

Relative to the foregoing, on October 3, 2023, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* in its application for confirmation of over/under of pass-through charges. The Supplemental Application prayed that *MERALCO* be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*.

On January 16, 2024, *PEDC* filed a Motion for Clarification asking the *ERC* to issue an order declaring that the dispositive portion of the Decision dated March 8, 2023 includes a reference to losses from April 2, 2022 to December 4, 2022 in the amount of ₱1.2 billion. On June 19, 2024, *PEDC* filed a Supplemental Motion for the Recovery of Additional Fuel Losses due to *CIC* (covering the period 26 September 2022 to 04 December 2022, as Acknowledged by the *ERC* in its Decision dated March 8, 2023). The Supplemental Motion asks the *ERC* to issue an Order allowing *PEDC* to recover actual fuel costs in the amount of ₱380 million, representing the unrecovered losses from September 26, 2022 to December 4, 2022.

As at February 24, 2025, the *ERC* has yet to act on *MERALCO's* Supplemental Application and *PEDC*'s separate motions.

First Bulacan

MERALCO and *First Bulacan* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations until 2031.

Solar Tanauan Corporation ("*Solar Tanauan*")

MERALCO has an *ERC*-approved 20-year *PSA* with *Solar Tanauan* for the purchase of 50 *MW* of electric output from its solar plant in Tanauan, Batangas.

SPTC Phase 1

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac until July 2038. In an Order promulgated on June 8, 2018, the *ERC* granted Interim Relief to provisionally implement the *PSA*. On July 3, 2018, *Solar Philippines Tarlac* filed a Motion for Partial Reconsideration of the said Order. *MERALCO* and *Solar Philippines Tarlac* agreed on a way forward, subject to resolution of the Motion for Partial Reconsideration, and began implementation of the *PSA* on August 20, 2018. In its Order dated January 23, 2019, the *ERC* partially granted the Motion for Partial Reconsideration filed by *Solar Philippines Tarlac* and allowed the 2% annual escalation under the *PSA*. On June 25, 2019, the *ERC* promulgated its Order leaving the adjustment of the timelines set under the *PSA* to the

discretion of *MERALCO* and *Solar Philippines Tarlac.* Meanwhile, the 20-year term of the *PSA* began on August 20, 2018. As at February 24, 2025, the parties are awaiting *ERC's* final decision on the Joint Application.

SPTC Phase 2

MERALCO has a 20-year *PSA* with *SPTC* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac. The application for approval of the *PSA* with *SPTC* was filed on March 18, 2019 and the hearings were concluded last September 2019. Unfortunately, after five (5) years lapsed without the *ERC* resolving the application for approval of the said *PSA*, *Solar Philippines Tarlac* cited the expiration of the *PSA*'s Longstop Date provision as basis for its Notice of Termination (dated October 16, 2024) of the *PSA* effective upon receipt (or on November 15, 2024). On November 21, 2024, *MERALCO* filed an Urgent Manifestation with the *ERC* to inform it of the power supplier's decision to exercise its right under the *PSA* to terminate the *PSA*. On December 3, 2024, *SPTC* filed a Motion to Withdraw Application praying that the *ERC* immediately grant the withdrawal of the application for approval of the *PSA*. As at February 24, 2025, the Motion to Withdraw Application is pending decision by the *ERC*.

SPI, AC Energy and SPPC – Baseload PSAs

MERALCO signed three (3) *PSA*s for baseload capacity with *AC Energy* for 200 *MW*, *SPI* for 330 *MW*, and *SPPC* for 670 *MW*. In its letters to *MERALCO,* all dated December 23, 2019, the *ERC* granted provisional authority to implement these three (3) *PSA*s for baseload capacity. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.*

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of *CIC*. Following filing of Joint Motions for Price Adjustment with the *ERC* and public hearings, on September 29, 2022, the *ERC* issued its Orders denying the Joint Motions for Price Adjustment. On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the said *ERC* Orders. The *CA* issued a *TRO*, then subsequently a *WPI*, for the *SPPC* case. On June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case.

On June 27, 2023, the *CA*'s (13th Division) issued a Joint Decision which, among other things, (a) annulled/set aside the *ERC* Orders that denied the Joint Motions for Price Adjustment and instead granted such motions (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (b) made permanent the Preliminary Injunction issued in favor of *SPPC*. On the basis of the *CA* orders and decision, starting on December 7, 2022 and July 24, 2023, respectively, *SPPC* and *SPI* ceased supplying energy under their baseload *PSA*s with *MERALCO*. On February 28, 2024, the *ERC* elevated the matter to the *SC* by filing a Petition for Review on Certiorari. On April 3, 2024, the *SC* issued a Resolution denying the *ERC's* Petition for Certiorari for failure to show that the *CA* committed any reversible error. On July 10, 2024, the *SC* issued a Resolution for both matters (*CA*'s *WPI* issuance and the *CA*'s Joint Decision), denying the *ERC's* Motions for Reconsideration considering there was no substantial argument to warrant any modification. Hence, the *SC* Resolutions have attained finality.

SPI and *SPPC* issued to *MERALCO* Notices of *CIC* dated August 23, 2023, claiming additional CIC claim ("*CIC 2*") covering the periods of January 2022 up to July 2023 in the amount of ₱14.6 billion (for *SMEC*) and January to December 2022 in the amount of ₱15.9 billion (for *SPPC*). In *MERALCO*'s letters to *SPI* and *SPPC*, both dated January 30, 2024, *MERALCO* advised *SPI* and *SPPC* to avail itself of legal remedies available to it under the law as it found no basis to join *SPI* and

SPPC in an *ERC* filing since the *PSA*s had already been terminated. After an exchange of *SPPC*'s and *SMEC*'s request for validation of the *CIC 2* amounts, on August 30, 2024, *MERALCO* wrote to *SPPC* and *SMEC*, *MERALCO* has validated the computation of *SPPC* and *SMEC* but resulting to a lower amount of ₱13.3 billion (for *SMEC*) and ₱15.8 billion (for *SPPC*). On November 20, 2024, *SMEC* and *SPPC* filed Motions for Price Adjustment with the *ERC* covering the periods of June 2022 up to July 2023 in the amount of ₱13.3 billion (for *SMEC*) and June to December 2022 in the amount of ₱15.8 billion (for *SPPC*). As at February 24, 2025, the *ERC* has yet to act on the motions.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC* for the year 2022. Consequently, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving ₱618 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving an additional ₱910 million. On September 2, 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed Manifestations and Urgent Motions to Resolve to the *ERC* on September 4, 2024.

On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities ("*BCQ*") under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQ*s to *MERALCO* under the subject *PSA*s. As at February 24, 2025, the *ERC* has yet to act on the motion and for *MERALCO*'s part, it requested for proposals from various power suppliers for an emergency *PSA* ("*EPSA*") to replace it. An offer from *SPI* was found the most reasonable and lowest among the offers received, thus, on January 27, 2024 an *EPSA* was executed between *MERALCO* and *SPI* for 200 *MW* baseload supply for one (1) year. The said *EPSA* was implemented by the parties on January 28, 2025 pursuant to the prevailing *DOE CSP* Policy and *ERC CSP* Guidelines.

First Gen Hydro Power Corporation ("FGHPC"), AC Energy and SPPC – Mid-merit PSAs

MERALCO signed three (3) *PSA*s for mid-merit capacity with *FGHPC* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On January 30, 2020 and March 16, 2020, *MERALCO* received *ERC* orders granting provisional authority to implement *MERALCO*'s *PSA*s for mid-merit capacity with *AC Energy,* and *FGHPC* and *SPPC*, respectively. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.* As at February 24, 2025, the three (3) *PSA* applications are pending final decision by the *ERC*.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC* for the year 2022. Consequently, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment amounting to ₱87 million with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment for an additional ₱132 million with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*. On September 2, 2024, *MERALCO* received a Notice of Termination from *AC Energy*. To inform the *ERC* of this Notice of Termination, *MERALCO* filed

Manifestations and Urgent Motions to Resolve to the *ERC* on September 4, 2024. On October 28, 2024, *MERALCO* received *AC Energy*'s second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its *BCQ* under the *PSA* effective November 2, 2024. In response, *MERALCO* urged *AC Energy* through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to *AC Energy*, *MERALCO* also filed with the *ERC* Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO*'s nominations to *AC Energy*, the latter ceased declaring *BCQ*s to *MERALCO* under the subject *PSA*s. As at February 24, 2025, the *ERC* has yet to act on the motions.

Terra Solar

MERALCO has a *PSA* with *Terra Solar* for 850 *MW* Renewable Energy mid-merit capacity with commercial operations dates in February 2026 for 600 *MW* and February 2027 for 250 *MW.* On December 12, 2023, *MERALCO* received a copy of *ERC*'s formal Decision dated August 8, 2023. In its letter dated December 22, 2023, *Terra Solar* notified *MERALCO* of its acceptance of the formal Decision.

Excellent Energy Resources, Inc. ("EERI"), GNPower Dinginin Ltd. Co. ("GNPD") and Mariveles Power Generation Corporation ("MPGC") – 2024 Baseload PSAs

MERALCO has three (3) *PSA*s with *EERI* with commercial operations date in December 2024 for 1,200 *MW*, with *GNPD* with commercial operations date in May 2025 for 300 *MW,* and with *MPGC* with commercial operations date in May 2025 for 300 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *EERI, GNPD* and *MPGC* were filed with the *ERC* on March 1, 2024, February 22, 2024, and February 29, 2024, respectively. On July 26, 2024, *MERALCO* and the power suppliers filed with the *ERC* a Joint Motion to Resolve the applications for approval of the *PSA*s. The *ERC*, in a Notice of Resolution dated December 10, 2024 (for the *PSA* with *EERI*) and Notice of Commission Action dated November 26, 2024 (for *PSA*s with *GNPD* and *MPGC*) has approved the *PSA*s with *EERI*, *GNPD* and *MPGC*.

SPPC – 2024 Baseload PSA

On February 5, 2022, *MERALCO* signed a *PSA* for baseload capacity with *SPPC* for 1,200 *MW*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement the *PSA* under several conditions, which includes implementation covering only 910 *MW* capacity, pending *ERC* resolution of the Joint Manifestation dated February 23, 2024 in *ERC* Case No. 2019-080RC on assignment of the 290 *MW* capacity thereat from *SPPC* to *SPI*. *MERALCO* and *SPPC* proceeded to implement the 2024 1,200 *MW PSA* following the *ERC's PA* Order. On June 26, 2024, *MERALCO* and *SPPC* filed a Joint Motion for Partial Reconsideration which questioned the *ERC*'s provisional authority Order. As at February 24, 2025, the Joint Motion for Partial Reconsideration of *MERALCO* and *SPPC* is pending decision by the *ERC*.

San Roque Hydropower Inc. ("SRHI"), Gigasol3, Inc. ("Gigasol3") and Santa Cruz Solar Energy Inc. ("SCSEI") – Renewable Energy (RE) Mid-merit PSAs

Following conduct of *CSP*, *MERALCO* has three (3) renewable energy mid-merit supply *PSA*s with *SRHI* with operations effective date in March 2025 for 340 *MW*, with *Gigasol3* with operations effective date in March 2025 for 139 *MW,* and with *SCSEI* with commercial operations date in March 2026 for 21 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *SRHI,*

Gigasol3 and *SCSEI* were filed with the *ERC* on September 23, 2024, September 23, 2024, and September 27, 2024, respectively. The *ERC*, in a Notice of Commission Action dated December 3, 2024 (for *PSA*s with *SRHI* and *Gigasol3*) has approved the *PSA*s but the applicable rate was fixed at a lower rate than what was offered by the power suppliers during the *CSP*. On December 13, 2024 and January 30, 2025, *SRHI* and *Gigasol3*, respectively, filed a Ex-Parte Manifestation and Motion (for *SRHI*) and Motion for Urgent Re-Evaluation of the Provisionally Approved Rate (for *Gigasol3*) praying that the *ERC* immediately released the formal order granting provisional authority to implement that *PSAs* so that the parties can study the reasons given by the *ERC* in reducing the rate of the *PSA*. As at February 24, 2025, the *ERC* has yet to release the formal order granting provisional authority to implement the *PSA*s or act on the motions.

GNPD and Masinloc Power Co. Ltd. ("MPCL") – Baseload PSAs

Following conduct of *CSP*, *MERALCO* has two (2) baseload supply *PSA*s with *MPCL* for 500 *MW* and with *GNPD* for 100 *MW*, both with operations effective date in September 2025. The joint applications for approval of *MERALCO*'s *PSA*s with *GNPD and MPCL* were filed with the *ERC* on October 2, 2024. The *ERC*, in a Notice of Commission Action dated December 12, 2024 (for *PSA* with *MPCL* only) has denied the parties' prayer for issuance of provisional authority or interim relief considering the *PSA*'s operations effective date is still on August 26, 2026. As at February 24, 2025, the parties are awaiting *ERC's* final decision on the applications.

GNPD – Mid-merit PSA

Following conduct of *CSP*, *MERALCO* has executed a mid-merit supply *PSA* with *GNPD* for 400 *MW* with operations effective date in September 2025. The joint application for approval of *MERALCO*'s *PSA* with *GNPD* was filed with the *ERC* on December 6, 2024. As at February 24, 2025, the application is set for hearing by the *ERC* on March 14, 2025 and March 21, 2025.

Interim Power Supply Agreements ("IPSAs")

On January 24, 2017, in view of the Malampaya shutdown that was to coincide with the scheduled outage of other plants, *MERALCO* signed an *IPSA* with Strategic Power Development Corporation ("*SPDC*") for the supply of 100 *MW* per hour of electric power from 0901H to 1000H and from 2001H to 2100H, and 150 *MW* per hour of electric power from 1001H to 2000H, from January 28, 2017 until February 16, 2017. The said *IPSA* was effective immediately, on the condition that disallowances and penalties that the *ERC* may impose as a result thereof shall be for the account of *SPDC. MERALCO* and *SPDC*, in a letter agreement dated February 15, 2017, agreed to extend the term of the *IPSA* until March 25, 2017 under the same terms and conditions of the *IPSA*. On February 16, 2017, *MERALCO* and *SPDC* filed a Joint Manifestation with Motion with the *ERC* for the extended term and praying that the same be duly considered and approved accordingly. As at February 24, 2025, the contract term has expired and *MERALCO* awaits the *ERC*'s final decision on the *IPSA.*

On April 15, 2019, in consideration of the *NGCP* forecast of voltage situations and Luzon peak demand, *MERALCO* signed two (2) separate *IPSA*s with: (i) Millenium Energy Inc. ("*MEI*") for the purchase of 70 *MW* of electric power, subject to a net dependable capacity test, from April 26, 2019 to June 25, 2019, from *MEI's* Gas Turbine Power Plant in Navotas Fishport Complex, Navotas City; and (ii) *TMO* for the purchase of up to 200,000 *kW* contract capacity and associated energy, subject to restatement based on the results of capacity test, from April 26, 2019 to April 25, 2020, from *TMO*'s 242 *MW*-installed capacity, barge-mounted, bunker-fired diesel power generating and interconnection facilities in Navotas City. For the said *IPSA*s, *MERALCO* also received the *DOE's* grant of exemption

from the requirement for *CSP*. The applications for approval of said *IPSA*s were filed before the *ERC* on April 17, 2019. In accordance with the said *IPSA*s, with the filing of the joint applications and *DOE'*s exemption, the mutual obligations to sell and purchase power under said agreements were implemented beginning April 26, 2019. On July 1, 2019, *MERALCO* filed its Compliance with *FOE* on the *TMO IPSA* Joint Application. In addition, in light of the declarations of yellow and red alerts in the *Luzon* Grid by *NGCP, MERALCO* and *MEI* agreed to extend their *IPSA* until April 25, 2020. *MERALCO* also received the *DOE's* grant of exemption from the requirement for *CSP*. The *PSA*s with *MEI* and *TMO* expired on April 25, 2020. As at February 24, 2025, the cases remain pending with the *ERC*.

On September 28, 2021, in view of the Malampaya shutdown set for October 2021 that was to coincide with the scheduled outage of other plants, *MERALCO* signed a Contract for Supply of Electric Energy ("*CSEE*") with *PSALM* for the supply of 90 *MW* for the period of ten (10) months from September 26, 2021 to July 25, 2022. On even date, the *DOE* issued a Certificate of Exemption from *CSP* in favor of *MERALCO* for the *CSEE*. With the *DOE*'s grant of exemption from the requirement for *CSP*, the parties began implementation of the *CSEE* on September 29, 2021. The application for approval of the *CSEE* with *PSALM* was filed on December 29, 2021. As at February 24, 2025, the contract term has expired and the case is pending decision by the *ERC*.

On February 4, 2022, *MERALCO* signed a 5-month *PSA* with *SPPC* for 170 *MW* contract capacity. The *PSA* was not implemented pending *ERC* approval and the contract term expired on July 25, 2022. As at February 24, 2025, the *ERC* has not issued its final decision on this *PSA*.

On December 14, 2022, in connection with the sudden and unforeseen suspension of *MERALCO*'s baseload *PSA* with *SPPC* for 670 *MW* and after receiving from the *DOE* a Certificate of Exemption from the conduct of a competitive selection process ("*COE-CSP*") pursuant to the *DOE* Circular No. DC2021-09-0030 ("*2021 Revised CSP Circular*"), *MERALCO* signed a one (1)-month *PSA* with *GNPD*. The *GNPD* emergency power supply agreement ("*EPSA*") ("*1st GNPD EPSA*") was implemented on December 15, 2022 and filed with the *ERC* on April 5, 2023. Following *MERALCO*'s request for extension of the *1st GNPD EPSA*, given continued unavailability of contract capacity and non-delivery of associated energy under the *SPPC PSA* (since the *CA* granted a writ of preliminary injunction to replace the *TRO*), the parties executed another *EPSA* with *GNPD* dated February 3, 2023 ("*2nd GNPD EPSA*"), with term until February 25, 2023. The *2nd GNPD EPSA* was implemented on February 3, 2023 and filed with the *ERC* on April 13, 2023. As at February 24, 2025, the contract terms of the *1st and 2nd GNPD EPSA*s have expired and the cases remain pending with the *ERC*.

On April 29, 2023, *MERALCO* received via electronic mail, a copy of the *ERC* Order dated April 11, 2023 (the "*Show Cause Order*") alleging *MERALCO*'s purported violation of Sec. 2.2.1.2 of the *2021 Revised CSP Circular*. The purported violation is predicated on *ERC*'s unilateral finding that the generation rate under the *1st GNPD EPSA* and *2nd GNPD EPSA* is not equivalent to or lower than the latest *ERC*-approved generation tariff for the same or similar technology in comparable areas considering that *GNPD*'s *EPSA* rate is higher than the latest *ERC*-approved generation tariff for similar technology (coal) in *MERALCO*'s area. The *ERC* compared the said rate with the provisionally approved rate of the *2021 PEDC PSA* with *MERALCO* in *ERC* Case No. 2022-001RC. On May 15, 2023, *MERALCO* filed its Verified Explanation ("*Verified Explanation*") in compliance with the *ERC*'s Show Cause Order. *MERALCO* explained that: (i) The *COE-CSP* issued by the *DOE* not only exempted *MERALCO* from conducting a *CSP* for the *EPSA*s, but essentially certifies that the *DU* was able to meet the requisites for its issuance, thus, authorizing the *EPSA*s' immediate implementation; (ii) the immediate implementation of the *1st GNPD EPSA* and *2nd GNPD EPSA* is consistent with Section 2.2.1.2 of the *2021 Revised CSP Rules* considering that: (a) both the *EPSA*s' cooperation periods are within the one (1) year period limitation; (b) the *EPSA*s were contracted to

address an emergency situation; and (c) the *EPSA*s are equivalent to or lower than the latest *ERC*-approved generation tariff for same plant offered for the *EPSA*, which is actually the practice being observed by the *ERC* in approving *PSA*s as shown in previous Orders issued for other *PSA*s; (iii) the *ERC*'s use of the *2021 PEDC PSA* rate, which was released on the *ERC*'s online Database of Generation Rates after the Show Cause Order was issued and after the expiration of the terms of the *EPSA*s, is not comparable to the *EPSA* rates given the stark differences in circumstances.

On March 24, 2023 and April 11, 2023, in light of the injunction issued by the *CA* which suspended implementation of *MERALCO*'s *PSA* with *SPPC* for 670 *MW* contract capacity, and after receiving from the *DOE* a *COE-CSP* pursuant to the *2021 Revised CSP Circular, MERALCO* signed an *EPSA* with *SPPC* for 480 *MW* capacity and *TLI* for 370 *MW* capacity, respectively. The applications for approval of the *EPSA*s with *SPPC* and *TLI* were both filed on July 27, 2023. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*.

In light of the *CA*'s Joint Decision, and the cessation of the *SPI PSA* on July 24, 2023, *MERALCO*'s bilateral power supply contracts portfolio was reduced by 330 *MW* starting July 24, 2023. Prior to this, starting on July 17, 2023, *MERALCO* sent out requests for proposals to various power suppliers in order to address the 330 *MW* bilateral contract capacity deficit. On July 20, 2023, the only offer received was from *SPPC*. On August 7, 2023, *MERALCO* and *SPPC* executed an *EPSA*. The application for approval of the *EPSA* with *SPPC* was filed on September 25, 2023. As at February 24, 2025, hearings have been concluded and the case is pending decision by the *ERC*.

On March 20, 2024, *MERALCO* signed an interim one (1)-year *PSA* with *LPI* for 400 *MW* contract capacity and up to February 25, 2025. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*. On February 26, 2025, this interim *PSA* with *LPI* is expected to expire.

On May 24, 2024, pursuant to *MERALCO*'s Distribution Development Plan ("*DDP*") and Power Supply Procurement Plan ("*PSPP*"), *MERALCO* signed a Contract for Supply of Electric Energy ("*CSEE*") with *PSALM* for the supply of 90 *MW* for the period of six (6) months from May 26, 2024 to November 25, 2024. Pursuant to the *DOE*'s *2023 CSP Circular*'s and the *ERC*'s *CSP Guidelines'* exemption from the requirement for *CSP* for supply of electricity from *PSALM*, the parties began implementation of the *CSEE* on May 27, 2024. The application for approval of the *CSEE* with *PSALM* was filed on July 16, 2024. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*.

In light of the *ERC*'s non-issuance of a provisional authority or interim relief to implement *SPPC*'s 2024 baseload *PSA* with *MERALCO* before March 25, 2024 - which is the expiration date of *MERALCO*'s *EPSA*s with *SPPC* for 480 *MW* capacity, *TLI* for 370 *MW and SPPC for 330 MW,* on March 25, 2024, *MERALCO* was constrained to procure supply through a negotiated *EPSA* with *SPPC* for 1,200 *MW*. The *EPSA* includes a pre-termination clause, such that its term is for one (1) year, from March 26, 2024 until March 25, 2025, and shall be subject to pre-termination upon implementation of *SPPC*'s 2024 baseload *PSA* with *MERALCO*. On April 25, 2024, the joint application for approval of the *EPSA* was filed before the *ERC*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement *SPPC*'s 2024 baseload *PSA* with *MERALCO* (albeit only for a partial contract capacity if 910 *MW*), thus, on June 19, 2024, the *EPSA* was deemed terminated by the parties following its pre-termination clause. As at February 24, 2025, the hearings have been concluded and the case is pending decision by the *ERC*.

On January 27, 2025, in connection with the sudden and unforeseen cessation by *AC Energy* of declaring *BQC* for its baseload PSA with *MERALCO*'s for 200 *MW,* pursuant to prevailing *DOE CSP* Policy and *ERC CSP* Guidelines, *MERALCO* signed a one (1)-year *EPSA* with *SPI*. The *SPI EPSA* was implemented on January 28, 2025 and, filed with the *ERC* on February 24, 2025. As at February 24, 2025, the *EPSA* is awaiting to be set for hearing by the *ERC.*

MERALCO has the following *PSA*s with expired contract terms, and has applications for approval or modifications of these terms pending with the *ERC*:

Power Supplier	Contract expiry date
Philippine Power and Development Company	May 15, 2020
Bacavalley Energy Inc.	March 16, 2015
Pangea Green Energy Philippines Inc.	October 10, 2015
TMO	June 26, 2018
FNPC	February 23, 2018

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project ("*Cagbalete Microgrid Project*")

On July 23, 2019, *MERALCO* inaugurated the first phase of its power microgrid in Cagbalete Island, Quezon Province as part of its continuing initiative of rural energization using sustainable energy. The microgrid is a hybrid generating plant that features a 60 *kW PV* system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

On May 31, 2019, *MERALCO* filed an application dated May 29, 2019 to implement the proposed *Cagbalete Microgrid Expansion Project* to allow *MERALCO* to serve the rest of the residents in Cagbalete Island. The *Cagbalete Microgrid Expansion Project* will utilize a scaled-up hybrid generation system by similarly using solar photovoltaic ("*PV*") panels, diesel generators and lithium-ion battery storage as main components. Hearings have been completed and *MERALCO* filed its *FOE* on August 15, 2019. On September 22, 2022, *MERALCO* filed a motion to withdraw application. As at February 24, 2025, *MERALCO* is awaiting further action by the *ERC.*

Agreement and Registration with PEZA

MERALCO has a concession agreement with *PEZA* for 25 years until May 2039, whereby *MERALCO* has been contracted to operate the distribution system of *CEZ.*

On December 29, 2014, *MERALCO* secured its Certificate of Registration No.10-01-U from *PEZA*, which confirms *MERALCO* as an Ecozone Utilities Enterprise at the *CEZ.*

On September 7, 2023, *PEZA* issued a Board Resolution No. 23-227 that implements the policy guidelines for all *PEZA*'s distribution utilities /concessionaire /service provider ("*DU/C/SP*") and power suppliers in the procurement of power supply in the economic zones through a competitive selection process ("*PEZA CSP Policy*"). The *PEZA CSP* Policy mandates the *DU/C/SP* to submit annually to *PEZA* its *PEZA* Distribution Development Plan and Power Supply Procurement Plan, as well as the establishment of a *CSP* Bids and Awards Committee, wherein two (2) out of the five (5) members shall come from the nominees of the *DU/C/SP*. The *PEZA CSP Policy* also provides for an exemption from *CSP* and a transition power supply agreement.

MERALCO executed a tripartite agreement with *PEZA* and *TLI* for the billing and settlement of the supply of power from *TLI* to *CEZ* and its locators. On December 19, 2023, *MERALCO* issued a Notice of Award to *TLI* for the 24 *MW* baseload supply of *CEZ* for a period of one (1) year from December 26, 2023 to December 25, 2024 ("Additional Term"). The terms of the award will be documented through a Transition Power Supply Agreement. The tripartite agreement is likewise extended until December 25, 2024. On November 22, 2024, *PEZA* and *TLI* extended the Transition Power Supply Agreement for another six (6) months, or until June 25, 2025. The tripartite agreement is likewise extended until June 25, 2025.

29. **Earnings Per Share**

Basic and diluted earnings per share are calculated as follows:

	2024	2023
	(In millions, except per share data)	
Net income (a)	**₱33,545**	₱28,326
Weighted average common shares outstanding (b)	**1,127**	1,127
Per Share Amounts:		
Basic and diluted earnings per share (a/b)	**₱29.76**	₱25.13

Basic and diluted earnings per share amounts are calculated by dividing net income for the year by the weighted average number of common shares outstanding during the year. There are no potential dilutive common shares in 2024 and 2023.

There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these parent company financial statements.

30. **Other Matters**

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On May 12, 2016, the *ERC* issued Resolutions No. 10 and 11, Series of 2016, which:

1. Provided for mandatory contestability. Failure of a contestable customer to switch to *RES* upon date of mandatory contestability (December 26, 2016 for those with average demand of at least one (1) *MW* and June 26, 2017 for at least 750 *MW*) shall result in the physical disconnection from the *DU* system unless it is served by the supplier of last resort ("*SoLR*"), or, if applicable, procures power from the *WESM*;

2. Prohibits *DU*s from engaging in the supply of electricity to the contestable market except in its capacity as a *SoLR*;

3. Mandates Local *RES*s to wind down their supply businesses within a period of three (3) years;

4. Imposes upon all *RES*s, including *DU*-affiliate *RES*s, a market-share cap of 30% of the total average monthly peak demand of all contestable customers in the competitive retail electricity market; and,

5. Prohibits *RES*s from transacting more than 50% of the total energy transactions of its supply business, with its affiliate contestable customers.

On November 29, 2017, the *DOE* issued two (2) *DOE* Circulars, namely: DC 2017-12-0013, entitled, Providing Policies on the Implementation of *RCOA* for Contestable Customers in the Philippines Electric Power Industry and DC 2017-12-0014, entitled Providing Policies on the Implementation of *RCOA* for *RES* in the Philippine Electric Power Industry. The *DOE* Circulars became effective on December 24, 2017.

Under the *DOE* Circular No. DC 2017-12-0013, it is provided that voluntary participation for contestable customers under *RCOA*-Phase 2 shall now be allowed upon effectivity of said Circular, while voluntary participation of contestable customers with a monthly average peak demand of 500 *kW to* 749 *kW* for the preceding 12 months and demand aggregation for electricity end users within a contiguous area with an aggregate average peak demand of not less than 500 *kW* for the preceding 12-month period, will also be allowed by June 26, 2018 and December 26, 2018, respectively.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014.

Retail Aggregation

On June 16, 2022, the *ERC* issued Resolution No. 04, Series of 2022 entitled "*A Resolution Adopting the Rules for the Electric Retail Aggregation Program."* Under said Resolution, the aggregation of the electricity requirements of end-users, whose total monthly average peak demand is at least 500 *kW*, is allowed to accommodate a wider consumer base availing of the benefits of *RCOA* to further promote competition in the Competitive Retail Electricity Marktet. Implementation of such aggregation shall become effective by December 26, 2022. Meanwhile, industry stakeholders are clarifying certain provisions in the Resolution to allow for the smooth implementation of Retail Aggregation.

Pre-Emptive Mitigating Measure in the WESM

In December 2014, in its Resolution No. 20, Series of 2014, the *ERC* adopted and established a permanent pre-emptive mitigation measure in the *WESM*. The *ERC* set a cumulative price threshold ("*CPT*") amounting to an average spot price of ₱9,000 per *MWh* over a rolling 7-day period or 168-hour trading interval. Once this *CPT* for said period is breached, it triggers the imposition of a price cap amounting to ₱6,245 per *MWh*. The price cap shall be imposed until after a determination that succeeding *GWAP* rolling average is already below the *CPT*. The pre-emptive measure has taken effect beginning January 9, 2015.

The imposition of the mitigating measure was questioned by the Philippine Independent Power Producers Association ("*PIPPA*") in the *RTC*-Pasig through a Petition for Declaratory Relief with Application for *TRO* and/or Writ of Preliminary Injunction. The Petition prayed for, among others, that the *ERC* Resolutions pertaining to the secondary cap mechanism be declared void *ab initio*. The original petition was subsequently amended to reflect the promulgation of the subsequent *ERC* resolutions extending the effectivity of the *WESM* price cap. On July 21, 2014, *MERALCO* filed its Motion for Leave to Intervene and to Admit Attached Comment in Intervention. The *RTC-Pasig* admitted *MERALCO'*s intervention and comment in its Order dated October 28, 2014.

However, in a Motion for Leave to Admit Supplement Petition, *PIPPA* moved for leave to file a supplemental petition to include *ERC* Resolution No. 20, Series of 2014 which provides for a permanent mitigating measure in the *WESM*. In an Order dated May 5, 2015, the *RTC*-Pasig denied the Motion for Leave to File and Admit Supplemental Petition. *PIPPA* filed a Motion for Partial Reconsideration which was denied by the *RTC*-Pasig in its Resolution dated September 10, 2015. *PIPPA* filed a Petition for Certiorari with the *CA*. The *CA* denied the Petition for Certiorari in its Decision dated June 9, 2017. *PIPPA* filed a *MR* dated July 19, 2017. In a Resolution dated August 16, 2017, the parties were directed to file their comments to the *PIPPA*'s *MR*. *MERALCO* has filed its comment on the *MR*. On April 4, 2018, the *CA* rendered a resolution denying the *MR* filed by *PIPPA*.

On September 29, 2015, the *WESM* Tripartite Committee issued a Joint Resolution further extending the interim offer price cap of ₱32,000 per *MWh* until December 31, 2015. In its Joint Resolution No. 3, Series of 2015, the *WESM* Tripartite Committee resolved to set the *WESM* offer price cap at ₱32,000 per *MWh* and the *WESM* offer price floor of negative ₱10,000 per *MWh* effective January 2016, provided that an annual review shall be undertaken considering the relevant costs assumptions at the time of review.

On December 7, 2015, the *RTC*-Pasig rendered a Decision dismissing the Petition for Declaratory Relief. The *MR* filed by *PIPPA* was denied in a Resolution dated June 16, 2016. *PIPPA* appealed the *RTC*-Pasig Decision with the *SC*. *MERALCO* has filed its comment thereto. *PIPPA* filed a Consolidated Reply on July 17, 2017. As at February 24, 2025, the case is pending before the *SC*.

On May 9, 2017, the *ERC* issued Resolution No. 4, Series of 2017, entitled, "A Resolution Adopting Amendments to the Pre-emptive Mitigating Measure in the *WESM*". They adopted a recalculated cumulative price threshold level of ₱1,080,000 and a shorter five (5)-day (120-hour) rolling average period. This is equivalent to ₱9,000 per *MWh* over said period.

The *ERC* has expressed its intent to further amend the pre-emptive mitigating measure in the *WESM* to increase consumer safety nets against price spikes. The highlight of the amendments would be the lowering of the rolling average period from five (5) days to three (3) days, and the regional/island imposition of the Secondary Price Cap mechanism when the grid interconnection is on outage. In its Resolution No. 7, Series of 2021, promulgated on July 28, 2021, the *ERC* shortened the rolling average period to seventy-two (72) hours and approved the regional/island imposition of the Secondary Price Cap mechanism.

On October 17, 2023, the *PIPPA* filed a Petition, dated October 16, 2023, to initiate a rule-making petition for the suspension of *ERC* Resolution No. 7, Series of 2021 and the adoption of *PIPPA*'s proposed rules on the imposition of secondary price cap. As at February 24, 2025, *ERC* has yet to promulgate the amended rules.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued "Guidelines in the Registration of Electric Power Generation Facilities/Utilities/Entities Operating Inside the Ecozones" and "Guidelines for the Supply of Electric Power in Ecozones" ("*Guidelines*"). Under these Guidelines, *PEZA* effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DU*s which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The *Guidelines* are the subject of an injunction case filed by the *DU*s in *RTC*-Pasig.

MERALCO, PEZA and *PEPOA* submitted their Tripartite Agreement for approval of the *RTC*-Pasig. In a Decision dated July 3, 2015, the *RTC*-Pasig approved the Compromise Agreement between *PEZA*, *PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC*-Pasig dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC*-Pasig.

Purchase of Subtransmission Assets ("*STAs*")

On April 17, 2012, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 4 contract to sell with the *ERC*. On April 22, 2013, the *ERC* issued a Decision on *MERALCO*'s joint application for the acquisition of the Batch 4 contract to sell. On June 21, 2013 and July 3, 2013, *MERALCO* and *TransCo* filed a Motion for Partial Reconsideration and *MR*, respectively, regarding the exclusion of certain facilities for acquisition.

On May 22, 2014, *MERALCO* and *TransCo* received an *ERC* Order dated May 5, 2014 denying *MERALCO* and *TransCo*'s Motions. On June 5, 2014, *MERALCO* filed a clarificatory motion and a *MR* of the May 5, 2014 *ERC* Order, which was denied by the *ERC* through an Order dated June 16, 2014. On October 10, 2014, *MERALCO* filed a Motion to Reopen Proceedings for the reception of new evidence to support *MERALCO*'s position on the acquisition of excluded *STA*s. The Motion was heard by the *ERC* on October 17, 2014. After the parties have submitted their respective comments and pleadings, the *ERC* conducted another hearing on February 23, 2015.

In an Order dated March 4, 2015, the *ERC* considered but denied the new and substantive allegations in *MERALCO*'s Motion to Reopen Proceedings. *MERALCO* then filed a Petition for Review with the *CA* to question the Orders of the *ERC*. In a Decision dated August 12, 2016, the *CA* dismissed the Petition. On September 17, 2016, *MERALCO* filed a *MR*. In an Amended Decision dated September 15, 2017, the *CA* granted *MERALCO*'s *MR* and approved the sale of the Dasmarinas-Abubot-Rosario 115 *kV* line and Rosario substation equipment in favor of *MERALCO*. *NGCP* filed a *MR* (of the Amended Decision) dated October 4, 2017. In a Resolution dated May 31, 2018, the *CA* denied the *MR*. *NGCP* filed a Petition for Review with the *SC*.

On March 20, 2015, *MERALCO* filed a case for "Interpleader with Consignation and Specific Performance" against *TransCo* and the Municipality of Labrador, Pangasinan ("*Labrador*") with the *RTC*-Pasig, praying for the *RTC*-Pasig to (i) accept and approved the consignation of the amount of ₱194.1 million; (ii) declare *MERALCO* to have paid in full the purchase price of the sale of *TransCo*'s assets; (iii) direct *TransCo* to execute the corresponding Deeds of Absolute Sale; and (iv) direct *Labrador* and *TransCo* to interplead their respective claims. On April 14 and 20, 2015, *Labrador* and *TransCo* filed their respective Motions to Dismiss on the ground of impropriety of the filing of the Interpleader and on the ground of *litis pendentia*. *MERALCO* received an Order from *RTC*-Pasig granting the Motions to Dismiss of both *TransCo* and *Labrador*. *MERALCO* filed a *MR* which was denied by the *RTC*-Pasig. *MERALCO* appealed the Decision with the *CA*, which granted the appeal, and remanded the interpleader case to the trial court for proper disposition. The *CA* decision already attained finality as of May 25, 2018.

TransCo and *MERALCO* executed the Deeds of Absolute Sale ("*DOAS*") on December 10, 2020, covering the Batch 2 and Batch 4 *STA*s. Hence, *MERALCO* has acquired and is in full possession of these assets. In a letter dated Octobre 26, 2021, *NGCP* likewise confirmed that, with the turn-over of these assets, the corresponding Connection Charges and Residual Sub-Transmission Charges ("*CC/RSTC*") of *MERALCO* starting the December 2021 billing month will be correspondingly adjusted.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next scheduled hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 ("*RE* Act"), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

On February 5, 2014, the *ERC* released the *FiT-All* disbursement and Collection Guidelines ("*FiT Guidelines*") to supplement the *FiT* Rules. This set of guidelines will govern how the *FiT-All* will be calculated using the formulae provided. It will also outline the process of billing and collecting the *FiT-All* from the electricity consumers, the remittance to a specified fund, the disbursement from the *FiT-All* fund and the payment to eligible *RE* developers.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per kWh	Approved Rate per kWh	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	0.2278	0.0983	November 23, 2020
2021	0.1881	0.0983	August 17, 2022
2022	0.3320 or 0.3165 (alternative rate in consideration of Covid-19)	0.0364	August 30, 2022
2023	₱0.2382	₱0.0838	March 20, 2024
2024	₱0.0867	₱0.1189	February 19, 2025
2025	₱0.1006	-	Pending final decision

On December 23, 2014, *MERALCO* received a copy of a Petition for Prohibition and Certiorari filed with the *SC* against the *ERC*, *DOE, TransCo*, *NREB* and *MERALCO*. The Petition seeks (i) the issuance of a *TRO* and/or *WPI*, and after giving due course to the Petition, a Writ of Prohibition to enjoin the respondents from implementing the *FiT-All*, the *FiT* Rules and *FiT* Guidelines; and (ii) the annulment of the *FiT* Rules and *FiT* Guidelines. With the parties' submission

of their respective memoranda, the case is now pending decision. In a Decision dated August 13, 2024, the *SC* denied the Petition.

In a Decision dated October 6, 2015, the *ERC* set the Wind *FiT* at ₱7.40 per *kWh. MERALCO* filed a *MR* on the Decision. As at February 24, 2026, the *MR* is pending further action of the *ERC*.

On September 29, 2016, Alternergy Wind One Corporation, Petrowind Energy, Inc. and Trans-Asia Renewable Energy Corporation filed a Petition to Initiate Rule-Making to adjust the Wind *FiT* rate of ₱7.40 per *kWh* to ₱7.93 per *kWh*. *MERALCO* filed an intervention in the case. As at February 24, 2025, the said petition is ongoing and remains pending with the *ERC.*

On May 26, 2020, through Resolution No. 6, Series of 2020, the *ERC* issued the *FiT* adjustments for the years 2016, 2017, 2018, 2019 and 2020 using 2014 as the base year for the *CPI* and foreign exchange adjustments, pursuant to Section 2.10 of the *FiT* Rules. The said *FiT* adjustments are to be recovered for a period of five (5) years.

In its Decision dated November 28, 2020, the *ERC* set the modified *FiT2* rate to be applicable from January 1, 2018 to December 31, 2019. The modified Run of River ("*ROR*") Hydro *FiT2* rate is ₱5.8705 per *kWh* while for Biomass *FiT2*, the rate is ₱6.19 *kWh*.

On November 16, 2022, the *ERC* issued Resolution No. 12, Series of 2022, "*A Resolution Adopting the Suspension of the Collection of Feed-in-Tariff Allowance (FiT-All)*", approving the temporary suspension in the collection of the *FiT-All* for a period of three (3) months, starting the December 2022 until the February 2023 billing months. According to the *ERC*, the *FiT-All* balance as of November 7, 2022, inclusive of the Cost Recovery Revenue ("*CRR*") collections in November 2022, shows a healthy fund balance that can sufficiently cover the *FiT-All* payment requirements for three (3) months, assuming the same average *CRR* collection. On February 22, 2023, *ERC* issued Resolution No. 02, Series of 2023, extending the temporary suspension in the collection of the *FiT-All* for six (6) months, starting the March 2023 to August 2023 billing months. On August 4, 2023, *ERC* further extended the suspension in the collection of *FiT-All*, through Resolution No. 11, Series of 2023, starting September 2023 until otherwise lifted by the *ERC* in the event that the *FiT-All* fund shall be deemed insufficient to cover the monthly fund requirements. Finally, on January 16, 2024, *ERC* issued Resolution No. 1, Series of 2024, "*A Resolution Adopting the Lifting of Suspension of the Collection of FiT-All*", resolving to lift the suspension on the collection of the *FiT-All*, and to resume the collection of *FiT-All* starting the billing month of February 2024.

Renewable Portfolio Standards (RPS)

In accordance with the *RE* Act, the *DOE* issued Department Circular No. DC2017-12-0015 "Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the *RPS* Rules on December 22, 2017. In compliance with the *RPS* Rules, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*'s computation of its requirements, as well as plans to comply with the requirements.

On March 10, 2021, *MERALCO*'s registration in the Renewable Energy Market ("*REM*") as a Mandated Participant was approved by *PEMC*. On June 30, 2022, the *DOE* issued Department Circular No. 22-06-0019 "Declaring the Interim Commercial Operations of the Renewable Energy Market ("*REM*").

On May 23, 2022, the *DOE* issued Department Circular No. 2023-05-0015 "Prescribing the Amendments to Department Circular No. 2017-12-0015 or the Renewable Portfolio Standards (*RPS*)", increasing the minimum annual *RE* increment (*Km*) from one percent (1%) to 2.52% starting 2023 compliance year to meet the aspirational targets of increasing the *RE* share in the power generation mix. *MERALCO* fully complies with its *RPS* obligations while minimizing the rate impact to its customers.

Green Energy Option Program (GEOP)

Pursuant to the *RE* Act, the *DOE* issued Department Circular No. DC2018-07-0019 "Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program Pursuant to the Renewable Energy Act of 2008" or the *GEOP* Rules on July 18, 2018. On April 22, 2020, the *DOE* also issued Department Circular No. DC2020-04-0009, "Guidelines Governing the Issuance of Operating Permits to Renewable Energy Suppliers under the GEOP" as a supplement to the *GEOP* Rules.

On August 19, 2021, the *ERC* issued Resolution No. 08, Series of 2021 "A Resolution Adopting the Rules for the Green Energy Option Program (*GEOP*)". The rules became effective on September 3, 2021. As at February 24, 2025, *MERALCO* has already processed the switching of 410 customers to *GEOP*.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*'s petition for the recovery of *NPC*'s stranded contract costs portion of the universal charge ("*UC-SCC*"). Accordingly, *PSALM* is hereby authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.

In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another reversal to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the colletion of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the ERC dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DU*s to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid". By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DU*s.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DU*s' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DU*s' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at December 31, 2024, *MERALCO* has already installed 14,332 meters and energized 13,635 net metering customers.

Interruptible Load Program ("*ILP*")

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*'s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 "A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program", *DOE* Circular No. DC2015-06-0003 "Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program" and *ERC* Resolution No. 3, Series of 2019 "A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules".

As at December 31, 2024, there are 104 companies with a total committed de-loading capacity of 538.69 *MW* that have signed up with *MERALCO*, *MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* has filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*'s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at February 24, 2025, the *ERC* has yet to resolve *MERALCO*'s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* has filed a Motion to Withdraw the Application to align with the changes brought about by the amended Public Service Act. As at February 24, 2025, *MERALCO* is awaiting the resolution of the *ERC* of its motion.

