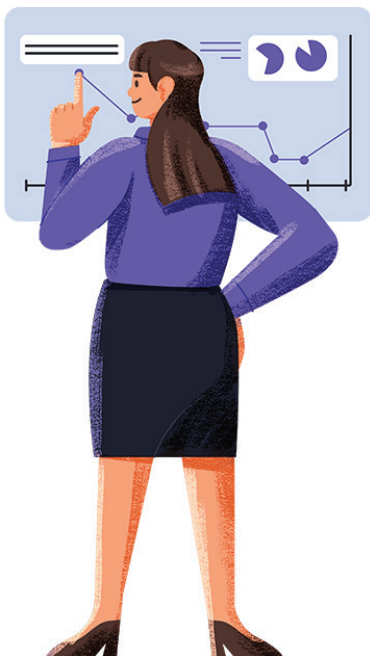


Audit Committee Report



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. Echaz 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.