CSP Requirement for PSAs

On July 19, 2023, the *DOE*'s new *CSP* policy under Department Circular No. DC2023-06-0021 ("*2023 CSP Circular*") took effect. The *2023 CSP Circular* requires issuance by *DOE* of a Certificate of Conformity prior to commencement of a CSP. It is also provided that *CSP*s shall be consistent with the latest and duly accepted *DDP* and posted *PSPP*.

On October 23, 2023, the *ERC* promulgated its *Resolution No. 16, Series of 2023 ("ERC CSP Guidelines").* The *ERC CSP Guidelines* provided for a maximum term of *PSA*s of ten (10) years for financial *PSA*s*,* fifteen (15) years for physical *PSA*s and twenty (20 years) for physical *PSA*s where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSA*s were also provided in the *ERC CSP Guidelines. DU*s may include additional contractual terms and conditions in their *PSA*s consistent with their terms of reference and the *ERC CSP Guidelines.* Under the *ERC CSP Guidelines*, the entire process of the *CSP,* including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.

Under the *ERC CSP Guidelines,* direct negotiation is allowed after at least two (2) failed *CSP*s.

Termination of the *PSA,* other than due to expiration of the term, requires approval by the *ERC* under the *ERC CSP Guidelines.*

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided certain conditions are present.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the "*Bayan Muna Petition*"). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSP*s of *MERALCO* and some

electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*. As at February 24, 2025, the Petition remains pending before the *SC*.

True-up Adjustments of Fuel and Purchased Power Costs ("TAFPPC") and Foreign Exchange-Related Costs ("TAFxA")

On June 20, 2017, the *ERC* issued a Decision, a copy of which was received by *MERALCO* on December 29, 2017, authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration praying for the suspension of the Order and requesting that *MERALCO* be allowed to charge the recovery to all types of customers, regardless of whether they were covered or not during the relevant test periods. In February 2023, the amount was fully refunded. As at February 24, 2024, the *ERC* has yet to act on the Motion.

Energy Regulation (ER) 1-94

Based on *ER 1-94* and the *IRR* of the *EPIRA*, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per *kWh* of energy generated and sold. The operating subsidiaries of *GBPC* accrue the required benefits to their host community (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position) prospectively from the date of effectivity of *ER 1-94*. Such amount accrued shall be remitted to the trust account of the host *LGU*s and *DU*s, subject to audit by the *DOE*.

31. Notes to Parent Company Statements of Cash Flows

	2024			2023		
	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable
			(Amounts in millions)			
Beginning balance	**₱18,110**	**₱27,404**	**₱2,205**	₱22,685	₱27,529	₱1,928
Dividend declarations	**–**	**–**	**24,266**	–	–	22,032
Payments	**(3,960)**	**(452)**	**(23,969)**	(4,592)	(125)	(21,755)
Preferred stock redemption	**(4)**	**–**	**–**	(2)	–	–
Interest accretion	**15**	**–**	**–**	19	–	–
Ending balance	**₱14,161**	**₱26,952**	**₱2,502**	₱18,110	₱27,404	₱2,205

32. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by *RR* No. 15-2010, hereunder are the information on taxes, duties and license fees paid and accrued during the taxable year.

Output VAT

MERALCO is a *VAT*-registered company with total output *VAT* tax declared of ₱13,914 million in 2024 based on the following revenue streams:

Revenue Item	Amount (*In Millions*)
Distribution revenues	₱110,900
Government	3,637
Leases and others	1,411
	₱115,948

MERALCO has zero-rated distribution revenues of ₱8,573 million pursuant to the provisions of *RA* No. 7916 as amended by *RA* No. 8748, *RA* 9337 Section 108B, *RR* No. 16-2005 Section 4.108-5 and Section 4.108-6.

Generation, transmission, and system loss charges, which are part of *MERALCO*'s revenues are pass-through items. *VAT* on such revenues are remitted mainly to *IPP*s, *PSALM* and its successor generator companies, *IEMOP* and *NGCP*, who are responsible for ultimate remittance to the *BIR*.

Input VAT

The amount of *VAT* input taxes claimed are broken down as follows:

	Amount (*In Millions*)
Balance at beginning of year	₱379
Add input *VAT* on 2024 purchases from:	
Services lodged under other accounts	5,209
Goods for resale/manufacture or further processing	1,054
Capital goods subject to amortization	790
Less input *VAT* claimed:	
From goods other than capital goods and services	6,263
Amortization of *VAT* input tax on capital goods	1,000
Balance at end of year	₱169

MERALCO also applied against output *VAT* the amount of *VAT* withheld on payments to non-residents for services rendered in the Philippines of ₱8 million which are duly supported by *BIR* Form 1600.

Importation and Custom Duties

The landed cost of imports amounted to ₱1,291 million and the related *VAT* and custom duties on importation paid and accrued amounted to ₱155 million in 2024.

Taxes

Withholding taxes for 2024 amounted to:

	Amount (*In Millions*)
Tax on compensation and benefits	₱1,752
Expanded withholding taxes	5,920
Final withholding taxes	472
	₱8,144

Other Local and National Taxes

The following are other local and national taxes paid in 2024:

	Amount (*In Millions*)
Local franchise tax	₱2,313
Real property taxes	532
Energy tax	339
Fringe benefit tax and others	6
	₱3,190

These taxes are billed and collected on behalf of the national and local governments.

Tax Assessments

MERALCO does not have any pending assessments for deficiency taxes as at December 31, 2024.

Tax Cases

MERALCO's tax cases as at December 31, 2024 are discussed in *Note 27 – Contingencies and Legal Proceedings.*

33. Event After the Financial Reporting Date

On February 24, 2025, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱13.736 a share to all shareholders of record as at March 12, 2025, payable on April 4, 2025.

Meralco 2024 Integrated Report

Report Outline

1. **About the Report**
    a. Scope and Coverage
    b. Reporting Frameworks and Standards
    c. Reporting Principles
    d. External Assurance
2. **About the Company**
    a. Our Brand
    b. Our Shareholders
    c. Our Portfolio
        i. Distribution
        ii. Generation
        iii. Retail Electricity Supply
        iv. Beyond the Meter
3. **Our Performance Highlights**
    a. Financial Highlights
    b. Operational Highlights
    c. ESG Highlights
4. **Message from Our Chairman & Chief Executive Officer**
5. **Leadership Roundtable**
6. **Our Business Environment**
7. **How We Create Value**
    a. Our Value Creation Framework
    b. Defining What Matters Most
    c. Our Materiality Matrix
    d. Our Risks & Opportunities
    e. Our Outlook & Strategy
8. **Our Performance**
    a. **Power: Providing Energy for All, Always** ***(Intellectual and Manufactured Capitals)***
        i. Affordability
        ii. Accessibility
        iii. Service Reliability & Safety
        iv. Energy Transition
    b. **Planet: Protecting and Preserving Mother Earth** ***(Nature Capital)***
        i. Climate Change Mitigation
        ii. Air Quality
        iii. Water & Effluents
        iv. Material Consumption & Waste Management

v. Biodiversity

c. People: Nurturing Sustainability from Within *(Human Capital)*

i. Talent Attraction & Retention
ii. Labor & Human Rights
iii. Occupational Health & Safety
iv. Diversity, Equity & Inclusion

d. Prosperity: Creating Better Lives for All *(Financial and Social & Relationship Capitals)*

i. Customer Enablement
ii. Innovation
iii. Digitalization & Cybersecurity
iv. Community Engagement
v. Supply Chain Sustainability

9. Our Governance

a. Business Ethics
b. Corporate Governance Report

10. Our Leaders

a. Board of Directors
b. Management Committee and Key Officers
c. Subsidiary Heads

11. Audit Committee Report

About the Report

This Integrated Report ("IR") details the accomplishments, performance, and challenges of the Manila Electric Company ("Meralco" or "the Company") and our subsidiaries[1] (collectively, "One Meralco" or "the Group") in 2024. This report contains information about the Group's financial and operational performance, as well as discussions on environmental, social, and governance ("ESG") issues relevant to our businesses and stakeholders.

This report is best read in conjunction with the One Meralco Foundation ("OMF") 2024 Annual Report, which details OMF's initiatives and achievements throughout the reporting period.

Scope and Coverage

This IR covers One Meralco's consolidated financial, operational, and ESG performance from January 1 to December 31, 2024. Data from earlier years have been included for comparative purposes. Entities covered in this report are enumerated in the Our Portfolio section.

Quantitative highlights from specific business units were selected based on availability of data and significance of achievement.

Reporting Frameworks and Standards

Philippine Financial Reporting Standards ("PFRS")

The accompanying audited consolidated financial statements have been prepared in accordance with PFRS issued by the PFRS Council, which governs the preparation of financial statements in the Philippines. The PFRS were patterned after the revised financial reporting standards issued by the International Accounting Standards Board.

Integrated Annual Corporate Governance Report ("I-ACGR")

All corporate governance-related information in this report has been prepared in line with the I-ACGR, a reporting tool developed by the Securities and Exchange Commission ("SEC") for publicly listed companies ("PLCs") to disclose compliance or non-compliance with the recommendations provided under the SEC's Corporate Governance Code for PLCs.

ASEAN Corporate Governance Scorecard ("ACGS")

Disclosures on corporate governance in this report are aligned with the recommended best practices prescribed in the latest version of the ACGS, which was developed based on the Group of 20 and Organisation for Economic Co-operation and Development Principles of Corporate Governance.

[1] The following subsidiaries are excluded from the scope of this report: Comstech Integration Alliance, Inc.; Lighthouse Overseas Insurance Company, Limited; Meridian Power Ventures, Limited; and Meralco Financial Services Corporation.

International Integrated Reporting Framework ("<IR> Framework")

Meralco has adopted the <IR> Framework for the first time in the development of this report. The <IR> Framework promotes a principles-based approach to corporate reporting, focusing on how an organization creates, preserves, or erodes value over time. By integrating financial and non-financial information, this report provides a holistic view of Meralco's strategy, governance, performance, and outlook in relation to our external environment.

Global Reporting Initiative ("GRI") Standards

This report has been prepared in accordance with the GRI Standards. The GRI Standards are the world's most widely used sustainability reporting standards, enabling organizations across the globe to disclose their economic, environmental, and social impacts in an empirical and comparable manner.

Sustainability Accounting Standards Board ("SASB") Standards

This report includes disclosures in conformance with the SASB Standard for Electric Utilities and Power Generators. The SASB Standards guide the disclosure of sector-specific data that is reasonably likely to be financially material within a single industry and are required to be considered in a materiality assessment process by the International Financial Reporting Standards Sustainability Disclosure Standards.

GHG Protocol Corporate Accounting and Reporting Standard ("GHG Protocol Corporate Standard")

All greenhouse gas ("GHG") emissions data in this report has been accounted for using the GHG Protocol Corporate Standard's equity share consolidation approach, wherein emissions are accounted for based on the accounts' share of equity in the business. The GHG Protocol Corporate Standard is a global standard for GHG emissions measurement and monitoring from the World Resources Institute ("WRI") and the World Business Council for Sustainable Development ("WBCSD").

Reporting Principles

In addition to relevant reporting principles in the standards and frameworks above, including the GRI Standards, Meralco adopted the AccountAbility AA1000 Principles in the development of this report by:

- Identifying ESG issues material to One Meralco and disclosing performance on these topics within the reporting period (Materiality);
- Understanding the key expectations and concerns of the Group's stakeholders through various engagement channels (Inclusivity);
- Ensuring complete, accurate, and timely coverage of the information presented in this report (Responsiveness); and
- Being accountable for the Group's impact throughout our operations and value chain, as well as mapping our contributions to the United Nations' Sustainable Development Goals (Impact).

Meralco engaged two separate auditing firms for the independent review and evaluation of all the financial and ESG information reported in this IR.

External Assurance

SyCip Gorres Velayo & Co. (“SGV”), a member firm of Ernst & Young Global Ltd., was appointed by Meralco’s stockholders to audit the Company’s consolidated financial statements as of and for the year ended December 31, 2024.

About the Company

Our Brand

The Meralco brand is our most important and enduring intellectual capital.

Meralco proudly sits at the heart of the nation's progress, not merely as a power distributor but as a catalyst for sustainable transformation. We light up homes, empower businesses, and energize communities, fueling the engines of a thriving economy. As a Group, our reach is now expanding beyond energy, embracing innovation to spark solutions that drive prosperity today and the promise of a brighter tomorrow for the next generation.

Vision: To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come

Mission: To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably

Values:

- **Excellence –** Excellence is our way of life. We strategize brilliantly, decide resolutely, and execute flawlessly.
- **Customer Centricity –** Our power comes from our customers who are our reason for being. We deliver outstanding customer experience. We live for our customers, the community, and our country.
- **Sustainability –** Sustainability is at the core of all we do. We work to preserve our planet, to empower our people, to power our communities, and to create prosperity for all.
- **Integrity –** We value ethical behavior and employ good governance practices that meet global standards.
- **Innovation –** We are passionately innovative, leveraging technology to constantly improve our operations and provide better customer and employee experiences.
- ***Malasakit* (Solicitude) –** *Sa lahat ng aming tungkulin at gawain, lubos ang pagbibigay ng sarili. Tunay na malasakit ang nasa puso namin bilang mga tagapaghatid ng liwanag.* (In all our duties and in all that we do, we give our all. As bearers of light, we carry in our hearts genuine care and concern for others.)
- ***Bayanihan* (Cooperative Spirit) –** *Mahal namin ang aming kapwa at kababayan. Sa lahat ng oras, handa kaming tumugon, tumulong, at maglingkod.* (We love our fellowmen and countrymen. We are ready to respond, help, and serve at all times.)

Our Shareholders

Guided by the strategic vision of our shareholders, we continue to deliver excellent and innovative energy solutions while contributing to sustainable development. As we progress, we acknowledge the invaluable support of these key stakeholders.

Name of shareholder and beneficial owner	**% of total shares**
Metro Pacific Investments Corporation*	47.46%
JG Summit Holdings, Inc.	26.37%
Institutional investors and public float	26.11%
Meralco directors and officers	0.06%
Total	**100.00%**

*includes 34.96% owned by Beacon Electric Asset Holdings, Inc.

Our Portfolio

One Meralco continues to strengthen our commitment to powering the good life for all by driving meaningful and inclusive growth through our different businesses. The Group recognizes that sustainable progress can be achieved only through active collaboration across all our areas of expertise, including power generation and distribution, engineering, mobility, telecommunications, and financial services.

Business segment	**Consolidated Core Net Income ("CCNI") % Share**
Distribution	62%
Generation	24%
RES and others	14%
Total	**100%**

2024 CCNI:

PhP 45.1 billion

22% higher than 2023 CCNI

Distribution

Manila Electric Company ("Meralco")

Meralco is the premier electric distribution utility in the Philippines. Headquartered in Pasig City, the Company provides energy to the entire areas of Metro Manila, Bulacan, Cavite, and Rizal, as well as parts of the provinces of Batangas, Laguna, Pampanga, and Quezon. Meralco's franchise area spans about 9,685 square kilometers, reaching over 8 million residential, commercial, and industrial customers across 39 cities and 72 municipalities.

Meralco also operates as a retail electricity supplier ("RES") within its franchise area through its business unit, MPower.

Clark Electric Distribution Corporation ("Clark Electric")

Through a franchise granted by the Clark Development Corporation, Clark Electric distributes power within the Clark Special Economic Zone ("CSEZ"), the site of the former U.S. Clark Air Base. This site was transformed into a major economic district encompassing the Clark Freeport Zone and adjoining subzones. Clark Electric plays a critical role in transforming the CSEZ into a leading powerhouse for industry, aviation, export business, and higher learning.

Clark Electric also operates as an RES within its franchise area through its business unit Cogent Energy. Clarion Energy Management, Inc., a wholly owned subsidiary of Clark Electric, is awaiting issuance of license by the ERC.

Meralco Ecozone Power ("MEP")

MEP is a Meralco business unit responsible for the administration and maintenance of the electric distribution network within the Cavite Economic Zone ("CEZ"). MEP offers CEZ tenants a suite of electrical services—including service applications, meter readings, billing, payments and collection, technical assistance, and complaint resolutions—while prioritizing the integration of renewable energy sources such as rooftop solar installations within the CEZ.

Shin Clark Power Corporation ("Shin Clark")

Shin Clark is responsible for the financing, development, operation, and maintenance of a smart electric distribution system within the 9,450-hectare New Clark City ("NCC") through a joint venture agreement ("JVA") with the Bases Conversion and Development Authority ("BCDA"). It collaborates with the BCDA to achieve its vision of showcasing the NCC as the first metropolis in the Philippines to integrate smart, sustainable, and disaster-resilient attributes.

Meralco holds a 60% stake in Shin Clark, while Japanese firms Axia Power Holdings Philippines Corporation (a wholly owned subsidiary of Marubeni Corporation), KPIC Netherlands BV (a wholly owned subsidiary of Kansai Electric Power, Inc.), and Chubu Electric Power Co., Inc., collectively, hold the remaining 40%.

Generation

Meralco PowerGen Corporation ("MGEN")

MGEN is committed to addressing the nation's growing energy needs by building a diverse power generation portfolio geared toward providing reliable and cost-competitive power supply to its customers. Leveraging advanced, highly efficient, and sustainable technologies, MGEN and its subsidiaries operate a total gross generation capacity of 2,621 MW utilizing coal, liquefied natural gas, diesel, and solar technologies. This diverse portfolio enables MGEN to supply base, intermediate, peak load, and ancillary power while ensuring energy security and affordability.

As part of its commitment to a cleaner energy future, MGEN places a premium on accelerating the country's energy transition, with a goal of adding 1,500MW of renewable energy to its current portfolio.

MGEN Renewable Energy, Inc. ("MGreen")

MGreen is the renewable energy ("RE") arm of MGEN. It is dedicated to investing in and developing clean, sustainable, and efficient energy projects, playing a pivotal role in the country's transition to a low-carbon future. As a key driver of MGEN's vision for a balanced and diversified power generation portfolio, MGreen plays a vital role in advancing renewable energy solutions while ensuring long-term energy security.

MGreen's operating renewable energy portfolio includes:

- PowerSource First Bulacan Solar, Inc. (MGreen Bulacan Solar)
- Nuevo Solar Energy Corp. (NSEC)
- PH Renewables, Inc. (MGreen Baras Solar)
- Solar Philippines Tarlac Corporation (SPTC)
- Solar Philippines Calatagan Corporation (SPCC)

Additionally, MGreen is developing two projects recognized under the GEA-2 initiative:

1. Greentech Solar Energy, Inc. (MGreen Bongabon Solar) – A 19.8 MWac solar power plant in Bongabon, Nueva Ecija.
2. Greenergy for Global, Inc. (MGreen Cordon Solar) – A 52.8 MWac solar power plant in Cordon, Isabela.

MGreen also holds a substantial stake in Terra Solar Philippines, Inc, the company behind the MTerra Solar Project, a landmark 3,500 MWp integrated solar PV power plant with a 4,500 MWh Battery Energy Storage System (BESS), enabling the storage and efficient dispatch of renewable energy to support grid stability.

With its growing renewable energy portfolio, MGEN remains at the forefront of the clean energy transition, supporting the nation's energy security and sustainability goals while contributing to a greener future.

Global Business Power Corporation ("MThermal")

MThermal is one of the leading independent power producers in Visayas and Mindanao providing flexible energy solutions to supply base, intermediate, peak load, and ancillary services. MThermal plays a crucial role in addressing the growing energy demands connecting businesses and communities.

MGEN's first major investment, San Buenaventura Power Ltd. Co. ("SBPL"), now lodged under MThermal, pioneered the first high-efficiency, low-emission (HELE) coal technology in the Philippines.

In line with its commitment to support the country's energy needs, MGEN fully acquired Global Business Power Corporation in 2021. This acquisition has enabled MGEN to offer flexible energy solutions that can serve the varying power requirements of the country.

MThermal also owns and operates a retail electricity supply (RES) subsidiary named Global Energy Supply Corporation ("GESC").

PacificLight Power Pte. Ltd. ("PLP")

PLP owns an 830 MW liquefied natural gas-fired ("LNG") power plant in Jurong Island, Singapore. PLP commenced commercial operations in February 2014, making it the first power plant in Singapore to be completely fueled by LNG. PLP is owned by FPM Power Holdings Limited, an established regional company combining the joint expertise of MGEN and First Pacific Company Ltd. It is the largest Clean Development Mechanism (CDM) project in Singapore registered under the United Nations Framework Convention on Climate Change. The CDM recognizes projects that contribute to sustainable development and emissions reduction.

Retail Electricity Supply

MPower

MPower is Meralco's local retail electricity supply ("LRES") unit that serves contestable customers, including the country's top corporations, within the Company's franchise area. Lauded for its best-in-class service and reliable and stable power supply, MPower has established lasting partnerships with its customers and enjoys a market share of over 21% of the country's total Competitive Retail Electricity Market ("CREM") in MW demand. MPower also manages a diversified supply portfolio and is actively increasing the share of solar and wind energy sources in its supply portfolio to complement traditional sources of power.

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

Vantage Energy is Meralco's first affiliate RES, which operates in Luzon and the Visayas. Established in 2017, it supplies energy to contestable markets where Retail Competition and Open Access ("RCOA") is in effect. In recent years, the Company's retail portfolio has grown, ably serving the energy needs of over 100 CREM end-users. Adhering to its mission to provide stable, reliable, and quality electricity service, Vantage Energy is recognized as an emerging RES of choice in the CREM nationwide.

Beyond the Meter

Meralco Industrial Engineering Services Corporation ("MIESCOR")

MIESCOR is Meralco's oldest and largest subsidiary. With its own subsidiaries MIESCOR Builders, Inc. ("MBI") and MIESCOR Logistics, Inc. ("MLI"), MIESCOR's services include engineering, procurement, and construction ("EPC") of electromechanical works; designing, building, and maintaining telecommunication infrastructures; utility attachment management; distribution utility services; and trading of electrical supplies and equipment. The PCAB places MIESCOR in the highest AAAA category for general engineering building, foundation work, structural steelwork, electrical work, mechanical work, and communication facilities.

Meralco Energy, Inc. ("MSERV")

One of the country's largest electromechanical contractors, MSERV is Meralco's wholly owned subsidiary dedicated to providing after-the-meter energy services to commercial and industrial customers. The company offers efficient electric load management and energy efficiency solutions. Additional services include energy auditing; EPC of mechanical, electrical, plumbing, and fire protection ("MEPF") facilities; operation and maintenance ("O&M") of customer-owned establishments; smart building and streetlight management; wastewater treatment; and hyperscale data center solutions.

MSERV is a Category AAA Philippine Contractor Accreditation Board ("PCAB")-licensed company and a DOE-accredited energy service company.

MSpectrum, Inc. ("MSpectrum")

Established in 2016 as part of Meralco's thrust to promote renewable energy solutions, MSpectrum provides affordable and safe solar energy products and services. MSpectrum is a market leader in the industry with a total installed capacity of 95 MW across multiple solar projects nationwide.

MSpectrum has three verticals: (1) Solar for Business for commercial and industrial customers, (2) Microgrid for off-grid customers and Utility-Scale EPC for large-scale projects, and (3) O&M for existing renewable energy installations. The company's portfolio of customers include those in the Food & Beverage Manufacturing, Cold Storage, Semiconductor, Retail, and Utility sectors.

Movem Electric, Inc. ("Movem")

As Meralco's sustainable mobility arm, Movem provides the highest value end-to-end electric vehicle ("EV") and charging solutions, purposely designed and tailor-fit to align with its clients' sustainability and operational goals. Movem's mission is to help spur the adoption of electric mobility in the Philippines.

Radius Telecoms, Inc. ("Radius")

Radius is Meralco's subsidiary focusing on developing an end-to-end fiber optic network that provides dedicated internet access, global networking, and cloud services across Metro Manila and its nearby provinces.

CIS Bayad Center, Inc. ("Bayad")

Initially introduced as Meralco's centralized bill payment channel, Bayad has steadily grown and expanded its financial services while also strengthening its commitment to sustainability practices by introducing innovative approaches to billing, optimizing internal operations, and improving workflows.

Our Performance Highlights

Financial Highlights

PhP 470.4 billion Consolidated revenues	
PhP 75.0 billion Core EBITDA	**PhP 75.5 billion** Reported EBITDA
PhP 45.1 billion Consolidated core net income	**PhP 45.9 billion** Consolidated reported net income
PhP 24.03 Cash dividends per common share declared out of 2024 earnings	

Operational Highlights

Meralco DU	
53,606 GWh Energy sales	**8.0 million** Customer accounts
PhP 10.54/kWh Overall average retail rate	**99.97%** Franchise area electrification rate
1.04 times System Average Interruption Frequency Index ("SAIFI")	**8.11 out of 10** Customer Satisfaction Index
108.21 minutes System Average Interruption Duration Index ("SAIDI")	**90 out of 100** Customer Experience Score

5.99% System loss *(lower than regulatory cap of 6.5% for the 17th year)*	**PhP 5.1 billion** Customer savings due to system loss improvement
MGEN	
2,437.2 MW Total net sellable capacity	**15,296 GWh** Total energy generated
169.6 MW Attributable renewable generation capacity	**619 GWh** Renewable energy generated
93% Average power plant availability rate of MGreen	

ESG Highlights

Environmental	**Group-wide**		
	46.7 $MtCO_2e$ Total greenhouse gas ("GHG") emissions	**696 tCO_2e/GWh** GHG emissions intensity	
	6.6 $MtCO_2e$ Scope 1 GHG emissions	**2.4 $MtCO_2e$** Scope 2 GHG emissions	**37.6 $MtCO_2e$** Scope 3 GHG emissions
	Meralco DU		
	95% Solid waste diversion rate	**63,949** Trees planted under One for Trees ("OFT")	
Social	**1.42** Lost Time Injury Frequency Rate ("LTIFR")	**45.0** Average training hours per employee	
	23.3% Female representation in the workforce *(higher than global industry average of 11%)*	**–0.12%** Gender pay gap *(lower than global industry average of 19%)*	
	PhP 82.3 million Total spend on corporate social responsibility ("CSR") initiatives		
Governance	**ZERO** Incidents of bribery	**ZERO** Incidents of corruption	

Message from Our Chairman & Chief Executive Officer

To our esteemed stakeholders,

Energy powers everything. Every home. Every business. Every industry. The economy, in turn, is the great stage where all these forces move—where prosperity is built or lost. When the global economy stirs, when the nation's financial pulse quickens or slows, the power sector feels it first. And we respond because we must. Electricity is the lifeblood of growth, and Meralco has been its steady pulse for over a century.

In 2024, the Philippine economy held its ground against global instability, securing one of the highest GDP growth rates in Southeast Asia at 5.6%. Inflation cooled. Consumer spending rose. Investments remained steady. Yet these gains emerged despite powerful headwinds—extreme weather, geopolitical tremors, a global economic slowdown. Through it all, One Meralco stood firm. We did more than supply power; we fueled resilience, ensuring that our country's momentum not only endured but surged forward, charged with purpose and strength.

CONTINUING OUR LEGACY OF EXCEPTIONAL SERVICE

In 2024, Meralco reached a landmark achievement—surpassing 8 million customer accounts within our franchise area. Energy sales soared, exceeding 54,000 GWh—an all-time high. We likewise invested PhP 21.4 billion in grid expansion and enhancement, allowing us to sustain best-in-class system efficiency and reliability. Thus, for the 17th year in a row, Meralco recorded a system loss rate well below the cap set by the Energy Regulatory Commission.

Technology, too, played its part. Digital transformation has redefined how we serve our customers. From advanced data systems to AI-driven applications, we enhanced the entire customer experience. Even amid electricity rate hikes, customer trust remained high. Their confidence in Meralco helped drive strong support for our franchise renewal—securing the foundation for 25 more years of service.

SUPPORTING THE NATION'S ENERGY TRANSITION

We intensified our shift to renewables. MTerra Solar—a project that will soon stand as the world's largest integrated solar and battery energy storage facility—is at the heart of this transformation. It is more than an investment; it is a commitment to a cleaner, more sustainable tomorrow. We have also made significant strides in building a robust RE pipeline—with the ongoing construction of several new solar farms across Luzon—to inject even more low-carbon electricity into the grid in the coming years.

But transition requires balance. While we champion sustainability, energy security is also paramount. As the country's energy needs grow, we remain pragmatic. Our strategic investments in fossil fuel-based technologies—particularly through Chromite Gas Holdings, Inc.—help ensure the stability of the Philippines' baseload capacity. This is how we manage the delicate equilibrium between progress and prudence.

FOSTERING SYNERGIES FOR GREATER VALUE

Energy does not exist in isolation. It fuels industries, accelerates digital transformation, and connects communities. One Meralco understands this deeply, which is why collaboration is central to our strategy.

In fintech, Bayad has joined a vast digital solutions ecosystem, thanks to Kayana's investment—paving the way for smarter, more convenient financial services. In ICT, MSERV is leading the charge, positioning Meralco as the prime enabler of hyperscale data centers. Our work with ePLDT's VITRO Sta. Rosa—the country's first true hyperscale data center—is just the beginning.

In transportation, Movem is redefining electric mobility. Through a partnership with ChargeEuropa, we are deploying world-class EV charging solutions, integrating smart technology with sustainable energy. And in renewable energy, MSpectrum is scaling its solar footprint, expanding its 95-MW capacity through new agreements with commercial and industrial partners nationwide.

Across these ventures, one principle remains constant: we build synergies that create lasting value.

EXPANDING ELECTRIFICATION FOR WIDER SOCIAL IMPACT

Beyond our franchise area, Meralco, through the One Meralco Foundation (OMF), has been bridging gaps, bringing power where it is needed most. In 2024, we electrified four off-grid public schools, two rural health centers, and two agricultural facilities. We also energized a remote water system, delivering clean, potable water to an underserved community.

Through Light Up Pilipinas, we have distributed over 8,000 solar lamps since 2021—brightening the lives of fisherfolk, indigenous communities, soldiers, and forest rangers. A single lamp can mean a safer home, better education, a longer workday. A single kilowatt-hour can change a life. And we are committed to changing many more.

SHAPING THE FUTURE OF ENERGY IN THE PHILIPPINES

The success of 2024 was not the work of a few, but the triumph of many. I extend my deepest gratitude to our Board of Directors, whose wisdom and leadership have guided us forward. To our employees, whose dedication fuels our mission every day. To our shareholders, partners, and customers, who continue to place their trust in us.

As we step into 2025 and beyond, we do so with unwavering resolve. One Meralco will continue to shape the future of energy in the Philippines—driven by innovation, strengthened by sustainability, and anchored in excellence.

Our story is far from over. The next chapter awaits. And together, we will write it—brighter, bolder, and stronger than ever.

[Sgd.]
Manny V. Pangilinan
Chairman & Chief Executive Officer

Leadership Roundtable

In 2024, One Meralco delivered impressive financial results amid global and domestic uncertainties while providing our customers the best-value energy solutions—reliably, affordably, superbly, and sustainably. In this conversation, our top leaders—**Ronnie Aperocho**, Meralco's Chief Operating Officer; **Ferdie Geluz**, Chief Revenue Officer; and **Manny Rubio**, MGEN's President & Chief Executive Officer—reflect on our Group's resounding success, how we are helping address the country's energy trilemma, and how innovation continues to shape better experiences for our customers. They also share their outlook for 2025 and what fuels their passion for powering the nation towards a cleaner and brighter future.

Meralco once again delivered strong financial results in 2024—a year in which global uncertainty impacted the nation's growth projections. What were the drivers of this success?

Ferdie Geluz: Our stronger electrification program helped make 2024 another milestone year for Meralco. We hit a record high in terms of energy sales and customer connections, delivering over 54,000 GWh of power to our over 8 million customers. In fact, our energy sales growth of 6.4% outpaced the Philippines' GDP growth of 5.6%. This is something we haven't seen since 2016.

We saw strong growth in certain sectors like hospitality and retail, which pushed up energy demand. We also experienced the continued recovery of local tourism. The office leasing market also grew because of return-to-office mandates and the expansion of the IT-BPM[2] industry amid the government's POGO ban.[3] On top of that, higher demand for packaging and construction materials also led to increased electricity use in the food and beverage and non-metallic minerals sectors. Thanks to our strategic investments in improving Meralco's network infrastructure, we were able to meet these demands and fulfill our commitment to providing efficient and reliable service to our customers all year long.

It was also a big year for our retail electricity suppliers ("RES") as they posted positive revenue results that helped Meralco set a record-high income for 2024. The strong performance of MPower and Vantage Energy was mainly driven by the recovery of our customer portfolio as well as favorable account renewals post-FCRA[4]. Their combined energy sales last year reached nearly 5,900 GWh.

Manny Rubio: On the power generation front, MGEN continued to make solid contributions to Meralco's earnings in 2024 while reinforcing our position as a key player in the power industry. We reached a net sellable capacity of over 2,400 MW across our diversified portfolio in the Philippines and Singapore, which allowed us to generate almost 15,300 GWh of electricity—up by 7% from 2023.

[2] Information technology & business process management
[3] Philippine offshore gaming operators ("POGOs") were banned by President Bongbong Marcos during his third State of the Nation Address in July 2024.
[4] Fuel cost recovery adjustment

We achieved this impressive growth by staying focused on addressing the country's energy security needs through innovation and sustainability.

To further maximize value, we have positioned our baseload plants to participate in the reserve market, which will optimize our generation capacity. With our participation in both the energy supply and reserve market, we will benefit from dual revenue streams as we bid to provide both energy supply and ancillary services. Flexible players, such as ourselves, with accredited capacity are now incentivized to optimize their operations, shifting between services depending on market needs.

Our MThermal plants in Cebu and Panay successfully passed their Ancillary Services Certification Tests last year, with more units expected to follow. This paved the way for our participation in the co-optimized market, which can help lower costs for consumers.

Through strategic investments and flexible market participation, we thrived amid rapidly shifting industry dynamics. Make no mistake, MGEN is not just keeping pace with change—we are leading the charge in transforming energy in the Philippines.

As One Meralco delivers power to more customers than ever before, how is the Group working to balance affordability, reliability, and sustainability?

Ronnie Aperocho: To ensure that we source power in the least-cost manner, we continue to conduct CSPs[5], in full compliance with the rules and regulations set by the DOE[6] and the ERC[7]. We also strive to mitigate the impact of sudden rate increases caused by high WESM[8] prices, procurement of replacement power during outages, and fuel price hikes among others. We do this by working closely with our regulators, the market operator, and business partners in implementing measures such as rate reductions, staggered payment schemes, and the suspension of billing charges when necessary. These measures help our customers better manage their electricity expenses during difficult periods.

From a reliability standpoint, Meralco spent over PhP 24 billion in CapEx last year mostly for network expansion and upgrade, storm hardening, digital transformation, and grid modernization.

These projects enable us to deliver reliable energy services that drive customer productivity while also reducing system losses, which ultimately translate into customer savings. In 2024, we maintained our below-the-cap system loss performance for the 17th consecutive year. We also achieved our best-ever reliability performance in terms of SAIDI and SAIFI.[9]

Finally, from a sustainability perspective, we continue to grow the share of lower-carbon energy in our supply mix, in support of our commitment to contract 1,500 MW of clean energy. To date, we've

[5] Competitive selection process
[6] Department of Energy
[7] Energy Regulatory Commission
[8] Wholesale Electricity Spot Market
[9] SAIDI – System Average Interruption Duration Index; SAIFI – System Average Interruption Frequency Index

already exceeded that commitment, and last year, we secured new RE mid-merit PSAs[10] amounting to 500 MW, aligned with the DOE's Renewable Portfolio Standards.

Manny Rubio: On the MGEN front, we remain committed to a diverse and pragmatic approach to our energy transition. While we are heavily investing in RE, we also recognize the pressing need for energy security and reliability to support the country's economic growth. This requires a diversified energy mix—one that complements renewables with conventional sources.

We acknowledge the complex challenges and trade-offs involved in this journey. Intermittency, land constraints, rising costs, and the need for dependable baseload power are all key considerations that we are trying to address. We are thus implementing a multi-faceted strategy to rise above these hurdles. This includes optimizing our existing thermal assets using advanced technologies as well as investing in transition fuels like LNG[11] to meet the country's growing energy demands.

Last year, we moved closer to our goal of building 1,500 MW of attributable RE capacity by 2030 through MGreen. The most groundbreaking development in our RE push is MTerra Solar—a massive 3,500-MW solar farm with a 4,500-MWh battery energy storage system. This project will reshape the Philippine energy landscape once it becomes operational in 2026.

Aside from MTerra Solar, we have partnered with Vena Energy to develop a 450-MW solar project in Pangasinan, which will be one of the largest RE facilities in the country. It is also expected to commence operations in 2026. This year, we are set to add at least 85 MW of RE capacity to our portfolio through other new solar projects across Luzon.

How does One Meralco's commitment to innovation translate into better experiences for its growing customer base?

Ferdie Geluz: I want to emphasize that our customers are at the heart of everything we do. We continue to adapt and innovate to ensure that the solutions we offer meet our customers' needs and address their pain points—after all, customer centricity and innovation part of our DNA.

Our goal is straightforward: deliver a simple, fast, and convenient customer experience. Since 2015, our Customer Journey Improvement Program has streamlined key customer journeys—from service applications and payment transactions to feedback processing and outage management.

Last year, we upgraded the Meralco App as we launched My Meralco, which simplifies bill payments, service monitoring, and outage reporting. We also continued transforming the customer experience through our CCTP+D[12] transformation projects, including DORI for digital official receipt issuance,

[10] Power supply agreement
[11] Liquefied natural gas
[12] Customer Centricity Transformation Program + Digitalization

MobSol[13] for real-time field service management, and the DSA for hassle-free digital service applications.

Ronnie Aperocho: Building on what Ferdie has already said, while much of what we do is on the front end, we require innovation in the back end to enable that customer experience. One of our major priorities is making our grid smarter—starting from our substations down to the edge of the grid, where we connect with customers, with our control center acting as the central nervous system. Some of our key smart grid initiatives include substation and distribution automation and our AMI program, as well as cutting-edge grid management systems like SCADA[14] and ADMS[15]. These systems help us deliver services with higher efficiency, reliability, and quality.

Ferdie Geluz: On top of what Ronnie has mentioned about our AMI program, our customers will soon be able to track their electricity consumption on an hourly basis through this initiative. They will also be able to set budgets for electricity and manage their consumption more effectively through Meralco Online and My Meralco. We try to better understand the evolving needs of our customers and address them through innovative solutions.

Our efforts to better serve our customers resulted in a strong Customer Satisfaction Index of 8.11 in 2024 despite rising generation charges. We even received letters from individuals outside our franchise area who expressed interest in experiencing the quality of service we provide. Our commitment to excellence was further affirmed by the 49 franchise renewal endorsements we received from commercial and industrial groups.

Beyond the Distribution Utility, we are also advancing innovation through our different subsidiaries. For example, we are enabling the growth of hyperscalers here in the Philippines through MSERV's energy efficiency solutions and Radius' high-speed connectivity services. Meanwhile, we are transforming the Philippine transport sector by offering end-to-end EV[16] and charging solutions through Movem. By staying ahead of the curve, we ensure we provide the best energy solutions while enhancing our market competitiveness.

Looking ahead, what is in store for One Meralco in 2025? How will the Group navigate a rapidly evolving global energy landscape?

Ronnie Aperocho: We're gearing up for another big year for Meralco. There are many exciting things to look forward to: AMI, DER[17], EVs, and nuclear.

[13] Mobility Solutions on Field Services
[14] Supervisory Control and Data Acquisition
[15] Advanced Distribution Management System
[16] Electric vehicle
[17] Distributed energy resources

On the AMI front, we're going all in on smart metering. This year, we will start deploying smart meters at an unprecedented scale, with the goal of covering 100% of our customer base in the next 10 years. This would translate to at least 11 million customers in our franchise area.

From a DER standpoint, we're helping the country achieve its decarbonization goals by embracing rooftop solar. We will invest in building the necessary infrastructure to accommodate the growing share of intermittent renewables. We will also broaden our reach beyond our franchise area through MSpectrum, which aims to install over 600 MW of rooftop solar capacity by 2030 through power purchase agreements.

Another game-changer for One Meralco is our investments in the EV space. We aim to become a major EV player in the Philippines through a three-pronged approach. First, Meralco will build a reliable grid infrastructure to energize the growing number of EV charging stations in our franchise area. Second, we will walk the talk through our Green Mobility Program by converting 25% of our fleet to EVs by 2030. Third, we will induce further market take-up by being an EV charge point operator and invest in businesses that provide home charging and battery swapping technologies.

Finally, we will continue our bold venture into nuclear energy by forging strategic partnerships, investing in feasibility studies, and advocating for a policy environment that supports the safe and sustainable development of nuclear facilities. With Manny now at the helm of MGEN, we at One Meralco plan to be a pioneer in this space by introducing small modular reactors in the country. Through our Nuclear Energy Strategic Transition ("NEST") Program, we will explore how we can best support the government's goal of developing 1,200 MW of nuclear capacity as early as 2032. We are also looking into the possibility of leading the rehabilitation of the Bataan Nuclear Power Plant, aligned with globally recognized safety standards. To complement these endeavors, we launched the Filipino Scholars and Interns on Nuclear Engineering ("FISSION") program to train Filipinos in nuclear engineering in our partner universities abroad. We're also developing the Filipino Nuclear Scientists and Innovators Reintegration ("FUSION") program to strengthen our pool of nuclear experts by encouraging overseas Filipino professionals to return to the Philippines.

Manny Rubio: I share Ronnie's positive outlook for 2025. With One Meralco's Long-Term Sustainability Strategy in mind, this year will be a banner year for our power generation business. With the completion of MGEN's investment in Project Chromite, we will make a significant contribution to the DOE's Philippine Energy Plan, which identifies LNG as a vital component of the energy mix. Our 2,500-MW facility in Batangas will integrate advanced LNG storage and regasification capabilities with state-of-the-art power plant technology. We will also inaugurate a series of new solar plants in Bongabon, Nueva Ecija, Baras, Rizal, and Cordon Isabela and progress the construction of MTerra Solar in Bulacan and Nueva Ecija towards our goal of delivering 2,500 MW of clean energy by 2026. These investments will help stabilize power supply in the Philippines. It will also advance our Group's goal of initiating a low-carbon transition to serve the country's growing energy demand with greener power through 2030.

In the following decade, we will accelerate the green energy shift through the adoption of next-generation cleantech, including nuclear, which Ronnie has touched on—and from 2041 to 2050, we will drive deep decarbonization and achieve sustainability leadership in the energy sector.

Finally, what inspires you most about One Meralco's role in shaping the future of energy in the Philippines?

Ronnie Aperocho: I'm driven by the impact we create on the lives of our customers and communities. Electricity is a crucial part of our lives—from lighting up homes to enabling economic recovery and growth. During times of crisis, reliable electricity service restores our countrymen's hope and powers their will to rise again. We've always been passionate about serving the people, and this passion translates into excellence in everything we do.

As we move forward with the successful renewal of Meralco's franchise, we remain faithful to our vision of becoming a world-class energy service provider, powering our nation and empowering our people today and for generations to come. The future is bright for One Meralco.

Ferdie Geluz: I echo Ronnie's sentiments. We have always taken our role in nation-building to heart. As the largest distribution utility in the country, it is our responsibility to provide electricity that uplifts communities and drives inclusive development. Meralco has both the capability and the infrastructure to continue being the Philippines' partner for progress, backed by 121 years of industry leadership and legacy. We know our customers' needs inside and out, and our ability to adapt and evolve helps us deliver value where it matters most. Whether it's helping families save on their electricity bills with practical energy-saving tips or supporting businesses in cutting costs to improve their bottom lines, we're all about making a real difference in people's lives.

Ang aming dakilang tungkulin ay maghatid ng liwanag—sa bawat bahay at buhay na aming pinaglilingkuran. Malasakit is what defines us at One Meralco.

Manny Rubio: When we speak of inspiration, words like ambition, innovation, and legacy come to mind. And nothing embodies these ideals more profoundly than MGEN's MTerra Solar.

MTerra Solar is not just an infrastructure project—it's a testament to what can be achieved when bold vision meets exceptional execution. Imagine a vast landscape transformed by over 5 million solar panels, so monumental that it becomes the next iconic landmark that the Philippines is known for globally. This groundbreaking project will reshape the narrative of RE in the Philippines. It will deliver 850 MW of energy to Meralco—which means millions of Filipino homes and businesses will benefit from cleaner and more affordable electricity.

More than simply generating electricity, this project is a powerful response to the growing challenges of climate change. The past year has again shown us how vulnerable our country is to extreme weather events, with more typhoons hitting the country than ever before. Climate risks are no longer a distant threat—they are happening now, affecting lives, livelihoods, and even our operations. We need to take action now, and that's what we're doing here at One Meralco through our sustainability agenda.

But investing in sustainability isn't just about reducing our carbon footprint—it's about ensuring economic productivity and resilience in the first instance. Some may still question whether sustainability is financially viable, or whether it should even be a priority for a developing country like ours. But time and again, we've proven that sustainable investments make good business sense. Whether it's the cost efficiency of renewables over time or, from a social standpoint, the direct link between diversity and business performance, the evidence is clear: sustainability drives growth. Our projects across One Meralco are a testament to this principle—business can be both profitable and make a positive impact on people and the planet. It's a reflection of our belief that sustainability and business growth can—and must—go hand in hand.

Our Business Environment

Key Economic Metrics

5.7%
Gross domestic product
(2023: 5.5%)

3.2%
Full year inflation rate[18]
(2023: 6.0%)

3.8%
Unemployment rate
(2023: 4.4%)

4.9%
Household spending
(2023: 5.5%)

6.7%
Services sector growth rate
(2023: 7.1%)

5.6%
Industry sector growth rate
(2023: 3.6%)

Note: Figures above are for full-year 2024.[19]

Overall Economic Growth Prospects

Government targets	**Economist Intelligence Unit ("EIU")**	**World Bank Forecast**
(December 2024)	(December 2024)	(December 2024)
2025: **6.0% to 8.0%**	2025: **6.5%**	2025: **6.1%**

According to the EIU, household consumption in the Philippines is expected to grow due to slower inflation and continued support from remittances from overseas Filipino workers, as well as low unemployment rate. Expansion in the services sector will be led by tourism, telecommunications, and business process outsourcing. The momentum in the industrial sector will be maintained, as exports are expected to remain resilient, although this could be affected by a potential slowdown of the U.S. economy.[20]

Risks to Economic Growth

- Uncertainty in U.S. trade policy, particularly escalation of tariffs and increased protectionism, as well as increased geopolitical tension may cause higher inflation and potential supply chain disruptions.
- Domestic demand may be adversely affected by unfavorable weather conditions and sudden increases in commodity prices.[21]

[18] Bangko Sentral ng Pilipinas
[19] Philippine Statistics Authority. Special Release 2023-2024 NAP Annual Revision (April 3, 2025)
[20] Economist Intelligence Unit. Country Report – Philippines (December 2024)
[21] World Bank. Philippines Economic Update (December 2024)

Energy Industry Realities

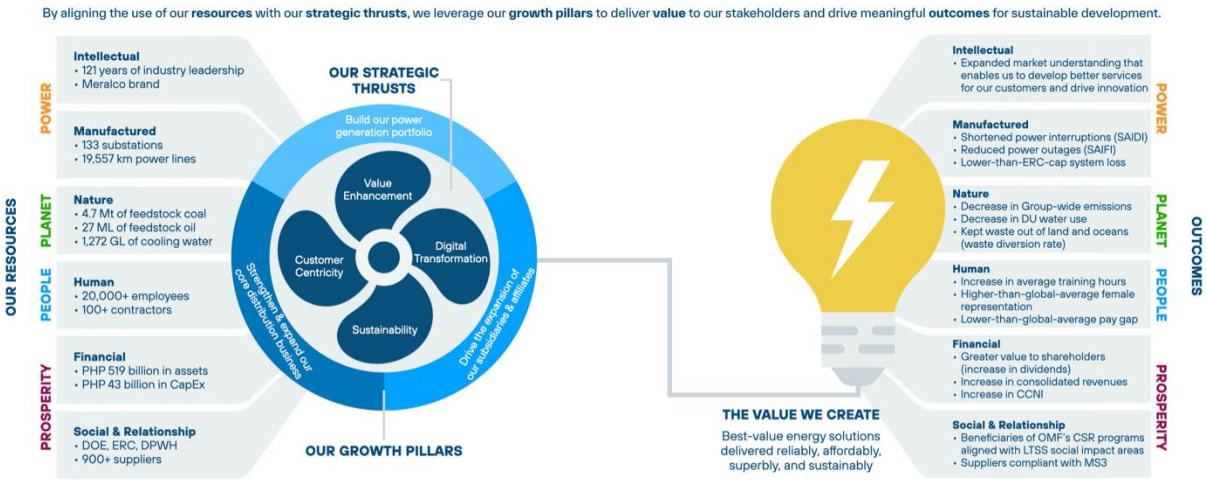
- In its Philippine Energy Plan (2023–2050), the Department of Energy ("DOE") is seeking to sustain a 10% energy savings target and a 50% electric vehicle penetration target beginning 2040 to help reduce greenhouse gas emissions.[22]
- The DOE is working in close coordination with the Commission on Elections ("COMELEC") and the Department of National Defense ("DND") to ensure stable and reliable power supply as well as sufficient fuel supply throughout the 2025 election period. The DOE is coordinating with distribution utilities and electric cooperatives nationwide to implement key measures such as securing reliable backup power sources and replacing outdated electrical components.[23]
- The DOE expects the commissioning of new power generation projects with a combined capacity of 6,841 MW in 2025. More than half of these projects (4,945 MW) will utilize renewable energy sources, while the remaining generation capacity will come from fossil fuels (1,896 MW)[24]
- Electricity end-users are expected to continue adopting energy efficiency measures in compliance with Republic Act 11285 (otherwise known as the Energy Efficiency and Conservation Act) and various implementing regulations promulgated by the DOE. Within the Meralco franchise area, buildings with LEED (Leadership in Energy and Environmental Design) or BERDE (Building for Ecologically Responsive Design Excellence) certification increased from 8 in 2010 to 298 in January 2025.[25]
- Net metering installations experienced significant growth in recent years. As of December 2024, there were 14,618 active net metering customers in the Meralco franchise area, with a total capacity of 114.6 MWp. This represents an annual average growth of 40% in both the number of net metering customers and their corresponding solar photovoltaic ("PV") capacity over the past five years, compared with 2,538 customers with total capacity of 17.5 MWp in 2019. On top of the continued expansion of the net metering program, more and more non-exporting solar PV rooftops have been energized by Meralco, reaching a total of more than 180 MWp by the end of 2024.

[22] Department of Energy. Philippine Energy Plan (2023–2050)
[23] DOE activates energy task force to ensure uninterrupted power supply for 2025 elections. PIA. https://pia.gov.ph/doe-activates-energy-task-force-to-ensure-uninterrupted-power-supply-for-2025-elections/
[24] Lelis, B. (2025, January 13). DOE: Over 6,800 MW projects to boost power supply this year. *Philstar.com*. https://www.philstar.com/business/2025/01/13/2413712/doe-over-6800-mw-projects-boost-power-supply-year
[25] Green Building Information Gateway

How We Create Value

In this Integrated Report, we highlight how One Meralco creates meaningful value in the areas that matter most to our business and stakeholders. From delivering affordable and reliable electricity to influencing our business partners to embrace sustainability, we are continuously evolving to meet the needs of our customers, communities, and constituents in the best way possible. By managing risks, seizing opportunities, and executing a robust, long-term strategy, we ensure that One Meralco remains resilient, adaptive, and forward-looking.

Our Value Creation Framework



INPUTS		
Pillar	**Capital**	**Metric**
Power	**Intellectual**	121 years of industry leadership
		Institutional knowledge on laws, policies, and best practices in the electric utility sector
	Manufactured	149 substations
		21,228 km power lines
		2,437.2 MW net sellable capacity across our diversified power generation portfolio
Planet	**Nature**	5.2 million tonnes of feedstock coal
		14.9 million liters of feedstock oil
		177 GL of cooling water
People	**Human**	19,549 employees
		409 third-party workers
Prosperity	**Financial**	PHP 618.0 billion in assets
		PHP 44.7 billion in CapEx
	Social & Relationship	Partnerships with communities and charitable organizations for CSR initiatives
		5,183 suppliers and vendors

THE VALUE WE CREATE		
Best-value energy solutions delivered reliably, affordably, superbly, and sustainably		
• 54,325 GWh of electricity distributed to 8 million customers		
• 15,295 GWh of power generated from 2,437.2-MW net sellable capacity		
• Innovative and best-in-class services across multiple industries—from infrastructure and telecommunications to manpower outsourcing and financial services		
OUTCOMES		
Pillar	**Capital**	**Metric**
Power	**Intellectual**	Expanded understanding of the market that enables us to develop better services for our customers and drive innovation
	Manufactured	Shortened power interruptions for our customers, as indicated by 13% improvement in SAIDI
		Reduced number of power outages in our franchise area, as evidenced by 13% improvement in SAIFI
		5.99% system loss, lower than the 6.50% regulatory cap, resulting in PhP 5.1 billion in customer savings
		Equivalent of over 348,000 households powered by MGEN with lower-carbon energy
Planet	**Nature**	2.7% increase in Group wide greenhouse gas emissions
		10% decrease in DU water use through water recycling efforts
		Kept solid waste out of our land and oceans, as proven by 95% DU annual waste diversion rate
People	**Human**	2% decrease in employee satisfaction
		Helped unlock the full potential of our employees, as supported by 16% increase in average training hours
		23% female representation in DU, more than twice the global industry average
		−0.12% DU gender pay gap, lower than the 19% global industry average
Prosperity	**Financial**	Delivered greater value to our shareholders, as demonstrated by 21.6% increase in dividends
		PhP 470.4 billion in consolidated revenues, an increase of 6% from 2023
		PhP 45.1 billion consolidated core net income, up by 22% from 2023
	Social & Relationship	1,182 teachers and students empowered with better learning conditions via the electrification of 4 public schools
		4,388 patients benefited from uninterrupted medical care through the electrification of 2 rural health centers
		140 members benefited from solar mobile irrigation pump granted to 2 agriculture cooperatives
		Provided 217 households access to clean and potable water with the energization of 1 community water facility

		355 suppliers fully compliant with our sustainability standards, as a result of Meralco's MS^3 program

Defining What Matters Most

We are committed to making sustainability at One Meralco a driver of both positive impact and financial performance. At the same time, we recognize the importance of continuously improving our processes and addressing evolving stakeholder expectations. In view of the growing adoption of the IFRS Sustainability Disclosure Standards, focused on the financial materiality of sustainability issues, and our continued investment in sustainability as a core part of our business, we undertook the Group's first double materiality assessment in 2024.

With the help of Sedgwick Richardson, an independent consultancy firm, we conducted a comprehensive review of the sustainability issues relevant to our organization that could significantly impact (1) the Group's financial performance and/or (2) the economy, environment, and people. This process involved extensive research to better understand our operating context and best practices in the electric utilities and power generation industries, as well among sustainability leaders in the Philippines and abroad. Desk research was supplemented with quantitative and qualitative insights from internal and external stakeholders who know our business best, and the results were assessed and validated by senior management.

The process incorporated guidance from the GRI Standards on impact materiality and the IFRS Sustainability Disclosure Standards on financial materiality. Refreshing our view of significant sustainability issues through these dual lenses resulted in the inclusion of three new issues in our process: Biodiversity, Digitalization & Cybersecurity, and Innovation.

Our materiality assessment process was conducted with the following phases:

1. **Review**
    - Analysis of the Group's business model and strategy, relevant megatrends, and the social and environmental contexts in which it operates, through a review of internal and external documentation and sources
    - External sources on impact materiality included guidance from the United Nations Environment Programme Finance Initiative ("UNEP FI"), the Natural Capital Finance Alliance's ENCORE tool, and information disclosed by our peers
    - External sources on financial materiality included the SASB Standards, sector-specific guidance from ESG rating agencies, and information disclosed by our peers
2. **Engagement**
    - We engaged different stakeholder groups to understand the relative significance of 19 identified issues through two focus group discussions and a dedicated survey
    - Internal stakeholders included Meralco's employees and key Sustainability Champions and managers from across the Group
    - External stakeholders included customers, retail shareholders, institutional investors, suppliers, and community partners
3. **Prioritization**
    - Findings from our comprehensive desk research and stakeholder engagement sessions were consolidated, resulting in an initial prioritization of sustainability issues

- The Meralco Sustainability Office, spearheaded by the Chief Sustainability Officer, assessed the stakeholder engagement findings and concluded that all 19 issues are material in terms of either impact of financial materiality

4. **Validation**
    - The prioritization of sustainability issues and list of material topics were assessed and validated by our senior management

#	Material Topic	Material Topic Description
Power		
1	Affordability	Providing reasonably priced energy across all customer segments
2	Accessibility	Ensuring that electricity is available to all by actively expanding grid infrastructure and enabling connections for underserved communities
3	Service Reliability & Safety	Consistently delivering energy through a safe and resilient distribution network while effectively responding to outages and emergencies
4	Energy Transition	Meeting growing energy demand with a diverse, lower-carbon fuel mix and new power generation technologies (e.g., renewables, nuclear)
Planet		
5	Climate Change Mitigation	Reducing GHG emissions across Meralco's entire business, from power generation and distribution to after-the-meter energy services and beyond
6	Air Quality	Managing and minimizing the release of harmful air pollutants from emission-intensive activities
7	Water & Effluents	Managing water consumption, particularly for cooling processes, and treating wastewater responsibly to prevent contaminating water sources
8	Material Consumption & Waste Management	Optimizing utilization of raw materials and implementing sound waste management systems and practices
9	Biodiversity	Mitigating the impact of Meralco's business, particularly power plants, on ecosystems and promoting the preservation of nature
People		
10	Talent Attraction & Retention	Promoting professional development, personal growth and a meaningful working experience for employees, supported by competitive remuneration and benefits
11	Labor & Human Rights	Respecting employees' labor rights, as well as the fundamental human rights of all stakeholders impacted by our business

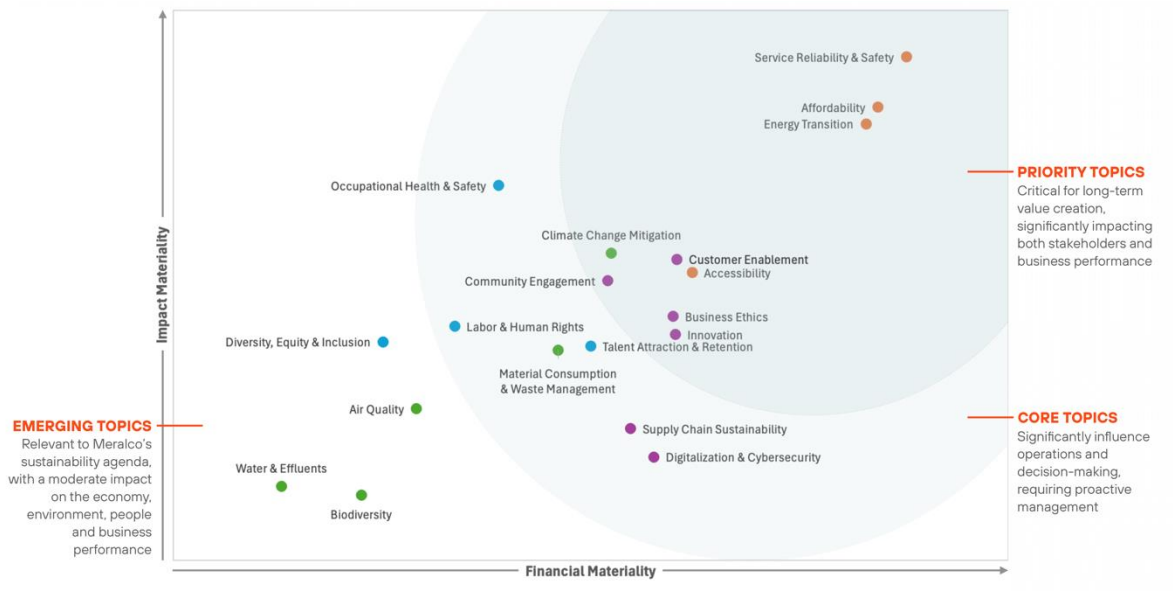
12	Occupational Health & Safety	Providing a safe and healthy working environment with effective policies, systems and initiatives, promoting a culture of safety and minimizing workplace hazards and accidents
13	Diversity, Equity & Inclusion	Operating with respect for differences and without discrimination based on age, gender, sexual orientation, religion or other factors, while ensuring equal opportunity and fair treatment for all employees
Prosperity		
14	Customer Enablement	Providing customers with the best possible services that meet their evolving needs
15	Innovation	Developing cutting-edge solutions across business units that can enhance our services and create a competitive advantage in the market
16	Digitalization & Cybersecurity	Adopting digital technologies to enhance our services while safeguarding our infrastructure and systems against cyberattacks
17	Community Engagement	Uplifting communities and empowering future generations by leveraging electricity to enable progress, including electrifying marginalized households and schools and promoting disaster resilience
18	Supply Chain Sustainability	Managing our supply chain in a responsible and ethical manner that minimizes impacts on the environment and respects human rights
Governance		
19	Business Ethics	Adopting high standards of business conduct, complying with applicable laws and maintaining zero tolerance for bribery and corruption

Our Materiality Matrix

The results of our 2024 double materiality assessment are presented here. As each of the 19 issues we considered was determined to be material, every issue in this matrix remains an important part of our strategy and reporting.

Rather than setting a threshold for which issues One Meralco will address, the matrix presents the relative significance of these issues according to the concepts of impact and financial materiality. For example, Meralco remains resolutely committed to environmental responsibility and compliance with regulatory requirements relating to air, water, and biodiversity. The position of these issues reflects our view that we have and will continue to be able to appropriately manage our impacts in these areas largely consistent with past practices, and that the other issues in this matrix demand more proactive management going forward.

Understanding that materiality is a dynamic process that evolves over time, we will refresh our materiality assessment in the future as our business environment evolves.



Legend:

- Power
- Planet
- People
- Prosperity

Our Risks & Opportunities

One Meralco operates in a dynamic energy landscape shaped by rapidly evolving regulations, market conditions, and technological advancements. As such, we proactively manage key risks that could adversely impact the Group's operations, financial stability, and stakeholder value. At the same time, we identify and capture opportunities for growth, innovation, and resilience. Through strategic risk management and forward-looking initiatives, we strengthen our ability to navigate challenges while driving long-term value creation.

Risks

KEY ENTERPRISE RISKS TO THE DISTRIBUTION UTILITY

1. **Regulatory Decisions Risk – Revised Fifth Regulatory Period (5RP) Reset Application**

   After a series of resolutions, Omnibus Motions and Motions for Reconsideration by parties of interest, the Energy Regulatory Commission (ERC) issued Resolution No. 17, Series of 2024, effective beginning January 3, 2025, modifying the 2021 Rules for Setting Distribution Wheeling Rates (RDWR), which clarified the coverage of the Lapsed Period of Meralco to be from July 1, 2015, to June 30, 2025, and directed MERALCO to submit a reset application for the new 5RP (July 1, 2025, to June 30, 2029), not later than 30 days from effectivity of rules.

   Meralco filed its reset application for the new 5RP on February 7, 2025. Hearings at the ERC started on March 3, 2025.

2. **Regulatory Decisions Risk – Mechanism of resolving the Lapsed Period using Actual Weighted Average Tariff (AWAT)**

   In compliance with an Order of the ERC dated December 17, 2024, Meralco filed an application for the confirmation of the true-up calculation of the AWAT for the period July 1, 2022, to December 31, 2024. A separate or supplemental application for the period January 1, 2025, to June 30, 2025 shall be filed once the actual weighted average rates are determined for the said period. Hearings at the ERC started on February 28, 2025.

   The issue on the treatment of the Lapsed Period, which is through a true-up confirmation between the final average rate and the AWAT has been elevated to the Court of Appeals (CA) and the Supreme Court (SC). This might affect Meralco's AWAT true-up applications.

3. **Information Technology (IT) Systems Risk**

   Risk that issues in the Company's IT systems, which may be caused by hardware or software failure, will adversely affect the Company and result in business disruptions or lost opportunities associated with lack of innovation or investments in technology.

4. **Business Interruption Risk**

   Disruption of critical business operations due to the occurrence of devastating natural disasters or man-made hazards resulting in damage to properties and/or personnel injuries/fatalities

   - The Philippines is prone to tropical cyclones (TCs) due to its location in the Northwestern Pacific Basin, the most active TC basin in the world. With the country experiencing an average of 20 to 25 TCs that enter the Philippine area of responsibility annually, more than half affects

the Meralco franchise area. There were four TCs in 2024 that affected the franchise (Typhoons Aghon, Carina, Enteng, and Kristine).

- According to Philippine Institute of Volcanology and Seismology (PHIVOLCS), any active faults that have not generated any recent surface-rupturing movements have higher potential to generate a large earthquake. A magnitude 7.2 earthquake (colloquially known as "The Big One") can potentially affect at least 6.6 million customers.

5. Regulatory Decisions Risk – Unbundling Decision/COA Audit Report

On May 30, 2003, the ERC issued an Order approving Meralco's unbundled tariffs that resulted in a total increase of PhP 0.17 per kWh over the May 2003 tariff levels. The Order was elevated by certain consumer and civil society groups before the CA which set aside the ERC's ruling on Meralco's rate unbundling and remanded the case to the ERC. Further, the CA opined that the ERC should have asked the Commission on Audit (COA) to audit the books of Meralco.

In an en banc decision promulgated on December 6, 2006, the SC set aside and reversed the CA ruling saying that a COA audit was not a prerequisite in the determination of a utility's rates. However, the SC directed the ERC to request COA's assistance to undertake a complete audit of the books, records and accounts of Meralco. The COA audit, which began in September 2008, was completed with the submission of the ERC of its report on November 12, 2009.

On June 21, 2011, the ERC maintained and affirmed its findings and conclusions in its Decision dated March 20, 2003, and Order dated May 30, 2003. The ERC stated that the COA recommendation to apply disallowances under PBR to rate unbundling violates the principle against retroactive ratemaking. In a Decision dated February 29, 2016, the CA dismissed the Petition for Review and affirmed the Orders dated June 21, 2011, and February 4, 2013 of the ERC. The motion for reconsideration filed by the intervenors was denied by the CA through a Resolution dated August 8, 2016.

On October 11, 2016, Meralco received a Petition for Review on Certiorari filed by the intervenors before the SC appealing the dismissal of its Petition. On November 13, 2019, Meralco received a Decision dated October 8, 2019, partially granting the Petition filed by the National Association of Electricity Consumers for Reforms, Inc. (NASECORE), which among other things, (i) voided the adoption by the ERC of the current or replacement cost in the valuation of Meralco's RAB; and (ii) remanded the case to the ERC to determine, within 90 days from finality of the Decision: (1) the valuation of the RAB of Meralco; and (2) the parameters whether expenses that are not directly and entirely related to the operation of a DU shall be passed on wholly or partially to consumers.

Meralco, the other Dus, and the ERC filed their respective motions for reconsideration which are pending before the SC. Two (2) additional DUs filed their respective Motions for Leave to intervene and to file their motions for reconsideration. The case is pending before the SC.

6. **Execution Risk – Failure to execute or delayed completion of capital projects**

   The execution and/or completion of capital projects are affected by several factors including manpower, project management, and regulatory matters such as the implementation of the new ERC Procurement Guidelines which will add four to five months to the tendering process. The inability to execute or complete approved capital projects on time could lead to unserved energy demand, unplanned power interruptions, and dissatisfied customers.

7. **Regulatory Compliance Risk – Electric Power Industry Reform Act's (EPIRA) maximum contracting limit (50% of total demand) with an associated firm**
   Section 45(b) of the EPIRA states that no distribution utility shall be allowed to source from bilateral supply contracts more than 50% of its total demand from an associated firm engaged in generation. An associated firm with respect to another entity refers to any person which, alone or together with any other person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such entity.

   With Meralco's continuing investments in power generation through MGEN, the affiliated contracting limit should be continuously monitored for any potential breach.

8. **Human Resources Risk**
   Challenges in labor attrition, attraction, retention, and skills upgrade of employees may negatively affect the Company's efficient delivery of services and implementation of major projects. In particular, employees look for other opportunities in other companies that offer flexible work arrangements, leaving critical positions across departments open. Additionally, Meralco has seen an increasing attrition rate over the past five years, from 3.96% in 2020 to 6.21% in 2024.

9. **Cybersecurity Risk – Continuing and changing persistent threats in ICT, OT and I/IOT environment**
   Cybersecurity risk shall continue to persist as Meralco transforms its business through digitalization and digitization. Thus, there are increasing requirements for IT-enabled detection and prevention controls. Meralco networks require high level of cybersecurity maturity, personnel, and resources.

10. **Cash Flow and Funding Risk – Recovery of over-refund to and/or under-recoveries from customers**
    Onerous rules and decisions from the ERC may result in unavailability of cash. For example, the ERC has issued Orders for the Distribution Rate True-Up (DRTU) refunds which were implemented starting 2021 and were fully refunded to the customers in May 2023. This resulted in an over-refund to customers. Additionally, real property taxes (RPT) on machineries not covered by ERC Resolution No. 2, Series of 2021, otherwise known as the "Rules on Recovery of Pass-Through Taxes", which approved the recovery of RPT, local franchise tax, and local business tax, are considered pass-through charges paid prior to 2021. Other examples include transmission and generation under-recoveries, including the net under-recoveries in November to December 2013.

Opportunities

OPPORTUNITY	DESCRIPTION	CAPITALS AFFECTED	AFFECTED BUSINESS SEGMENT/S
Distributed Energy Resources	Enhancing grid stability through investments in demand response management and advanced asset control, enabling better service to customers with rooftop solar photovoltaic (PV) systems	Manufactured, Financial	Distribution, MSpectrum
Nuclear	Advancing public awareness, regulatory engagement, and expertise in nuclear energy to enhance energy security and create local jobs	Natural, Manufactured, Financial	Generation
Advanced Metering Infrastructure	Investing in smart grid technologies (including smart meters) that will empower our customers to manage their energy consumption more efficiently	Manufactured, Financial	Distribution
Electric Vehicles (EVs)	Growth potential in EV adoption and EV charging infrastructure development across the country	Natural, Manufactured, Financial	Distribution, Movem

Our Outlook & Strategy

The imperative to transition to lower-carbon energy has never been more urgent. As climate change continues to intensify, businesses and governments around the world are gradually shifting from fossil fuels to renewable energy ("RE") sources while balancing the demands of economic growth. In support of the Philippines' ambitious climate action goals, we at One Meralco have developed a Long-Term Sustainability Strategy ("LTSS"), underpinned by a commitment to a just, orderly, and affordable transition to cleaner energy.

While energy transition remains at the top of our LTSS, we recognize our Group's unique position to help the country address a host of other social and economic challenges. Therefore, running in parallel to our emissions reduction efforts is our social commitment to promoting the well-being of communities across five social impact areas.

Our LTSS is an integral part of our broader sustainability agenda called **"Powering the Good Life"**, which is rooted in the **United Nations' ("UN") Sustainable Development Goals ("SDGs")**. While our Group is especially focused on **SDG 7: Affordable and Clean Energy** due to the nature of our core business, we also promote and support as many as 10 other SDGs through our diverse services and initiatives within and beyond the power sector.

Our Holistic Approach to Sustainability

One Meralco's sustainability agenda is anchored on four pillars ("4Ps"): **Power, Planet, People, and Prosperity**. We have designed and continue to implement strategic programs across each of the 4Ps:

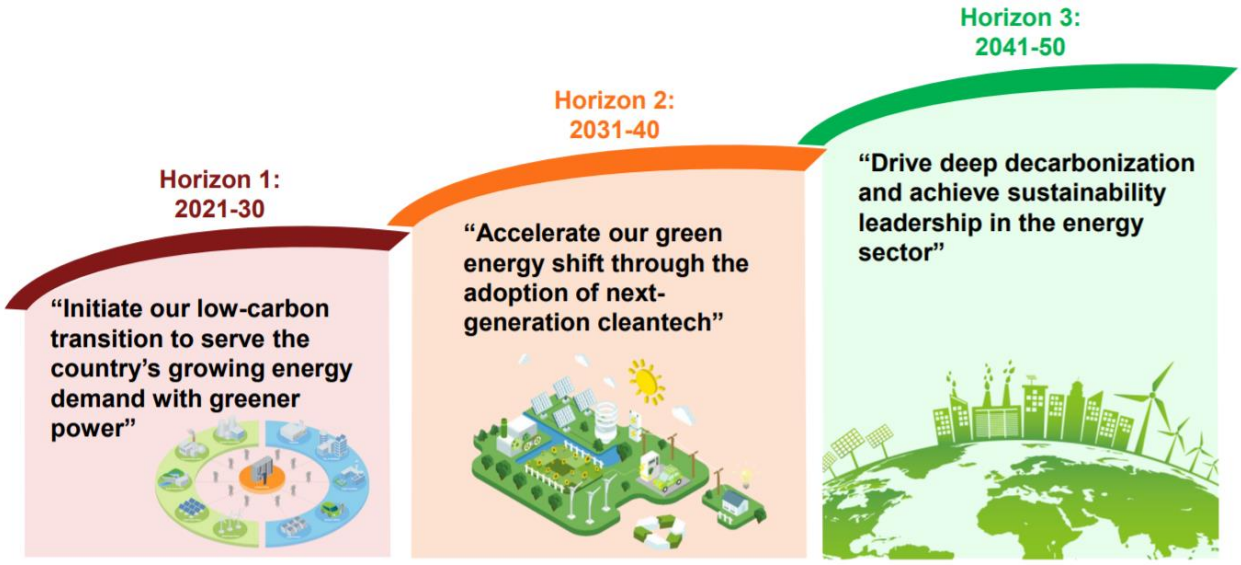
PILLAR	ASPIRATION	SAMPLE INITIATIVE
Power	Providing energy for all, always	**MTerra Solar**, the world's largest integrated solar and battery energy storage system ("BESS") facility upon completion
Planet	Embracing environmental responsibility in our business	**Greening the Network**, focusing on reducing emissions and waste from distribution assets
People	Nurturing sustainability from within	**#Mbrace Program**, promoting diversity, equity, and inclusion across our organization
Prosperity	Create better lives for all	**Enabling the growth of hyperscalers** in the country through our full suite of innovative energy and connectivity solutions

We have also defined corporate-level ESG metrics with baselines and targets that are reviewed and monitored by Meralco's senior management:

PILLAR	SAMPLE KEY PERFORMANCE INDICATOR
Power	Number of households energized in Meralco's franchise area
Planet	Amount of Scope 1 emissions
People	% female representation in the Distribution Utility's ("DU") workforce
Prosperity	Number of off-grid schools electrified by OMF

Building the Future of Energy by 2050

One Meralco continues to take significant steps to transform our organization towards sustainability, as outlined in our three-phase sustainability journey: Establish (2019), Embed and Engage (2020), and Elevate and Evolve (2021 and beyond). As part of the Elevate and Evolve phase, we have developed our Group-wide LTSS, which outlines our just, orderly, and affordable transition to cleaner energy over time and an end goal of becoming coal-free by 2050. Through our LTSS, we define long-term sustainability targets, determine the appropriate initiatives, investments, and implementation plans to achieve them, and ultimately deliver impact through 2030 and beyond.



HORIZON 1 (2021–30)

One Meralco will initiate a low-carbon transition to serve the country's growing energy demand with greener power.

In the first horizon, we continue to build momentum in our shift towards RE through our twin commitments (1) to contract 1,500 MW of RE supply and (2) to build 1,500 MW of attributable RE capacity by the end of the decade. On contracting, by the end of 2024, the DU (including MPower) had already signed RE power supply agreements ("PSAs") amounting to 2,329 MW, exceeding our 1,500 MW target. On generation, MGEN (through its subsidiary MGreen) already had six operational solar farms (see table below) and a pipeline of more RE projects that altogether amount to nearly 1,826 MW of attributable RE capacity.

LOCATION OF SOLAR FACILITY	CAPACITY (in MW)	
	GROSS	ATTRIBUTABLE
San Miguel, Bulacan	55.0	33.0
Baras, Rizal	80.1	48.1
Currimao, Ilocos Norte	68.7	34.4
Concepcion, Tarlac	76.0	40.8
Calatagan, Batangas	44.9	15.0
Bongabon, Nueva Ecija	19.8	19.8
Total	**344.5**	**190.9**

HORIZON 2 (2031–40)

We will accelerate our Group-wide green energy shift through the adoption of next-generation cleantech.

While our focus through 2030 is on shifting away our mid-merit supply from fossil fuels, in the following decade we will begin transitioning our baseload capacity to lower-carbon energy sources. We will invest in emerging cutting-edge technologies beginning in 2031, which may include:

- **Battery energy storage systems ("BESS")** – Longer duration energy storage enables RE to serve mid-merit or baseload demand to provide ancillary services and to enable price capture during peak periods.
- **Nuclear** – Small modular reactors are more reliable (with a capacity factor of ~90%) and less land-intensive than RE (less than 1% of required land compared to solar and wind farms). In addition, its modular design is beneficial to islands with limited interconnection.

We are already engaging with these technologies, including through MTerra Solar (which is set to be the world's largest integrated solar and BESS facility upon completion) as well as our Nuclear Energy Strategic Transition program in support of the government's nuclear energy roadmap. By adopting and exploring these technologies, One Meralco is well-positioned to continue being a first mover in the Philippine energy sector as our energy transition progresses.

HORIZON 3 (2041–50)

One Meralco will drive deep decarbonization and achieve sustainability leadership in the energy sector as we aspire to be coal-free before 2050.

We aim to achieve deep decarbonization around mid-century through various levers, including:

- **decarbonizing existing assets** – emerging solutions (e.g., carbon capture, utilization, and storage) for hard-to-abate activities could be both technologically feasible and cost competitive;
- **developing more dispatchable low-carbon power** – new forms of flexible generation (e.g., combined-cycle gas turbines co-fired with green hydrogen, long-term BESS, and advanced SMRs) will be essential to meeting baseload and peak demands; and

- **expanding carbon sink solutions** – carbon sequestration (e.g., reforestation and other nature-based solutions such as soil carbon sequestration) will be an increasingly important part of global climate change mitigation efforts.

ANTICIPATING AND OVERCOMING CHALLENGES

While we remain resolute in our commitment to supporting the Philippines' energy transition, we face inherent structural challenges that may substantially impede our progress and therefore need to be considered:

- **Economic**
  - Fossil fuels (i.e., coal, natural gas) remain the most affordable and reliable fuel source in the Philippines, particularly from a baseload standpoint.
  - While solar and other RE sources have a potential for reduced levelized cost of electricity, their capacity factors are lower, requiring other technologies (including BESS) to enable a reliable, 24/7 power supply.
- **Regulatory**
  - The government's least-cost, technology-neutral mandate requires distribution utilities like Meralco to undergo a competitive selection process ("CSP") in the procurement of power supply.
- **Technical**
  - Solar farms require significantly more land (up to four times) than fossil fuel-fired power plants.
  - Additional grid infrastructure needs to be put in place to manage intermittent RE capacity and avoid system interruptions.

Notwithstanding these challenges, we will continue to pursue the goals outlined in our multi-horizon LTSS, as we recognize that while the Philippines' emissions represent only 0.5% of the global total, One Meralco is linked to 15% of the total emissions of the country, presenting a unique opportunity for the Group to lead the transition of the local power industry.

For more information about our progress in and plans for our Group-wide energy transition, please refer to the Energy Transition section under Power.

CREATING POSITIVE SOCIAL IMPACT BEYOND ENERGY TRANSITION

Supporting our energy transition efforts across all horizons is our commitment to promoting the well-being of communities beyond our franchise area, with electricity as an enabler to power the good life across five social impact areas. These efforts are driven primarily by OMF, with interim targets set for 2030.

- **Education reach** – Electrify off-grid public schools
- **Access to quality healthcare** – Power healthcare facilities (e.g., rural health units, barangay health stations)
- **Livelihood productivity** – Energize agricultural facilities and equipment
- **Water access** – Provide low-income households with clean, potable water
- **Disaster resilience and recovery** – Train electric cooperatives and communities on disaster prevention and response

Progressing Towards Our First Horizon: 30 by ’30

As part of our LTSS, we have identified 30 key sustainability plays that will guide our actions through 2030. Serving as our initial signposts in our sustainability journey towards 2050, our 30 by ’30 initiatives are categorized into three clusters and mapped accordingly to the 4Ps of our sustainability agenda:

1. **LTSS core levers** – our main energy transition plays under Power focused on contracting and generating RE, as well as community projects under Prosperity that are driven by OMF across the aforementioned social impact areas;
2. **Sustainability programs** – flagship efforts under Planet and People driven by Meralco’s internal departments and enabled by the Sustainability Office (e.g., Green Mobility Program for vehicle electrification, #Mbrace Program for the advancement of diversity and inclusion in our organization); and
3. **Sustainability-linked BAU initiatives** – ongoing key business activities supporting our sustainability agenda that are led by our different business units (e.g., system loss reduction, workforce safety improvement)

Each of these activities has a corresponding long-term target and is owned and managed by a specific business unit to ensure efficiency and accountability. Our progress is monitored regularly by our senior management and reported annually to Meralco’s Sustainability Committee and the Board of Directors.

Power: Providing Energy for All, Always

Energy fuels economic growth and social progress.

As the largest electric distribution utility in the Philippines, Meralco has long powered the country's development by providing millions of Filipinos with safe, affordable, accessible, and reliable energy. Now, more than ever, we at One Meralco are also increasingly focused on supporting the nation's energy transition and global sustainability efforts in line with **SDG 7: Affordable and Clean Energy**.

In 2024, we delivered competitively priced electricity[26] to a record 7.4 million residential customers as well as more than 600,000 businesses, including those in central business districts and industrial parks. We also continued fortifying our distribution network against the impacts of climate change, investing PhP 3.9 billion in resiliency measures to protect our grid from more frequent extreme weather events.

While our services grow and evolve, our Group is diversifying our energy sources to meet the rising demand for affordable and cleaner power. In 2024, we secured new renewable energy ("RE") mid-merit power supply agreements ("PSAs") to progressively increase the share of lower-carbon power in our DU's supply mix, aligned with the Department of Energy's ("DOE") Renewable Portfolio Standards ("RPS").

Moreover, we continued growing our clean energy capacity through MGEN's RE arm, MGreen. We broke ground on the world's largest single-site solar photovoltaic ("PV") farm, MTerra Solar, along with other solar facilities across Luzon. This RE portfolio expansion is being complemented by new investments in coal and liquified natural gas ("LNG") to support our continued provision of reliable, low-cost power.

Moving forward, One Meralco will continue harnessing the power of energy to create meaningful value for our stakeholders and help the country achieve its national development goals.

PERFORMANCE HIGHLIGHTS

8M	**99.97%**	**500 MW**
customers served	of franchise area energized	of new RE PSAs secured by the DU

KEY INPUTS (INTELLECTUAL & MANUFACTURED CAPITALS)

121	**21,786**	**2,478.3**
years of industry leadership	km of power lines	MW gross generation capacity

KEY OUTCOMES (INTELLECTUAL & MANUFACTURED CAPITALS)

12.53%	**12.84%**	**93%**
improvement in the DU's SAIDI	improvement in the DU's SAIFI	overall power plant availability rate of MGreen

[26] We define "competitively priced electricity" as electricity whose price was determined in accordance with the Department of Energy's ("DOE") policies and the Energy Regulatory Commission's ("ERC") rules.

Stories of Light: Breaking Ground on the World's Largest Integrated Solar and Battery Storage Facility

Accelerating the growth of RE capacity in the Philippines is a key priority on the long path towards an energy-secure and low-carbon future. In support of the government's goal of achieving a 35% RE share in the power mix by 2030 and 50% by 2040, as well as reducing greenhouse gas ("GHG") emissions by 75% below a business-as-usual trajectory by the end of the decade, One Meralco has embarked on an ambitious journey to build the world's largest integrated solar and battery storage facility.

A project of MGreen unit SP New Energy Corporation ("SPNEC"), the USD 4-billion MTerra Solar project will deploy over 5 million solar panels across 3,500 hectares in Nueva Ecija and Bulacan. Our subsidiary MIESCOR has been tapped to design and build essential infrastructure that will link the solar facility to the Luzon grid. Once completed, MTerra Solar will feature 3,500 MWp of solar capacity and a 4,500-MWh battery energy storage system ("BESS").

MTerra Solar is expected to power an equivalent of over 2.4 million households and is expected to avoid over 4.3 million tonnes of GHG emissions each year[27] by displacing coal—equivalent to removing 3 million gasoline-powered cars from the road. Under a 20-year PSA with Meralco, the solar farm will initially supply the DU with 600 MW of clean energy by 2026, with an additional 250 MW by 2027, significantly contributing to our goal of sourcing 1,500 MW of RE by 2030.

The DOE has certified MTerra Solar as a project of national significance, and a green lane certification from the Board of Investments has expedited the permitting process. This landmark project has also garnered significant interest from the global investment community. London-based Actis LLP, a leading private equity firm focused on sustainable infrastructure, is investing USD 600 million for a 40% equity stake—one of the largest foreign direct investments in greenfield infrastructure in the Philippines. This ambitious project will also be enabled by our partnerships with several industry leaders, including Energy China, PowerChina, and Huawei.

During the groundbreaking ceremony in November 2024, President Ferdinand R. Marcos Jr. highlighted MTerra Solar's unique role in driving the country's economic development. Beyond providing cleaner electricity for millions of Filipinos, the project is expected to create up to 10,000 jobs and generate nearly PhP 23 billion in financial benefits over the next decade.

> *"Today we take a leap towards the future driven by innovation and sustained by our collective hope for a cleaner and greener Philippines. [MTerra Solar] will put our country on the map as a leader in renewable energy."* — President Bongbong Marcos

[27] This figure is based on the total amount of GHG emissions that can be generated in a year by a typical coal-fired power plant employing circulating fluidized bed ("CFB") technology, operating at the equivalent capacity of MTerra Solar.

Affordability: Delivering Energy Attainable by All

SASB IF-EU-240

Affordability is not only crucial to maximize the positive impacts of power, particularly in emerging economies like the Philippines—it is also one of Meralco's primary legal responsibilities. Republic Act 9209 mandates the Company to "supply electricity to its captive market in the least-cost manner." At the same time, by providing lower electricity prices, we help improve quality of life and drive economic activity. As such, we strive to deliver fairly priced electricity, in full compliance with the regulatory standards set by the ERC, to power homes and enterprises within our service area. Mindful of the impact of energy supply on the cost of power, we are committed to expanding our own generation capacity through MGEN by constructing new power plants that leverage different technologies, enabling us to help lower electricity costs in the country.

A. Maintaining Affordability for Our Customers

AVERAGE RETAIL ELECTRICITY RATE (in PhP/kWh)						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Residential	10.40	11.86	12.14	6.68	6.60	6.70
Commercial	9.57	10.36	10.14	6.67	6.56	6.65
Industrial	8.31	9.10	8.86	6.47	6.40	6.50
Overall	**9.52**	**10.55**	**10.54**	**6.58**	**6.50**	**6.59**

Meralco's average retail rate was flat at PhP 10.54 per kWh in 2024 from PhP 10.55 per kWh in 2023 due to lower generation charge that offset increases in transmission and other charges. The generation charge, which accounted for about 62.8% of the total retail rate, went down by almost 5.8% due to lower Wholesale Electricity Spot Market ("WESM") charges, a decrease in international coal prices, and the implementation of generation over-recovery adjustments based on Energy Regulatory Commission's ("ERC") Resolution on Automatic Cost Adjustments and True-Up mechanisms of Pass-through Charges.

Meanwhile, Clark Electric's overall average retail rate grew from 2022 to 2024 due to relatively higher energy sales from key primary-metered customers in the hotel and casino, aviation, mixed-use facility, and telecommunication sectors.

SYSTEM LOSS METRICS						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Amount of energy lost through the distribution system (in MWh)	2,919,488	3,095,968	3,373,343	11,868	13,388	16,692
Energy lost in the distribution system	5.77	5.88	5.99	1.81	1.92	2.42

vs. net system input (in %)						
Customer savings due to lower system loss vs. ERC's system loss cap (in PhP million)	4,688.26	4,876.21	5,060.41	139.51	164.50	146.15

We continued to take proactive steps to lower both technical system loss (inherent limitations in the physical delivery of electricity) and non-technical system loss (caused by actions external to the power system including electricity pilferage, inaccurate registration due to damaged meters, and natural wear and tear or facilities). These losses, which are charged to our customers up to a statutory cap, are carefully managed by our Group through continuous system improvement efforts as well as our collaboration with law enforcement officers, including the Philippine National Police, to prevent and enforce rules against illegal service connections. We periodically conduct studies to find the right balance between the benefits of a lower system loss and the CapEx needed for improvement measures.

In 2024, Meralco's and Clark Electric's system losses were at 5.99% and 2.42%, respectively—both higher than 2022 and 2023 levels. Nevertheless, during the reporting period, Meralco recorded a system loss that was significantly below the indicative 6.5% regulatory cap for the 17th consecutive year—which translated to a total of PhP 5.1 billion in customer savings.

B. Reducing Electricity Costs with a Wider and Diversified Generation Portfolio

Meralco recognizes that a robust body of scientific evidence shows that the continuous combustion of fossil fuels exacerbates global warming. LNG and coal, however, continue to be cost-competitive and reliable energy sources in the Philippines today and remain the Company's primary sources of electricity for its customers. This approach helps Meralco fulfil its long-standing legal responsibility to provide the lowest-cost electricity as we gradually transition away from coal in our supply portfolio.

We have actively expanded our own power generation capacity through MGEN in ways that can help reduce costs for our customers. Our San Buenaventura Power Ltd. ("SBPL") coal-fired facility in Quezon, has been steadily injecting energy to the Luzon grid since 2019. It uses the latest coal technology called HELE, or High Efficiency Low Emissions, which emits lower carbon compared with a traditional coal-fired power plant.

Accessibility: Expanding Energy Reach

SASB IF-EU-000.B | SASB IF-EU-000.A

Globally, access to energy is a key benchmark for measuring progress on **SDG 7: Affordable and Clean Energy**. In support of the Philippine government's target to achieve 100% electrification by 2028, we strive to reach the remaining unserved communities within Meralco's franchise area, which encompasses more than a quarter of the country's population. Beyond this, we also help power the economy by servicing key economic hubs, including the Clark Special Economic Zone (through our subsidiary Clark Electric), the Cavite Economic Zone (through our business unit Meralco Ecozone Power), as well as the New Clark City (through Shin Clark). Collectively, these areas contribute up to 50% of the country's gross domestic product ("GDP") and account for 60% of the nation's total manufacturing output.

A. Connecting More Customers to the Grid

One Meralco remained at the epicenter of the country's economic growth in 2024, ensuring that the lights were on for more Filipino homes and businesses than ever before. In 2024, we delivered 54,325 GWh of electricity to over 8 million customer connections—up from 51,044 GWh delivered to 7.8 million in 2023. This milestone was primarily driven by our sustained electrification efforts to match the rising energy demand in our franchise area.

NUMBER OF CUSTOMER CONNECTIONS PER TYPE						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Residential	7,039,706	7,229,899	7,430,561	1,142	1,245	1,219
Commercial	567,498	579,721	593,897	1,324	1,320	1,313
Industrial	10,683	10,753	10,806	152	151	152
Flat Streetlights	4,931	4,925	4,920	93	92	93
Total	**7,622,818**	**7,825,298**	**8,040,184**	**2,711**	**2,808**	**2,777**

ENERGY SALES PER CUSTOMER TYPE (in GWh)						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Residential	17,140	17,772	19,446	7	8	9
Commercial	17,052	18,612	19,980	351	393	422
Industrial	13,935	13,831	14,036	285	282	282
Flat Streetlights	143	143	145	2	2	2
Total	**48,271**	**50,359**	**53,606**	**645**	**685**	**715**

Our energy sales to residential customers grew by more than 13% from 2022 to 2024 due to our stronger electrification program within our franchise area. Combined commercial and industrial sales likewise increased by nearly 10% in the same period due to the expansion of key sectors, including the semiconductor, food and beverage, plastic, and non-metallic mining industries. Overall, the combined

energy sales of Meralco and Clark Electric saw an over 6% upsurge in 2024, continuing the growth the Group enjoyed in 2023.

Bright Sparks: Meralco's 8th Millionth Bearer of Light

For over a century, Meralco has been powering the dreams and aspirations of Filipinos, lighting homes and fueling industries across the nation. In 2024, we reached a historic milestone, reaching 8 million customers across our franchise area—a testament to our unwavering commitment to ensuring that we provide reliable power to the communities we serve.

Jaime Umali, our 8 millionth bearer of light, embodies the enduring spirit of Filipino resilience. A retired factory worker, Jaime represents the countless unsung heroes whose dedication fuels the growth and competitiveness of industries that are vital to our nation's development. His story strikes a common chord among many Filipinos—though physically separated from his wife, an overseas worker, for ten long years, Jaime's determination never wavered. Together, they sacrificed and worked tirelessly to provide for their children and ensure they complete their studies.

When asked about becoming Meralco's 8 millionth customer, Jaime's words belied his value for self-determination: *"Ngayon po, ayos na ayos na po ako. Kahit anong oras ako magpatay o magbukas ng ilaw ay masusunod ko 'yung gusto ko—kahit maghapon pa, pwede. Kasi sarili ko na nga."*

Today, their hard work has borne fruit: they own their land and brought light to their own home in Sariaya, Quezon. Jaime's journey is an inspiring story of strength and hope, one that inspires us at Meralco to continue our mission of powering better lives for all.

B. Energizing Remote and Low-Income Communities

Aligned with the DOE's goal to achieve 100% electrification in the country, the Meralco Electrification Program ("MEP") brings together various efforts towards universal electrification. An integral component of the MEP is One Meralco Foundation's ("OMF") Household Electrification Program ("HEP"), through which we deliver affordable electricity to remote, off-grid communities within our franchise area. We collaborate with local government units ("LGUs") and homeowners' associations to overcome electrification challenges, such as right of way and occupancy issues, that often hinder communities confronted with energy poverty[28]. In 2024, OMF invested over PhP 9 million in the HEP, financing the installation of service entrances, metering centers, breaker walls, and intermediate poles for low-income households. Meralco also took on the initial setup costs that residential customers applying for service connections usually have to pay for.

Under the MEP, we energized a total of 73,794 households in 2024. Meanwhile, OMF's HEP paved the way for the electrification of 3,455 low-income households that had been in the dark for years. Only 2,560 households remain unenergized in Meralco's franchise area, all of which will be served through our off-grid solutions, including microgrid and solar home systems, in support of the DOE's goal of 100% electrification by 2028.

[28] The World Economic Forum defines energy poverty as "the lack of access to modern energy services and products".

Our focus on microgrids—localized, small-scale electrical networks that can operate independently from the grid—offers a practical solution for underserved communities that are far from the main grid. Historically, microgrids relied solely on diesel generators during peak hours. Today, solar energy powers microgrids during the day, while battery energy storage enables nighttime consumption, allowing remote communities to enjoy dependable and cleaner energy around the clock.

Service Reliability & Safety: Distributing Safe & Uninterrupted Power

SASB IF-EU-550

The benefits of a dependable supply of electricity go beyond customer satisfaction alone—it is the backbone of economic and social progress. In developed and developing countries alike, industry, education, public health, and overall quality of life are founded upon reliable power. Meralco continues to deliver stable, high-quality service to our customers by building and maintaining a resilient grid, optimizing load capabilities, adopting digital solutions, and ensuring the system's robustness, all while responding safely, promptly, and efficiently to any network-related incident.

A. Maintaining Quality Systems for Reliability

Meralco continued investing in system reliability throughout 2024, spending a total of PhP 21.4 billion on distribution network capital expenditure ("CapEx") projects. In particular, we prioritized the rollout of our major miscellaneous allocation ("MA") electric capital projects ("ECPs")—each costing at least PhP 30 million—which were designed to enhance the reliability and quality of Meralco's distribution network by replacing aging and obsolete assets. These projects included switchgear and power transformer replacements, as well as the construction of new control houses and switchgear rooms.

Among Meralco's key MA ECPs last year were the replacement of Power Transformer Bank No. 1 at the Taguig and Duhat Substations; the replacement of 34.5-kV Gas-Insulated Switchgear No. 1 at the New Teresa, Meycauayan, and Urdaneta Substations; and the replacement of 34.5-kV Metalclad Switchgear Nos. 1 and 2 at the Novaliches Substation. Additionally, a new control house with a switchgear room was built at the Novaliches Substation to prevent damage to the equipment in the substation.

In the long-term, these critical CapEx projects are expected to cut maintenance costs, minimize our personnel's exposure to high-risk activities, and significantly reduce the risk of prolonged and widespread power outages in areas serviced by the upgraded substations.

DISTRIBUTION RELIABILITY METRICS						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
SAIFI (in no. of times)	1.30	1.19	1.04	2.04	1.57	1.22
SAIDI (in minutes)	128.42	123.71	108.21	214.99	590.73	65.84
CAIDI[29] (in minutes)	98.78	103.61	103.98	0.03	44.46	49.76

To monitor and manage the quality of our service and the effectiveness of our investments in service reliability, our Group uses internationally accepted standard indicators. For instance, based on Meralco's System Average Interruption Frequency Index ("SAIFI"), the average number of service interruptions experienced by customers in a year decreased by 12.6% from 1.19 times in 2023 to 1.04 times in 2024. Likewise, on average, they also experienced shorter service interruptions in the same

[29] Customer Average Interruption Duration Index

year, based on our System Average Interruption Duration Index ("SAIDI") of 108.21 minutes (versus 123.71 minutes in 2023). This was due to several improvements made in our distribution network, such as the commissioning of new substations, as well as grid resiliency measures, including the replacement of hazardous and ageing wood poles, reconductoring of overhead bare lines to covered overhead lines, and improvement in lightning protection. Meralco's performance in both metrics during the reporting period marks an all-time best for the Company.

Meanwhile, Clark Electric saw a 22% decrease in its SAIFI—from 1.57 times in 2023 to 1.22 times in 2024. Similarly, its customers also experienced shorter service interruptions—at 65.84 minutes in 2024 from 590.73 minutes in 2023—due to proactive maintenance strategies and replacement of aging equipment. Additionally, enhanced vegetation management and replacement of covered conductors helped reduce outages caused by trees and inclement weather conditions.

The Group's performance in both metrics was well within the reward levels prescribed by the ERC based on their respective Regulatory Period's Performance Band. This has been the case since the implementation of the Performance Incentive Scheme in 2012, owing to continuous improvements in system reliability through various measures such as preventive maintenance activities.

We regularly conduct onsite inspections and testing of our distribution facilities and proactively replace or upgrade equipment to meet industry and national standards, which promotes the stability and reliability of infrastructure and helps reduce the incidence of unplanned power interruptions. Both Meralco and Clark Electric also conduct tree-pruning and line-clearing operations with public safety in mind. In addition, to prevent outages due to malfunctioning assets, both utilities conduct thermographic scanning of power lines and equipment immediately after typhoons or other natural disturbances, helping ensure the safety of our customers, workforce, and the public.

Bright Sparks: Strengthening the Backbone of the Electrical Grid

One Meralco leads the way in pioneering energy infrastructure projects that shape the future of the Philippines' power sector. Through our subsidiary MIESCOR, we deliver projects that enable and fortify the nation's transmission and distribution networks, helping enhance the reliability and resilience of the power grid.

ENABLING CONNECTIVITY OF POWER PLANTS

In partnership with SMC Global Power Holdings, MIESCOR is spearheading the design and construction of the nine-kilometer Masinloc 500-kV transmission line project, a critical infrastructure development aimed at enabling the connectivity of power plants to the Luzon grid. This transmission line will serve as an interim connection between the Masinloc Power Plant's substation and the National Grid Corporation of the Philippines' ("NGCP") CB210 transmission tower.

This PhP 1.2-billion project is part of the second stage of the bigger Western Luzon 500-kV Backbone project, which aims to support the expansion of the coal-fired Masinloc facility with two additional units, each generating 350 MW of energy. Initially, the transmission line will directly link to NGCP's infrastructure, ensuring a stable and reliable supply of electricity. Once NGCP completes the development of its Palauig Substation, an additional 13-kilometer connection will be constructed to accommodate increased generation capacity and enhance the stability of the power supply in Luzon.

UPGRADING TRANSMISSION INFRASTRUCTURE FOR GRID RESILIENCE

MIESCOR has also been tapped by NGCP to lead the third phase of its Grid Protection Relay Replacement Project. This comprehensive upgrade of NGCP's relay protection systems—covering multiple substations in the provinces of Cebu, Zamboanga, Leyte, and Negros—improves grid reliability.

MIESCOR's scope of work includes the engineering, procurement, and construction ("EPC") of new and expanded control/relay buildings; installation of protection, control, and communication equipment; construction of drainage systems, roadways, and cable trenches; and deployment of fire protection, air conditioning, and ventilation systems.

This PhP 2.6-billion project is set to modernize NGCP's substation facilities, ensuring that robust power system protection mechanisms are in place to mitigate faults and prevent widespread outages.

B. Keeping the Lights On Amidst the Climate Crisis

The Philippines is buffeted by an average of 20 typhoons annually, around five of which are typically destructive, with an increasing frequency of intense tropical cyclones observed in recent years. In 2024, 17 tropical cyclones entered the Philippine Area of Responsibility, four of which (Aghon, Carina, Enteng, and Kristine) affected Meralco's franchise area, bringing in strong winds and damaging floods. For Meralco, the physical risks of climate change must be addressed to ensure we can continue to reliably provide power. Higher exposure to more intense typhoons is also increasingly driving up insurance costs and making it more difficult to secure coverage as insurers factor in greater risks of loss and damage. As such, we take extensive preventive action to ensure the resiliency of our entire network, including preparing our infrastructure and disaster response teams for extreme weather events. Our rigorous preparation and robust maintenance programs have reduced the impact of these hazards on our distribution system.

To prepare for typhoons, we take pre-emptive actions such as targeted tree trimming, thorough line inspection and clearing, and the removal of billboards and signage that are at risk of being blown away by strong winds, which could cause outages. We work closely with LGUs and key government agencies, such as the DOE and the Metropolitan Manila Development Authority, in conducting these activities.

Additionally, we implement infrastructure hardening measures for storm resiliency, including replacement of poles, upgrading of conductors and lead wires, and installation of line and equipment covers. In 2024, Meralco installed 7,824 line and equipment covers near building work sites. We also own, operate, and maintain 517,252 spans of overhead lines and underground cables. We converted 3,382 wooden crossarms to lighter, easier-to-install, and more durable fiberglass crossarms, as well as replaced 12,012 aging and hazardous poles.

INFRASTRUCTURE HARDENING FOR STORM RESILIENCY METRICS						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Poles replaced	10,870	12,054	12,012	-	-	10
Upgraded conductors (in spans)	22,325	19,975	20,150	6	46	16
Number of line and equipment covers installed	13,458	26,593	7,824	-	-	222
Wooden crossarms converted to fiberglass	3,639	3,296	3,382	-	-	-

We also continued enhancing our Lightning Protection Improvement Program ("LPIP"), which protects our distribution network from lightning and ensuing power surges. Specifically, in 2024, we installed line surge arresters and overhead static wires to protect our overhead conductors, as well as reinforced our system neutral and pole grounding. On top of this, a lightning detection system informs our personnel of the magnitude and approximate location of lightning strikes within our franchise area. This technology has contributed to a 6.74% reduction in the occurrence of outages due to lightning compared with the previous year, making us well-prepared to deal with storms.

LIGHTNING PROTECTION IMPROVEMENT METRICS						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Number of surge arresters installed/replaced	28,555	31,147	36,218	18	9	9
Length of system neutrals installed/replaced (in spans)	11,400	10,550	10,225	-	-	-
Length of overhead shield wires installed (in spans)	19,025	16,800	15,350	-	-	-
Number of remote-controlled line reclosers installed	226	200	522	4	7	2

C. Powering Community Resilience

Meralco's commitment to operational resilience extends to our people and those in the communities we serve. We have established a robust business continuity management system to keep our employees safe and able to work, especially in times of calamity. We also ensure that our workplaces are resilient against natural hazards, with all buildings in the Meralco Operating Center reinforced for earthquake resilience. In the unlikely event that our primary system control center is compromised, we have also installed and operationalized emergency backup sites to enable continuous operations. This helps ensure the continuous supply of needed electricity during emergencies.

We also take pride in being a reliable partner of the government in disaster response. In 2024, when Tropical Cyclones Aghon, Carina, Enteng, and Kristine hit the Philippines, at least 6.6 million Meralco

customers experienced power outages. Our personnel and line crews worked round the clock to swiftly restore power in communities within our franchise area, ensuring that essential services were able to resume and that families had continuous access to electricity in their homes.

D. Building a Smart Distribution Network

Meralco is a proud pioneer in the next frontier of smart grid technology, leveraging advanced digital solutions to respond to dynamic challenges in the power sector. In 2024, we continued to make significant progress in our Smart Grid Program, which is anchored on two pillars: Advanced Network Automation ("ANA") and Advanced Metering Infrastructure ("AMI"). ANA enables real-time monitoring and management of network operations and assets to address changing loads, generation, and outage incidents. Meanwhile, AMI focuses on the rollout of smart meters along with the deployment of a secure and robust communications and data management infrastructure that enables two-way communication between Meralco and our customers.

ADVANCING NETWORK AUTOMATION

In 2024, we expanded the deployment of smart devices (such as remote-controlled line devices and faulted circuit indicators) across Meralco's network through our Distribution Automation initiative, enabling faster isolation of faulty sections. This enhancement helped improve response times for maintenance or repairs to be conducted, resulting in less service disruptions, and avoiding or minimizing the impact of outages.

Under our Advanced Asset Management initiative, we continued rolling out our Data Historian system across our substations and distribution line equipment to ensure the efficient collection of time-series data from field devices, enabling proactive maintenance and sustained availability of critical distribution assets.

From an operational technology standpoint, we continued the implementation of the Advanced Distribution Management System ("ADMS"). By integrating our Supervisory Control and Data Acquisition ("SCADA") system, our Outage Management System ("OMS"), and our Distribution Management System ("DMS") into a unified platform, ADMS optimizes daily operations, accelerates outage resolutions, and strengthens situational awareness—especially during times of natural calamity or elections.

We also launched the first phase of our Mobile Workforce Management System ("MWMS") in 2024, which helps streamline field operations through automation and cloud computing. This system enhances workforce efficiency by prioritizing tasks, managing resources, integrating mapping solutions, optimizing work dispatches, and providing real-time traffic data.

ADVANCING SMART METERING

We remained committed to deploying AMI by carefully selecting long-term partners to promote and roll out this technology in the country.

Through this project, we have installed over 130,000 smart meters within Meralco's franchise area and aim to deploy at least 11 million smart meters across our network over 10 years, starting in 2025.

Smart meters will be installed in ordinary homes, apartments, and condominiums; on elevated metering centers; and in commercial and industrial establishments, as well as in our distribution transformers.

Through our AMI project, we aim to empower our customers to efficiently manage their electricity consumption, improve billing accuracy, reduce service complaints, enhance operational efficiency, and facilitate the integration of rooftop solar and energy storage into our network.

Energy Transition: Developing a Responsible & Future-Fit Portfolio

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Globally, electric utilities must balance GHG emissions reduction with concerns relating to energy security. This is a defining challenge in developing countries where higher-carbon energy sources, such as coal and gas, remain cost-competitive options to get affordable electricity to millions of customers in need. As such, we have embarked on a just, orderly transition to provide more customers with affordable, cleaner energy over time. This involves gradually growing the share of RE in Meralco's and Clark Electric's supply mixes, in alignment with the DOE's RPS. Additionally, our Group, remaining cognizant of the reality that thermal power is key to achieving energy security in the country, is expanding our thermal portfolio via MGEN by investing in lower-carbon fuels like LNG. These efforts are crucial aspects of our Long-Term Sustainability Strategy ("LTSS"), which is designed to meet the increasing electricity demands associated with national prosperity while recognizing Meralco's potential to lead the energy transition in the Philippines.

A. Supporting the Cleaner Energy Shift

Our efforts to actively invest in renewables through Meralco, Clark Electric, MGEN, and MSpectrum support the Philippine government's goal of achieving a 35% RE share in the national power generation mix by 2030 and 50% by 2040.

SOURCING LOWER-CARBON POWER

POWER DISTRIBUTION UTILITY FUEL MIX (in %)						
	Meralco			Clark Electric		
	2022	2023	2024	2022	2023	2024
Coal	30.90	32.89	27.30	59.17	54.25	51.09
Natural gas	53.84	42.07	42.14	0.00	0.00	0.00
Oil	4.13	4.18	0.13	0.00	0.00	0.00
Hydro	1.05	0.08	0.24	24.99	22.69	21.30
Geothermal	0.93	1.20	1.03	0.00	0.00	0.00
Wind	0.00	0.00	0.00	0.00	0.00	0.00
Solar	0.75	0.75	0.82	0.01	0.02	0.02
Biomass	0.02	0.00	0.00	0.00	0.00	0.00
WESM	8.37	18.83	28.34	15.83	23.04	27.59
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Through Meralco and Clark Electric, we source significant amounts of energy from generation entities and distribute it via our own distribution networks. While fossil fuels still dominate the supply mix of both utilities, Meralco and Clark Electric have made significant strides towards our Group-wide goal to source at least 1,500 MW of Meralco's power supply requirements from RE sources by the end of the decade to meet the RPS under the Renewable Energy Act of 2008.

In 2024, following the conduct of a CSP for the procurement of RE mid-merit supply capacity of 500 MW, Meralco executed PSAs with three RE power suppliers: San Roque Hydropower Inc., Gigasol3,

Inc., and Santa Cruz Solar Energy Inc. These PSAs will shift most of Meralco's mid-merit sources to RE, progressively increasing the share of low-carbon power in our supply mix. To date, the DU has already contracted a total of 1,535 MW of RE supply, while MPower's RE PSAs currently amounts to 744 MW.

We also continued our support for the Philippine government's new RE policies, such as the Green Energy Option Program ("GEOP"), which provides consumers whose average peak demands are at least 100 kW with the option to source their electricity needs from purely renewable sources. As of December 2024, 406 of Meralco's commercial and industrial customers have joined the program, with more expressing their interest to participate in the coming years.

ENABLING WIDER ADOPTION OF SOLAR ENERGY

Since 2009, Meralco has been supporting the Philippines' energy transition by facilitating the interconnection of various types of generation systems, including customers who export electricity from their own solar PV systems to the grid via net metering (which allow customers to install RE with a capacity of up to 100 kW and feed their excess solar PV generation back into the grid).

In 2024, Meralco enabled several embedded generation projects, including Prime Solar's Tanauan and Maragondon solar farms; Joy Nostalg Solars Inc.'s roofstop solar power project in Naic, Cavite; and the expansion of PH Renewables Inc.'s Pinugay Solar Power Plant, in which MGreen owns a controlling 60% share.

During the reporting period, we integrated 248 MW of additional RE into Meralco's distribution system, resulting in a lifetime total capacity of 729 MW, which accounts for 7.8% of the Company's peak demand for the year. Meralco now accommodates a total of 22 large exporting RE embedded generators, 287 zero-export generators, and 14,418 net metering customers. Our pipeline of RE capacity from embedded generators in our franchise area now stands at 1,485 MW up to 2027.

To facilitate and accommodate the continued influx of RE, we have established the Solar-Distributed Energy Resources ("Solar-DER") Committee, which is responsible for studying RE growth trends, forecasting system impacts, and developing innovative strategies to ensure seamless RE integration without technical constraints. Key solutions under evaluation and implementation include but are not limited to: deployment of advanced BESS to enhance hosting capacity; expansion of distribution facilities to support additional embedded generators; and installation of solar home systems for customers in off-grid and protected areas. We are also adopting smart grid technologies that enable real-time energy monitoring and demand response, as well as enhanced grid optimization and system loss reduction.

Additionally, Meralco continued its partnership with the ERC and the Pasig City LGU to streamline and expedite the application and permitting process for net metering, promoting the wider adoption of RE in the city. A booth inside the Pasig City Hall was set up for customer inquiries, consultations, and applications for net metering and DER.

We are expecting Meralco's RE embedded generation portfolio to grow by an additional 1,485 MW over the next three years, which will increase the share of RE to 22.3% of the Company's projected peak demand by 2027.

DIVERSIFYING OUR POWER GENERATION PORTFOLIO

ENERGY DELIVERED[30] BY MGEN BY BUSINESS UNIT (in GWh)			
	2022	2023	2024
MThermal	5,756	5,878	5,654
SBPL	2,765	2,360	3,205
PLP	5,619	5,719	5,820
MGreen	112	349	617
Total	**14,252**	**14,306**	**15,295**

FUEL MIX OF ENERGY GENERATED BY MGEN (in %)			
	2022	2023	2024
Coal	56.18	57.10	56.70
Natural gas	42.13	41.17	38.66
Diesel	0.80	0.47	0.29
Solar	0.89	1.25	4.35
Total	**100**	**100**	**100**

From a power generation standpoint, we remain focused on balancing our portfolio to respond to the pressing needs of energy security, affordability, and sustainability. During the reporting period, conventional energy sources (i.e., coal, diesel, and LNG) accounted for 97% of the total amount of energy delivered by MGEN. Meanwhile, 2024 was a milestone year for MGEN as its subsidiary MGreen delivered 619 GWh of lower-carbon energy, almost twice the amount delivered in 2023. The surge was largely caused by the addition of two solar plants of SPNEC as well as stable plant availability.

Overall, MGEN saw its energy sales grow in 2024 as a result of strategic planning of maintenance shutdowns early in the year, leading to improved plant availability.

Our Group-wide transition to cleaner energy commenced in 2021 with the development of BulacanSol, a 55-MW solar farm in Bulacan. This was followed by the establishment of PH Renewables, Inc. (“PHRI”), which operates a 75-MW solar facility in Rizal, and the Nuevo Solar Energy Corporation (“NSEC”), which runs a 68-MW farm in Ilocos Norte—both plants have been operating since 2023.

In November 2024, Terra Solar Philippines, Inc. (“TSPI”) officially broke ground for the MTerra Solar project, which is set to be the world’s largest integrated solar and battery storage facility upon its completion in 2027. This RE project will have a PV capacity of 3,500 megawatt peak (“MWp”), complemented by a BESS capacity of 4,500 megawatt-hours. For more information about this project, please refer to the Power hero case study at the beginning of this section.

All of these solar facilities are part of our goal to build an RE portfolio with a total attributable capacity of at least 1,500 MW by the end of the decade through MGreen.

[30] Energy delivered is comprised of contracted capacities and participation in the energy and reserve market

By the end of the reporting period, MGreen's total attributable solar capacity stood at 169.6 MW. MGEN's RE portfolio will grow further with the development of a 450-MW solar plant in Pangasinan. In partnership with Vena Energy, this project will also be one of the largest solar ventures in the Philippines.

ANNUAL GROWTH OF SOLAR CAPACITY INSTALLED BY MSPECTRUM (in %)		
2022	**2023**	**2024**
36%	23%	24%

In addition to Meralco's and MGEN's efforts, MSpectrum is also helping in the expansion of our Group's RE footprint by providing small-scale, distributed solar solutions to commercial and industrial customers. By the end of 2024, MSpectrum had achieved a lifetime capacity of 95 MW, with the aim of surpassing 100 MW this year. Additionally, over the next five years, MSpectrum aims to increase its installed capacity fivefold by focusing on selling RE through power purchase agreements.

Bright Sparks: Plugging New Solar Farms into the Grid

Our subsidiary MIESCOR plays a critical role in advancing the development and adoption of RE in the Philippines by integrating utility-scale solar farms into the national transmission network. In 2024, Giga Ace 8, Inc., a subsidiary of ACEN Corporation, tapped MIESCOR to enable the seamless flow of energy from its solar facility in Zambales to the Luzon grid. Similarly, MIESCOR signed a contract with Terra Solar Philippines, Inc., to design and construct substations and transmission lines that will connect MTerra Solar to the same grid. By leveraging its expertise in EPC for these projects, MIESCOR helps advance the country's transition to cleaner energy.

B. Scaling LNG in Our Thermal Portfolio

As electricity demand in the Philippines continues to rise, ensuring energy security has become a central priority for One Meralco. One key focus area is expanding MGEN's local portfolio by investing in LNG, which has a relatively lower carbon footprint than coal during combustion and continues to be a reliable source of baseload power in the country.

As a clear testament to our commitment to helping the Philippines achieve energy security, MGEN, through Chromite Gas Holdings, Inc., has invested 40.2% in the country's largest and most expansive LNG facility. The partnership covers the acquisition of equity interest in three entities—South Premiere Power Corp. ("SPPC"), Excellent Energy Resources Inc. ("EERI"), and Ilijan Primeline Industrial Estate Corp. ("IPIEC")—by Chromite Gas Holdings, Inc. ("CGHI"), which is a 60-40% joint venture between MGEN and TNGP. CGHI and SMGP are also acquiring 100% of Linseed Field Corp. ("LFC") to operate an LNG terminal in the same Batangas-based facility.

By the end of 2024, the Philippine Competition Commission approved the acquisition, acknowledging that the deal is critical for strengthening the country's energy supply.

C. Enabling Long-Term Energy Security with Nuclear Power

Our plans to diversify our energy mix are necessarily long-term, incorporating the technologies most appropriate for the Philippines today while preparing for a brighter tomorrow. Looking ahead, nuclear energy provides a lower-carbon alternative that can help reduce the Philippines' dependence on fossil fuels, which drive climate change and are more susceptible to price fluctuations, while ensuring reliable power supply. Through Meralco's Nuclear Energy Strategic Transition ("NEST") program, we are exploring nuclear as a reliable baseload power source in a bid to help the country balance energy security and affordability with its climate goals well into the future.

Meralco fully supports the government's nuclear energy roadmap. Our efforts include exploring both conventional power plants as well as advanced technologies like small modular reactors ("SMRs"), which present opportunities to strengthen energy access across the archipelago, ensuring reliable and sustainable power for all Filipinos.

The adoption of nuclear energy also presents substantial economic opportunities for the Philippines. A single nuclear power plant can generate over 800 high-skilled jobs—the average size of the technical staff required to operate two 1,000-MW nuclear units—along with additional employment opportunities during construction and indirectly along the supply chain. To develop the local talent needed to drive this important aspect of our transition journey, the Meralco Power Academy has launched the FISSION (Filipino Scholars and Interns on Nuclear Engineering) initiative. The first batch of program beneficiaries have already been enrolled in universities in the United States and China, while the second batch will soon be enrolled in institutions in France, South Korea, and Canada. This impactful program is equipping Filipinos with state-of-the-art technical and regulatory knowledge to help drive our country forward. Internally, Meralco's nuclear team have attended specialized trainings on nuclear energy technology and policy locally and abroad, including in Japan, France, and Egypt.

Planet: Embracing Environmental Responsibility in Our Business

The health of our planet is at a critical juncture.

According to the World Meteorological Organization, 2024 was the warmest year on record, with an average global surface temperature of 1.55 °C above pre-industrial levels, driven by alarming levels of greenhouse gases ("GHGs") in the atmosphere. The unprecedented speed of this global warming is a key driver of the triple planetary crisis—climate change, pollution, and biodiversity loss—which threatens not only ecosystems but also human well-being. Ambient air pollution alone is responsible for more than 4.2 million premature deaths worldwide annually, while habitat loss and degradation have led to a staggering 73% decline in global wildlife populations since 1970.

Recognizing the critical connection between the health of our planet and the survival of humanity, in 2024, we continued our Group-wide efforts aimed at managing GHG emissions, air pollutants, water consumption, and solid waste that can impact people and ecosystems across One Meralco's operations and beyond. Amid challenges and uncertainties, we remained steadfast in our commitment to embracing environmental responsibility in our business—in support of **SDG 12: Responsible Consumption and Production**, **SDG 13: Climate Action**, **SDG 14: Life Below Water**, and **SDG 15: Life on Land**.

PERFORMANCE HIGHLIGHTS

6%	**47,999**	**63,949**
of the DU's vehicle fleet electrified	natural ester oil-insulated transformers installed across the DU's franchise area	trees planted under OMF's One for Trees

KEY INPUTS (NATURAL CAPITAL)

5.2	**14.9**	**4.5**
Mt of feedstock coal used by MGEN	ML of feedstock oil used by MGEN	GL of freshwater withdrawn by MGEN

KEY OUTCOMES (NATURAL CAPITAL)

2.7%	**98%**	**95%**
increase in Group-wide GHG emissions	decrease in MGEN's water consumption	of the DU's solid waste diverted from landfills

Stories of Light: Greening the Network Through Innovation

Guided by **SDG 12: Responsible Consumption and Production**, our approach to environmental stewardship is to adopt best practices in resource use and waste management across our operations. Through our Greening the Network Program, we prioritize the use of materials with a reduced environmental footprint compared to traditional alternatives in our distribution network—ensuring that every choice we make reflects our commitment to sustainability.

PHASING OUT A FOSSIL FUEL-BASED INSULATOR

A significant step in this direction is the adoption of natural ester oil ("NEO")—which is derived from crops like soybean and corn, and lacks harmful petrochemicals, siloxanes, or halogens. NEO is increasingly being used as an insulating and cooling medium for Meralco's substation and distribution equipment such as power transformers and distribution transformers ("DTs").

This transition from mineral oil to NEO—which is 99% biodegradable and recyclable—strengthens Meralco's aspiration to become a sustainability leader in the energy sector and has brought significant benefits to the Company, including enhanced transformer loading capability, improved fire safety, and reduced waste generation.

In 2024, we installed 14,009 NEO-insulated pole-mounted DTs, 133% higher than the annual deployment target of 10,500 units. By the end of the year, 47,999 NEO-filled DTs had been installed across Meralco's franchise area, representing over 19% of the total 248,237 DTs installed in the field. A total of 12 automatic voltage regulators insulated with NEO have also been installed and commissioned. In addition, Meralco installed a NEO-filled power transformer at the San Joaquin Substation, which will be soon subjected to field performance evaluation. Ultimately, Meralco aims to operate 100% of its distribution equipment with readily biodegradable insulating media by 2065.

REDUCING ENVIRONMENTAL IMPACT IN ENERGY STORAGE

Another groundbreaking initiative under our Greening the Network Program is the replacement of valve-regulated lead-acid ("VRLA") station battery banks—which contain lead and sulfuric acid that are known to harm the environment—at various Meralco substations with lithium iron phosphate ("LFP") units. Our goal is to phase out 100% of Meralco's VRLA batteries by 2030, with new substations utilizing LFP batteries starting in 2027. As of December 2024, a total of 15 VRLA battery banks have been replaced with lithium-based units. A total of eight out of Meralco's 151 substations have already been equipped with LFP battery banks, with more to be deployed in the coming years.

CONCRETIZING ENVIRONMENTAL SUSTAINABILITY THROUGH OUR UTILITY POLES

Wooden utility poles have long been treated with creosote, a fossil-fuel-based compound that extends their lifespan but poses environmental risks. Creosote contains toxic substances that can leach into soil and water, threatening aquatic ecosystems and human health. Recognizing these risks, we have committed to eliminating creosote-treated wood poles from Meralco's distribution network by 2033 and systematically replacing them with concrete or steel poles.

In 2024, we replaced 7,120 wood poles, effectively eliminating nearly 1.9 million kilograms of creosote-petroleum from our network. A total of 185,149 wood poles remain in service (representing over 19% of Meralco's total number of poles) and are set to be phased out over the next decade.

Climate Change Mitigation: Responding to a Global Emergency

GRI 302-2 | GRI 302-3 | GRI 302-5 | SASB IF-EU-110

In alignment with the Paris Agreement, the Philippine government has committed to reducing the country's projected baseline GHG emissions of 3,340.3 million tonnes of carbon dioxide equivalent (tCO_2e) between 2020 and 2030 by 75%. To support this national goal and **SDG 13: Climate Action**, in 2024, One Meralco continued exploring various abatement initiatives and technologies to mitigate our Group-wide emissions, with GHG emissions reduction remaining a top sustainability performance indicator at the corporate level. Our efforts include but are not limited to increasing the share of renewable energy ("RE") in our power generation portfolio, reducing our distribution utilities' system losses, and sourcing more RE in our power supply.

In defining the boundaries of our emissions inventory, we adhere to the GHG Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute ("WRI") and the World Business Council for Sustainable Development ("WBCSD"). Emissions tracked by One Meralco[31] follow the international convention as follows:

- **Scope 1** – direct emissions from sources owned or controlled by the organization
- **Scope 2** – indirect emissions from the generation of energy purchased by the organization
- **Scope 3** – all other indirect upstream and downstream emissions that occur in the value chain of the organization

In addition to monitoring absolute emissions, One Meralco places great emphasis on measuring and managing emissions intensity and adopting cleaner, more efficient technologies across our businesses.

A. Scope 1: Managing Direct GHG Emissions

GRI 302-1 | GRI 302-4 | GRI 305-1

EQUITY-APPLIED SCOPE 1 EMISSIONS BY SOURCE (in tCO_2e)			
	2022	**2023**	**2024**
SF_6 leakage	2,478	3,384	4,208
Vehicular gasoline consumption	2,864	2,740	3,250
Vehicular diesel consumption	12,760	14,519	15,959
Coal combustion in power plants	5,083,208	5,307,255	5,490,639
Natural gas combustion in power plants	1,081,710	1,066,488	1,080,536
Diesel combustion in power plants	74,183	49,325	36,360
Total	**6,257,204**	**6,443,711**	**6,630,953**

In 2024, One Meralco's Scope 1 emissions amounted to over 6.6 million tCO_2e. This increase of nearly 3% from 2023 was primarily driven by an increase in the amount of power generated by MGEN's coal-fired plants.

[31] Gases included in our GHG inventory include carbon dioxide (CO_2) and sulfur hexafluoride (SF_6).

Recognizing that fossil fuels are the main drivers of climate change, Meralco, through our subsidiary MGEN, aims to build at least 1,500 MW of attributable RE generation capacity across multiple technologies by 2030. By the end of the reporting period, our RE portfolio amounted to nearly 325 MW, with a pipeline of over 3,054 MW of RE projects. For more information about our efforts to expand the share of RE in MGEN's portfolio, please refer to the Energy Transition section under the Power pillar.

SWITCHING GEARS ON OUR INSULATING GAS

Meralco is also focused on a less common gas that is critical to our operations yet capable of trapping more heat than any other GHG. Widely used as an insulating gas in high-voltage electrical equipment, SF_6 is over 25,000 times more potent than CO_2 and can stay in the atmosphere for more than 3,000 years. It is essential for grid reliability but must be carefully managed to prevent leaks and minimize its environmental impact.

While SF_6 makes up less than 0.1% of our Scope 1 emissions footprint, we regularly track outflows from our substation equipment and work to recover and recycle this powerful gas. Currently, we monitor gas pressure levels and measure SF_6 cylinder weight before and after refilling activities. We are presently studying the use of an online monitoring system for substation equipment, which will include SF_6 pressure monitoring that can help in monitoring SF_6 gas pressure levels in substation switchgears and breakers.

Meralco recorded SF_6 leakages of 167 kg in 2024, up by almost 16% from 144 kg in 2023, due to wear and tear mostly from equipment nearing the end of their asset life. Despite this increase, discharges during the reporting period represented just 0.3% of the total SF_6 installed in all of the Company's substation equipment—well below the limit of 0.5% as prescribed in the Institute of Electrical and Electronics Engineers' Guide for SF_6 Gas Handling for High-Voltage (over 1,000 Vac) Equipment.

Acknowledging the impacts of even a relatively small quantity of SF_6 emissions, we will implement a pilot installation of SF_6-free, remote-controlled switchgears starting this year. It is part of our Greening the Network Program, our full transition to SF_6-free line switches expected to be completed by 2028. As of December 31, 2024, 35 units of SF_6-free line switches have already been installed in our network. In addition, starting 2029, we will deploy substation equipment that utilizes natural origin gases (e.g., technical synthetic air, ambient air) with vacuum interrupters. Ultimately, Meralco aspires to have an SF_6-free distribution network by 2060.

POWERING OUR DRIVE TO VEHICLE ELECTRIFICATION

Since 2020, we have successfully replaced over 150 internal combustion engine ("ICE")-based vehicles in Meralco's fleet with electric vehicles ("EVs")—representing a 6% electrification rate—supported by a robust charging network with more than 60 fast chargers across the Company's headquarters, Business Centers, and Sector Offices. By replacing a significant portion of our ICE vehicles with zero-tailpipe emission EVs, we are lowering our carbon footprint and achieving substantial fuel savings. This initiative has already resulted in more than PhP 4 million in fuel savings and over 100 tonnes in CO_2 emissions reduction. Ultimately, our goal is to convert more than 700 ICE vehicles of Meralco to EVs and achieve 25% fleet electrification by 2030.

B. Scope 2: Regulating Indirect Greenhouse Gas Emissions

GRI 302-2 | GRI 305-2

EQUITY-APPLIED SCOPE 2 EMISSIONS BY SOURCE (in tCO_2e)			
	2022	**2023**	**2024**
System loss	2,087,699	2,214,381	2,350,989
Electricity consumption	63,684	59,076	67,244
Total	**2,151,383**	**2,273,457**	**2,418,234**

One Meralco's Scope 2 emissions increased by 6% from almost 2.3 million tCO_2e in 2023 to over 2.4 million tCO_2e in 2024 due to an increase in the Distribution Utility's system loss volumes, which accounted for 97% of the Group's emissions for this scope.

TOTAL ELECTRICITY CONSUMPTION (in MWh)			
	2022	**2023**	**2024**
Meralco	61,894	59,890	65,971
Subsidiaries	27,524	23,059	30,993
Total	**89,418**	**82,949**	**96,964**

Meanwhile, our Group-wide electricity consumption increased by 17% from 82,949 MWh in 2023 to 96,964 MWh in 2024 due to an increase in the electricity consumption of MGEN's operating facilities.

DECARBONIZING OUR OPERATIONS THROUGH ENERGY CONSERVATION AND EFFICIENCY

Energy conservation and efficiency are among the most accessible strategies for decarbonizing businesses, offering both financial and environmental benefits. In 2024, we continued driving our Group-wide Resource Conservation and Efficiency Program ("RCEP"), which aims to lower One Meralco's Scope 2 emissions, as well as our operating expenses by managing our own electricity use. At the core of this program are our year-long awareness campaigns and the adoption of energy-efficient technologies (e.g., LED lighting, inverter air-conditioning units) across our facilities. Established in 2020, RCEP covers facilities within and outside the Meralco Operating Center in Pasig City.

In 2024, Meralco generated a total of 45,752 tCO2e in electricity consumption-related emissions, marking a 10% increase compared to 2023. This increase was primarily driven by the construction of new substations and the resumption of normal operations at the Lopez Building following a two-year retrofitting project.

Beyond the Meralco Operating Center, a total of 48.6 kWp of solar panels in the Company's Antipolo, Marikina, and Roosevelt Business Centers were installed and are expected to be operational in 2025.

Our subsidiaries have also implemented resource conservation and efficiency initiatives, including but not limited to adoption of inverter air-conditioning units, conversion of traditional lighting fixtures to LED, installation of solar panels, and development of smart energy management systems. They also conduct regular inspections and maintenance of fixtures, outlets, and appliances, as well as

information campaigns to raise awareness and drive behavioral change among their employee bases. All these efforts form part of our Group-wide RCEP.

C. Scope 3: Controlling Value Chain Emissions

GRI 305-3

EQUITY-APPLIED SCOPE 3 EMISSIONS BY SOURCE (in tCO_2e)			
	2022	**2023**	**2024**
DU energy sales	33,441,843	36,352,500	37,671,674
Gasoline consumption from rented/contractor-owned vehicles	71	2	47
Diesel consumption from rented/contractor-owned vehicles	11	5	22
Total	**33,441,925**	**36,352,508**	**37,671,744**

In 2024, our Group-wide Scope 3 emissions amounted to nearly 37.7 million tCO_2e, up from nearly 36.4 million tCO_2e in 2023. This 4% increase was driven by the growth in Meralco's and Clark Electric's primarily fossil fuel-based energy sales.

Our increasing Scope 3 emissions are largely tied to the nation's continued economic growth and Meralco's social responsibility and legal obligation to provide consumers in the Company's franchise area with electricity at the most affordable cost, as mandated by Republic Act 9209. While we recognize that the continuous combustion of fossil fuels exacerbates global warming, coal and gas continue to be the most reliable energy sources in the Philippines today and remain as the Company's primary sources of electricity to meet growing demand. Despite this, we, as part of our Long-Term Sustainability Strategy ("LTSS"), are actively expanding the share of RE in our supply portfolio. Through the DU and MPower, we have already contracted a total of 2,279 MW of RE to date, exceeding our initial target of 1,500 MW by the end of the decade, aligned with the Philippine government's Renewable Portfolio Standards.

To drive further reductions in our value chain emissions, we are planning to incorporate GHG emissions as a key criterion in our supplier accreditation and assessment process under the Meralco Supplier Sustainability Scorecard ("MS^3") initiative. This ensures that our supply chain partners actively contribute to lowering our overall environmental impact.

Bright Sparks: Reducing Value Chain Emissions Through Energy Efficiency and Conservation

Our subsidiary MSERV champions environmental responsibility by delivering tangible energy-saving solutions to its customers and promoting best practices in smart energy management. The company is both capturing growing demand for sustainability-related services and helping organizations achieve their goals to reduce emissions and cost. At the same time, MSERV's efforts help in reducing Meralco's

Scope 3 emissions, as lower energy consumption among customers can result in associated emissions reductions within the value chain.

Recognizing that organizations face challenges in initiating their own sustainability journeys, MSERV also helps businesses start reducing their carbon footprint by providing expert insights and actionable solutions through its energy audits. In 2024, MSERV was tapped for more than 200 energy audit projects across the country, helping its customers identify opportunities to reduce an estimated total of 90,000 tCO_2e in operational emissions. Through these comprehensive energy assessments, MSERV also enables businesses to reduce their operational costs by optimizing energy use, as well as enhance operational efficiency through retrofits, upgrades, and other innovative solutions such as smart energy monitoring systems.

To complement MSERV's energy efficiency services for commercial and industrial customers, Meralco offers a range of initiatives for residential customers to promote energy conservation and reduce costs. These include Bright Ideas, a customer awareness campaign focused on energy-saving practices; the Appliance Energy Calculator, a smart tool that tracks the energy consumption of household appliances; and publicly accessible cost-to-operate data, which provides details on appliance brands, technical specifications, and their estimated energy usage. Through these initiatives, we empower our customers to make informed choices that help them save on electricity bills.

D. Emissions Intensity: Ensuring Lower-Carbon Energy

GRI 305-4

On top of managing our absolute emissions, we also track our emissions intensity—the amount of GHG emissions (measured in tCO_2e) per unit of output or activity (quantified through GWh in energy sales). This is an important metric for understanding and managing our environmental impact as we support the continued growth of the national economy.

EQUITY-APPLIED SCOPE 1+2 EMISSION INTENSITY (in tCO_2e/GWh)			
	2022	**2023**	**2024**
Total Scope 1+2 emissions	8,408,587	8,717,168	9,049,187
Energy sales from distribution and generation businesses	61,342	64,253	67,706
Scope 1+2 emission intensity	**137.08**	**135.67**	**133.65**

EQUITY-APPLIED SCOPE 3 EMISSION INTENSITY (in tCO_2e/GWh)			
	2022	**2023**	**2024**
Total Scope 3 emissions	33,441,925	36,352,508	37,671,744
Energy sales from Meralco and Clark Electric	48,829	51,044	54,144
Scope 3 emission intensity	**684.88**	**712.18**	**695.77**

In 2024, One Meralco's combined Scope 1 and 2 emissions intensity was 134 tCO_2e/GWh, lower than the nearly 136 tCO_2e/GWh recorded in the previous reporting period. Meanwhile, our Group-wide Scope 3 emissions intensity decreased by more than 2% from 712 tCO_2e/GWh in 2023 to 696 tCO_2e/GWh in 2024.

As part of our LTSS, we are implementing substantial measures to progressively reduce our absolute emissions and emissions intensity through and beyond 2030 (versus a business-as-usual scenario) while continuing to expand our customer base and energy sales. Key initiatives include securing additional RE supply contracts and building more RE power plants. For more information about our efforts to expand the share of RE in our supply mix and power generation portfolio, please refer to the Energy Transition section under the Power pillar.

E. Carbon Offsetting: Restoring Ecosystems to Sequester Emissions

In addition to working to reduce our direct GHG emissions and those within our value chain, we continue to implement a nature-based solution to offset a fraction of our total emissions. Aligned with **SDG 15: Life on Land**, our One for Trees ("OFT") Program—led by the One Meralco Foundation ("OMF") in partnership with several non-governmental organizations and communities—helps sequester emissions while revitalizing local terrestrial ecosystems.

By the end of 2024, Meralco, through OFT, had planted a total of over 2.7 million trees—equivalent to offsetting nearly 59,000 tCO_2e of emissions per year—across different areas in the country. To preserve the country's biodiversity, we only plant species that are indigenous to the Philippines. For more information about our flagship tree-planting program, please refer to the Biodiversity section.

Air Quality: Maintaining Breathable Air

GRI 305-6 | GRI 305-7 | SASB IF-EU-120

Globally, electric utilities are a major source of air pollution with significant implications for both the environment and human health. At One Meralco, we strive to manage our impacts, and minimize the risk of regulatory action, by maintaining our non-GHG emissions within the acceptable thresholds set by the Philippine Department of Environment and Natural Resources ("DENR"), aligned with the Philippine Clean Air Act.

As a result of our efforts, MGEN's thermal facilities, which are ISO 14001:2015-certified, have met the standards for non-GHG air pollutants set by the DENR Environmental Management Bureau in each of the past three years.

CONCENTRATION OF AIR POLLUTANTS RELEASED BY MGEN'S POWER PLANTS[32] (in mg/Nm^3)			
	2022	**2023**	**2024**
Nitrogen oxides (NOx)	156	154	308
Sulfur oxides (SOx)	338	221	204
Particulate matter (PM_{10})	4	7	18
Persistent organic pollutants ("POPs")	*Not monitored*		
Volatile organic pollutants ("VOCs")			
Lead (Pb)			
Mercury (Hg)			

In 2024, MGEN's NOx emissions concentration doubled from the previous year following the recommissioning of its PPC 3 and PPC 4 plants. Particulate matter concentration likewise rose by 157%. However, SOx emissions saw an 8% decline.

Going forward, MGEN will explore ways to monitor other air pollutants such as POPs, VOCs, Pb, and Hg to better manage its power plants' impacts on air quality.

[32] Power plants included: Toledo Power Company ("TPC") 1A, Cebu Energy Development Corporation ("CEDC"), and Panay Energy Development Corporation ("PEDC") 1, 2 & 3

Water & Effluents: Conserving a Scarce Resource

GRI 303 | SASB IF-EU-140

Despite having ample freshwater resources, the Philippines has been facing water scarcity since 2017, with a national water availability of just 1,300 m^3 per capita—300 m^3 below the threshold for water stress. In addition to this, 40 million Filipinos do not have access to clean and potable water and still rely on unsafe water sources. To help address these interrelated challenges, One Meralco implements various initiatives aimed at managing the Group's water consumption without exacerbating water stress and treating wastewater to protect water quality within our areas of operation.

WATER MANAGEMENT METRICS OF MGEN (in liters)			
	2022	**2023**	**2024**
Withdrawn	1,201,625,458,354	1,468,927,962,266	1,464,319,694,119
Consumed	616,394,544	222,101,199,665	5,159,980,161
Discharged	1,201,009,063,810	1,246,826,762,601	1,459,159,713,958

In 2024, MGEN, which accounts for more than 99% of our Group-wide water use each year, extracted nearly 1.5 trillion liters of water—representing a decrease of 0.3% versus 2023—from different sources to cool its coal-fired power plants during operations via a once-through process. Ninety-nine percent (99.65%) of this water, which was withdrawn from surface water, groundwater, seawater, and utility water, was treated before being safely discharged back to the sea.

To further minimize the adverse ecological impact of its power plants and help ease global freshwater scarcity, MThermal, a fully owned subsidiary of MGEN, has rolled out a wastewater management program across its facilities in the Visayas at a low cost. Initiatives under this program include but are not limited to recycling of deep well reverse osmosis reject water (for backwash, fire hydrants, and plant-watering service), conversion of closed-loop seawater pump cooling systems to open systems, and diversion of effluents to rainwater to desalination plants. Thus far, MThermal has spent only PhP 600,000 on this program, which was only used for the last initiative, as each project required either internal process modifications or materials and equipment that were readily available in the company's facilities.

From the Distribution Utility perspective, we have made significant strides in reducing our freshwater consumption and associated operating costs as part of RCEP. In 2024, we equipped key Meralco facilities—including the Meralco Operating Center, 10 Sector Offices, the Sub-Transmission Services Facility, and three support facilities (the Powerbase Lineman's Training Camp, the Pagbilao Service Center, and the Pala-pala Stores)—with sewage treatment plants ("STPs") utilizing advanced sequencing batch reactor ("SBR") technology. This technology effectively treats wastewater by optimizing the removal of organic matter and nutrients, in compliance with DENR's general effluent standards.

To reduce the volume of freshwater we use, as well the quantity of treated wastewater discharged into the environment, we invested in a cutting-edge tertiary treatment facility ("TTF") at the Meralco Operating Center. The TTF further purifies the SBR-treated water to stringent quality standards,

enabling us to reuse the high-quality effluent in our cooling towers. By doing so, we are not only compliant with the Philippine Clean Water Act but also advancing sustainable water management practices across our operations. As a result of this initiative, by the end of the reporting period, we had successfully reduced Meralco's water consumption by 10% compared to the previous year—exceeding our year-end target of 5%.

Bright Sparks: Innovating for Water Reclamation

In 2024, Maynilad, one of the two major water supply and wastewater service providers in the Greater Manila Area, partnered with MSERV as its chosen contractor to construct its new STPs in the cities of Pasay and Parañaque, as well as modernize its water reclamation facility in Muntinlupa. Aimed at meeting the updated water quality guidelines and general effluent standards under the DENR Administrative Order No. 2021-19, these upgrades enhance the STPs' treatment capacity and efficiency, ensuring compliance with the DENR's stringent standards for wastewater management. MSERV handled the design and construction of all civil and electrical non-process equipment and non-process auxiliary equipment for the project.

A key component of the project is the introduction of advanced treatment processes to further purify effluent from the STPs. This innovative approach, which is the first in the country, produces "NEW WATER", a high-quality, potable-grade water source. By transforming treated wastewater into a reusable resource, the project helps reduce the reliance of Metro Manila's West Zone on freshwater sources and can help address the country's water scarcity problem.

Looking ahead, Maynilad will upgrade its Cupang Water Reclamation Facility this year to meet the updated DENR standards, once again tapping MSERV as its trusted engineering partner.

Material Consumption & Waste Management: Optimizing Resource Utilization

GRI 306-1 | GRI 306-5

Each year, the Philippines generates a staggering 3 million tonnes of food waste from households alone and nearly 2.5 million tonnes of plastic waste. Meanwhile, 1 billion tonnes of waste fly ash is produced from coal-fired power plants worldwide. These waste challenges highlight the urgent need for proper systems to prevent waste from polluting land and the ocean. One Meralco responds by addressing the root cause of the problem—the linear take-make-dispose model of resource consumption—with policies and programs that help operationalize the three Rs of waste management: reduce, reuse, and recycle. Materials that inevitably reach their end-of-life are disposed of in compliance with national waste management standards.

To streamline and improve waste management practices and initiatives across One Meralco, we continue to implement our Race to Zero Waste ("RZW") Program. With the goal of reducing the impact of our Group on landfills and the ocean, our RZW Program covers all our offices, Sector Offices, Business Centers, substations, and other facilities we own and manage.

The RZW Program was built on the success and momentum of our Group-wide ban on single-use plastics ("SUP") that began in 2019. The SUP ban currently covers all One Meralco offices and facilities and extends to the Group's suppliers.

AMOUNT OF SOLID WASTE TREATED OR DISPOSED OF BY MERALCO (in tonnes)			
	2022	**2023**	**2024**
Biodegradable	2,133	1,562	1,730
Recyclable	411	403	316
Residual	116	105	117
Total	**2,660**	**2,070**	**2,163**

Meralco has achieved a more effective and efficient monitoring and segregation of waste by implementing a more robust waste management system founded upon a comprehensive waste analysis and characterization study. We have deployed more labeled waste segregation bins, established materials recovery facilities ("MRFs"), and facilitated employee awareness campaigns. In 2024, the Company generated a total of 2,163 tonnes of solid waste, up by more than 4% from 2023, due to more tree trimming activities, resumption of corporate events, and holiday celebrations.

During the same reporting period, we successfully diverted all of Meralco's biodegradable and recyclables wastes—representing 95% of the Company's total waste generated—as a result of strict adherence to national waste management policies and Company-specific guidelines, expansion of waste management facilities, and better employee awareness campaigns. Meralco's biodegradable waste, which made up nearly 80% of the Company's total waste in 2024, was processed through mechanized dual-drum composting units. This process resulted in the production of six tonnes of high-quality compost by the end of the year. Additionally, waste trimmings from routine maintenance

activities were donated to local government units (“LGUs”) for composting and waste-to-energy initiatives.

Our Race to Zero Waste Program extends to our subsidiaries. For instance, MGEN focuses on coal ash recycling in its power plants. In 2024, the coal ash recycling rates at MGEN’s facilities in Cebu and Panay increased by 16% compared to the previous year, resulting in the diversion of over 154,000 tonnes of waste coal ash from landfills. This was a result of better implementation of coal ash waste management and recycling on these sites.

Meralco and MGEN’s thermal plants hold ISO 14001 certifications, which attests to the robustness of our Group’s environmental management systems.

Biodiversity: Managing Our Impact on Ecosystems

The power industry, particularly through the development of infrastructure such as substations, utility poles, and power plants, can significantly impact ecosystems. For instance, land use changes, habitat fragmentation, and pollution (including air, water, noise, and light) from power generation—whether from fossil fuels or even RE sources—can severely disrupt and harm local wildlife. Moreover, the sector's GHG emissions drive climate change, which adds pressure on threatened species by altering habitats and weather patterns.

Recognizing the adverse impacts of our business on nature, One Meralco strictly adheres to all relevant biodiversity laws and regulations in the Philippines. This includes conducting thorough environmental impact assessments before constructing new facilities and ensuring that their potential adverse effects on local ecosystems are properly identified and mitigated through their construction and operational phases.

Beyond mere compliance, our Group also strives to contribute to the restoration of local biodiversity through our OFT Program. This initiative under OMF prioritizes the planting of indigenous tree species, which are crucial for maintaining and restoring the integrity of local ecosystems and supporting native wildlife. OFT helps in rehabilitating damaged and threatened forests and watersheds across the country while providing a reliable source of income to local communities that provide support in our tree-planting activities.

In 2024, our Group planted over 84,600 new trees through OFT—including 4,000 trees at the Meralco Operating Center as part of Meralco's PowerPlants initiative—bringing our total to over 2.7 million trees across the Philippines. Of these, nearly 1.7 million were directly contributed by MGEN. Ultimately, we aim to plant and ensure the sustainable growth of 5 million trees by 2030 through this biodiversity program—40% of which will be covered by MGEN.

People: Nurturing Sustainability from Within

Our employees are our greatest source of light.

At the heart of One Meralco's legacy and continued success is our diverse and driven talent pool—comprised of the brightest minds in the Philippine power industry. Recognizing that our people are the main driving force that propels our organization forward, we place immense value in nurturing a culture rooted in merit, dignity, and sustainability.

We ensure that employees across our Group receive compensation and benefits that enable them to not only fulfill their daily needs but also further their personal goals. To help them reach their full potential, we provide many avenues for professional development, social engagement, and community involvement.

We also prioritize maintaining a safe and secure workplace where our employees feel respected and protected across all levels of the organization. To this end, our Group sets policies and takes proactive measures to safeguard the health and fundamental rights of our employees, exemplifying the premium we put on **SDG 8: Decent Work and Economic Growth**.

Last but not least, we champion diversity, equity, and inclusion ("DEI") across One Meralco to affirm our commitment to the fair treatment and equal participation of all our employees. Guided by **SDG 5: Gender Equality** and **SDG 10: Reduced Inequalities**, we implement programs designed to not only increase women's representation in the Distribution Utility's ("DU") workforce but also foster a discrimination-free environment where everyone is empowered to succeed.

As we continue to transform our sustainability vision into action, our people at One Meralco remain our torchbearers who will lead us towards a better and brighter future.

PERFORMANCE HIGHLIGHTS

20.53	**51M**	**24.6%**
average training hours per employee	safe person-hours	female representation in the workforce

KEY INPUTS (HUMAN CAPITAL)

19,623		**PhP 4.93M**
employees		donated by DU employees to CSR programs

KEY OUTCOMES (HUMAN CAPITAL)

91.8%	**1.42**	**–0.12%**
DU employee satisfaction	DU lost time injury frequency rate ("LTIFR")	DU gender pay gap

Stories of Light: Powering Women's Future in Energy

Men have long made up the majority of the energy industry—today, we are helping women rewrite the narrative and prove that *power* knows no gender. In support of Meralco's #Mbrace Diversity & Inclusion Program, we are actively opening doors for women in the power sector, helping break down barriers as they step into roles where they have long been underrepresented. Our goal is to spark change, challenge norms, and lead the way towards a more diverse and inclusive energy sector. To this end, we offer scholarship programs that equip women with the skills and resources they need to thrive in the industry.

Through the DU's Women Technician Scholarship Program, aspiring female technicians receive full scholarships and hands-on training from Don Bosco College-Canlubang in Calamba, Laguna, as well as accreditation from the Technical Education and Skills Development Authority ("TESDA"). Since 2022, this technical-vocational scholarship program has opened new career paths for 37 women, helping them gain the expertise needed to join Meralco's workforce.

At the university level, we have created the MpowHER scholarship program to encourage more women to join the power sector. Through this initiative, which was also launched in 2022, we provide financial support and mentorship to deserving female electrical engineering students to enable them to graduate, pass the board exam, and enter the industry with confidence.

In 2024, we set a landmark for DEI in the Philippine power sector when three of our female line crew members became pioneers in electric power distribution line work. Nicole Levita (Plaridel Sector, Maintenance), Mary Rose Astor (Pasig Sector, Maintenance), and Christine de Castro (Sub-Transmission Lines) made history for being the first female recipients of the TESDA Electric Power Distribution Line Construction National Certificate Level II. Held in March 2024 at the Meralco Power Base in Antipolo, Rizal, the certification assessment saw 30 candidates (comprised of both men and women) undergo rigorous testing of their theoretical knowledge and practical skills in installing, maintaining, and repairing distribution lines. TESDA assessors and industry experts conducted the evaluation, ensuring that the highest standards of excellence were met.

As we continue powering the future, we envision an industry where gender is no longer a barrier but a source of strength. We will continue to expand our scholarship and training programs to help many more women enter and flourish in a more inclusive power sector.

> *"We light the way for the future—let's keep reaching higher and achieving more because there's no limit to what we can accomplish together."*
> — Christine de Castro

> *"Ang pagpasa ko sa NC II ay hindi ko lamang tagumpay kundi pati na rin ng mga kapwa ko babaeng gustong pumasok sa ganitong uri ng trabaho. Pakiramdam ko ay napansin at nakita kaming mga kababaihan dahil sa parangal na ito."*
> — Nicole Levita

“Hindi ko itinuturing na kahinaan ang pagiging babae ko. Ito ang naging motivation ko para mas maipakita at mapatunayan ang sarili ko. Mas napapansin din ang galing at kakayahan ko dahil sa dedikasyon ko bilang isang babae sa trabahong ito. Pero ang pinakamahalagang natutunan ko dito ay wala kang kailangan patunayan kung dedicated ka sa lahat ng ginagawa mo.”

— Mary Rose Astor

Talent Attraction & Retention: Growing and Developing Our Tribe of Game Changers

GRI 2-7 | GRI 2-8 | GRI 401 | GRI 406 | GRI 405

Human capital—encompassing the knowledge, skills, and time invested by individuals to meaningfully contribute to society—is the driving force behind any successful organization. At One Meralco, we rely on a highly skilled labor force, particularly engineers and technicians. However, with a limited pool of such specialized talent in the Philippines, attracting and retaining these individuals remains a key priority and challenge for our organization. As such, our Group's focus on talent management goes beyond just simply building a technically competent workforce—it is about holistically fostering development opportunities that not only empower our people to lead flourishing lives and careers but also inspire them to make positive contributions to society.

Led by Meralco's Human Resources and Corporate Services department, we craft policies and implement a suite of industry-best programs across One Meralco to draw and develop promising Filipino talent.

Through Meralco's HR Business Partners, who are strategically assigned to major groups within One Meralco, talent acquisition strategies and employee development, engagement, and retention initiatives in our Group are developed and implemented in a cohesive and unified manner. This ensures our entire workforce remains not only competitive but also aligned with the standards of productivity and excellence we uphold at Meralco.

A. Hiring & Onboarding: Welcoming New Employees

Our Group's recruitment process is built on the principles of fairness and meritocracy. Positioning ourselves as an equal opportunity employer, we assess and hire candidates based on skills, experience, and potential, ensuring that factors such as age, gender, socioeconomic status, religion, and ethnicity, do not stand in the way of opportunity. This allows us to continuously attract high-caliber individuals capable of meeting the rapidly evolving needs of our businesses.

MERALCO DU EMPLOYEES BY EMPLOYMENT STATUS						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Permanent	4,481	1,239	4,518	1,262	4,531	1,333
Probationary	150	60	122	66	112	51
Fixed-term and project-based	230	90	218	90	190	85
Subtotal	**4,861**	**1,389**	**4,858**	**1,418**	4,833	1,469
Overall		**6,250**		**6,276**		**6,302**

SUBSIDIARY EMPLOYEES BY EMPLOYMENT STATUS						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Permanent	4,796	1,970	4,079	1,795	8,159	2,641
Probationary	260	408	341	633	213	367
Fixed-term and project-based	6,180	1,138	6,096	1,288	1,619	322
Subtotal	**11,236**	**3,516**	**10,516**	**3,716**	9,991	3,330
Overall		**14,752**		**14,232**		**13,321**

In 2024, One Meralco's workforce comprised a total of 19,623 employees, down by over 4% from 2023 as a result of CFS's downsizing.

Meralco's fresh hires are seamlessly integrated into the organization through the Company's virtual onboarding program, Orange Plug-in ("OPI") Online, which acquaints them with the organization's history, mission, vision, and core values, as well as current businesses and initiatives. OPI Online, comprising both guided and self-paced learning sessions, also features special modules on sustainability, DEI (specifically gender equality), corporate governance, and data privacy. The platform also allows users to learn more about Meralco's corporate policies, productivity tools, compensation and benefits, and opportunities for professional development. Each of our subsidiaries also conducts their own onboarding program tailored to the needs of their respective industries as well as their own internal talent requirements.

B. Remuneration: Rewarding Excellence and Productivity

GRI 2-19 | GRI 405-2

As the Philippines' leading electric utility, Meralco offers competitive and rewarding compensation and benefits packages to employees who deliver outstanding service. We practice market pay competitiveness across all job levels and positions as well as internal pay equity to make sure that compensation is proportional to the role's value and the employee's contributions to the Company.

In principle, Meralco's remuneration philosophy is about fulfilling employees' basic needs while opening opportunities for personal financial security. The base salary ranges we offer are well above minimum statutory levels and are competitive within both our industry and the general business community. We benchmark against our peers, in partnership with Willis Towers Watson, to ensure that the compensation and benefits we offer remain in line with best practices. Meralco's employees can expect salary growth over time through annual merit increase and promotion programs.

On top of competitive salaries, Meralco also offers incentives that link individual employee performance to the Company's success (including in sustainability), fostering a sense of ownership of and commitment to our organization's achievements.

Our variable incentives are directly tied to performance targets approved by the Board Remuneration and Leadership Development Committee, with recognition granted only upon the successful achievement of the defined targets. This approach is aligned with our performance-based incentive philosophy, designed to ensure high quality of work.

A broad employee benefits program complements these financial incentives, going beyond legal requirements and covering paid leave as well as best-in-class health and life insurance, retirement plans, and subsidies for rice, transportation, and mobile communication. Our subsidiaries also have their own remuneration packages aligned with the compensation and remuneration standards specific to their respective industries.

MATERNITY LEAVE				
		2022	**2023**	**2024**
Entitled to leave	Meralco DU	1,299	1,328	1,384
	Subsidiaries	3,065	3,462	3,060
Took leave	Meralco DU	87	110	276
	Subsidiaries	176	159	237
Returned after leave[33]	Meralco DU	86	110	276
	Subsidiaries	137	154	188
Returned and still employed 12 months after leave[36]	Meralco DU	80	107	716
	Subsidiaries	126	145	181

PATERNITY LEAVE				
		2022	**2023**	**2024**
Entitled to leave	Meralco DU	4,631	4,640	4,543
	Subsidiaries	5,741	5,415	4,969
Took leave	Meralco DU	200	236	225
	Subsidiaries	197	192	275
Returned after leave[36]	Meralco DU	200	236	225
	Subsidiaries	190	190	274
Returned and still employed 12 months after leave[36]	Meralco DU	198	230	1,037
	Subsidiaries	183	186	271

[33] Includes employees who took their parental leave in the previous reporting period then returned to work during the current reporting period

SOLO PARENT LEAVE							
		2022		2023		2024	
		M	F	M	F	M	F
Entitled to leave	Meralco DU	11	24	11	28	9	22
	Subsidiaries	1,063	491	19	72	1,071	117
Took leave	Meralco DU	11	23	11	28	32	106
	Subsidiaries	9	79	21	83	16	119
Returned after leave[36]	Meralco DU	11	23	11	38	32	106
	Subsidiaries	9	79	21	83	7	118
Returned and still employed 12 months after leave[36]	Meralco DU	9	23	11	26	28	106
	Subsidiaries	9	74	15	85	7	103

The satisfaction of Meralco's employees with their remuneration packages and the Company's overall work environment is evident in the high return-to-work rate among those who took parental leave. For instance, 100% of employees who took parental leave in 2024 chose to return to work with the Company after completing their leave.

We are committed to supporting new parents in our organization as they return back to work after completing their parental leave. For instance, Meralco provides dedicated lactation rooms for new mothers across our premises, including our head office, Business Centers, and Sector Offices. Moreover, through our iFLEX program, we offer flexible work arrangements, such as hybrid setups and flexible work hours, to help ease the transition for employees returning from parental leave. This program is available for non-field and non-customer-facing positions, helping parents to better balance their professional responsibilities with their family needs and personal well-being.

C. Training & Development: Investing in Professional Growth

GRI 404

Training and development are key to unlocking the full potential of our employees. As such, One Meralco offers a wide range of training courses and professional development opportunities designed to not only ensure our employees possess the essential technical competencies needed for their current roles but also prepare them to grow into future leaders within the energy sector. Recognizing our Group's dependence on a highly specialized workforce in a rapidly evolving industry, we invest in programs that strengthen our internal capabilities while also contributing to the nation's progress.

AVERAGE TRAINING HOURS FOR MERALCO DU EMPLOYEES BY RANK						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Senior management	38.3	31.2	44.9	29.8	29.4	30.9
Middle management	38.7	38.6	47.8	36.3	30.9	26.8
Rank and file	49.4	35.2	66.3	36.8	57.0	35.1
Weighted average	**45.5**	**34.0**	**59.4**	**34.4**	49.5	31.6
Overall average		**42.9**		**53.8**		**45.4**

AVERAGE TRAINING HOURS FOR SUBSIDIARY EMPLOYEES BY RANK						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Senior management	11.1	4.7	29.8	43.2	13.3	15.9
Middle management	2.6	8.4	23.0	19.0	14.6	9.5
Rank and file	7.7	5.0	6.6	3.0	6.1	7.4
Weighted average	**3.6**	**7.0**	**6.7**	**4.5**	**8.0**	8.7
Overall average		**4.6**		**6.3**		**8.5**

In 2024, Meralco rolled out technical and leadership training courses amounting to a total of 283,539 training hours, equivalent to an average of over 45 training hours per employee. This 16% decrease from 2023's 337,381 training hours (with an average of nearly 54 training hours per employee) was driven by new programs on culture-building, values integration, and competency development.

We support our employees in ongoing professional learning. To achieve this, we first ensure that our training topics remain relevant, leading-edge, and engaging for all participants at all levels across the Company. Moreover, as part of our sustainability journey, we incorporate sustainability topics into our learning and development ("L&D") curriculum to inspire our employees and equip them with the knowledge necessary to advance the Group's sustainability agenda.

In recognition of our L&D programs and our efforts to build a strong learning culture in our organization, Meralco was named as the Outstanding L&D Organization of the Year by the Philippine Society for Talent Development at the 7th Gawad Maestro Awards held in December 2024.

INVESTING IN WORLD-CLASS TECHNICIANS AND ENGINEERS

As Meralco's electric distribution network continues to expand, we are intensifying our efforts to develop highly skilled and agile field workers capable of operating and maintaining the efficiency, reliability, and safety of our grid infrastructure. To this end, we are investing in building a pipeline of highly skilled line crew and enhancing the capabilities of our existing team members through the Meralco Lineman Training Curriculum ("MLTC"). This tiered program is designed to train and upskill our Company's line crew—from entry-level apprentices to crew leaders and supervisors.

Beyond line crew training, we also invest in the professional growth of our own engineers through the Electrical Engineering Advancement Program, through which we enable Meralco's engineers to upgrade their licenses and become professional electrical engineers ("PEEs") with specialized training

and resource support. In 2024, eight Meralco engineers successfully earned their PEE certifications after completing rigorous coursework and defending their technical engineering reports before the Board of Electrical Engineering. The addition of these new PPEs to the Meralco workforce further widens our Company's pool of technical experts in the field of electrical engineering.

> *"Sa tulong ng Meralco Linecrew Training Course, natutunan ko ang kahalagahan ng kaligtasan at dekalidad na serbisyo sa aming trabaho. Pinahusay nito ang aking pagtatrabaho at pinalakas ang aking kumpiyansa sa pagganap ng aking tungkulin."*
> — Ricky T. Fidel, Lineman, Balintawak Sector, Gawad Liwanag Line Crew Awardee

> *"Meralco's Electrical Engineering Advancement Program has been essential in helping me become a Professional Electrical Engineer by providing hands-on experience, mentorship, and opportunities to work on impactful technical projects. The Company's focus on safety, innovation, and industry best practices has equipped me with the skills and knowledge to achieve this milestone."*
> — Ren Christian M. Santos, M.Sc., Revenue Assurance Manager, Revenue and Meter & Device Management, PEE 5472

Our subsidiaries likewise invest in developing the next generation of engineering leaders. For instance, MIESCOR cultivates young engineering talent through its flagship Power Builders Cadetship Program, an immersive five-month onboarding initiative designed to equip high-potential engineers with the technical expertise, leadership skills, and hands-on experience needed to excel in the industry.

> *"Participating in MIESCOR's Cadetship Program has been a valuable opportunity that strengthened my foundation for a successful engineering career. Learning from experienced mentors was both an honor and a privilege, as they provided invaluable insights that went beyond textbooks. It has reinforced my passion for engineering and my commitment to continuous learning and growth."*
> — Engr. Lhealyn J. Sembrano, RCE, RMP, Cadet Engineer

Carefully selecting top-performing, fresh engineering graduates from accredited universities, the program offers a structured development journey that includes an intensive orientation, cross-unit on-the-job training, mentorship from industry leaders, and professional development courses. In 2024, the program successfully produced its third batch of cadet engineers (comprised of four electrical and six civil engineers), who completed rigorous training and have since been deployed to key business units within MIESCOR.

Building on this success, MIESCOR will introduce the MIESCOR Powerhouse in 2025—an innovative competency framework designed to continuously assess, develop, and enhance the capabilities of its in-house engineers, ensuring that they are well-equipped with the technical and management expertise to further drive innovation in the energy sector.

BUILDING A ROBUST LEADERSHIP CULTURE AND PIPELINE

We are also fostering a supportive coaching culture by equipping managers with the skills to guide, develop, and empower their teams. Rather than simply providing answers, we encourage our leaders

and supervisors to adopt a coaching mindset—one that incites powerful questions and enables team members to think critically and take ownership of their development.

In this regard, Meralco developed the Lumens Coaching Program for Leaders, a four-month development journey designed to strengthen our leaders' coaching capabilities, enabling them to effectively develop their teams.

> *"One big realization I had with the program is that our coachees can actually help themselves. It's just a matter of asking them the right questions for them to think deep and to realize that they themselves already have the answers to their problems."*
> — Christopher T. Reblando, Head, ICT Planning and Program Management

Guided by professionally trained coaches, including those certified by the International Coaching Federation, the program enhances leadership effectiveness beyond technical skills. In 2024, Lumens was recognized with the Gold Award for Leadership Development at the 3rd HR Excellence Awards Philippines—a testament to our commitment to building a robust leadership pipeline and a culture of continuous development.

Going forward, we plan to continue training more coaches to strengthen the 70-20-10 L&D approach[34] and introduce other L&D initiatives, including end-to-end competency assessments, to strengthen Meralco's culture of learning and growth.

D. Employee Engagement: Fostering Holistic Personal Development

In line with our Group's commitment to holistic personal development, we go beyond professional advancement by giving our employees access to a wide range of initiatives to support their physical, spiritual, emotional, and mental health and welfare. We also provide our employees with different opportunities to volunteer, empowering them to contribute to social good while fostering a deeper sense of purpose and connection with our communities.

NURTURING FIT AND HEALTHY EMPLOYEES

In 2024, we continued to implement and expand a range of wellness activities aimed at boosting employee morale and well-being. This included the Orange Fit Month in July, where we organized sports tournaments and clinics to strengthen friendship and camaraderie among our people. We also encouraged employees to take part in the 8th MVP Olympics, which brought together companies across the MVP Group in various competitive sports.

Moreover, our fitness gym and sports facilities at the Meralco Fitness Center remained open to promote an active lifestyle among our employees. We complemented our initiatives to improve the physical health of our personnel (as well as their dependents) with fun social activities throughout the year, including our annual Foundation Day celebration, One Meralco Cool-tural Festival, the Service Awards ceremony, and the One Meralco Salu-Salo.

[34] 70-20-10 is an L&D model suggesting the following approach to effective learning: 70% from challenging assignments, 20% from developmental relationships, and 10% from coursework and training.

By offering a wide range of personal development initiatives, Meralco nurtures not only the passion and drive of our employees but also the culture of collaboration within our Company.

INSTILLING SUSTAINABILITY IN OUR WORKFORCE

To educate our employees across One Meralco on foundational sustainability concepts, as well as our Group's sustainability agenda and initiatives, we brought Meralco's Sustainability Roadshows series to our subsidiaries in 2024. Aimed at instilling a sustainability-oriented mindset among our personnel and encouraging sustainable behaviors and practices within and outside the workplace, this initiative reached over 600 employees across MGEN, MIESCOR, and MSpectrum.

We conducted an onsite roadshow, supported by a livestream via Microsoft Teams for those unable to attend in person. The roadshows covered a range of topics including global and local environmental, social, and economic challenges, the United Nations' Sustainable Development Goals, and our Group's sustainability programs.

Featuring engaging talks from our senior leaders—including Meralco's Chief Operating Officer and our Chief Sustainability Officer, MGEN's President and Chief Executive Officer, and One Meralco's Sustainability Champions—as well as presentations of achievements and interactive games, participants gained insights into how their individual actions as employees can contribute to One Meralco's sustainability goals. The roadshow also served as a venue for dialogue between our executives and our people, with a Q&A session allowing employees to share ideas and feedback on the Group's existing and future sustainability efforts.

The roadshow provided a platform for employees to collectively commit to the Group's sustainability agenda. At the conclusion of the event, participants were led and guided by senior leaders in pledging to drive and support One Meralco's sustainability efforts.

KEEPING OUR PEOPLE ENGAGED AND INFORMED

We amplify our employee engagement efforts through various communication channels. In 2024, we launched *Meralco News*, a quarterly print publication dedicated to strengthening Meralco's core values among our employees and fostering a deeper connection with the Company. Featuring articles, program highlights, and event coverage, *Meralco News* serves as a platform to celebrate our organization's key achievements and initiatives. Moving forward, we will shift to our existing digital communication channels—such as Meralco and Me Alerts and Workplace—to disseminate this publication to our employees electronically.

ACTIVATING A COMMUNITY OF CHANGEMAKERS

Aside from promoting the well-being of our employees, we also create multiple avenues for them to contribute meaningfully to the welfare of others. Each year, our people actively volunteer for community outreach programs and fundraising campaigns organized by the One Meralco Foundation ("OMF") to aid underprivileged Filipinos.

In 2024, Meralco employees generously contributed a total of PhP 4.9 million to various charitable initiatives led by OMF. These included the Earth Day fundraising campaign, which provided additional

funds for the One for Trees Program; the annual Balik Eskwela Program, which funded school bags and supplies for thousands of public-school students across the country; as well as the electrification of agricultural and livelihood facilities in our partner communities. Meralco employees also donated seedlings and volunteered with the PowerPlants urban farm initiative, where they planted and cultivated vegetables and crops within the Meralco Operating Center with the help of OMF.

Stories about OMF's social responsibility initiatives in 2024 and how Meralco employees contributed are detailed in the OMF Annual Report 2024.

Bright Sparks: Creating Safe Spaces for Our Feline Friends

The Philippines has long been struggling with a growing population of stray animals—especially in urban areas like Metro Manila—with at least 13 million dogs and cats across the country living without permanent homes. As such, in 2024, we launched the CATropa Animal Welfare Program, which aims to provide safe spaces for stray cats within and beyond Meralco's premises, in partnership with animal welfare organizations and local government units.

Through this initiative, Meralco employees came together and volunteered to safely and humanely catch, neuter, vaccinate, and return free-roaming cats to their outdoor homes, helping control feline populations in the city while building a community bonded by a shared commitment to animal welfare.

Labor & Human Rights: Upholding Our Workers' Dignity

GRI 2-30 | GRI 402-1

Labor and human rights are the foundation of responsible business practices. We fulfill our social responsibility towards our employees by upholding their dignity and basic rights, as enshrined in Meralco's Human Rights Policy. This policy—aligned with the United Nations' Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work—establishes protective measures and clearly delineates the systems, structures, and processes in place to safeguard the fundamental rights of not only our employees but also our other stakeholders involved in or affected by our business activities. Ensuring the highest standard of labor and human rights protection is integral to our long-term sustainable growth.

Aligned with this policy, we cultivate a culture of trust, openness, and constructive engagement, which is evident in our labor practices. We provide our employees various avenues for meaningful and constructive dialogue concerning labor issues. In particular, Meralco actively engages in collective bargaining with the Company's 1,295 rank-and-file and 3,031 supervisory employees (representing 72% of the workforce) covered by collective bargaining agreements ("CBAs"). Currently, the Meralco Employees and Workers Association ("MEWA"), which represents the Company's rank-and-file employees, is under a CBA from December 1, 2022, to November 30, 2025. Meanwhile, the First Line Association of Meralco Supervisory Employees ("FLAMES"), which represents the Company's supervisory staff, is bound to a CBA covering the period December 1, 2024, to November 30, 2027.

EMPLOYEES COVERED BY CBAs			
	2022	**2023**	**2024**
Meralco DU	4,346	4,332	4,326
Subsidiaries	1,683	1,538	263
Total	**6,029**	**5,870**	**4,589**

In addition to formalizing communication between employees and our senior management through CBAs, we maintain a secure platform for employees (as well as our other stakeholders) to report any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance. We treat reports of infractions with utmost seriousness, initiating prompt investigations and applying appropriate sanctions to address offenders. Meralco's Speak Out Policy allows the lodging of complaints by offended parties or witnesses to violations—anonymous or otherwise—and guarantees the full protection of the complainant against any form of retaliation. Complaints are directed to Meralco's Corporate Governance Office ("CGO"), which handles and evaluates the case with the assistance of its Assisting Investigative Units ("AIUs").

In the unlikely occurrence of retaliation, the individual who reported the incident or served as a witness has the option to complete a Retaliation Protection Report Form. This form undergoes review by the Management Disciplinary Committee or the relevant Board Committee, with approval from the CEO, the Chairman of the Board, or a designated representative.

Going beyond actively responding to employee issues, we take proactive measures to effectively prevent misconduct and address violations from the beginning of an employee's journey. For instance, Meralco conducts training sessions for new employees and managers on the Code on Right Employee Conduct ("COREC") to make them aware of the appropriate workplace behavior expected to be maintained within the organization. The CGO likewise conducts roadshows with Meralco's business units to keep them abreast of the latest governance policies and programs of the Company. All employees are required to complete the Annual Corporate Governance Refresher in January of each year.

Our subsidiaries across One Meralco are likewise committed to protecting the integrity and dignity of all their employees and workers. For instance, MIESCOR, which mostly offers positions on a temporary or project-specific basis due to the nature of its business, upholds all labor standards, including health and safety regulations, as mandated by law, for all regular and fixed-term workers alike. Moreover, the company ensures full compliance with legal requirements surrounding job contracting to guarantee fair and lawful treatment of third-party workers.

Moving forward, our Group will continue educating and empowering our workforce to uphold our firm commitment to labor and human rights. As new initiatives are introduced, we will also continue to keep abreast of emerging laws, regulations, and other jurisprudences to ensure full compliance.

Occupational Health & Safety: Protecting Our Employees from Harm

GRI 403 | SASB IF-EU-320

Ensuring that every employee returns home safely at the end of the day is at the heart of One Meralco's social responsibility. We believe that maintaining a safe and healthy workplace is not only a legal obligation but also a fundamental part of how we care for our people. As such, our Group strives to go beyond mere compliance with policies such as the Labor Code of the Philippines and Republic Act 11058, otherwise known as the Occupational Safety and Health Standards Act. In support of **SDG 8: Decent Work and Economic Growth**, we have established robust OHS policies, governance bodies, and programs aimed at ensuring that all our employees are able to work away from harm.

A. Providing a Safe Workplace for Our Employees

Our Group continues to invest in OHS initiatives in line with our fervent commitment to upholding the right of our people to a safe and healthy work environment, in strict adherence to standards and regulations set by the Department of Labor and Employment ("DOLE").

INSTITUTIONALIZING A CULTURE OF SAFETY

At the DU level, the Facilities & Safety Management department is responsible for maintaining Meralco's culture of safety, as well as overseeing and executing all OHS-related tasks and initiatives. In addition, recognizing that preventing workplace accidents goes hand in hand with addressing environmental hazards, we have formed Environment, Safety & Health ("ESH") Committees to serve as our resident environment and safety advocates across Meralco's business units. They engage with our employees through monthly ESH meetings designed to keep our standards and protocols relevant and ensure they apply to all our personnel.

In 2024, we fortified our OHS governance by establishing the ESH Board as Meralco's highest authority on ESH matters within the organization. This governing body serves as a steering committee that sets directions, objectives, and policies focusing on ESH; oversees the implementation and governance of corporate-wide ESH programs; provides guidance and recommendations on high-profile safety incidents and unresolved issues raised by any ESH Committee; and gives instructions regarding compliance with new regulatory requirements related to ESH. The ESH Board is composed of key Meralco executives—including the Chief Operating Officer, Chief Revenue Officer, Chief Human Resource Officer, and Chief Legal Counsel—reinforcing our commitment to a strong ESH culture at the highest levels of leadership.

SHAPING EMPLOYEE BEHAVIOR TOWARDS SAFETY

At the forefront of our efforts to foster a culture of safety across the organization is Meralco's flagship OHS program, TARGET ZERO: Zero Incident, Zero Harm. This ongoing initiative is aimed at eliminating all safety incidents within the workplace. Complemented by various OHS initiatives, the program includes the annual First Working Day Safety Campaign, which seeks to bolster the Company's safety culture and instill a "Safety First" mindset in our workforce, particularly among frontline personnel exposed regularly to physical hazards.

In 2024, we continued strengthening Meralco's safety culture with the introduction of a behavior-based safety ("BBS") approach, which focuses on proactively observing, analyzing, and modifying the behavior of employees to prevent accidents and improve overall safety performance. We conducted a total of 14 BBS training seminars to upskill Meralco's safety officers, sector heads, team leaders, and line crew, covering key OHS topics such as hazard prevention, injury reduction, accountability, and communication from a BBS perspective. Following the training, the Company's safety officers and team leaders conducted BBS cross-validation inspections using the BBS observation card, engaged employees in discussions about unsafe workplace behaviors, and collected data to guide future safety improvements.

Additionally, we continued offering various training courses and webinars covering OHS topics such as fire prevention, heat stress management, indoor air pollution, and motorcycle riding rules and regulations. Safety-related learning was supported by consistent announcements and guidelines released via Meralco's official corporate communication channels, keeping our employees abreast of the latest OHS protocols. We also continued providing our people with personal protective equipment that met local and international standards, as well as installing OHS information posters at construction sites as part of our responsibility to help keep the public and our communities safe.

KEY OHS METRICS				
		2022	**2023**	**2024**
Total employee hours worked	Meralco DU	13,235,096	14,262,953	13,376,584
	Subsidiaries	37,411,073	42,046,928	37,583,689
Safe person-hours[35]	Meralco DU	13,152,203	14,009,289	13,376,584
	Subsidiaries	28,836,133	30,951,493	37,196,107
OHS training hours	Meralco DU	30,423	30,649	26,880
	Subsidiaries	36,735	15,548	20,917
Average OHS training hours per employee	Meralco DU	5.12	5.14	4.46
	Subsidiaries	3.22	1.40	1.84
	Overall	3.88	2.71	2.75

While we remain proud of our strong safety culture and ongoing efforts to protect our employees, Meralco operates in an inherently dangerous industry. We regrettably recorded one fatality[36] and 46 other work-connected injuries in 2024—up from zero fatalities and 32 work-connected injuries in 2023.[37]

The overall increase in Meralco's number of work-connected injuries (including fatalities) resulted in an increase of over 300% in LTIFR (from 0.35 in 2023 to 1.42 in 2024) as well as a 5% decrease in safe

[35] This metric refers to the total number of hours worked by employees without any lost time injuries ("LTIs").
[36] The fatal incident occurred in Makati City during an Anti-Dangling and Unauthorized Wire Attachments Operation in October 2024. A speeding delivery truck collided with the boom of a Meralco basket truck, resulting in the death of one of our linemen. To prevent similar incidents from happening in the future, we will strengthen coordination between our frontline workers, enhance traffic control, deploy additional onsite safety barriers, and ensure that sufficient flagmen are present throughout the duration of our field operations.
[37] We define "work-connected injuries" as injuries that occur in the workplace while the employee is performing his official function, or outside the workplace while performing an official instruction.

person-hours (from 14.3 million in 2023 down to 13.3 million in 2024). This underscores the continuous need to constantly strengthen the Company's already robust OHS system and programs.

Despite the decline in the DU's OHS performance in 2024, we are proud that our subsidiary MGEN maintained its industry-leading safety performance, achieving over 3.8 million safe person-hours, with zero lost-time injuries and recordable incidents.

Moving forward, we will intensify our Group-wide efforts by enhancing our existing safety measures and introducing new and innovative approaches to prevent both minor injuries and debilitating accidents, helping realize a safer workplace for our employees.

B. Strengthening Our Emergency Response Capabilities

We actively instill safety awareness and practices in our employees. For instance, Meralco conducts mandatory OHS training programs that include updated and relevant workplace safety principles and standards, including fire safety and building work site awareness. The Company also provides specialized competency programs on topics such as defensive driving, accident investigation, as well as heavy equipment and basket truck operations. In 2024, Meralco offered 51 OHS training courses to its employees, representing a total of 26,880 training hours from 30,649 training hours in 2023. This translated to an average of nearly 4.1 OHS training hours per employee.

We also ensure that our employees are well-prepared for disasters by providing training on how to deal with hazards like fire, earthquake, bomb threats, and chemical spills. Regular drills are conducted to keep employees' alertness, presence of mind, and know-how in navigating disasters in check. In 2024, Meralco conducted a total of 280 earthquake and 81 fire drills as well as 12 chemical spill drills to test employees' readiness to protect themselves and their co-workers during times of emergency.

During the reporting period, the Company launched the Meralco Rescue Academy, a new platform offering short courses on emergency preparedness and response to all One Meralco employees and their dependents. This initiative aims to supplement the government's efforts in making communities resilient by building necessary capabilities for responding to emergency situations.

EMPLOYEES AND WORKERS COVERED BY AN OHS MANAGEMENT SYSTEM				
		2022	**2023**	**2024**
Permanent and Probationary	Meralco DU	5,905	5,930	6,027
	Subsidiaries	7,019	5,640	5,795
Fixed-term and project-based	Meralco DU	309	310	275
	Subsidiaries	7,771	7,555	6,228
Third-party	Meralco DU	9,583	9,846	9,542
	Subsidiaries	202	1,855	332
Total		**30,789**	**31,136**	**28,036**

Diversity, Equity & Inclusion: Ensuring Fair Treatment & Equal Participation of All Employees

GRI 405

At One Meralco, we recognize that a diverse, equitable, and inclusive labor force is essential to maintain a productive and harmonious work environment as well as achieve long-term success. As such, through Meralco's #Mbrace Diversity & Inclusion Program, we are committed to building a workplace free from bias and discrimination, where every employee, regardless of their background or identity, feels respected, valued, and empowered to contribute their unique skills and perspectives.

Along with over 10,000 businesses across the globe, in 2021, we endorsed the CEO Statement of Support for the Women's Empowerment Principles ("WEPs")—a set of values established by UN Women and the UN Global Compact that guide organizations on how to advance gender equality across all sectors of society. By renewing our commitment every year, we strengthen our dedication to taking concrete steps to protect and promote women's rights and facilitate women's full participation in the labor force—aligned with **SDG 5: Gender Equality.**

Moving forward, we will continue transforming our organization by helping our subsidiaries integrate DEI into their own corporate policies and operations as well as expanding our DEI journey beyond gender equality. In 2024, we initiated the diagnostic and design phases of the #Mbrace Program for our subsidiaries, laying the groundwork for a unified approach to DEI within One Meralco.

A. Providing Equal Opportunities for All

We strive to achieve a diverse workplace that employs and empowers more women. In 2024, Meralco reached an all-time high in terms of female representation in the Company's workforce at 23.3%—well above the global energy sector average of 11%.[38] Likewise, from a Group-wide standpoint, the proportion of women in One Meralco's total workforce stood at 24.6% during the same period. Ultimately, our goal is to achieve a 40% female representation in the DU's workforce by 2030.

NEW HIRES						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Meralco DU	304	130	309	129	289	144
Subsidiaries	3,325	1,158	2,979	1,143	2,796	1,076
Subtotal	**3,629**	**1,288**	**3,288**	**1,272**	**3,085**	**1,220**
Total		**4,917**		**4,560**		**4,305**

During the same period, nearly 33% of the Company's new hires were female—10% above the share of women in the organization's existing workforce—as a result of our conscious efforts to increase the ratio of female-to-male hires. These efforts included recruitment campaigns that demonstrated

[38] 2022 Global Energy Talent Index ("GETI") Report

women's active participation in our businesses as well as the different initiatives under our #Mbrace Program.

MERALCO DU EMPLOYEES BY RANK						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Senior management	587	202	615	212	632	217
Middle management	480	315	485	324	498	354
Rank and file	3,564	782	3,540	792	3,513	813
Fixed-term and project-based	230	90	218	90	190	85
Subtotal	**4,861**	**1,389**	**4,858**	**1,418**	**4,833**	**1,469**
Total		**6,250**		**6,276**		**6,302**

SUBSIDIARY EMPLOYEES BY RANK						
	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Senior management	129	71	74	43	126	69
Middle management	964	437	871	351	1,253	696
Rank and file	3,897	1,936	7,153	2,590	6,993	2,243
Fixed-term and project-based	7,746	1,150	2,517	745	1,619	322
Subtotal	**12,736**	**3,594**	**10,615**	**3,729**	**9,991**	**3,330**
Total		**16,330**		**14,344**		**13,321**

Purposefully recruiting women for a wide range of entry-level and managerial roles operationalizes One Meralco's push for a higher degree of workplace diversity and inclusion. In 2024, over 27% of One Meralco's senior managers were women, reflecting our Group's drive to diversify representation in leadership positions.

In 2024, we continued building the necessary foundation that will enable the proportion of women in Meralco's workforce to grow. These efforts included:

- performing a comprehensive review of existing functions that can be performed by women;
- collaborating with the Meralco Power Academy to train women on roles traditionally held by men, such as equipment operator and field inspector;
- partnering with academic institutions to establish scholarship programs aimed at producing more female graduates in electrical engineering; and
- encouraging female technical high school and university students to pursue careers at Meralco.

Bright Sparks: Embracing All Colors with Pride

At One Meralco, we recognize that gender equality is more than just about empowering women—it is about creating a workplace where everyone—regardless of their sexual orientation, gender identity, gender expression, and sex characteristics ("SOGIESC")—is treated with fairness, respect, and dignity.

As part of our #Mbrace Diversity & Inclusion Program, we dedicated a week from June 24 to 28, 2024, to deepening Meralco employees' understanding of SOGIESC and reinforcing our commitment to **SDG 5: Gender Equality**.

We kicked off the campaign with a bold statement: a vibrant rainbow pedestrian lane at the Meralco Operating Center, symbolizing our support for the LGBTQ+ community. Throughout the week, we engaged our employees through an online awareness campaign, sharing insights on SOGIESC and its importance in creating a workplace where everyone feels valued and respected.

Our internal efforts culminated on June 28, Pride Day, with the Understanding SOGIESC webinar, which became our highest-rated and second-most attended webinar of the year. We were honored to hear from two inspiring speakers: Atty. Sheil Granados, Head of Litigation Team 1 and one of the most recognizable LGBTQ+ figures at Meralco; and Atty. Quino Reyes, a legal counsel and passionate DEI advocate who co-founded the Philippine LGBT Bar Association. Their insights shed light on how we can foster a truly DEI-oriented workplace.

> *"I am happy to be part of an organization that makes decisive progress towards adopting diversity, equity, and inclusion as workplace values. I am proud to tell the world that* dito sa *Meralco, welcome* ka*!"* – Atty. Shiel Granados

Our commitment to championing DEI goes beyond One Meralco. On June 30, Radius participated in the Love Laban 2 Everyone Pride Festival at the Quezon Memorial Circle in Quezon City as one of the event's key sponsors, providing fiber internet connectivity to participants during the whole-day event. The event served as a platform for Radius to express its support for the Filipino LGBTQ+ community.

Through initiatives like this, we continue to take meaningful steps towards a culture where everyone, regardless of SOGIESC, feels seen, heard, and empowered to be their authentic selves.

B. Closing the Gender Pay Gap

The gender pay gap remains a persistent social challenge across the globe, reflecting disparities in earnings between men and women across industries and occupations. Addressing this issue, especially in traditionally male-dominated spaces such as the energy sector, requires a progressive and multifaceted approach covering transparency in compensation, equal access to leadership opportunities, and supportive workplace policies that enable career growth for all.

AVERAGE GENDER PAY GAP IN MERALCO DU[39]			
	2022	**2023**	**2024**
Senior management	4.3%	−0.5%	7.96%
Middle management	1.5%	−1.1%	−0.79%
Rank and file	11.6%	11.8%	13.37%
Fixed-term and project-based	−23.1%	−29.0%	−0.59%
Weighted average	**4.0%**	**0.2%**	**−0.12%**

As part of our commitment to advancing DEI in our organization, we strive to ensure that the total annual compensation of our female employees matches that of our male employees. In 2024, the DU recorded an overall average pay gap of −0.12%, which is not only much lower than the global energy industry average of 19% but also indicates that, on average, Meralco's female employees earn slightly higher than their male counterparts.[40]

Moving forward, we will continue our efforts to maintain, if not close, the relatively small gender pay gap in Meralco by upholding fair remuneration practices, periodically reviewing our pay structures, and fostering a discrimination-free workplace where all employees have equal opportunities for career progression.

[39] The average pay gap is the difference between the average salary of male employees and the average salary of female counterparts divided by the average salary of male employees and multiplied by 100%.
[40] Thomson, E. (2022) *These 4 charts show the energy sector's gender gap and what needs to change*, *World Economic Forum.*

Prosperity: Creating Better Lives for All

Inspired by the **United Nations' 2030 Agenda for Sustainable Development**, One Meralco is driven by an earnest commitment to helping our stakeholders enjoy fulfilling and rewarding lives while meeting our short- and long-term business objectives. We bring this vision to life by creating shared value across our businesses, enabling our customers, communities, and constituents to thrive. This is what sustainable development means for us: *leave no one behind*.

We power the good life for our customers by delivering efficient, innovative, and modern solutions that fuel enduring and meaningful progress across all sectors of society. Our reach extends to communities within and beyond Meralco's franchise area, working to ensure that every Filipino—no matter where they are—shares in the benefits of the nation's progress. Across our supply chain, we actively engage and enable our constituents and business partners to embark on their own sustainability journeys and promote sustainability within their own networks.

Through our Group's diverse businesses and wide network of partners, we give both present and future generations the power to lead prosperous, enriching lives.

PERFORMANCE HIGHLIGHTS

8.11 out of 10	**ZERO**	**95%**
DU Customer Satisfaction Index ("CSI")	incidents of bribery and corruption in the DU	of the DU's procurement spend covered by the Meralco Supplier Sustainability Scorecard ("MS^3")

KEY INPUTS (FINANCIAL AND SOCIAL & RELATIONSHIP CAPITALS)

PhP 82.3M	**355**	**PhP 43.2B**
spent on One Meralco Foundation's ("OMF") programs	suppliers engaged by the DU through MS^3	spent by the Group on local procurement contracts

KEY OUTCOMES (FINANCIAL AND SOCIAL & RELATIONSHIP CAPITALS)

4	**PhP 27.8M**	**414M**
public schools energized by OMF	in customer savings realized due to the DU's key digitalization efforts	cyberattacks blocked and prevented by the DU

Stories of Light: Scaling the Philippines' Digital Economy

The Philippines is emerging as a strategic digital hub in Asia Pacific, driven by the explosive growth of hyperscale data centers that are redefining the nation's role in the global digital economy. As demand for digital services grows—spurred by rising usage of social media, e-commerce, and cloud computing—these data centers have become critical infrastructure not just for the country but for the entire region. We at One Meralco have committed to powering this growth by enabling hyperscalers with reliable and cost-effective energy solutions.

Our efforts to support hyperscalers align with the Philippine Energy Plan and the government's aggressive push for renewable energy ("RE"). Through the Distribution Utility ("DU") and MGEN, we have been actively expanding our lower-carbon energy portfolio to meet the requirements of our clients while supporting the country's clean energy goals. As many hyperscalers originate from markets in which stringent climate targets and RE mandates are the norm, offering access to lower-carbon energy sources strengthens the Philippines' position as an attractive destination for their operations.

We are also investing in innovative smart grid technologies, which enable real-time monitoring and remote switching, to minimize downtime and host an array of distributed energy resources that provide reliable RE to energy-intensive data centers. By the end of 2024, our total actual demand from the hyperscale industry reached 1,200 MW—a testament to our Group's dedication to supporting the country's expanding digital infrastructure.

Our Group understands that powering the hyperscale industry requires more than just providing reliable energy—it demands forward-thinking solutions and a deep understanding of our partners' evolving needs. Since 2020, our Group has been delivering end-to-end energy solutions to hyperscalers through our subsidiaries MSERV, MSpectrum, and Radius. These offerings include master planning, value engineering, timely energization, energy and demand management, and RE integration.

As One Meralco's lead integrator of hyperscale-related services, MSERV offers cutting-edge solutions (such as oil-free Smardt magnetic chillers and energy-efficient generators) that help our partners reduce their operational costs and environmental footprint. A prime example of this is the company's recent work with ePLDT's VITRO Sta. Rosa data center in Laguna. Radius has also established a point of presence at VITRO Sta. Rosa, with the aim to provide reliable connectivity solutions to hyperscalers and enterprises who will soon collocate in the new facility. In addition, the company has secured multimillion-peso contracts with global telco giants Huawei, Starlink, and Verizon to meet their high-speed connectivity needs.

Looking ahead, our Group will continue powering the country's digital future with reliable, sustainable, and innovative energy solutions and value-added services to further drive economic progress and unlock new, exciting opportunities in this dynamic digital economy. With over a century of industry leadership and expertise, we at One Meralco Group are ready to lead the charge in transforming the Philippines into the next regional hyperscale hub.

Customer Enablement: Ensuring Engaged and Satisfied Clients

GRI 418-1

Meralco's commitment to enhancing quality of life for millions of Filipinos extends beyond illuminating our customers' homes and businesses. We also strive to ensure that those already linked to the grid experience the transformative power electricity brings through efficient, uninterrupted service.

Central to achieving this objective is customer enablement. We make strategic investments in customer service innovations that allow our always-ready customer service team to more efficiently and effectively address customer needs. We also leverage our wide customer knowledge base to facilitate insightful and actionable interactions, resulting in expedited transactions and prompt resolution of concerns, all while prioritizing the welfare of customers and meeting our business objectives.

A. Lighting the Way to Energy Efficiency

At Meralco, we empower customers with the knowledge and tools to make smarter energy choices. Through our flagship Bright Ideas campaign, we continue to guide our residential customers in managing their electricity consumption with practical energy-saving tips—whether through mindful appliance use, optimal energy use in every corner of the house. Our goal is to help individuals and families make informed decisions to optimize their energy use without sacrificing comfort.

Beyond households, we also engage commercial and industrial customers through expert-led webinars tackling key topics such as energy management best practices, energy-related policies and programs, and Meralco's tailored energy solutions. Salient topics covered last year included the Department of Energy's Philippine Energy Plan and the Interruptible Load Program, equipping businesses to optimize their power consumption while contributing to grid stability. Attended by key industry leaders and executives, these webinars serve as a strategic platform for fostering knowledge exchange and driving meaningful energy efficiency initiatives across sectors.

B. Leveraging Digital Platforms for Efficient Service Delivery

Meralco continues to harness digital innovation to enhance operational efficiency and elevate customer experience. Through key projects—including My Meralco, Mobility Solutions on Field Services ("MobSol"), Digital Official Receipts Issuance ("DORI"), and Digital Service Application ("DSA")—we are able to streamline processes and reduce operational costs while promoting environmental responsibility.

ENHANCING OUR PRIMARY CUSTOMER TOUCHPOINT

In 2024, we launched My Meralco, the evolution of our longstanding digital customer service platform, Meralco Online. Our goal was to enhance the overall customer experience, reduce operational costs by moving away from license-based authentication, and improve service delivery time with a single codebase for both web and mobile. With My Meralco, our customers can easily view and pay bills,

report outages, apply for electric service, share feedback, and stay updated on exclusive promos and electricity-saving tips—anytime, anywhere.

Since the platform's launch in September 2024, we have seen significant improvements in operational efficiency and digital engagement. In 2024, we facilitated over PhP 25 billion in payment collections (representing nearly 6.5% of our total payment collections for the year) from at least 5.2 million transactions. We also successfully shifted nearly 39% of customer concerns to digital channels, reducing the need for in-person transactions and making it easier for customers to connect with us.

Looking ahead, we will enhance My Meralco by integrating more features that will facilitate a much more seamless and secure digital experience for our clients. These will include issuance of digital official receipts ("ORs"), end-to-end digital service application (including real-time status monitoring), digitized submission of documentary requirements, e-signature technology, fraud management tools, as well as a personalized user experience for our business customers.

OPTIMIZING FIELD OPERATIONS THROUGH MOBILE APPLICATIONS

Meralco has proudly launched MobSol, a mobile field order management app designed to enhance operational efficiency, optimize field operations, and improve service delivery. By streamlining scheduling, dispatching, and execution of work orders, MobSol has improved the productivity of our customer-facing representatives, and field representatives. Implemented in phases from 2023 to 2027, the solution has already delivered substantial benefits to our operations.

The integration of Salesforce Field Service has further enhanced efficiency by enabling real-time collaboration among customer support agents, dispatchers, and technicians. This seamless connectivity ensures faster response times, smarter resource allocation, and a more agile service team, ultimately improving the overall customer experience.

Beyond operational efficiency, MobSol has also eliminated the need for printed field orders. Through digital field order processing, we have successfully reduced paper consumption, saving PhP 1.2 million in printing costs from August 2023 to December 2024 while processing over 170,000 work orders.

We plan to expand MobSol's capabilities to meet the evolving needs of our BIZ Partners Group and Enterprise & National Government customers, as well as to cover billing and collection operations, ensuring continued reliability and efficiency in service delivery. We are planning to introduce a dedicated facility that would allow customers to easily schedule field visit appointments, enhancing convenience and streamlining the process.

ISSUING DIGITAL RECEIPTS FOR CONVENIENCE

Our DORI initiative reflects Meralco's focus on enhancing customer convenience through digital transformation. Launched in phases from 2022 to 2025, this project automates the issuance of ORs for payments made via Meralco Online and third-party channels such as Bayad, banks, and automatic payment arrangements.

Our customers now receive official receipts through email in PDF format, accompanied by SMS notifications. Future enhancements will allow users to view and download their receipts directly from Meralco Online.

Outside of tangible benefits for customers, DORI supports compliance with the Bureau of Internal Revenue's regulations on prompt OR issuance and promotes operational efficiency by reducing physical receipt requests at business centers. The shift to digital receipts also yields cost savings and strengthens Meralco's customer contact database through DORI service enrollments.

STREAMLINING THE CUSTOMER APPLICATION JOURNEY

Meralco's DSA platform, being rolled out from 2024 until 2026, represents our commitment to customer centricity. It offers customers flexible payment methods, digital contract signing, and an online facility for submitting documentary requirements, streamlining the service application process.

With the integration of Adobe Sign for e-signatures and new online payment options through Bayad channels, DSA reduces manual processes and cuts down transportation and paper-related costs. This can reduce average service application processing time by two days, enhancing efficiency and boosting customer satisfaction.

Innovation: Driving Future-Ready Energy Solutions

Innovation enables us to stay ahead of evolving customer needs and contribute ever more meaningfully to the nation's progress. We strive to be future-ready by constantly developing new services, enhancing existing ones, and embracing emerging technologies. As a core value, this ethos is deeply embedded in Meralco's corporate identity, with the aim of providing better customer experiences.

Building on the collective strength of One Meralco, our subsidiaries play a crucial role in this endeavor. For instance, Movem is leading the adoption of electric vehicles ("EVs") in the Philippines to promote cleaner mobility, while MSERV and Radius work in synergy to power the country's growing hyperscaler industry. As a Group, we are pushing boundaries and pioneering solutions that shape the future of energy in the Philippines.

As innovation runs through every facet of our operations—from power generation and grid expansion to customer service and support—our commitment to remain at the forefront of innovation in the Philippine energy sector is woven into every material topic covered in this report. For example, we are modernizing Meralco's distribution network by deploying smart grid technologies, as described in the Service Reliability & Safety section under Power. In the Climate Change Mitigation section under Planet, we describe the different energy conservation and efficiency measures and technologies we have adopted across One Meralco to lower our environmental footprint. These are just a few examples of how we continue to drive innovation in our businesses to meet the evolving needs of our stakeholders and advance our sustainability journey.

A. Celebrating Our Culture of Innovation

In November 2024, Meralco's spirit of ingenuity and transformation took center stage during the biggest celebration of innovation in our Company's history. Established in 2022 to foster forward-thinking technological advancement within our organization, the annual corporate-wide Innovation Month has since become a driving force behind Meralco's commitment to delivering future-fit energy solutions. Under the theme "Transcending Excellence Through Innovation," the 2024 celebration featured new elements—including an official website and event partnerships, as well as tech exhibits and interactive sessions focusing on Meralco's 7Ds Digital Transformation Framework[41]—across six key initiatives: the IDOL Awards, IDOL Hackathon, Tech Talk, Meralcostar, Environment, Safety, and Health ("ESH") Innovation, and the Customer Experience Innovation Summit ("CXIS").

Last year's highlights included the IDOL Hackathon, where top student innovators from University of the Philippines Diliman, Mapúa University, and National University-Manila presented cutting-edge solutions for the future of electric utilities. Meanwhile, Tech Talk brought industry leaders from Huawei, Itron, and Cloudera to discuss advanced connectivity solutions in utilities, smart grids, as well as AI and data security.

[41] Our 7Ds Digital Transformation Framework is described extensively in the Digitalization & Cybersecurity section.

Our lineup also included initiatives that showcased the innovative spirit and contributions of our people. The IDOL Awards honored outstanding internal efforts that advanced data analytics, process automation, and AI in our organization. Meanwhile, ESH Innovation recognized original solutions prioritizing public safety, and the CXIS spotlighted projects that enhanced our customer service. Finally, Meralcostar celebrated employee-driven programs that addressed challenges related to service reliability, safety, system loss, and data quality.

Moving forward, we will elevate Innovation Month to further strengthen our culture of innovation and excellence within Meralco and inspire breakthroughs that extend beyond our organization.

B. Pioneering Advanced Technologies in the Telecommunications Industry

As the telecommunications landscape grows more competitive, our subsidiary Radius is leading the charge in providing reliable, cutting-edge connectivity solutions. Known for its robust end-to-end fiber optic network, Radius offers dedicated internet access, managed services, and advanced cloud solutions like SD-WAN and zero-trust networking. Its global partnerships with industry giants such as Cisco, Nokia, and Juniper, combined with over two decades of expertise and a MEF 2.0 certification, reinforce the company's reputation for speed and reliability.

Radius' collaboration with Console Connect HK Limited, established during the International Telecoms Week in Maryland, USA, in 2024, expands the company's cloud services and makes it easier for Philippine-based enterprises to access the cloud. Radius also launched an IPTV (Internet Protcol television) solution tailored for the hospitality and healthcare industries, with five-star hotels Shangri-La The Fort and Marco Polo Ortigas among the first to benefit from this innovative service. Moving forward, Radius will expand this offering to serve more hotels and hospitals, providing seamless internet and cable connectivity across these sectors.

C. Charging Towards a Cleaner Future with Electric Mobility

We at Meralco recognize that the transition to electric transport is a critical step toward a cleaner future. However, the challenge in early-stage EV markets like the Philippines extends beyond vehicle adoption—it requires a robust, accessible, and financially viable charging infrastructure. As such, our subsidiary Movem has partnered with Poland-based ChargeEuropa to introduce an innovative model that integrates digital out-of-home advertising with EV charging.

Through this approach, we aim to make EV charging more accessible to Filipinos without relying heavily on government subsidies or high user fees. With high foot traffic in urban centers and a growing commitment to sustainable development, the Philippines is an ideal market to demonstrate the impact of this model. Our partnership with ChargeEuropa will enable us to strategically deploy advertising-supported EV chargers, providing both a seamless charging experience for EV users and valuable engagement opportunities for advertisers.

Digitalization & Cybersecurity: Adapting to a Rapidly Evolving Digital Landscape

In an increasingly interconnected world, we at One Meralco recognize that embracing and undertaking digital transformation is essential to delivering an efficient and convenient service to continue satisfying our customers. Building on the initial 4Ds Digital Transformation Strategy Meralco executed from 2019 to 2023, our new 7Ds Digital Transformation Framework serves as the foundation of this journey through to the end of the decade, positioning us as a digital leader in the energy industry.

Due to the critical nature of our infrastructure as a utility, we face significantly heightened exposure to cyber risks compared to other businesses, making robust cybersecurity all the more crucial to safeguard our operations and ensure business continuity. Recognizing its strategic importance, Meralco established the CSG in 2020 as a dedicated function—separate from Information, Communications, Technology, and Transformation ("ICT")—to protect our digital infrastructure and shield our stakeholders from potential cyber threats. Complacency is not an option in our industry, and the CSG operates with an "assume breach" mindset that anticipates and prepares for inevitable cyberattacks. This proactive approach not only helps mitigate financial, reputational, legal, and regulatory risks but also reinforces the trust placed in us by our stakeholders.

A. Transforming Our Business Through Digitalization

In 2024, we commenced our revitalized five-year digital transformation journey, using our 7Ds Digital Transformation Framework as our compass. Anchored on seven key pillars—Digital Customer, Digital Grid, Digital Employee, Digital Enterprise, Data Platforms & Artificial Intelligence ("AI"), Digital Infrastructure, and Digital Communications—this framework enables us to strengthen Meralco's position as a digital leader in the Philippine energy sector by focusing on the adoption of emerging technologies and data-driven insights for operational excellence, customer centricity, and business development.

FACILITATING EFFICIENT DATA MANAGEMENT

The Meralco Data Platform ("MDP") acts as the Company's digital backbone, serving as a centralized hub for data archiving and business intelligence. Designed to manage vast volumes of data from diverse sources, including billing systems and online channels, the MDP automates critical tasks and facilitates the creation of data management dashboards to enable informed decision-making, particularly in customer service applications, leading to quicker response times and heightened customer satisfaction.

Harnessing the power of large language models, the MDP conducts real-time customer sentiment analysis, enabling our customer care representatives to address feedback efficiently. Simultaneously, MDP's machine learning models help our staff identify overloaded distribution transformers in advance, enhancing operational efficiency and minimizing the risk of unplanned outages.

The MDP serves as a unified platform for analytics and machine learning, supporting data processing and dashboard creation for insights across various domains, including grid operations and monitoring

of sustainability metrics of the company. A self-service analytics program empowers business users, fostering a data-driven culture within Meralco.

The implementation of MDP has led to a 9% reduction in Meralco's average service application processing time. Customers can get their services completed 14 and 0.5 days earlier for project-covered application and ordinary service application, respectively. Additionally, leveraging MDP, Meralco can now proactively identify distribution transformers requiring rehabilitation, thereby averting unplanned power interruptions for at least 500,000 customers annually.

In 2024, the MDP enabled our customer care representatives to address customer feedback promptly with the help of real-time customer sentiment analysis enabled by large language models ("LLM"). This LLM-powered solution transformed a tedious process into a swift, accurate, and insightful operation.

These customer centric and data-driven digital transformation achievements were recognized at the Cloudera 2024 Data Impact Awards under the Leadership and Transformation category, besting six other international nominees from various industries across Asia Pacific.

As a unified, self-service platform for advanced analytics and machine learning, the MDP supports comprehensive data processing and dashboard creation across various domains, including grid operations and monitoring of sustainability KPIs, fostering a data-driven culture across the Company. By enabling a 50% faster dashboard and analytics generation, the MDP has streamlined data-driven decision-making in our organization.

Looking ahead, we will continue to enhance the MDP, aligned with our evolving business needs as well as technological advancements in the industry, to ensure more efficient service delivery.

ENABLING INTELLIGENT EMPLOYEE AND CUSTOMER SUPPORT

A key priority in our digital transformation journey is the adoption of emerging technologies like AI, with a focus on LLMs, to drive transformative business outcomes. To this end, we have developed the Meralco Interactive Data Assistant ("MIDAS"), an intelligent digital platform akin to ChatGPT. MIDAS will allow users to interact with data through voice and chat, making data more accessible and easier to understand for both tactical and strategic functions. The AI-based platform will also allow for automatic categorization and analysis of customer feedback as well as generation of actionable recommendations, effectively reducing manual workloads and enhancing customer service.

Moving forward, we aim to expand our self-service data analytics environment and further democratize data access to strengthen our culture of data-driven decision making.

Bright Sparks: Promoting Responsibility in the Use of AI in Our Business

Our Responsible Use of AI Policy sets out appropriate guardrails around the use of AI while we explore this innovative technology within Meralco. As the proliferation and use of AI continue to expand, setting clear policies and governance measures is necessary to prevent these tools from being abused. Applying to all our officers, employees, and third-party partners, the policy includes the following guiding principles:

- **Accountability –** All individuals representing Meralco shall be accountable for the proper selection, use, deployment, integration, and retirement of AI technology;
- **Fairness and Bias Detection –** Any AI tool adopted and used in Meralco must be regularly tested to prevent discrimination and reduce biases, in line with the Company's Code of Business Conduct and Ethics as well as the Diversity and Inclusion Policy;
- **Inclusive Growth, Sustainable Development, and Well-Being –** Meralco's pursuit of trustworthy AI should promote inclusive growth, well-being, and reduced environmental impact;
- **Privacy –** Individual privacy must be respected, following Meralco's data privacy obligations;
- **Robustness, Security, and Safety –** Meralco's AI systems must be robust, secure, and safe throughout their lifecycle, ensuring they do not pose unreasonable safety and security risks; and
- **Transparency and Explainability –** AI usage in content development must be explained and shall be transparent to relevant stakeholders. Employees shall be informed and trained on the strengths, limitations, and responsible use of AI.

B. Securing Our Critical Cyber Infrastructure

Meralco's increasing reliance on digital technologies, combined with the accelerating convergence of information technology ("IT") and operational technology ("OT"), has significantly broadened our attack surface, introducing complex security challenges that demand heightened vigilance and protection. As traditional air-gap cybersecurity architectures erode, safeguarding our digital infrastructure requires a more robust and versatile cybersecurity approach.

The evolving cyber threat landscape is further compounded by tightening legal requirements in the Philippines, including the Data Privacy Act, the National Cybersecurity Plan ("NCSP") 2025–2028, and the proposed Energy Sector Cybersecurity and Cyber Resilience Framework by the DOE. These regulations mandate stringent security measures, data protection protocols, and incident reporting. At Meralco, we aim to not only meet but also exceed these regulatory demands by investing in advanced technologies and personnel training as well as adopting a proactive approach to threat detection and response. By ensuring that our cybersecurity measures remain agile, resilient, and future-ready, we successfully blocked and prevented a total of 414 million cyberattacks in 2024 alone.

BUILDING AN ARSENAL AGAINST CYBER THREATS

Our long-term vision for cybersecurity is embodied in ARSENAL, a strategic program designed to elevate Meralco's cybersecurity maturity by 2028, in alignment with the NCSP. Our mission is clear: to defend the Company from current and emerging cyber threats by securing our digital assets, protecting our stakeholders from these threats, and minimizing our exposure to financial, reputational, legal, and regulatory risks stemming from cybersecurity incidents.

ARSENAL lays the foundation for our proactive defense strategy, supported by the following pillars:

- **Asset Visibility –** maintaining a comprehensive inventory of all digital assets, ensuring that we can protect what we can identify;

- **Access Management –** adopting the zero-trust principle ("never trust, always verify") to mitigate risks from internal and external threats;
- **Risk Quantification –** centralizing and automating vulnerability assessments to enable faster, data-driven security investments;
- **Resilience –** building resilience into our architecture and operations to prepare for unpredictable cyber events, with specialized teams focused on early threat detection, dark web monitoring, and brand protection;
- **Response Orchestration and Automation –** enhancing incident response capabilities through automation for rapid and precise threat mitigation;
- **Security by Design –** embedding cybersecurity considerations into every phase of the system and service lifecycle;
- **Supply Chain Ecosystem –** managing third-party cyber risks through dedicated oversight, ensuring the resilience of our digital supply chain;
- **Employee Engagement and Enablement –** cultivating a strong cybersecurity culture through continuous awareness programs, empowering employees as our first line of defense;
- **Employee Workforce Development –** investing in the growth of our cybersecurity talent to manage and mitigate industry-specific threats effectively;
- **Exposure Management –** continuously identifying and addressing vulnerabilities through proactive threat exposure assessments;
- **Executive Cybersecurity Awareness –** facilitating leadership collaboration and providing executives with timely insights into emerging threats;
- **Next-Generation Technologies –** deploying advanced defense systems, intelligent automation, and robust security controls to enhance threat detection and response;
- **Adoption of Global Standards –** reinforcing stakeholder trust by adhering to global cybersecurity best practices; and
- **Legal and Regulatory Compliance –** ensuring compliance with national regulations to effectively manage legal and regulatory risks.

Through ARSENAL, we fortify our cyber infrastructure to withstand the challenges of an increasingly digitalized energy landscape. Given that Meralco powers a significant portion of the Philippines, any disruption caused by a cyberattack could have far-reaching consequences for our 8 million customers, posing a serious national security risk. As such, our proactive, collaborative, and innovative approach to cybersecurity maintains Meralco's resilience as a utility while safeguarding the trust of our stakeholders.

FOSTERING A CULTURE OF CYBER VIGILANCE AND RESPONSIBILITY

Meralco's operational risk framework focuses on identification, assessment, mitigation, and continuous improvement. At the heart of this framework is the commitment to cultivate a culture of cybersecurity awareness that transcends technical jargon and resonates with all audiences. Believing that cybersecurity is a shared responsibility, we empower our workforce to be our strongest line of defense and foster a cybersecurity culture that extends beyond our organization and into the broader community.

To raise our employees' awareness of cybersecurity, we run ongoing campaigns that include weekly advisories on cybersecurity best practices as well as alerts on threats like phishing and smishing scams. In 2024, we issued 87 advisories focused on actionable insights and practical measures.

We also measure our employees' level of vigilance through simulations of phishing attacks. During the reporting period, 4,637 Meralco employees received a simulated phishing email, with only less than 7% clicking on the embedded links. All employees who failed the test were required to undergo phishing awareness training to make them resilient against such threats.

In celebration of the Cyber Security Awareness Month in October 2024, we launched the Annual Cyber Mandatory E-Learning in Meralco, achieving a remarkable 99.93% compliance rate and an 88% overall passing rate. The learning module combined a comprehensive instructional video with a 14-item quiz to assess employees' understanding of cybersecurity fundamentals.

Our celebration culminated in our inaugural Cybersecurity Awareness Forum, which brought together over 1,500 attendees across One Meralco. The forum explored critical cybersecurity-related topics such as adoption of AI technologies and IT and OT convergence, as well as enhancing cybersecurity awareness across all levels of our organization. Additionally, we launched the CSG internal portal, a centralized hub for Meralco employees to access cybersecurity advisories and information security policies, and other relevant materials. This platform reinforces our commitment to ensuring that cybersecurity awareness resources remain accessible to all our employees.

PROMOTING VISIBILITY AND SYNERGY FOR CYBERSECURITY

Meralco recognizes the importance of demonstrating relevance, transparency, and accountability in our cybersecurity practices. This is achieved through initiatives that enhance visibility and promote knowledge sharing within our organization.

In 2024, we established Cytadel, an interactive cyber operations and risk management dashboard that provide a holistic view of our cybersecurity operational effectiveness, including platform stability, service responsiveness, vulnerability management, and SLA adherence. Cytadel facilitates performance tracking and reporting by consolidating data from diverse sources, promoting transparency and data-driven decision making.

We also launched the Meralco Intelligence Cyber Security Synergy ("MINT Cynergy"), a threat intelligence sharing community to elevate our managers' awareness of emerging cyber threats, empowering them to make informed decisions about cybersecurity strategy and resource allocation. Through MINT Cynergy, we are able to share and circulate: analysis and reports on security breaches, data leaks, and other critical incidents; case studies on recent security incidents affecting Meralco; updates on our brand protection initiatives, including detecting and addressing fake social media platforms and fraudulent websites; as well as detailed briefs on specific threat actors, covering their capabilities, intentions, attack methods, and possible mitigation measures.

Finally, we also actively forge public-private partnerships to strengthen national cybersecurity resilience and further promote knowledge sharing. In 2024, Meralco launched Wavemaker, in partnership with OMF, to equip teachers with essential cybersecurity knowledge that they can share

with their students. We also collaborated with the Philippine National Intelligence Coordinating Agency to understand and enhance the national view of the cyber threat landscape, enabling us to better respond to country-level threats.

For more information about Wavemaker, please refer to the Community Engagement section.

Bright Sparks: Championing Data Privacy Within and Beyond One Meralco

At One Meralco, privacy is more than just a policy—it is a responsibility we uphold to protect and maintain the trust of our stakeholders. Through Meralco's Data Privacy Office ("DPO"), we strive to integrate data privacy principles in every aspect of our business, ensuring that privacy is prioritized by design and by default. We raise awareness among our employees through information campaigns and training sessions to foster a culture of privacy across One Meralco.

In 2024, we launched the Data Privacy Roadshow, starting with the Business Centers, to strengthen our customer-facing teams' understanding of our data privacy policies, guidelines, and risk management requirements. Our goal was to empower our employees to uphold the highest data privacy standards and help them better identify and address potential data privacy concerns. As a result of this initiative, compliance with our Privacy Risk Management requirements improved. We also saw an uptick in inquiries regarding potential data privacy concerns.

During the reporting period, we also conducted a refresher course for Meralco's Learning and Development partners, ensuring they remain well-versed in data privacy concepts and the Company's Privacy Risk and Management Program.

We extend our privacy advocacy to our subsidiaries through capacity-building efforts. Our annual Data Privacy Bootcamp, held during our Privacy Awareness Week, gathered the data privacy teams and other key personnel from our subsidiaries to enable them to stay updated on the latest guidelines and requirements from the National Privacy Commission ("NPC") and the evolving landscape of data privacy in the Philippines. Additionally, we supported MIESCOR Infrastructure Development Corporation ("MIDC") in registering its Data Protection Officer and data processing systems with the NPC.

Our commitment to data privacy goes beyond our organization. In 2024, we led the Data Privacy Council Sectoral Training for Utilities in partnership with Maynilad and the Visayan Electric Company. The training was attended by 26 data protection officers from various utility companies across the country. By actively collaborating with industry peers and the NPC, we strengthen our role as a champion of data privacy, helping protect our stakeholders, especially our customers, in an increasingly digital world.

Community Engagement: Uplifting the Unserved and Underserved

GRI 203-1 | GRI 203-2 | GRI 413

For electric utilities like Meralco, meaningful impact goes beyond delivering power—it is about driving inclusive growth and improving quality of life in the communities we call home. By addressing energy gaps in unserved communities through the One Meralco Foundation ("OMF"), we help uplift lives and drive long-term progress. Our efforts to provide marginalized communities with much needed access to energy across various areas—including education, healthcare, agriculture and livelihood, as well as access to clean water—are helping to create lasting, positive impact where it is needed most.

A. Electrifying Marginalized Communities

In 2024, we invested close to PhP 9.5 million in OMF's Household Electrification Program ("HEP") to connect low-income families within Meralco's franchise area to the grid. Specifically, OMF financed the installation of service entrances, metering centers, breaker walls, and intermediate poles for 3,455 low-income households. Initial set-up costs for these households, which are typically shouldered by residential customers applying for service connections, were carried by Meralco.

Complementing the HEP, we also invested at least PhP 2.7 million in OMF's School Electrification Program ("SEP") to power four remote public schools across the country, supporting children and teachers from indigenous communities in their academic endeavors. Specifically, OMF's SEP energized schools in the municipalities of Bongabong in Oriental Mindoro and Rizal in Palawan.

On top of these two flagship initiatives, we also expanded our efforts to cover other equally important social impact areas: healthcare, agriculture and livelihood, as well as water and sanitation. In 2024, we deployed solar power solutions to two rural health centers in the municipalities of Panukulan in Quezon and Lake Sebu in South Cotabato. Meanwhile, as part of OMF's agriculture and livelihood electrification efforts, we provided a mobile solar irrigation pump to help two farmer cooperatives in Rizal and Lupao, Nueva Ecija. Additionally, through OMF's water access electrification, we provided a 7.1-kWp solar PV solution to a community water facility in Santo Niño, South Cotabato, to help improve water access to its 217 residents.

We have also been bringing the gift of light to remote island communities through OMF's Light Up Pilipinas program. Since 2021, we have provided solar lamps to at least 8,000 families, fisherfolk, indigenous tribes, soldiers, and forest rangers, enabling them to boost their productivity at home and at work.

Through OMF's community development programs, we continue to harness the power of electricity to uplift and improve lives within and beyond our service area.

B. Empowering Communities Beyond Electrification

With one of the largest populations of Internet and social media users in the world, the Philippines faces growing cybersecurity challenges that impact individuals and communities alike. Recognizing the

importance of sharing our expertise in cybersecurity to help create safer environments for everyone, we launched a cybersecurity awareness program called Wavemaker in 2024 to empower Filipino teachers as advocates of digital safety in the education sector.

Our pilot session, supported by the Department of Education and the Philippine National Police, brought together 60 teachers from public high schools across the National Capital Region. Led by the OMF and our Cyber Security Group ("CSG"), we equipped participants with foundational cybersecurity concepts, including identifying and reporting cyber threats, practicing responsible digital citizenship, and responding to cyberattacks. The participants also learned about career opportunities in the field of cybersecurity.

By fostering a culture of digital vigilance among educators, we aim to extend cybersecurity awareness beyond the classroom and into communities. As we expand Wavemaker across and beyond Meralco's franchise area, we remain committed to building a resilient digital society where every Filipino is prepared to navigate the online world safely and responsibly.

For more information about our cybersecurity efforts, please refer to the Digitalization & Cybersecurity section of this report.

Bright Sparks: Spreading Light and Joy for Christmas

Christmas holds a deep, unspoken significance for Filipinos—it is a season of festivity that brings families and loved ones together. In November 2024, we at Meralco continued a beloved community tradition by opening Liwanag Park at our Pasig City headquarters. Since its inception in 1998, Liwanag Park has been a symbol of hope and joy for Filipinos during the holiday season. Joined by First Lady Liza Araneta-Marcos and our Chairman and CEO Manuel V. Pangilinan, we illuminated the iconic Lopez Building façade and surrounding areas, highlighting our enduring commitment to bringing light to every home and heart we serve. During the opening ceremony, we also celebrated a milestone we achieved in 2024—reaching 8 million customer connections—by honoring eight community partners who symbolized our Company's electrification efforts in our franchise area.

Our celebration was extended through our partnership with the Intramuros Administration to unveil Liwanag Park in Intramuros later in the same month. Plaza Roma was transformed into a glowing Christmas wonderland, featuring a majestic tree crafted from electric meter covers, a shimmering arch of lights, our iconic tranvia, and pathways lined with radiant stars and solar lamps. As the lights came alive under the leadership of First Lady Louise Araneta-Marcos, Manila Mayor Honey Lacuna-Pangan, and Intramuros Administrator Joan Padilla, we were reminded of the resilience of the Filipino spirit as we commemorated the communities gravely affected by the devastating typhoons in 2024.

For over two decades, Liwanag Park has symbolized more than festive cheer—it has stood as our enduring promise to connect with communities and reaffirm our commitment to powering the good life for our customers.

Supply Chain Sustainability: Amplifying Collective Impact with Our Business Partners

GRI 2-6

The One Meralco ecosystem encompasses many constituents, including an extensive supply chain of companies that form the gears of the economic machinery of the country. As part of our commitment to contributing to national development by supporting domestic enterprises, one of the sourcing strategies we have adopted is to source goods and services from Philippine-based suppliers. In 2024, our Group spent close to PhP 43.2 billion on local procurement contracts, directly benefitting local businesses.

TOTAL PROCUREMENT SPEND IN 2024 (in PhP million)			
	Local	**Foreign**	**Subtotal**
Meralco	32,768	5,452	38,220
Subsidiaries	10,426	12,833	23,259
Total	**43,195**	**18,285**	**61,480**

TOTAL NUMBER OF SUPPLIERS BY CLASSIFICATION IN 2024			
	Tier 1	**Non-Tier 1**	**Subtotal**
Meralco	3,056	0	3,056
Subsidiaries	2,084	43	2,127
Total	**5,140**	**43**	**5,183**

TOTAL NUMBER OF SUPPLIERS BY LOCATION IN 2024			
	Local	**Foreign**	**Subtotal**
Meralco	2,440	616	3,056
Subsidiaries	1,897	230	2,127
Total	**4,337**	**846**	**5,183**

Our approach to sourcing goods and services brings financial and operational advantages. Prioritizing local procurement strengthens Meralco's reputation as a responsible corporate citizen and reduces reliance on complex international supply chains that are often vulnerable to disruptions. We therefore enhance the resilience of our supply chain while contributing to the Philippines' economic growth.

Beyond supporting the local economy, we are equally committed to addressing other environmental, social, and governance ("ESG") issues in our supply chain. Central to this commitment is our Human Rights Policy, which requires our business partners to uphold human rights principles, in line with the United Nations' Universal Declaration of Human Rights. We require our suppliers to implement policies and conditions that seek to protect and promote human rights within their own spheres of influence.

A. Influencing Our Suppliers to Embrace Sustainability

Our businesses across One Meralco substantially shape the revenue and growth of our suppliers who, in turn, impact our Group's overall ESG performance. It is therefore imperative for us to actively encourage and empower all our constituents across our supply chain to adopt sustainability principles and practices in their own operations. As such, we have embarked on a journey called the Supply Chain Sustainability Story to operationalize our ambitions.

The Supply Chain Sustainability Story was established to integrate sustainability into our supply chain in three distinct waves: **Introduce, Influence, and Ingrain**. The first wave focuses on **introducing** ESG principles into our supply chain and procurement processes. The second wave is concentrated on **influencing** our value chain partners to enable them to better understand and commit to sustainability. Finally, the third wave is about **ingraining** sustainability into our mission, strategy, and decision-making to further create shared value and positive impact in our network. Across these three waves, we will employ various initiatives such as baselining, segmentation of suppliers based on different criteria, partnerships with suppliers on strategic projects, capability-building workshops, performance monitoring, and communication campaigns.

In 2024, as part of the Introduce and Influence waves, we continued implementing the Meralco Supplier Sustainability Scorecard ("MS^3"), which covers 131 ESG criteria based on the GRI Standards as well as 14 of the 17 SDGs that our suppliers need to meet in order to maintain their accreditation with the Company. We also launched a sustainability toolkit and commitment form as part of their accreditation requirements, strengthening our commitment to enhancing our collective impact with our suppliers.

MS^3 provides us a better view of our suppliers' policies, processes, and initiatives that may substantially affect our Company's financial and sustainability performance. By the end of the reporting period, 355 supply chain partners, which collectively represent 95% of Meralco's annual procurement spend, were fully compliant with our sustainability standards.

Beyond mere compliance, MS^3 has yielded significant gains and now functions as a platform for Meralco to engage in meaningful dialogues with its suppliers, enabling us to better identify and address the challenges our suppliers face in adopting sustainability principles and practices. Integrating ESG assessment criteria into our procurement process also helps mitigate reputational risks and engage with suppliers who demonstrate mature risk management practices or, at the very least, commitment to adopting and integrating sustainability principles into their own operations.

Moving forward, we will roll out more supply chain sustainability initiatives as we continue to pursue the Ingrain wave, tackling challenging ESG topics such as Scope 3 emissions reduction and supplier diversity.

B. Upholding Human Rights in Our Supply Chain

We at One Meralco believe that respect for human rights is non-negotiable—it is a fundamental principle that must be upheld without fail. This conviction guides every aspect of our operations and

partnerships as enshrined in our Human Rights Policy, which extends to our vendors and other key partners. In this regard, we seek to ensure, through contractual stipulations or other formal commitments, that our third-party business partners uphold the same principles and implement them within their own operations through pertinent policies and conditions that seek to protect and promote human rights.

To support this, we actively advocate for human rights through education and training, ensuring that both our internal and external stakeholders are well-informed about our commitments. Our directors, officers, and employees lead by example, committing to strict compliance with our human rights standards and encouraging the same dedication from our business partners. This collective responsibility strengthens our mission to build a fair, equitable, and ethical business environment throughout our supply chain.

Our Governance

Business Ethics: Upholding Integrity and Accountability in Our Business

We at Meralco recognize our social and legal responsibility to uphold the highest standards of business ethics in everything we do. With a stakeholder network spanning over 8 million customers, as well as tens of thousands of employees, suppliers, and shareholders, we are committed to conducting our operations with integrity and accountability at all times. We do this not just because our success rests upon a franchise granted by the government—we do this because it is the right thing to do.

To guide this commitment, in 2017, our Board of Directors adopted the Manual of Corporate Governance ("CG Manual") based on the Securities and Exchange Commission's ("SEC") Corporate Governance Code. Our CG Manual provides the framework for good governance and ethical business practices that all our directors, officers, and employees are expected to observe and adhere to in dealing with different stakeholders. Our senior management is tasked with ensuring our operations are aligned with the CG Manual. The CG Manual was amended by the Board on July 29, 2024.

CONDUCTING BUSINESS ETHICALLY

Our Code of Business Conduct and Ethics prescribes the ethical values and behavioral standards that all directors, officers, and employees of Meralco are required to observe in performing their duties and responsibilities. Copies of the policy are disseminated to all officers and employees.

Our Corporate Governance Office ("CGO") monitors implementation of, and compliance with, the Code of Business Conduct and Ethics. An online Corporate Governance Facility in our human resource portal is made available to all employees for all corporate governance-related requirements. All directors, senior management, and employees are required to annually submit Full Business Interest Disclosure Forms and Conflict of Interest Forms. We also require them to disclose any gifts they receive from business partners through the online Gift Registry. Employees who fail to comply with our corporate governance requirements are sanctioned accordingly.

Effective management oversight is necessary to ensure that the behavior and decisions of our people are consistent with Meralco's objectives and strategies. Our Management Control Policy requires our senior management to ensure that our system of checks and balances is properly working, emphasizing the importance of internal controls as an integral part of our governance system and risk management.

PREVENTING BRIBERY AND CORRUPTION

Our Code of Business Conduct and Ethics requires all directors, officers, and employees to observe professionalism, integrity, and good faith in transactions with and obligations to our customers, suppliers, business partners, regulators, creditors, competitors, and employees. It prescribes ethical standards of behavior and discourages any act that may be construed as direct or indirect bribery or corruption, as defined by law, that lead to any perceived or actual favor or advantage.

Our Anti-Bribery and Corruption Policy strictly prohibits corporate gift-giving to private and public entities that constitutes bribery or corruption. It cites specific instances of such corrupt practices to guide our directors, officers, and employees. Our Policy on Solicitation and Acceptance of Gifts, on the other hand, prohibits the acceptance of gifts offered and given by suppliers, contractors, and other third-party business partners to prevent all our directors, officers, and employees from putting themselves in situations that could affect the performance of their duties and responsibilities.

Meanwhile, through our Code of Business Conduct and Ethics for Vendors, we require suppliers to comply, at all times, with all applicable anti-bribery and corruption laws, as well as to not offer, accept, promise, pay, permit, or authorize bribes and kickbacks, which include giving of gifts to any of our directors, officers, and employees or any other means to obtain an undue or improper advantage.

Our Internal Audit department reviews the compliance of directors, officers, and employees with the Code of Business Conduct and Ethics and other corporate governance-related policies and requirements. The result of the Internal Audit's review is reported to the Audit Committee.

ENCOURAGING OUR EMPLOYEES TO SPEAK OUT

Our Speak Out Policy, which formalizes Meralco's whistleblowing program, encourages the reporting of any violations of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by any directors, officers, or employees. The policy also covers our consultants, vendors, and other third-party business partners and, to the extent specified in the policy, subsidiaries of Meralco. Reports regarding any improper conduct or behavior may be filed by any stakeholder.

While our Speak Out Policy specifically addresses reports related to corporate governance concerns, such as violations of corporate governance rules, questionable accounting or auditing matters, and other malfeasance, we also accept reports that do not fall under these categories. These reports are referred accordingly to the concerned office for proper handling.

Consistent with this, we encourage our vendors to help maintain the integrity of our procurement process by raising concerns, filing complaints, or seeking redress for any grievance related to procurement. We ensure that concerns, complaints, or grievances related to the procurement process are investigated and dealt with in accordance with existing laws, rules, regulations, internal policies, and procedures.

Appropriate controls or mechanisms are adopted to safeguard the confidentiality of the reports, the conduct of the investigation, and the integrity of the process. To encourage good faith reporting, we prohibit any form of retaliation arising from a Speak Out Report and provide appropriate protection from those committing retaliation. In the event of retaliation, the reporting person or witness may file a report with the CGO.

Our employees, suppliers, customers, and other stakeholders can download a whistleblower and grievance report form from the Company website and submit it via email or regular mail to the CGO.

COMMUNICATION OF ANTI-CORRUPTION POLICIES AND PROCEDURES IN MERALCO			
	2022	2023	2024
Board of directors	11	11	11
Senior management	749	789	825
Middle management	754	795	809
Rank and file	4,639	4,346	4,372
Fixed-term and project-based hires	323	320	297
Third-party workers	0	0	0
Business partners	707	1,292	409

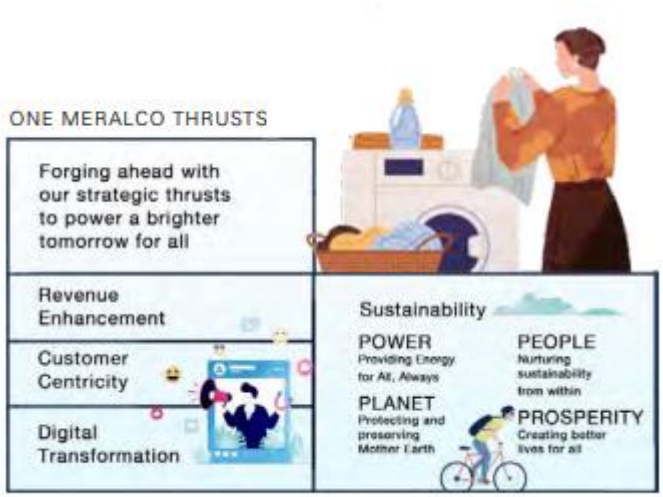
TRAINING ON ANTI-CORRUPTION IN MERALCO			
	2022	2023	2024
Board of directors	11	11	11
Senior management	749	789	825
Middle management	754	795	809
Rank-and-file	4,639	4,346	4,372
Fixed-term and project-based hires	323	320	297
Third-party workers	0	0	0
Business partners	707	1,292	409

NUMBER OF CORRUPTION INCIDENTS IN MERALCO REPORTED VIA OUR SPEAK OUT PLATFORM			
	2022	2023	2024
Under ongoing investigation	0	0	0
Closed with corresponding corrective action	0	0	0
Closed without corresponding corrective action	0	0	0
Total	**0**	**0**	**0**

NUMBER OF REPORTED DISCRIMINATION INCIDENTS IN MERALCO			
	2022	2023	2024
Under ongoing investigation	0	0	0
Closed with corresponding corrective action	0	0	0
Closed without corresponding corrective action	0	0	0
Total	**0**	**0**	**0**

Corporate Governance Report

One Meralco: A Shared Commitment to Excellence in Governance



Aligned with the principle of collaboration that define MERALCO ("the Company"), the organization demonstrates an unwavering commitment to transparent and effective governance. By fostering synergy across its operations, the Company upholds rigorous governance standards, ensuring compliance with regulations and building trust among stakeholders. This shared commitment serves as the foundation for the Company's sustainable growth and long-term success.

At the core of its unified efforts lies a collective dedication to strict adherence to relevant laws, regulations, and ethical standards. MERALCO proudly stands as a testament to the strength of this shared vision, demonstrating compliance as guided by the trust and confidence of its stakeholders. The Company fully adheres to the corporate governance codes, rules, and regulations established by esteemed regulatory bodies such as Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE), Philippine Dealing & Exchange Corp. (PDEx), and others.

Through a unified approach to governance, MERALCO not only drives progress but also reinforces its position as a stable and sound investment, embodying the strength of its vision for generations to come.

Recognizing that corporate governance extends beyond mere compliance, the Company ensures that its cohesive efforts maintain a strong and sustainable corporate culture. Anchored in the fundamental principles of fairness, accountability, integrity, transparency, and honesty, these shared values enable MERALCO to create and sustain value, gain a competitive edge, and advance its environmental, social, and governance objectives.

Guided by its vision, mission, and core values, MERALCO continuously strengthens its governance structure, policies, controls, and practices. These efforts are aligned with the SEC Memorandum Circular No. 19, Series of 2016, otherwise known as the Code of Corporate Governance for Publicly-Listed Companies ("SEC CG Code"), and the ASEAN Corporate Governance Scorecard ("ACGS").

In recognition of the Company's exemplary corporate governance practices, MERALCO was honored with a Four (4) Golden Arrow award by the Institute of Corporate Directors (ICD) during the 2024 Golden Arrow Awards held on September 19 at the Marriott Hotel in Manila. The assessment is based on the ASEAN Corporate Governance Scorecard, a tool used by to evaluate companies' adherence to best practices in corporate governance across the ASEAN region.

Meralco's advancement to this 4-Arrow recognition is a significant improvement from last year's 3-Arrow status, highlighting MERALCO's ongoing commitment to strengthening transparency, accountability, and ethical leadership and further solidifying its reputation as a benchmark for corporate governance excellence.

A. BOARD GOVERNANCE RESPONSIBILITIES

Serving as corporate governance steward of the Company, the competent, working Board of Directors ("Board") fosters the long- term success of Meralco, and ensures that the Company sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Board is responsible for defining and reviewing the Company's vision, mission, overall strategic directions, corporate objectives, long-term goals and core values annually. It oversees and monitors the development and implementation of the Company's business objectives and strategy and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

Pursuant to the SEC CG Code, the Board adopted in 2017 a Manual of Corporate Governance ("CG Manual") which provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and adhere to in dealing with various stakeholders. Management in turn, ensures that the operations of the Company are aligned with the CG Manual.

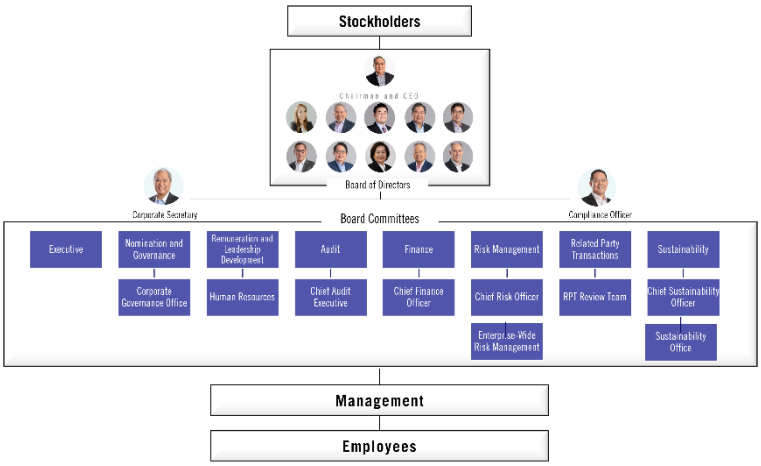
The CG Manual conforms to regulations set forth by the SEC, the PSE, PDEx, and other relevant regulatory bodies and is reviewed annually to ensure that it is up to date with local and international best practices, and in keeping with the Company's strategic direction. The CG Manual was amended by the Board on July 29, 2024.

In accordance with the CG Manual, the Board formulates and annually reviews the Company's vision and mission statement, strategic objectives, key policies, and the mechanism for performance assessment of the Board and Management, principally the President and/or Chief Executive Officer (CEO) as well as other key officers.

The Board, in its regular meeting held on January 29, 2024 as part of the Board's assessment of the Company's performance in the past year, reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance. In 2021, the Board revised the vision, mission, and values statements as well as the corporate strategic objectives of the Company and the same was again reviewed and confirmed by the Board in 2024.

A.1 COMPOSITION

The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector. In accordance with the Revised Corporation Code, the Company has a diverse Board consisting of eleven (11) directors, majority of whom are non-executive directors while three (3) are Independent Directors (ID), including a female independent director.



The Nomination and Governance Committee (Nom&Gov) reviews the nomination, selection, and composition of the Board pursuant to the Nomination and Election Policy. Additionally, the Board affirms that its members have a proper mix of qualifications, background, experience, independence, and skills needed to effectively perform its responsibilities and that its members remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.

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

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

A.2 INDEPENDENT DIRECTORS

On March 14, 2024, the Nom&Gov assessed the profiles of the directors and found that the independent, non-executive directors are indeed free of relationships with the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they do not hinder in any way the performance of their duties to the Company.

Under the Company's Manual of Corporate Governance ("CG Manual), independent directors are allowed to serve for a maximum of nine (9) consecutive years reckoned from 2012, making sure, however, that the shareholders' legal right to vote and be voted remains inviolable. If an independent director who has served for nine (9) consecutive years is being nominated and considered for reelection, the Company is mandated to provide meritorious justification and advise the shareholders of such justification during the annual shareholders' meeting. Given the nomination for election to the Board of Directors of independent directors, Retired Chief Justice Artemio V. Panganiban and Mr. Pedro Emilio O. Roxas after the maximum 9-year term, the Board provided for the meritorious justification for their retention in accordance with the CG Manual which was consequently approved by the shareholders during the 2024 Annual Stockholders' Meeting.

The proposal to retain Retired Chief Justice Panganiban and Mr. Roxas as independent directors is crucial given the Company's then pending franchise renewal application with the Congress. Their expertise in market dynamics, regulatory compliance, and strategic planning ensures stability, mitigates risks, and supports the Company's sustained growth. Their strong stakeholder relationships likewise foster trust and constructive dialogue, which is also imperative for successful franchise renewal. Additionally, their forward-thinking approach and strategic insights are vital as the Company navigates market challenges and diversifies into renewable energy investments.

A.3 CHAIRMAN OF THE BOARD

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

Together with the Chairman and CEO, the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, independent directors may raise, and ensures that the Board exercises strong oversight over the Company and its Management, such that any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the CG Manual accessible at the Company's website.

A.4 MEETINGS AND MAJOR ACCOMPLISHMENTS

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

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

2024 ASM AND BOARD MEETING ATTENDANCE			
Name	**Designation**	**Annual Stockholders' Meeting**	**Board Meetings[1]**
Manuel V. Pangilinan	Chairman	Present	16/16
Lance Y. Gokongwei	Director	Present	16/16
Ray C. Espinosa	Director	Present	16/16
June Cheryl A. Cabal-Revilla	Director	Present	16/16
Frederick D. Go[2]	Director	Not Applicable	Not Applicable
James L. Go	Director	Present	14/16
Patrick Henry C. Go[3]	Director	Present	13/13
Jose Ma. K. Lim	Director	Present	16/16
Victorico P. Vargas	Director	Present	16/16
Lydia B. Echauz	Independent Director	Present	16/16
Artemio V. Panganiban	Independent Director	Present	16/16
Pedro Emilio O. Roxas	Independent Director	Present	16/16

[1] Regular, Special, and Organizational Board Meetings
[2] Resigned as a member of the Board of Directors on January 8, 2024
[3] Elected as a member of the Board of Directors on January 29, 2024

In 2024, the Board's major accomplishments included the following:

Major Projects/Policy Decisions

- Evaluation of compliance to the SEC Revised Code of Corporate Governance
- Approval of the Integrated Annual Corporate Governance Report (I-ACGR)
- Review and approval of the Amendments to the Manual of Corporate Governance, Finance Committee Charter, Nomination and Governance Committee Charter, Related Party Transactions Committee Charter, and Risk Management Committee Charter
- Screening of nominees to the Board
- Approval of the Updated Long-term Sustainability Strategy (LTSS)
- Conduct of the 2024 ASM
- Approval of 2025 schedule of Board meetings
- Review and approval of the board committee composition
- Evaluation of compliance to ERC requirements
- Review and approval of business separation and unbundling plan reports
- Approval of construction, development, and commissioning of substation assets
- Review and approval of Emergency Power Supply Agreement (EPSA)
- Review and approval of power generation projects, interim power supply agreements (IPSAs) and power supply agreements (PSAs), technical services agreements, pole relocation projects, and other local and international business initiatives
- Approval of Audited Financial Statements
- Evaluation of incumbent external auditor and nomination of external auditor for 2024
- Approval of report of external auditors covering the Company's Audited Financial Statements

- Approval of dividend declaration
- Review and approval of material RPTs
- Enterprise performance evaluation and assessment
- Performance assessment of the Board, Board Committee, and Key Officers
- Review and approval of rank conferment and appointment of officers
- Review and approval of executive promotions, rightsizing policy and succession planning
- Review and approval of employee performance management plan
- Review and approval of various supply contracts in excess of PHP 50 million

Business Plan and Annual Budgets

- Review and approval of the 2025 budget
- Monitoring of investment committee report
- Review and approval of corporate strategic objectives
- Monitoring of the implementation of corporate strategies
- Review of forecast of subsidiaries' projects

Major Investment Fundings

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

A.5 CORPORATE SECRETARY AND COMPLIANCE OFFICER

All Board members have direct and independent access to the Corporate Secretary, the Compliance Officer and Management.

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

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

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

A.6 BOARD COMMITTEES

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

2024 BOARD COMMITTEE MEETING ATTENDANCE								
Name	**Finance**	**Audit**	**RMC**	**RPT**	**Nom & Gov**	**RLDC**	**Executive**	**Sustainability**
Manuel V. Pangilinan	N/A	N/A	N/A	N/A	N/A	4/4	6/6	3/3
Lance Y. Gokongwei	15/15	N/A	N/A	N/A	N/A	4/4	6/6	3/3
Ray C. Espinosa	N/A	N/A	1/2	2/2	N/A	N/A	N/A	N/A
June Cheryl A. Cabal-Revilla[1]	15/15	6/7	N/A	N/A	5/5	N/A	N/A	3/3
Frederick D. Go[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James L. Go	12/15	5/7	1/2	1/2	4/5	N/A	4/6	N/A
Patrick Henry C. Go[3]	N/A	7/7	2/2	2/2	5/5	N/A	N/A	2/2
Jose Ma. K. Lim[4]	15/15	7/7	2/2	2/2	5/5	N/A	6/6	N/A
Victorico P. Vargas	15/15	N/A	N/A	N/A	N/A	4/4	N/A	N/A
Lydia B. Echauz	15/15	7/7	N/A	N/A	5/5	N/A	N/A	N/A
Artemio V. Panganiban	N/A	7/7	2/2	2/2	N/A	N/A	6/6	N/A
Pedro Emilio O. Roxas	15/15	6/7	2/2	2/2	5/5	3/4	N/A	3/3

[1] Chairperson of the Finance Committee beginning May 28, 2024
[2] Resigned as a member of the Board of Directors on January 8, 2024, resigned as a member of the Audit, RPT, Nomination and Governance, and Sustainability Committee, and as Chairperson of the Risk Management Committee on January 8, 2024.
[3] Elected as a member of the Board of Directors on January 29, 2024, and as a member of the Audit, RRT, Nomination and Governance, and Sustainability Committee, and as Chairperson of the Risk Management Committee on January 29, 2024.
[4] Chairperson of the Finance Committee until May 27, 2024

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

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

The ExCom conducted six (6) meetings in 2024 with the following accomplishments:

- Review of updates on ongoing projects
- Approval of PSAs
- Approval of submission of 2024 Revised Power Supply Procurement Plan with the Department of Energy
- Approval of New Emergency PSA (EPSA) for MERALCO's 1,200 MW baseload supply requirement

B. REMUNERATION AND LEADERSHIP DEVELOPMENT COMMITTEE (RLDC) is composed of four (4) directors, one (1) of whom is an independent director. The duties and responsibilities of RLDC as defined in its charter include assistance to the Board in the development of the Company's overall performance management, compensation, retirement, and leadership development policies and programs based on the Company-approved philosophy and budget.

The RLDC held four (4) meetings in 2024 and accomplished the following:

- Approval of candidates for rank conferment
- Approval of proposed budget for the 2024 salary review program
- Review of annual incentive plan
- Review of the collective bargaining agreement for supervisory union
- Review of performance evaluation plan results
- Approval of Recommendation for Appointment and Employment Extension

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

	Remuneration for Board Meetings Attended in 2024	Remuneration for Committee Meetings Attended in 2024	TOTAL
EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱1,820,000.00	₱312,000.00	₱2,132,000.00
NON-EXECUTIVE DIRECTORS			
Lance Y. Gokongwei	₱1,820,000.00	₱600,000.00	₱2,420,000.00
June Cheryl A. Cabal-Revilla	₱1,820,000.00	₱600,000.00	₱2,420,000.00
Ray C. Espinosa	₱1,820,000.00	₱72,000.00	₱1,892,000.00
James L. Go	₱1,540,000.00	₱552,000.00	₱2,092,000.00
Patrick Henry C. Go[1]	₱1,680,000.00	₱408,000.00	₱2,088,000.00
Jose Ma. K. Lim	₱1,820,000.00	₱792,000.00	₱2,612,000.00
Victorico P. Vargas	₱1,820,000.00	₱384,000.00	₱2,204,000.00
INDEPENDENT DIRECTORS			
Lydia B. Echauz	₱1,820,000.00	₱552,000.00	₱2,372,000.00
Artemio V. Panganiban	₱1,820,000.00	₱408,000.00	₱2,228,000.00
Pedro Emilio O. Roxas	₱1,820,000.00	₱768,000.00	₱2,588,000.00
TOTAL INDEPENDENT DIRECTORS	**₱5,460,000.00**	**₱1,728,000.00**	₱7,188,000.00
GRAND TOTAL	**₱19,600,000.00**	**₱5,448,000.00**	**₱25,048,000.00**

1 Elected as Director effective January 29, 2024.

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until June 27, 2025. The policy covers Company Securities, Company Employment Practices Breach, Regulatory Crisis Event Costs, Investigation Costs, Public Relations Expenses, Investigation Costs for Derivative Demands, Tax Liability, and other additional limits such as Bodily Injury & Property Damage Defense Costs, Health & Safety Defence Costs, Gross Negligence Manslaughter Defense Costs and Environmental Violation (Defense Costs Including Civil and admin Fines).

For the President and/or CEO and Management, the framework takes into account all aspects of executive remuneration including salaries, allowances, bonuses, and benefits in kind. The framework is benchmarked against pay and employment conditions within the industry and it links rewards to corporate and individual performance.

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

Remuneration of Key Management and Employees

The Company adopts a Remuneration Policy comprised of fixed and variable components in the form of base salary and variable bonus linked to the Company's and the individual's performance. Compensation packages and revisions of key Management's remuneration are subject to the review and approval of the RLDC.

The top five (5) key officers of the Company have received an aggregate remuneration of PhP259 million in 2024. For more information on the aggregate total remuneration paid to all key officers, please refer to the discussion entitled Compensation of Key Management Personnel in the Notes to Consolidated Financial Statements.

Advisers/Consultants to Remuneration and Leadership Development Committee

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

C. Nomination and Governance Committee (Nom&Gov)

The Nom&Gov is composed of six (6) directors with an independent director as chair. The duties and responsibilities of Nom&Gov as reflected in its charter include screening qualified nominees for election as directors, assessing the independence of directors, introducing improvements on Board organization and procedures, setting-up of mechanisms for performance evaluation of the Board and Management, and providing programs for continuing education of the Board.

The Nom&Gov undertakes the process of identifying the qualification of directors aligned with the Company's strategic directions. It reviews and recommends to the Board the appointment of members to the Board Committees. The process involves identifying, reviewing, and recommending potential candidates to the Board for consideration.

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

These candidates are sourced from the business networks of Board members and from professional search firms such as the Institute of Corporate Directors (ICD), or from shareholders. These candidates should be skilled in core competencies such as strategic planning, business expertise, and industry knowledge.

The shareholders elect the directors during the Annual Stockholders' Meeting ASM held every last Tuesday of May.

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

The Nom&Gov Comm held five (5) meetings in 2024 and performed the following:

- Reviewed the results of Board, Board Committees, and Key Officers performance assessment
- Assessed MERALCO's public ownership report
- Screened the nominees to the Board
- Reviewed the Board committee composition
- Assessed MERALCO's compliance to the Revised ASEAN Corporate Governance Scorecard (ACGS)
- Reviewed and endorsed MERALCO's Integrated Annual Corporate Governance Report (I-ACGR) for 2023
- Reviewed and approved the Amendments to the Manual of Corporate Governance, Finance Committee Charter, Nomination and Governance Committee Charter, Related Party Transaction Charter, and Risk Management Committee Charter
- Reviewed the Company's Vision, Mission, and Values Statements
- Facilitated the annual CG enhancement and continuing education programs
- Conducted onboarding orientation for the new director, Ms. Patrick Henry C. Go

D. Audit Committee (AuditCom)

The AuditCom consists of three (3) independent directors, and four (4) non-executive directors, one of whom, Ms. June Cheryl A. Cabal-Revilla, has solid experience in the areas of accounting, corporate finance, treasury, financial control and risk management, having been the Chief Finance, Risk and Sustainability Officer of another publicly-listed company and Appointed Member of the Financial and Sustainability Reporting Standards Council (FSRSC) of the Philippines, the accounting and sustainability standards-setters in the country, since 2010 for FRSC. The AuditCom is chaired by the lead independent director.

The AuditCom had seven (7) meetings in 2024 with the following accomplishments:

Internal Control

- Obtained management's assurance on the adequacy and effectiveness of the Company's internal control system and noted Management's Control Policy
- Evaluated the effectiveness of the internal control system of the Company

- Reviewed and discussed updates on fraud investigations, recoveries from losses and appropriate actions of the Management.

Financial Reporting

- Reviewed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Company
- Endorsed for Board approval the Audited Consolidated Financial Statements of the Company

Audit Process

- Assessed the independence, performance, and effectiveness of the External Auditors, SGV & Co. CPAs (SGV) taking into consideration their credibility, competence, ability to understand complex transactions, and the adequacy of their quality control procedures. Based on this assessment, SGV was re-nominated by the Committee to the Board as the External Auditors of the Company with the assurance that the lead audit partner complies with Rule 68 of the Securities Regulation Code on rotation of External Auditors.
- Held executive sessions with the External Auditors and Internal Audit without the presence of Management. On December 5, 2024, the Audit Committee held separate executive session with the engagement partner of the external auditors, SGV, including the private session of the Audit Committee Chair with the Chief Audit Executive. The agenda in these meetings involved matters the Audit Committee and the auditors believe should be discussed without the presence of the executive director or officers from management.
- Reviewed and approved the audit plan, scope of work and proposed fees of SGV for audit and non-audit services.
- Reviewed and approved the annual Internal Audit Plan, the related key performance indicators, and all subsequent changes to the Internal Audit Plan, as needed.
- Discussed and dissected the results of audits reported by the Chief Audit Executive in her quarterly and year-end status reports to the Committee.
- Monitored Management's timely implementation of appropriate corrective actions to address the audit issues and recommendations of Internal Audit and the External Auditor.
- Assessed Internal Audit's performance for the preceding year.
- Assessed the performance of the Subsidiaries' Audit committees
- Reviewed the Internal Audit and Audit Committee Charters on an annual basis for any updates or changes.

Compliance

- Reviewed and assessed Management's processes of monitoring compliance with laws and regulations through Internal Audit.
- Reviewed and assessed subsidiaries' and associate companies' processes of monitoring compliance with laws and regulations.

E. Risk Management Committee (RMC)

The RMC consists of two (2) independent directors and four (4) non-executive directors. It assists the Board in its oversight role on the risk management process. In 2024, the RMC had two (2) meetings. The following activities were accomplished by RMC:

- Reviewed Meralco group's Key Enterprise Risks Report for the Distribution Utility and Subsidiaries
- Reviewed and discussed with the Chief Risk Officer and external auditors One MERALCO's key business risks as well as its ongoing and proposed risk mitigation measures.
- Evaluated the effectiveness and certified the adequacy of One MERALCO's risk management process such that material risks are periodically identified, evaluated, managed, and reported appropriately by management.

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

F. Finance Committee (FinCom)

The FinCom is composed of seven (7) directors, two (2) of whom are independent directors, with the Chief Finance Officer (CFO) as ex-officio member. It reviews the financial operations of the Company and matters regarding major purchase contracts, and acquisition and/or divestment of investments, businesses, or ventures.

In its fifteen (15) meetings in 2024, its major accomplishments were:

- Review and approval of all service and supply contracts in excess of PhP50 million
- Review of Unaudited Quarterly Consolidated Financial Statements and Audited Annual Consolidated Financial Statements
- Treasury updates
- Declaration of cash dividend
- Renewal of credit lines and bonds
- Review and approval of cash optimization strategy
- Review and approval of PSAs and any changes or issues regarding their execution
- Review and approval of annual budget and medium- term business plan and forecast
- Review of MERALCO directors' and officers' insurance policy
- Review additional capital call, surety bonds, capital infusions for subsidiaries
- Review of capital and debt structure
- Review of equity call
- Review of investments
- Review and endorsement of the renewal of Wholesale Electricity Spot Market surety bond for the retail electricity supply transactions

G. Related Party Transactions Committee (RPTCom)

The RPTCom consists of six (6) directors, two (2) of whom are independent directors. It assists the Board in reviewing De Minimis, Significant, and Material RPTs to determine whether they are in the best interest of the Company and shareholders, and ensure that all RPTs of the Company are conducted in fair and at arms' length terms. In 2024, the RPTCom had two (2) meetings. The following activities were accomplished by the RPTCom:

- Reviewed and approved De Minimis, Significant, and Material RPTs
- Reviewed RPT Reports together with the RPT Review Team, and evaluated MERALCO's purchases of goods and services from related parties to be fair and at arm's length terms
- Endorsed Material RPTs to the Board for approval

H. Sustainability Committee (SusCom)

In 2021, the SusCom was established to institutionalize MERALCO's sustainability commitment and corporate ESG imperatives. Composed of six (6) members, including the Chairman and CEO and the Chief Sustainability Officer, who acts as a non-voting member, SusCom is responsible for overseeing the Company's sustainability strategy, policies, and programs. The Committee also accounts for and monitors the economic, environmental, social, and governance (EESG) performance of the Company in alignment with the UN SDGs, with the aim of delivering long-term value to all the stakeholders.

In 2024, the SusCom formally met three (3) times to review updates on One Meralco's Long-Term Sustainability Strategy (LTSS) and progress on 30 by '30: Thirty Key Sustainability Plays Through 2030, and thereafter endorsed the same to the Board for final approval.

A.7 ORIENTATION AND CONTINUING EDUCATION PROGRAMS

The Board of Directors ensures that the Company complies with all relevant laws, regulations, and endeavors to adopt best business practices. Towards this end, the Board keeps abreast with the latest developments in the corporate governance regulatory landscape and implements a policy on orientation and continuing training for all directors and key officers, including an annual CG training with SEC-Accredited providers, in accordance with the Board Charter and the CG Manual.

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 CG Manual, the ERC Resolution No. 1, Series of 2004, and the SEC Memo Circular No. 20, Series of 2013, the Directors, together with the Senior Management, attended via online platform the MVP Group Annual Corporate Governance Enhancement Session (ACGES) on September 27, 2024, entitled Achieving Escape Velocity: Harnessing High Technology to Spark Creativity and Innovation by Mr. David Morey and Dr. Erika Fille T. Legara. This session covered four (4) hours of governance training and was accredited by the SEC.

2024 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS		
Director	**Program**	**Resource Person/ Name of Training Institution**
Manuel V. Pangilinan **June Cheryl A. Cabal-Revilla** **Lydia B. Echauz** **Ray C. Espinosa** **Jose Ma. K. Lim** **Ret. Chief Justice Artemio V. Panganiban** **Pedro Emilio O. Roxas** **Victorico P. Vargas**	MVP Group Annual Corporate Governance Enhancement Session: Achieving Escape Velocity: Harnessing High Technology to Spark Creativity and Innovation	**Mr. David Morey** **Dr. Erika Fille T. Legara**
Lance Y. Gokongwei **Patrick Henry C. Go**	Building a Resilient Gokongwei Group: Corporate Governance Training on Sustainability, Cybersecurity, and Integrity	**2024 Gokongwei Group Corporate Governance Training for Directors and Officers**
James L. Go	**SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.**	

A.8 BOARD, COMMITTEE AND KEY OFFICERS PERFORMANCE ASSESSMENT

The Board annually conducts a self-assessment of its performance individually, collectively, and as members of the different Board Committees. The self-assessment results are key factors in the enhancement of directors' performance and effectiveness in the discharge of their duties.

The Board conducted the performance assessment on February 20, 2024 wherein directors were given opportunity to give their opinions and suggestions or identify special issues of interest about their performance or different aspects of the Company's operation.

Every three years, the assessments are supported by an external facilitator. In 2023, the Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) in the evaluation of the 2022 performance of the board, board committees, and other key officers.

BOARD, COMMITTEE AND KEY OFFICERS PERFORMANCE ASSESSMENT FORMS

1. **Collective Board Assessment** - each director assessed the board performance as a whole based on the following categories:
   a) Board composition;
   b) Board efficiency and performance;
   c) Board meetings and participation.

2. **Individual Director Self-Rating –** each director evaluated their performance for the previous year.

3. **Board Committee Assessment –** each director assessed the overall performance of the board committees as well as the individual board committees based on the provisions of Board Committee Charters.

4. **Key Officer Ratings –** each director assessed the performance of the Chairman and CEO, Chief Compliance Officer Chief Risk Officer, and Chief Audit Executive. In addition, the Chairman participated in the self-assessment of his performance in the previous year.

PERFORMANCE INDICATORS	
Financial	Non-Financial

Measures reflecting the financial results and financial position of the Company to stakeholders, such as revenues, consolidated core net income, reported net income, EBITDA, cash and cash equivalents, debt and stockholders' equity, dividend payouts, etc.	• **S-Factor Indicators**
	  ▪ **System Loss (SL)**
	  ▪ **System Average Interruption Frequency Index (SAIFI)**
	  ▪ **System Average Interruption Duration Index (SAIDI)**
	  ▪ **Momentary Average Interruption Frequency Index (MAIFI)**
	  ▪ **Time to Process Applications (TPA)**
	  ▪ **Time to Connect Premises (TCP)**
	  ▪ **Call Center Performance (CCP)**
	• **Guaranteed Service Level (GSL) Metrics**
	• **Energy Sales in GWh**
	• **Customer Count**

B. RESPECTING THE RIGHTS OF SHAREHOLDER

The Company recognizes the rights of all shareholders as provided in the Corporation Code of the Philippines, other pertinent laws, rules, and regulations, the Company's Articles of Incorporation, Amended By-Laws, and CG Manual.

B.1 RIGHT TO DIVIDENDS

DIVIDEND POLICY

The Company's dividend policy, as approved by the Board on February 22, 2010, and ratified by the shareholders during the May 25, 2010 ASM, calls for the payment of regular cash dividends equivalent to 50% of the audited CCNI for the year with a "look-back" basis, which allows the Company to pay special dividends beyond 50% of the CCNI for the year, subject to the availability of unrestricted retained earnings in accordance with the guidelines of the SEC.

Following are the cash dividends declared by the Board on common shares for 2024:

Declaration Date	Record Date	Payable Date	Rate per Share
February 26, 2024	March 27, 2024	April 24, 2024	PhP11.235
July 29, 2024	August 28, 2024	September 23, 2024	PhP10.295

B.2 RIGHT TO PARTICIPATE IN DECISIONS

The Company upholds the rights of all shareholders, including the minority shareholders, to participate in:

- changes or amendments to the Company's Articles of Incorporation or By-laws
- authorization for issuance of additional shares
- authorization of extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Company
- approval of remuneration or increase in remuneration of directors
- voting by proxy and attendance in stockholders' meeting in *absentia* or through remote communication.

B.3 RIGHT TO VOTE AND PARTICIPATE EFFECTIVELY DISCLOSURE AND RELEASE OF NOTICE TO ANNUAL STOCKHOLDERS' MEETING (ASM)

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on January 29, 2024. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 17, 2024, 28 business days before the ASM. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

ASM

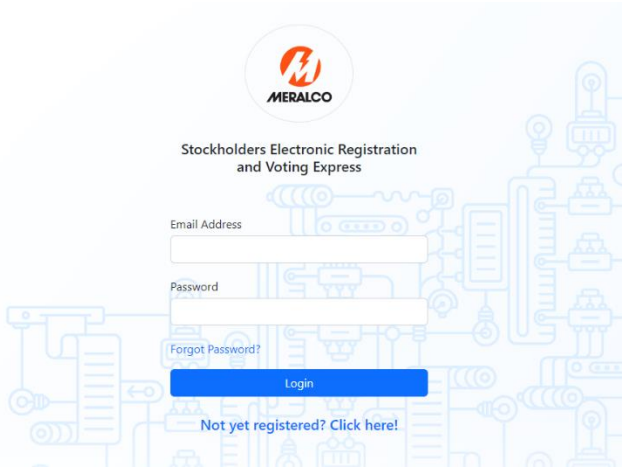
It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2024 ASM was held on Tuesday, May 28, 2024, at 10:22 AM at the MERALCO Compound, Ortigas Avenue, Barangay Ugong, Pasig City. The Company conducted its fifth virtual ASM via live broadcast of the proceedings through the Stockholders Electronic Registration and Voting Express (SERVE). Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

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

The Company granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the Company's website on January 29, 2024 for submission of proposed agenda and nomination of qualified candidates on or before March 8, 2024. The agenda and nominees were approved by the Board on January 29, 2024 and March 22, 2024, respectively.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 885,518,431 shares or approximately 78.57% of the total issued and outstanding shares of the Company. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online.



The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, Chairman of the AuditCom, Chairman of the RLDC, Chairman of the Nom&Gov, Chairman of the Finance Committee, the Board, Chief Finance Officer (CFO), Corporate Secretary, Assistant Corporate Secretary,other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

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

B.4 RIGHT TO APPROVE MERGERS AND ACQUISITION

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

B.5 INSTITUTIONAL INVESTORS

The Company recognizes the exercise of ownership rights by all shareholders, including institutional investors. The Company does not have any shareholder owning more than 50% of its total outstanding shares.

For the detailed Map Showing the Relationships among the Companies in the Group as at December 31, 2024, please refer to Schedule I of the Definitive Information Statement.

C. EQUITABLE TREATMENT OF SHAREHOLDERS

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

C.2 NOTICE OF ANNUAL STOCKHOLDERS' MEETING (ASM) AND DEFINITIVE INFORMATION STATEMENT (DIS)
The Notice of ASM and DIS contain, among others, the resolutions to be considered by the stockholders for each agenda item during the ASM. There is no bundling of several items into one resolution. It also provides the following information:

- Profiles of each director seeking election/ re-election—age, academic qualification, date of first appointment, experience, and directorships in other listed companies
- External auditor seeking appointment/ re-appointment
- Dividend policy
- Amount of dividends declared and any dividends payable
- Readily available proxy statements

The Notice of ASM and DIS are available on the Company's website.

C.3 POLICY ON DEALINGS IN COMPANY SHARES OF STOCKS (INSIDER TRADING/BLACKOUT PERIOD)
The Insider Trading Policy prohibits directors, officers, and employees from benefiting from information that is not generally available to the investing public through observance of a blackout period ten (10) trading days before and two (2) trading days after the release or announcement of the Company's material information or financial and operating results, during which trading in Company shares is prohibited.

The Company strictly enforces and monitors compliance with its policy on insider trading. Under the revised policy approved for implementation on December 1, 2014, directors and officers are required to disclose to the Compliance Officer the details of any trading, dealing, acquisition, disposal, or change in their beneficial ownership of the Company (MER) shares, not later than one (1) trading day after the transaction.

C.4 RELATED PARTY TRANSACTIONS (RPTS) BY DIRECTORS AND KEY EXECUTIVES
The RPT Policy requires the review of material/significant RPTs, to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms. The Policy provides for materiality thresholds, i.e., de *minimis,* significant, material RPTs including SEC material RPTs which constitute ten percent (10%) of the Company's assets.

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

In 2024, all the RPTs were conducted in fair and at arm's length terms and there was no case of insider trading or policy violations involving directors and officers of the Company. Also, no RPT that can be classified as financial assistance to entities other than wholly-owned subsidiary companies. The Company is fully-compliant with the Code and policies on corporate governance.

Conflict of Interest (COI) Policy
The COI Policy requires all directors, officers and employees to annually disclose their interest in transactions and any other conflicts of interest affecting the Company through the FBID Form for directors and officers, and the COI Form for employees. The Company requires directors and key Management personnel to abstain from and/or inhibit themselves from participating in discussions on a particular agenda when a conflict exists or may exist between their personal interest and that of the Company.

C.5 PROTECTING MINORITY SHAREHOLDERS FROM ABUSIVE ACTIONS
The Company's policies recognize and protect the rights of the minority stockholders while pursuing corporate interest. Some salient provisions include:

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

D. ROLE OF STAKEHOLDERS

D.1 RESPECTING THE RIGHTS OF STAKEHOLDERS

The Company strictly observes the principles of fairness, accountability, integrity, transparency, and honesty (FAITH) in its obligations to, and dealings with, its various stakeholders. The Company values its stakeholders and protects their rights, as mandated by relevant laws and internal policies. Sanctions and penalties based on the provisions of the Company's Code on Right Employee Conduct (COREC) and other related policies are imposed upon violators.

Customers

The Company renders excellent service, ensures fair treatment, and provides complete and accurate information, to its customers.

Suppliers/Contractors

To ensure a mutually beneficial relationship with its suppliers and contractors, the Company prescribes clearly defined and transparent procurement and supplier selection process through the Vendor's Code of Business Conduct and Ethics and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts.

Creditors

The Company faithfully complies with all loan agreements with creditors. It ensures timely payment of its loans and efficiently operates its business to assure creditors of the Company's sound financial standing and loan payment capabilities.

Environment and Community

As an advocate of sustainable development, the Company is committed to operate profitably within the bounds of its social and environmental responsibility.

Employees

MERALCO is committed to the development and welfare of its employees. The Company provides its employees with opportunities for learning and development, fair and competitive remuneration, and programs to promote health and safety. The Company devotes conscious effort to build a culture of excellence, knowledge sharing, personnel integrity, and development.

D.2 PERFORMANCE-ENHANCING MECHANISMS FOR EMPLOYEES

Employee Development Programs

Training programs and other developmental interventions including job-specific development training programs and managerial/leadership development training are implemented to enable employees and officers to acquire the technical and leadership competencies to effectively perform their jobs for their professional growth. The Company uses globally-accepted training and development metrics relevant to value creation for business and society.

Compensation Philosophy/Principles

The Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest. The Company's performance management process measures employee performance on the basis of: 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. The achievement of financial and non-financial indicators is reflected in performance planning and assessment, which drives the Company's merit and incentive pay programs.

The Company implements short-term and long-term incentive programs to attract, retain, and motivate its employees. The Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets. The Company evaluates performance beyond short- term financial measures. It also provides for short- term incentives through variable pay, such as annual performance-based bonuses and variable incentive plan, to reward individual and team performance that contribute to the achievement of corporate goals and objectives.

Long-term incentives include additional compensation conditioned on MERALCO's achievement of a specified level of Consolidated Core Net Income (CCNI) approved by the Board and determined on an aggregate basis for a three (3)-year period as well as executives' attainment of a specified performance rating.

Succession Planning of President and/or CEO and Senior Management

The Company's Board and the Remuneration and Leadership Development Committee (RLDC) are responsible for overall guidance and direction on succession planning and leadership development of the President and/or Chief Executive Officer (CEO) and senior management. The RLDC, working closely with the head of Human Resources (HR), drives the strategy for succession planning, leadership development, and talent management. The HR head

develops and implements the processes and the tools to ensure robust pools of succession candidates for the President and/or CEO, senior management, middle management, and first line management.

Presently, the succession plan covers 670 leaders of the Company. The succession planning process involves the assessment of the Company's leaders' career aspirations, strengths, and development needs. A key feature of the Company's succession planning process is the talent review conducted at the senior management level and at various levels of the organization. The senior management talent review has resulted in a pool of about 48 candidates in senior management pool, who, subject to the realization of their development plans, could become management committee members within the next five (5) years.

Code of Business Conduct and Ethics

The Company's Code of Ethics prescribes the ethical values and behavioral standards, which all directors, officers, and employees of the Company are required to observe in the performance of their respective duties and responsibilities. Copies of the Code of Ethics are disseminated to all officers and employees.

The Company, through the Corporate Governance Office (CGO), monitors the implementation of, and compliance to, the Code of Ethics. An online HR Express Corporate Governance Facility is made available to all employees for the Corporate Governance (CG) disclosures and commitment required from them. All directors, senior management, and employees are required to annually submit duly accomplished Full Business Interest Disclosure (FBID) Forms and/or Conflict of Interest (COI) Forms. They are also required to disclose gifts they received from third-party business partners through the online Gift Registry. Failure to comply with CG disclosures is sanctioned accordingly. On July 25, 2022, the Code of Ethics was amended and remade "Code of Business Conduct and Ethics."

The Management Control Policy prescribes Management's responsibility to ensure a system of checks and balances and emphasizes the importance of internal control processes as an integral part of the Company's governance system and risk management.

Effective management control is necessary to ensure that behavior and decisions of people in the organization are consistent with the Company's objectives and strategies.

Anti-corruption Programs and Procedures

The Code of Business Conduct and Ethics requires directors, officers, and employees to observe professionalism, integrity, and good faith in transactions with and obligations to the Company's customers, suppliers, business partners, regulators, creditors, competitors, and employees. It enforces practicing ethical standards of behavior and avoiding the commission of any act that may be construed as direct or indirect bribery and corruption, as defined by law, to facilitate any transaction to gain any perceived or actual favor or advantage.

The Anti- Bribery and Corruption Policy of the Company strictly prohibits corporate gift-giving to private and public entities that constitutes bribery or corruption. It cites specific instances of said corrupt practices to better guide directors, officers, and employees.

The Policy on Solicitation and Acceptance of Gifts, on the other hand, prohibits the acceptance of gifts offered and given by suppliers, contractors, and other third-party business partners to prevent all directors, officers, and employees from putting themselves in situations that could affect the fair, objective, and effective performance of their duties and responsibilities.

The Amended Suppliers Business Conduct, in turn, requires vendors to comply, at all times, with all applicable anti-bribery and corruption laws, and to not offer, accept, promise, pay, permit, or authorize bribes and kickbacks, which include giving of gifts to the Company's directors, officers or employees or other means to obtain an undue or improper advantage.

The Company's Internal Audit reviews the compliance of directors, officers, and employees to the Code of Ethics and other corporate governance related policies, including the required Company disclosures. The result of the Internal Audit review is reported to the Audit Committee (AuditCom).

In 2024, there were no confirmed cases of violations of Anti-Graft and Corruption Policy of the Company.

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

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

Corporate Governance Office
Manila Electric Company
(MERALCO)

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

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

The Speak Out Policy (Whistleblowing Policy) encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by the Company's directors, officers, and employees.

Employees, suppliers, customers, and other stakeholders can download, through the Company website, a Whistleblower Report Form and submit the same via email or regular mail to the CGO through the contact information provided therein.

The Company provides appropriate protection against retaliation to an employee/stakeholder who reports illegal/ unethical behavior. In the event of retaliation, the reporting person or witness may file a report to the CGO by filling out a Retaliation Protection Report Form.

To maintain the integrity and impartiality of the review process, the Company's whistleblowing system is managed by an independent party. Currently, the Chairman of the Nomination and Governance Committee, who is an independent director, spearheads the review of all whistleblowing reports received by the Corporate Governance Office. This includes overseeing the investigation of reported concerns, ensuring appropriate follow-up actions are taken, and safeguarding the anonymity and protection of whistleblowers in accordance with the company's Speak Out Policy and other relevant regulations.

In 2024, the Company received certain reports of alleged violations and illegal/unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

E. DISCLOSURE AND TRANSPARENCY

E.1. TRANSPARENT OWNERSHIP STRUCTURE

The following stockholders directly own more than 5% of the Company's (MER) shares as at December 31, 2024.

Name of Shareholder and Beneficial Owner	Total Shares	% to Total Share
Beacon Electric Asset Holdings, Inc.	394,059,235	34.96%
JG Summit Holdings, Inc.	297,189,397	26.37%
Metro Pacific Investments Corporation	140,906,807	12.50%
TOTAL	**832,155,439**	**73.83%**

E.2 ENTERPRISE-WIDE RISK MANAGEMENT

MERALCO has a robust internal control and Enterprise Risk Management (ERM) framework to monitor and manage its strategic, legal and regulatory, operational, Environmental, Social, and Governance (ESG) and financial risks that are periodically reviewed by the Board to determine its effectiveness in the light of the Company's corporate objective and business and regulatory landscape.

The Company adopted ISO 31000 as its model for ERM framework. The ERM framework helps manage risks by influencing and collaborating with internal organizations and external stakeholders to identify best practices, controls, and process improvement opportunities to address risks. The Enterprise Risk Management Manual was approved and adopted by the Company to provide the methodology and processes for risk management including:

- identification, assessment, evaluation and mitigation of risks or exploitation of opportunities;
- definition of management responsibilities and accountabilities; and
- escalation and reporting of the Company's key enterprise risks

EWRM initiates the annual enterprise-wide assessment of the Company's risks. Risk assessment is conducted to substantiate existing and emerging risks brought about by changes in regulations, market structure developments, technological/operational issues and external forces, including changes in weather patterns, customer satisfaction measures and evolving environmental sustainability issues. Top risks are quantified, and designated risk owners are asked to develop risk treatment and mitigation plans to address potential issues. The results are presented and vetted with the RMC.

The Board, through the RMC, oversees the EWRM and reviews the top key enterprise risks and the effectiveness of risk mitigation strategies and treatment plans developed by management.

Information, Communications, and Technology Governance

The Board, through its Risk Management Committee, oversees the governance process around IT issues including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the board.

The Management, through ICT Governance Office and ICT Planning and Program Management Office, uses Control Objectives for Information and Related Technology (COBIT) framework to ensure that IT goals and objectives are in line with the overall business strategy of MERALCO. This involves delivering value from IT investments, managing IT risks, optimizing IT resources, measuring performance, and communicating with stakeholders. ICT Governance Office provides a comprehensive approach to aligning IT with business objectives, mitigating risks, and ensuring compliance with policies and standards.

Management is likewise accountable to the Board for the Company's information security governance. As a key pillar of Meralco's sustainability, the Management–through the Cyber Security Group (CSG)–drives Meralco's cybersecurity initiatives, providing strategic direction and resources to effectively manage the information security risks. It ensures the highest standard of protection across all aspects of operations, with a strong focus on mission-critical and business critical assets.

The Group conducts regular assessments, and reviews, approving information security policies and standards to ensure continuous monitoring, implementation, and enhancement of a robust information security management system. Aligned with global best practices and international standards, including ISO/IEC 27001, ISO/IEC 27002, and the NIST Cybersecurity Framework, these initiatives are effectively coordinated and integrated into the Organization's relevant processes and core business functions, with clear designation of authority, roles, and responsibilities.

Meralco's information security policies and standards integrate cybersecurity into the workforce's responsibilities in our increasingly digital world. These policies form the foundation for developing strategies and controls to prevent and mitigate cybersecurity risks, ensuring that the company and its employees are cyber-resilient and capable of effectively detecting, protecting against, and responding to cyber threats.

The Group evaluates the organization's maturity posture and identifies any gaps that require action based on the result of the regular maturity assessment. Moreover, the CSG ensures that business units, shared units, and third-party vendors remain compliant and accountable for the organization's cybersecurity requirements and protocols.

The commitment to inculcating adoption and compliance within the organization will not only protect information assets but also cultivate a culture of trust, accountability, and resilience, which are essential for Meralco's long-term sustainability.

E.4 ECONOMIC, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INFORMATION

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

The Company also discloses its policies and practices on the management of economic, environmental, social and governance (EESG) in a separate Integrated Report, in accordance with the Global Reporting Initiative (GRI) Standards, adhering to SASB Standards for Electric Utilities and Power Generators, and adopting the IFRS[42] S2 Standard.

[42] International Financial Reporting Standards

E.5 DIRECTORS' AND OFFICERS' DEALINGS IN COMPANY SHARES

SHAREHOLDINGS OF DIRECTORS AND OFFICERS AS OF DECEMBER 31, 2024

NAME	JANUARY 1, 2024	BUY	SELL	DECEMBER 31, 2024	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
MANUEL V. PANGILINAN	60,000	5,000	-	65,000	65,000	-	65,000	0.01%
LANCE Y. GOKONGWEI	24,313	5,000	-	29,313	29,313	-	29,313	0.00%
RAY C. ESPINOSA	61,000	5,000	-	66,000	66,000	-	66,000	0.01%
JUNE CHERYL A. CABAL-REVILLA	10	5,000	-	5,010	5,010	-	5,010	0.00%
LYDIA B. ECHAUZ	11,100	5,000	-	16,100	16,100	-	16,100	0.00%
FREDERICK D. GO[1]	30	-	-	N.A.	N.A.	-	N.A.	N.A.
PATRICK HENRY C. GO[2]	10	1,667	-	1,677	1,677	-	1,677	0.00%
JAMES L. GO	204,450	5,000	-	209,450	209,450	-	209,450	0.02%
JOSE MA. K. LIM	140,010	38,900	-	178,910	178,910	-	178,910	0.02%
ARTEMIO V. PANGANIBAN	27,001	5,250	-	32,251	32,251	-	32,251	0.00%
PEDRO EMILIO O. ROXAS	1,000	-	-	1,000	1,000	-	1,000	0.00%
VICTORICO P. VARGAS	18,917	5,000	-	23,917	23,917	-	23,917	0.00%

NAME	JANUARY 1, 2024	BUY	SELL	DECEMBER 31, 2024	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL SHARES	% TO TOTAL SHARES
SIMEON KEN R. FERRER	767	-	-	767	767	-	767	0.00%
RONNIE L. APEROCHO	14	-	-	14	14	-	14	0.00%
MARIA LUISA V. ALVENDIA	-	-	-	-	-	-	-	0.00%
EDGARDO V. CARASIG	-	-	-	-	-	-	-	0.00%
ARNEL PACIANO D. CASANOVA	-	-	-	-	-	-	-	0.00%
FERDINAND O. GELUZ	15,877	-	-	15,877	15,877	-	15,877	0.00%
ANTONIO M. ABUEL, JR.[3]	7,927	-	-	N.A.	N.A.	-	N.A.	0.00%
MELANIE T. OTEYZA	-	-	-	-	-	-	-	0.00%
WILLIAM S. PAMINTUAN	-	-	-	-	-	-	-	0.00%
BETTY C. SIY-YAP	-	-	-	-	-	-	-	0.00%
JOSE RONALD V. VALLES	-	-	-	-	-	-	-	0.00%
ROQUE D. BACANI	-	-	-	-	-	-	-	0.00%
BENNETTE D. BACHOCO	-	-	-	-	-	-	-	0.00%
REDEL M. DOMINGO	-	-	-	-	-	-	-	0.00%
CHARINA P. PADUA	42,609	-	-	42,609	42,609	-	42,609	0.00%
RAYMOND B. RAVELO	-	-	-	-	-	-	-	0.00%
FROILAN J. SAVET	8,435	-	-	8,435	8,435	-	8,435	0.00%

FRANCIS EUSTON R. ACERO	500	-	-	500	500	-	500	0.00%
IRENEO B. ACUÑA	18,355	-	-	18,355	18,355	-	18,355	0.00%
JOSEPH L. AMOSCO	5,198	-	-	5,198	5,198	-	5,198	0.00%
PATRICK DAVE B. BACANI	-	-	-	-	-	-	-	0.00%
JOSEPH ALLAN C. BALTAZAR	-	-	-	-	-	-	-	0.00%
RITA D. BANTIGUE[4]	-	-	-	N.A.	N.A.	-	N.A.	0.00%
SANTE C. BUELLA		-	-			-		0.00%
RICARDO CARMELO D. BUENAFE	6,070	-	-	6,070	6,070	-	6,070	0.00%
ALBERTO N. CASTILLO	600	-	-	600	600	-	600	0.00%
ANTHONY MATTHEW N. CO	1,350	800	-	2,150	2,150	-	2,150	0.00%
RICARDO L. CONCEPCION		-	-			-		0.00%
MA. CECILIA M. DOMINGO	1,495	-	-	1,495	1,495	-	1,495	0.00%
LAWRENCE S. FERNANDEZ	4,500	-	-	4,500	4,500	-	4,500	0.00%
MARVIN G. GONSALVES	11,780	-	-	11,780	11,780	-	11,780	0.00%
DANILO R. IGNACIO[5]	7,871	-	-	7,871	7,871	-	7,871	0.00%
JERRY B. LAO	-	-	-	-	-	-	-	0.00%
ARIEL G. LUCAS[5]	-	-	-	-	-	-	-	0.00%
ERVILLE D. MAGTUBO	-	-	-	-	-	-	-	0.00%
RALPH M. MENCHAVEZ[5]	-	-	-	-	-	-	-	0.00%
RODERICK DENNISON N. NACU	31	-	-	31	31	-	31	0.00%
NOEL S. PORCIUNCULA[5]	144	-	-	144	144	-	144	0.00%
PAUL JAYSON I. RAMOS[6]		-	-			-		0.00%
JOSE S. REYES, JR.	8,827	-	-	8,827	8,827	-	8,827	0.00%
GLEN N. SAN PEDRO	-	-	-	-	-	-	-	0.00%
ANDREW JASON B. TAN	-	3,000	-	3,000	3,000	-	3,000	0.00%
JEFFREY O. TARAYAO	-	-	-	-	-	-	-	0.00%
MARILENE P. TAYAG[5]	-	-	-	-	-	-	-	0.00%
PAOLA MARGUERITE A. VERAYO[5]	-	-	-	-	-	-	-	0.00%
MARIA ZARAH R. VILLANUEVA-CASTRO	-	-	-	-	-	-	-	0.00%
JOCELYN C. VILLAR-ALTAMIRA[5]	-	-	-	-	-	-	-	0.00%
AGAPITO R. ZALDARRIAGA	10,369		-	10,369	10,369	-	10,369	0.00%
MA. CYNTHIA C. SOLUREN	11,575		-	11,575	11,575	-	11,575	0.00%
TOTAL	**712,135**	**84,617**	**0**	**788,795**	**788,795**	**0**	**788,795**	**0.07%**

Notes:

1 Resigned as a member of the Board of Directors on January 8, 2024.
2 Elected as a member of the Board of Directors on January 29, 2024

3 No longer a reportable officer of Manila Electric Company effective May 28, 2024.
4 Retired effective November 15, 2024.
5 Rank conferment as Vice-President took effect on January 1, 2024.
6 Appointment as Vice-President and Chief Investor Relations Officer took effect on July 1, 2024.

E.6 AUDIT

Internal Audit

Meralco Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that aligns to the key strategies and risks across the Group's business and is reassessed quarterly to consider business changes and emerging risks. This plan is developed in coordination with the relevant business units and subsidiaries and reviewed and approved by the Audit Committee (AuditCom). The assurance and control advisory reviews are aimed at assisting the Board through the AuditCom in promoting sound enterprise risk management, robust internal controls, and good corporate governance. Design and operating effectiveness of controls that govern the key business processes, systems and risk areas at the Distribution Utility and subsidiaries are evaluated particularly on financial reporting, operations, information technology systems reviews, cybersecurity, data privacy, sustainability, revenue assurance, legal and regulatory compliance and subsidiary oversight. This provides an independent assurance to the Audit Committee on the adequacy and effectiveness of the governance, risk management, internal controls, and compliance systems.

Meralco Internal Audit communicates the results of audit engagements covering various units of the Company and its subsidiaries including specific areas of concerns identified by Management to the AuditCom. The findings and any improvement opportunities are reviewed by AuditCom which then are reported to the Board for guidance and oversight. Significant concerns, which have been reported by Internal Audit Group and the implementation of responsive remedial measures by Management, are acted upon by Management and monitored by AuditCom. The AuditCom Report to the Board included the review of Meralco group's system of internal controls (financial, operational, and compliance controls) and risk management systems which are found to be in place and functioning. A Certification attestation of the Internal Controls is issued bi-annually as a result of the combined risk and control assessment of the Management and Internal Audit including the scope of audit review for the financial year.

Meralco's Internal Audit (IA) is headed by the Group Chief Audit Executive and Senior Vice President, Ms. Melanie T. Oteyza, who reports functionally to the AuditCom and administratively to the Chairman and CEO, as outlined in the Company's Internal Audit Charter. The appointment and removal of the Chief Audit Executive require the approval of the AuditCom.

All internal auditors are members of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework. The internal auditors are comprised of highly certified professionals – Certified Public Accountants, Certified Internal Auditors, Certified Information Systems Auditors, Certified Quality Assurance Validator, Certified Fraud Examiner, Registered Electrical Engineers and others with Certification in Control Self-Assessment, Certification in Risk Management Assurance, and Qualification in Internal Audit Leadership.

Meralco Internal Audit recruits and employs suitable and qualified professional staff with the requisite skillsets, competencies, and experience. Relevant trainings and continuing professional development are provided to its staff to ensure that internal audits are performed effectively and that the team possess the technical knowledge needed for the job and to remain relevant and value-adding to the organization.

Meralco Internal Audit also provides a confirmation of their independence to the Audit Committee on an annual basis.

CONSOLIDATED EXTERNAL AUDITOR'S FEES* (in million PhP)		
	2024	2023
Financial Statements Audit*	26.7	21.1
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM	0.6	0.8

Note: The fees for non-audit services did not exceed those for audit services.

External Audit

The Company's external auditor, SGV was evaluated, nominated, and recommended for appointment including its audit fees by the AuditCom, and such recommendation was approved by the Board. The re- appointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 28, 2024.

E.7 MEDIUM OF COMMUNICATION

Quarterly Reports

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

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

Investors' Briefings/Media Briefings

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

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

Company Website

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

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

E.8 TIMELY FILING/RELEASE OF ANNUAL/QUARTERLY FINANCIAL REPORTS

The Company's 2024 Audited Financial Statements were released on March 1, 2025, 60 days after financial year-end. The true and fair representation of the Annual Financial Reports was affirmed by the Board through the Chairman and CEO, as well as the CFO of the Company on the Statement of Management's Responsibility section of this Annual Report. This can be accessed at the Company website.

E.9 INVESTOR RELATIONS

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

Our Leaders

Board of Directors

MANUEL V. PANGILINAN
Filipino, 78 years old
Chairman, Board of Directors
Chairman, Executive Committee
Chairman, Remuneration and Leadership Development Committee
Chairman, Sustainability Committee
Chief Executive Officer
Director since May 26, 2009

Education and Training:

- BA Economics, Ateneo De Manila University
- Master's in Business Administration, Wharton School of Finance and Commerce University of Pennsylvania

Membership in the Board of Listed Companies:

- PLDT Inc., *Chairman, President and Chief Executive Officer*
- Philex Mining Corporation, *Chairman*
- PXP Energy Corporation, *Chairman*
- Roxas Holdings, Inc., *Vice-Chairman*
- SP New Energy Corporation, *Chairman*

Membership in the Board of Non-Listed Companies, Foundations and other Organizations:

- Associated Broadcasting Corporation [TV5], *Chairman*
- Beacon Electric Asset Holdings, Inc., *Chairman*
- First Pacific Company Limited, *Chief Executive Officer and Managing Director*
- Global Business Power Corporation, *Chairman*
- Kayana Solutions, Inc., *Chairman*
- Landco Pacific Corporation, *Chairman*
- Light Rail Manila Corporation, *Chairman*
- Maynilad Water Services, Inc., *Chairman*
- Mediaquest Holdings, Inc., *Chairman*
- Meralco Power Foundation, *Chairman*
- Meralco PowerGen Corporation, *Chairman*
- METPower Ventures Partners, *Chairman*
- MetroPac Water Investments Corporation, *Chairman*
- Metro Pacific Agro Ventures, Inc., *Chairman*
- Metro Pacific Foundation, *Chairman*
- Metro Pacific Health Corporation, *Chairman*
- Metro Pacific Investments Corporation, *Chairman, President and Chief Executive Officer*
- Metro Pacific Tollways Corporation, *Chairman*

- MVP Sports Foundation, Inc., *Chairman*
- NLEX Corporation, *Chairman*
- One Meralco Foundation, Inc., *Chairman*
- Philippine Business for Education
- Philippine Business for Social Progress, *Chairman*
- Philippine Disaster Resilience Foundation (PDRF), *Co-Chairman*
- PLDT Communications and Energy Ventures, Inc., *Chairman, President and CEO*
- PLDT-Smart Foundation, Inc., *Chairman*
- PT Indofood Sukses Makmur Tbk (Indonesia), *President Commissioner*
- Samahang Basketbol ng Pilipinas, *Chairman Emeritus*
- San Beda College, *Chairman*
- Smart Communications, Inc., *Chairman*
- Stratbase Albert del Rosario Institute, *Co-Chairperson of the Board of Trustees*
- Terra Solar Philippines, Inc., *Chairman*
- US-Philippines Society, *Co-Chairman*

In recognition of Mr. Pangilinan's contributions to the country, the Philippine Air Force awarded him the rank of Lieutenant Colonel (Res) in a promotion list approved by the Philippine President in July 2021. In 2010, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula with the rank of Bayani.

Mr. Pangilinan was awarded the First Honorary Doctorate Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorate in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

LANCE Y. GOKONGWEI
Filipino, 58 years old
Vice-Chairman, Board of Directors
Vice-Chairman, Executive Committee
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Director since December 16, 2013

Education and Training:
- BS Finance, Wharton School of Finance and Commerce University of Pennsylvania
- BS Applied Science, Penn Engineering School University of Pennsylvania

Membership in the Board of Listed Companies:
- Altus Property Ventures, Inc.
- Cebu Air, Inc., *Chairman*
- Endeavor Acquisition Corporation
- JG Summit Holdings, Inc., *President and Chief Executive Officer*

- Oriental Petroleum and Minerals Corporation
- RL Commercial REIT, Inc.
- Robinsons Land Corporation, *Chairman, President and Chief Executive Officer*
- Robinsons Retail Holdings, Inc., *Board Adviser*
- Shakey's Asia Pizza Ventures, Inc.
- Singapore Land Group Limited
- SP New Energy Corporation
- Universal Robina Corporation, *Chairman*

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AB Capital and Investment Corporation
- Ateneo de Manila University, *Trustee and Chairman of the Finance Committee*
- Data Analytics Ventures, Inc.
- Gokongwei Brothers Foundation, Inc., *Chairman*
- JE Holdings, Inc., *Chairman and President*
- JG Digital Equity Ventures, Inc., *Chairman and President*
- JG Summit Olefins Corporation, *Chairman*
- World Economic Forum, Global Leaders for Tomorrow Program

JUNE CHERYL A. CABAL-REVILLA
Filipino, 51 years old
Chairperson, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Sustainability Committee
Director since May 30, 2023

Education and Training:
- Bachelor of Science in Accountancy, De La Salle University
- Master's in Business Management, Major in Finance, Asian Institute of Management
- Executive Program, Stanford Graduate School of Business

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AF Payments, Inc.
- Beacon Electric Asset Holdings, Inc.
- Costa de Madera Corporation
- Fragrant Cedar Holdings, Inc.
- Global Business Power Corporation
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Maynilad Water Services, Inc.
- Meralco PowerGen Corporation
- Metro Pacific Agro Ventures, Inc.
- Metro Pacific Dairy Farms, Inc.
- Metro Pacific Fresh Farms, Inc.
- Metro Pacific Health Corporation
- Metro Pacific Health Tech Corporation - *President and Chief Executive Officer*
- Metro Pacific Investments Corporation, *Chief Finance and Sustainability Officer*

- Metro Pacific Investments Foundation, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Nova Agro Tech, Inc.
- Metro Pacific Tollways Corporation
- MetroPac Movers, Inc.
- Razor Crest Storage Infrastructure Holdings Corporation
- Surallah Biogas Ventures Corp.
- The Laguna Creamery, Inc.
- Indra Philippines, Inc.
- NLEX Corporation
- Iloilo Waste Recovery Holdings Corporation
- Iloilo Waste Recovery Joint Venture Corporation

Ms. Revilla is also an appointed member of the Financial Reporting and Sustainability Standards Council of the Philippines.

LYDIA B. ECHAUZ
Filipino, 77 years old
Member, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Independent Director since May 25, 2021

Education and Training:
- Bachelor of Arts, Major in Economics and Mathematics, St. Theresa's College
- Master's in Business Administration, Ateneo de Manila University
- Doctor of Business Administration, De La Salle University

Membership in the Board of Listed Companies:
- D&L Industries, Inc., *Independent Director*
- Shell Pilipinas Corporation, *Independent Director*
- SP New Energy Corporation, *Independent Director*

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- Akademyang Filipino Association. Inc., *Trustee*
- FERN Realty Corporation
- Mano Amiga Academy, *Trustee*
- Museo del Galeon Foundation, Inc., *Trustee*
- NBS Educational Services, Inc., *Vice-Chairperson*
- Riverside College Inc.
- SM Foundation, Inc., *Independent Trustee*

RAY C. ESPINOSA
Filipino, 68 years old
President and CEO from May 28, 2019 to May 30, 2023
Member, Risk Management Committee
Member, Related Party Transactions Committee
Director since May 26, 2009

Education and Training:
- BS General Studies, University of Santo Tomas
- Bachelor of Laws, Ateneo De Manila University
- Master of Laws, University of Michigan Law School

Membership in the Board of Publicly Listed Companies:
- EEI Corporation, *Independent Director*
- Lepanto Consolidated Mining Company, *Independent Director*
- PLDT Inc.
- PXP Energy Corporation

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AGN Philippines, Inc., *Co-Chairman*
- Aurora Managed Power Services Inc., *Chairman*
- BTF Holdings, Inc.
- Beacon Electric Asset Holdings, Inc.
- Bell Telecommunication Philippines, Inc., *Co-Chairman*
- Bow Arken Holding Company, Inc., *Co-Chairman*
- Brightshare Holdings Corporation, *Co-Chairman*
- CIS Bayad Center, Inc., *Chairman*
- Cobaltpoint Telecom, Inc., *Co-Chairman*
- Connectivity Unlimited Resource Enterprise Inc.
- Corporate Information Solutions, Inc., *Chairman*
- Dominer Pointe, Inc., *Co-Chairman*
- Eastern Telecommunications Philippines, Inc., *Co-President*
- Enterprise Investments Holdings, Inc.
- e-Meralco Ventures, Inc., *Chairman*
- ePLDT, Inc.
- e Telco, Inc., *Co-Chairman*
- ESPI Real Estate Ventures Inc., *President*
- Excellent Energy Resources, Inc.
- First Agri Holdings Corporation, *President*
- First Coconut Manufacturing Inc., *Vice-Chairman*
- First Delta Group Security Services, Inc.
- First Pacific Leadership Academy, Inc., *Trustee*
- Hi Frequency Telecommunications, Inc., *Co-Chairman*
- Ilijan Primeline Industrial Estate Corporation
- Liberty Telecom Holdings, Inc., *Co-Chairman*
- Linseed Field Corporation
- Maya Bank Inc.
- Mediaquest Holdings, Inc.
- Meralco PowerGen Corporation, *Vice-Chairman*
- Meridian Power Ventures Limited
- Metro Pacific Assets Holdings, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Resources, Inc.
- MPioneer Insurance, Inc., *Chairman*
- Multi Technology Investments Holdings, Inc., *Co-Chairman*

- MVP Rewards and Loyalty Solutions Inc.
- New Century Telecoms, Inc., *Co-Chairman*
- One Meralco Foundation, Inc., *Vice-Chairman and Trustee*
- Pacific Aurora Plantation Corp., *Vice-Chairman*
- Pacific Global One Aviation Company, Inc.
- PacificLight Power PTE LTD (Singapore Company)
- PacificLight Renewables Pte. Ltd. (Singapore Company)
- Paragon Vertical Corporation*, Chairman*
- Perchpoint Holdings, Inc., *Co-Chairman*
- PH Broadband Networks Holdings, Inc., *Co-Chairman*
- PH Communications Holdings Corporation
- Philippine Telecommunications Investment Corp., *Director and Corporate Secretary*
- Pilipinas Global Network Limited
- Pilipinas Pacific Telecom Holdings, Inc., *Assistant Corporate Secretary*
- PLDT - Beneficial Trust Fund, *Vice-Chairman and Trustee*
- PLDT Capital PTE Ltd.
- PLDT Communications and Energy Ventures, Inc., *President*
- PLDT Digital Investments PTE Ltd.
- PLDT Global Investments Corporation
- PLDT Global Investments Holdings, Inc.
- PLDT Online Investments PTE Ltd.
- Power Smart Capital Limited
- Radius Telecoms, Inc., *Chairman*
- Roxas Power Corporation
- Skyphone Logistics, Inc., *Co-Chairman*
- Somete Logistics & Development Corporation, *Co-Chairman*
- Smart Communications, Inc.
- Talas Data Intelligence Inc.
- Telecommunications Service Providers, Inc.,
- Telecommunication Technologies Philippines, Inc., *Co-Chairman and Co-President*
- Tori Spectrum Telecom, Inc., *Co-Chairman*
- Two Cassandra - CCI Conglomerate, Inc., *Co-Chairman*
- Two Rivers Pacific Holdings Corporation
- Vega Telecom, Inc., *Co-Chairman*
- WREIT, Inc., *Independent Director*

Position and Membership in Other Organizations and Corporations:
- Executive Committee Member of LAWASIA Energy Section
- Member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association

JAMES L. GO
Filipino, 85 years old
Member, Executive Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee

Director since December 16, 2013

Education and Training:
- BS Chemical Engineering, Massachusetts Institute of Technology
- Master's in Chemical Engineering, Massachusetts Institute of Technology

Membership in the Board of Listed Companies:
- JG Summit Holdings, Inc., *Chairman*
- Oriental Petroleum and Minerals Corporation, *Chairman and Chief Executive Officer*
- Robinsons Land Corporation, *Chairman Emeritus*
- Universal Robina Corporation, *Chairman Emeritus*
- Robinsons Retail Holdings, Inc., *Vice-Chairman*
- PLDT Inc.

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- JG Summit Olefins Corporation, *Chairman Emeritus*
- Gokongwei Brothers Foundation, Inc., *President and Trustee*
- Meralco PowerGen Corporation

Position and Membership in Other Organizations and Corporations:
- Board Adviser, Cebu Air, Inc.

PATRICK HENRY C. GO
Filipino, 54 years old
Chairman, Risk Management Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Related Party Transactions Committee
Member, Sustainability Committee
Director since January 29, 2024

Education and Training:
- Bachelor of Science Degree in Management – Ateneo De Manila University
- General Management Program – Harvard Business School

Membership in the Board of Listed Companies:
- JG Summit Holdings, Inc.
- Universal Robina Corporation, *Executive Vice-President*
- Robinsons Land Corporation

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- JG Summit Olefins Corporation
- Meralco PowerGen Corporation
- Merbau Corporation, *President and Chief Executive Officer*
- Peak Fuel Corporation
- Gokongwei Brothers Foundation, Inc., *Trustee and Treasurer*

JOSE MA. K. LIM
Filipino, 71 years old
Member, Executive Committee
Member, Finance Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Director since May 29, 2012

Education and Training:
- BA Philosophy, Ateneo De Manila University
- Master's in Business Administration, Asian Institute of Management

Membership in the Board of Non-Listed Companies, Foundations, and other Organizations:
- AF Payments Inc.
- Global Business Power Corporation
- Indra Philippines
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Light Rail Manila Holdings, Inc.
- Maynilad Water Holding Company, Inc.
- Maynilad Water Services, Inc.
- Medical Doctors, Inc.
- Meralco PowerGen Corporation
- Metro Pacific Health Tech Corporation
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation, *Strategic Adviser*
- Metro Pacific Investments Foundation Inc., *Trustee*
- Metro Pacific Management Services, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Tollways Corporation, *President & CEO effective March 1, 2025*
- MetPower Ventures Partners Holdings, Inc., *Chairman*
- Metro Strategic Infrastructure Holdings Incorporated, *Chairman*
- Metro Vantage Properties, Inc.
- NLEX Corporation
- Philippine Telecommunications Investment Corp.

Position and Membership in Other Organizations and Corporations:
- Founding Member of the Shareholders Association of the Philippines
- Member, Management Association of the Philippines

ARTEMIO V. PANGANIBAN
Filipino, 88 years old

Lead Independent Director
Chairman, Audit Committee
Member, Executive Committee
Member, Related Party Transactions Committee
Member, Risk Management Committee
Independent Director since May 27, 2008

Education and Training:
- Associate in Arts Degree ("With Highest Honors"), Far Eastern University
- Bachelor of Laws ("Cum Laude"), Far Eastern University
- Doctor of Laws ("Honoris Causa"), University of Iloilo/Far Eastern University/University of Cebu/Angeles University/ Bulacan State University

Membership in the Board of Listed Companies:
- Asian Terminals, Inc., *Independent Director*
- GMA Holdings, Inc., *Independent Director*
- GMA Network, Inc., *Independent Director*
- JG Summit Holdings, Inc., *Independent Director*
- Jollibee Foods Corporation
- Petron Corporation, *Independent Director*
- PLDT Inc., *Lead Independent Director*
- RL Commercial REIT, Inc., *Independent Director*

Adviser to the Board of the following Listed Companies:
- Bank of the Philippine Islands
- Double Dragon Properties Corp.
- Merry Mart Consumer Corp.
- Metropolitan Bank and Trust Co.

Membership in Board of Non-Listed Companies, Foundations, and other Organizations:
- Asian Hospital Inc., *Independent Director*
- Claudio Teehankee Foundation, *Vice-Chairman, Board of Trustees*
- Foundation for Liberty and Prosperity, *Chairman of the Board of Trustees*
- Manila Metropolitan Cathedral-Basilica Foundation, Inc., *President*
- Metro Pacific Investments Corporation, *Independent Advisor*
- Metro Pacific Tollways Corporation, *Independent Director*
- Philippine Judges Foundation, *Chairman of the Board of Trustees*
- Tan Yan Kee Foundation, *Trustee*
- TeaM Energy Corporation, *Independent Director*

Position and Membership in Civic Organizations, Foundations and Corporations:
- Chairman of the Board of Advisers of Metrobank Foundation
- Chairman Emeritus of the Philippine National Committee of the Asean Law Association
- Columnist of the Philippine Daily Inquirer
- Senior Legal Advisor of the Department of Energy (Law and Energy Advisory Panel)
- Retired Chief Justice of the Supreme Court of the Philippines
- President of the Association of Retired Justices of the Supreme Court of the Philippines
- Chairman, Philippine Center for Diabetes Education Foundation, Inc.

PEDRO EMILIO O. ROXAS
Filipino, 68 years old
Chairman, Related Party Transactions Committee
Chairman, Nomination and Governance Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Independent Director since May 25, 2010

Education and Training:
- BS Business Administration, University of Notre Dame Indiana, USA

Membership in the Board of Listed Companies:
- Roxas and Company, Inc., *Chairman*
- Roxas Holdings, Inc., *Chairman*
- Cemex Holdings Inc., *Independent Director*

Membership in Board of Non-Listed Companies, Foundations, and other Organizations:

- Brightnote Assets Corporation
- Club Punta Fuego, Inc., *Chairman*
- Fundacion Santiago, Inc.
- Global Business Power Corporation, *Independent Director*
- Meralco PowerGen Corporation, *Independent Director*
- Metro Pacific Investment Corporation, *Independent Director*
- Oona Insular Insurance Corporation, *Independent Director*
- Roxaco Land Corporation, *Chairman*
- Chromite Gas Holdings, Inc.

VICTORICO P. VARGAS
Filipino, 72 years old
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Director since May 28, 2019

Education and Training:
- BS Psychology, University of Santo Tomas

Membership in Board of Non-Listed Companies:

- Association of Boxing Alliances in the Philippines, *Chairman*
- Beacon Electric Asset Holdings, Inc.
- Beacon PowerGen Holdings, Inc.
- Cignal TV, Inc.
- First Pacific Leadership Academy, *President and member of the Board of Trustees*
- Hastings Holdings, Inc., *Chairman*

- Ideaspace Foundation, *Trustee*
- Kayana Solutions, Inc., *President*
- Media5 Marketing Corporation, *Chairman*
- Metro Pacific Tollways Corporation
- MGen Global Power
- MQuest Ventures, Inc.
- MVP Sports Foundation, Inc., *Trustee*
- Philippines Basketball Association, *Chairman (Season 2017 to present)*
- Philstar Daily, Inc., *Chairman*
- PhilStar Global, Inc., *Chairman*
- PhilPop Music Fest Foundation, *President*
- Pilipino Star Ngayon, Inc., *Chairman*
- Pilipino Star Printing, *Chairman*
- PLDT Clark Telecom, Inc.
- PLDT Global, Inc., *Chairman*
- PLDT Smart Foundation, *Trustee*
- PLDT Subic Telecom, Inc.
- Smart Communications, Inc.
- TV5 Network, Inc.

Position and Membership in Other Organizations, Foundation and Corporations:

- First Pacific Company Limited, *Associate Director*
- Head of Leadership Transition Office of the PLDT Group, Office of the Chairman
- Samahang Basketbol ng Pilipinas, *Vice President and Former Vice Chairman*
- World Boxing Council, *Executive Board Member*
- Philippine Olympic Committee, *Immediate Past President*
- Maynilad Water Services, Inc., *Former President and Chief Executive Officer*

Management Committee and Key Officers

MANUEL V. PANGILINAN
Chairman and CEO

SIMEON KEN R. FERRER
Corporate Secretary

RONNIE L. APEROCHO
Chief Operating Officer

MARIA LUISA V. ALVENDIA
Chief Supply Chain Officer

EDGARDO V. CARASIG
Chief Human Resources Officer

ARNEL PACIANO D. CASANOVA
Chief External and Government Affairs Officer

FERDINAND O. GELUZ
Chief Revenue Officer, OIC Subsidiary Businesses

MELANIE T. OTEYZA
Chief Audit Executive

WILLIAM S. PAMINTUAN
Chief Legal Counsel, Assistant Corporate Secretary, Compliance Officer and Head, Legal and Corporate Governance Office

BETTY C. SIY-YAP
Chief Financial and Risk Officer

JOSE RONALD V. VALLES
Head of Regulatory Affairs and DU Regulatory Management

REDEL M. DOMINGO
Head, MPower

CHARINA P. PADUA
Head of Customer Retail Services

ROSS RAYMOND B. RAVELO
Chief Sustainability Officer

FROILAN J. SAVET
Head of Networks

ANTHONY MATTHEW N. CO
Business Development Officer

ANDREW JASON B. TAN
Head, DU Business Development Office

Subsidiary Heads

MA. CECILIA M. DOMINGO
MSpectrum

ANTONIO M. ABUEL JR.
Shin Clark Power

RONALD R. TORRES
MSERV

RICHARD O. OCHAVA
MIESCOR

DENNIS UY
Comstech

EXEQUIEL C. DELGADO
Radius

LAWRENCE Y. FERRER
Bayad

ROSS RAYMOND B. RAVELO
Movem

EMMANUEL V. RUBIO
MGEN

BALDOMERO N. GUISALA
Clark Electric

ERNESTO M. CABRAL
Vantage Energy

Manila Electric Company and Subsidiaries

Report of the Audit Committee

For the Year Ended December 31, 2024

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

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

The Audit Committee performed its duties and responsibilities in accordance with its Charter, following leading practices in corporate governance and in compliance with the Corporate Governance Code for publicly listed companies issued by the Philippine Securities and Exchange Commission (SEC) and other applicable regulations.

The Audit Committee is composed of three (3) independent non-executive directors, Mr. Artemio V. Panganiban, who sits as the Chairman, Dr. Lydia B. Echauz and Mr. Pedro E. Roxas, and four (4) non-executive directors namely, Ms. June Cheryl A. Cabal-Revilla, Mr. Patrick Henry C. Go, Mr. James L. Go, and Mr. Jose Ma. K. Lim. All the members of the Committee have professional qualifications and an adequate background in business, finance, law, management, and accounting.

The directors also hold membership positions in other Board-level Committees allowing them to stay informed about key developments across business areas. Their involvement provides valuable insights and informed guidance on risk-taking and management activities, ensuring a comprehensive and well-integrated approach to internal controls, corporate governance and risk-managed decision making.

The Audit Committee held seven (7) meetings for 2024. Individual attendance of members at the meetings of the Audit Committee during the year is presented in the Corporate Governance Report of Meralco. After each meeting, the Chairman of the Audit Committee renders a report apprising the Board of Directors of the results of the matters deliberated upon by the Committee for its information and approval.

The Audit Committee, in the discharge of its functions and duties, carried out the following activities:

A. On Financial Reporting

- Reviewed, discussed with Management, and approved the unaudited consolidated quarterly financial statements and the audited consolidated financial statements of the Company and its Subsidiaries, including Management's significant judgments, estimates and impact of new accounting standards and tax changes with respect to the Company's financial statements and analysis of financial condition and results of operation.

  The Committee also reviewed the External Auditor's Report on the audit of the annual financial statements and discussed key audit matters and other required communications to the Committee.

These actions were undertaken with the understanding that:

- Management has the primary responsibility for preparing the financial statements and the reporting process.

- The independent External Auditor, SGV & Co. (SGV), is responsible for expressing an opinion on the conformity of the Company's Audited Consolidated Financial Statements with the Philippine Financial Reporting Standards (PFRS).

- Reviewed and approved Management's Representation Letter before its submission to the External Auditor.

B. On Internal and External Audit Processes

- Assessed the independence, performance, effectiveness, and qualifications of SGV, considering its credibility, competence, ability to understand complex transactions and the adequacy of its quality control procedures. Based on this assessment, the Committee endorsed the re-appointment of SGV to the Board of Directors and the Shareholders as the independent External Auditor of the Company for the ensuing year.

- Reviewed and approved the audit plan and scope of work of SGV for the audit of the 2024 Annual Financial Statements.

- Reviewed and approved SGV's fees for all audit, audit-related, and non-audit services in Meralco and selected subsidiaries as endorsed by Management.

- Reviewed, discussed, and approved the results of the SGV's external audit, its assessment of the Company's internal controls and the quality of the financial reporting process.

- Reviewed the Management Letter issued by SGV after the completion of the audit of the Financial Statements of the preceding year.

- Held separate executive sessions with the Chief Audit Executive and SGV without the presence of Management.

- Reviewed and approved the Annual Internal Audit Plan, the related key performance indicators, and all subsequent changes to the Internal Audit Plan, as needed.

- Reviewed and discussed the results of audits as reported by the Chief Audit Executive in her quarterly and year-end status reports to the Committee with respect to the evaluation of the system of internal controls, overall quality of the financial reporting process, risk management and governance.

- All audit activities performed by Internal Audit were conducted in conformance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA). This includes the Global Internal Audit Standards, Topical Requirements, and Global Guidance.

- Monitored Management's timely implementation of appropriate corrective actions to address the audit issues and recommendations of Internal Audit and the External Auditor.

- Reviewed and discussed the Internal Audit Annual Performance Report, including the Quality Assurance and Improvement Program Annual Report to evaluate the effectiveness of the Internal Audit function.

C. On Internal Control and Compliance with Laws and Regulations

- Reviewed and discussed updates on investigations, recoveries from losses and appropriate actions of the Management.

- Reviewed Management's mid-year and annual confirmation statement on the adequacy and effectiveness of the Company's internal control and risk management system, which was based on the annual risks & controls assessment validated by Internal Audit.

- Reviewed and evaluated the Company's internal control system based on the assessments completed by Internal Audit, SGV, Cybersecurity, Data Privacy Compliance, and matters delegated by the Board of Directors. The Committee is satisfied with the overall system in place and found this to be adequate and effective.

- Reviewed and monitored compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities. This includes reviewing the state of legal compliance with respect to labor laws & regulations, data privacy and the reportorial requirements to regulatory agencies.

D. Others

- Performed self-assessments and reviewed the overall effectiveness of its performance vis-à-vis its Charter and the expectations of the Board of Directors, Management and Shareholders in accordance with the guidelines of SEC Memorandum Circular No. 19 Series of 2016 and the Corporate Governance Manual. The assessment showed full compliance with the requirements set forth in the Audit Charter and governance best practices.

- Invited select members of Senior Management, including heads of subsidiaries, to provide updates to the Committee on new investments and acquisitions, the performance of investments and subsidiaries, risk mitigation or remediation for the noted audit items, and the developments of their strategic directions and overall results.

- Reviewed and approved the Audit Committee agenda and calendar for the year.

- Reviewed and confirmed the continued validity of the Audit Committee and Internal Audit Charters until the next annual review. The Audit Committee Charter complies with the Securities and Exchange Commission Memo Circular No. 04 (2012).

- Advised on the Enterprise Risk Management updates and major risk exposures on a semi-annual basis through the attendance of the meetings of the Risk Management Committee of which the majority are also members.

Based on the reviews undertaken, and discussions with Management and SGV, and subject to the limitations on the Committee's roles and responsibilities, the Audit Committee recommended to the Board of Directors the approval and inclusion of the Company's Audited Consolidated and Parent Company's Financial Statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2024, and the filing thereof with the Philippine Securities and Exchange Commission.

February 20, 2025

On behalf of the Audit Committee:

Retired Chief Justice ARTEMIO V. PANGANIBAN
Chairman, Audit Committee